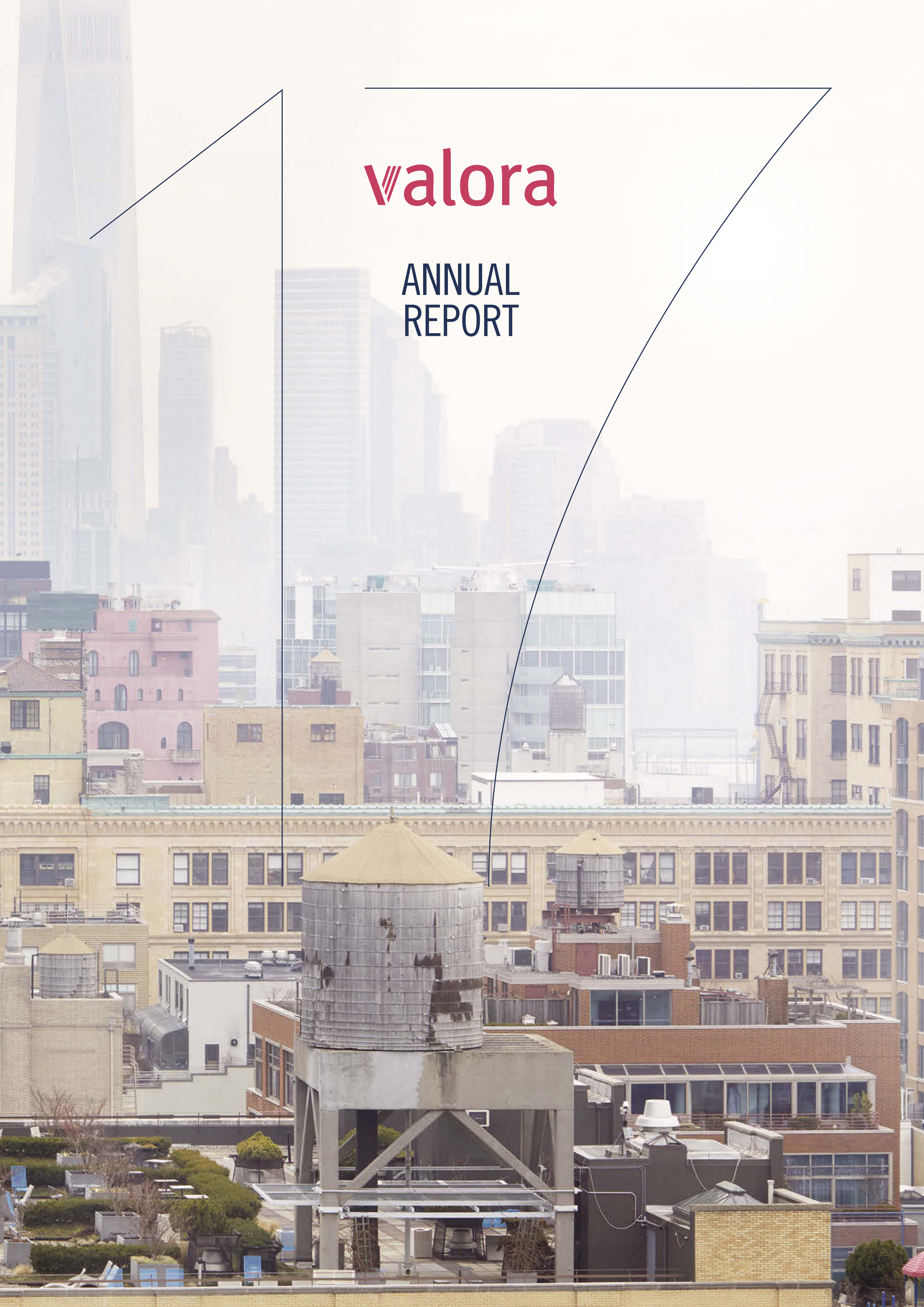

valora

ANNUAL REPORT

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Dear shareholders,

Following the sale of the Naville building in February, we have fully completed our transformation process during 2017 and, with the acquisitions of BackWerk and Pretzel Baron, concentrated on strengthening our positioning as a focused food and convenience provider. At the same time, we have announced a further important step with the planned investments in the expansion of our production capacities, which will allow us to continue with our growth strategy. We also generated a good financial result and in doing so confirmed the communicated expectations.

The acquisition of BackWerk made Valora one of the leading vertically integrated food service providers in Germany. In addition to our already strong presence at transport hubs, we are now also considerably better represented in city centres with BackWerk. At the same time, the established franchise business has allowed us to enter the Dutch and to expand in the Austrian market. In the B2B business, we have also taken important steps with the takeover of the ambitious pretzel producer Pretzel Baron in the US as well as with the replacement of a production line at Ditsch in Germany. Furthermore, thanks to the high level of demand, we have initiated the planning of the further expansion of our production capacities in the US and Germany.

All of this would not have been possible without you, our valued shareholders, and the trust you place in us. Over the past years, you have always believed in our strategy. We are doing everything in our power to continually live up to this trust. This is also expressed by the fact that, in addition to our various growth and investment activities, we have demonstrated with our operating business that our business model is successful.

Among other things, this is reflected in the increased EBIT. Excluding the acquisition costs and EBIT contribution from BackWerk, we succeeded in already reaching the medium-term goal for 2018 with an increase of the EBIT margin to 4.0%. We are also one year ahead of schedule with the achievement of the gross profit margin of 42.0%. External sales remained stable during 2017. Net revenues, excluding the sold Naville Distribution, slightly increased.

Valora is also making further progress in the area of digitalisation. In addition to new digital services, including pick-up / drop-off services, digitalisation is allowing us to increase overall customer loyalty. The new k kiosk app, which we introduced in Switzerland in March 2017, is geared towards this goal. Last year, we also simplified our distribution processes with sales staff by building an easily scalable and well-structured communication and collaboration platform on Google Cloud. This has already allowed us to replace seven existing applications and will enable us to make new offers available at our points of sale more quickly.

We are also on course with the implementation of our long-term financing strategy: following the capital increase of CHF 166 million, which was successfully concluded in autumn 2017, a Schuldschein issue for EUR 170 million was placed on the market at attractive conditions in January 2018 and met great investor interest. From the generated funds, Valora can, among other things, refinance the credit instruments falling due in 2018 at significantly better conditions.

As we look back on the past financial year, we would like to express our thanks to our customers, who make purchases at our points of sale on a daily basis. We would also like to thank all of our business partners and suppliers for their cooperation and the trust-based relationship we enjoy with them. And, in particular, we extend our thanks to the approximately 15 000 employees within our network, who brighten up our customers' journey with their hard work and great commitment embodying our new values: nearby, quick, convenient and fresh.

You, our valued shareholders, also deserve great thanks for the trust that you have placed in us. We are thus delighted to propose an unchanged dividend of CHF 12.50 at the upcoming General Meeting on 13 April 2018. The dividend will be distributed fully from capital reserves.

We would like to take this opportunity to also inform you about an upcoming change in the Valora Board of Directors. After eight years as a member of the Board of Directors of Valora, Bernhard Heusler has decided not to stand for re-election at the General Meeting. We would like to cordially thank him for his commitment and his contribution to the transformation of Valora.

Best regards,

Franz Julen
Chairman of the Board of Directors

Michael Mueller
CEO

Key financial data

		31.12.2017	31.12.2016	Change
External sales [1]	**CHF million**	**2 561.6**	**2 573.6**	–0.5 %
Net revenues [1]	**CHF million**	**2 075.3**	**2 095.0**	–0.9 %
EBITDA [1]	**CHF million**	**133.7**	**127.6**	+4.8 %
in % of net revenues	%	6.4	6.1	
Operating profit (EBIT) [1]	**CHF million**	**79.0**	**72.3**	+9.3 %
in % of net revenues	%	3.8	3.4	
Net profit Group [1]	**CHF million**	**57.1**	**62.5**	–8.6 %
in % of net revenues	%	2.8	3.0	
in % of equity	%	7.7	11.8	
Net cash provided by (used in) [1]				
Operating activities	CHF million	114.2	113.0	+1.1 %
Ordinary investment activities	CHF million	–32.1	–40.4	–20.4 %
Free cash flow [1]	**CHF million**	**82.0**	**72.6**	+13.0 %
Earnings per share [1]	**CHF**	**15.26**	**17.27**	–11.6 %
Free cash flow per share [1]	**CHF**	**23.93**	**21.74**	+10.1 %
Number of outlets operated by Valora		**1 882**	**1 872**	+0.5 %
of which agencies		1 031	1 014	+1.7 %
Number of franchise outlets		**880**	**543**	+62.1 %
Net revenues per outlet	CHF 000	1 103	1 119	–1.5 %
Share price	**CHF**	**325.00**	**289.25**	+12.4 %
Market capitalisation	**CHF million**	**1 277**	**972**	+31.4 %
Cash and cash equivalents	**CHF million**	**152.5**	**159.4**	–4.3 %
Interest-bearing debt	**CHF million**	**398.6**	**361.9**	+10.2 %
Equity	**CHF million**	**737.9**	**530.9**	+39.0 %
Total liabilities and equity	**CHF million**	**1 408.9**	**1 167.2**	+20.7 %
Number of employees [1]	**FTE**	**4 265**	**4 228**	+0.9 %
Net revenues per employee [1]	CHF 000	487	495	–1.8 %

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

2016
127.6

2017
133.7

Free cash flow

in CHF million

2016
72.6

2017
82.0

EPS

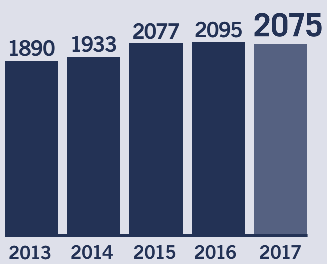
in CHF

2016
17.55

2017
15.27

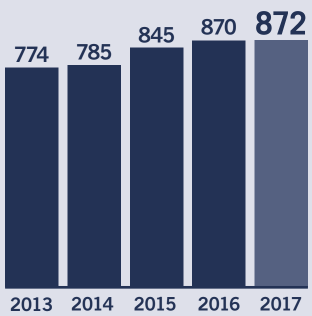
Net revenues

in CHF million



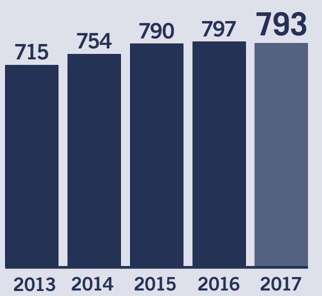
Gross profit

in CHF million



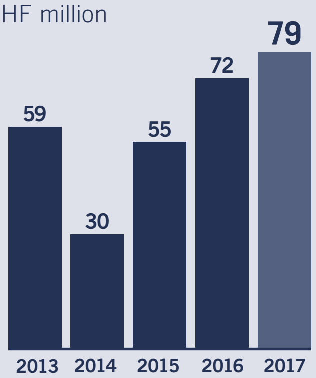
Operating expense (net)

in CHF million



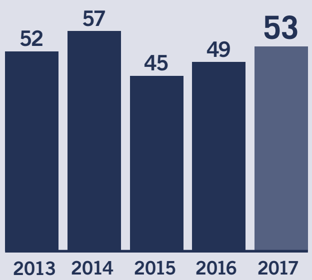
EBIT

in CHF million



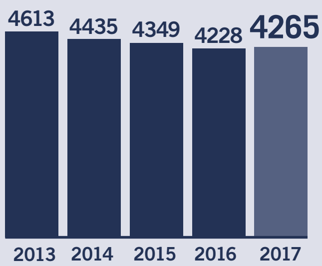
Investments

in CHF million



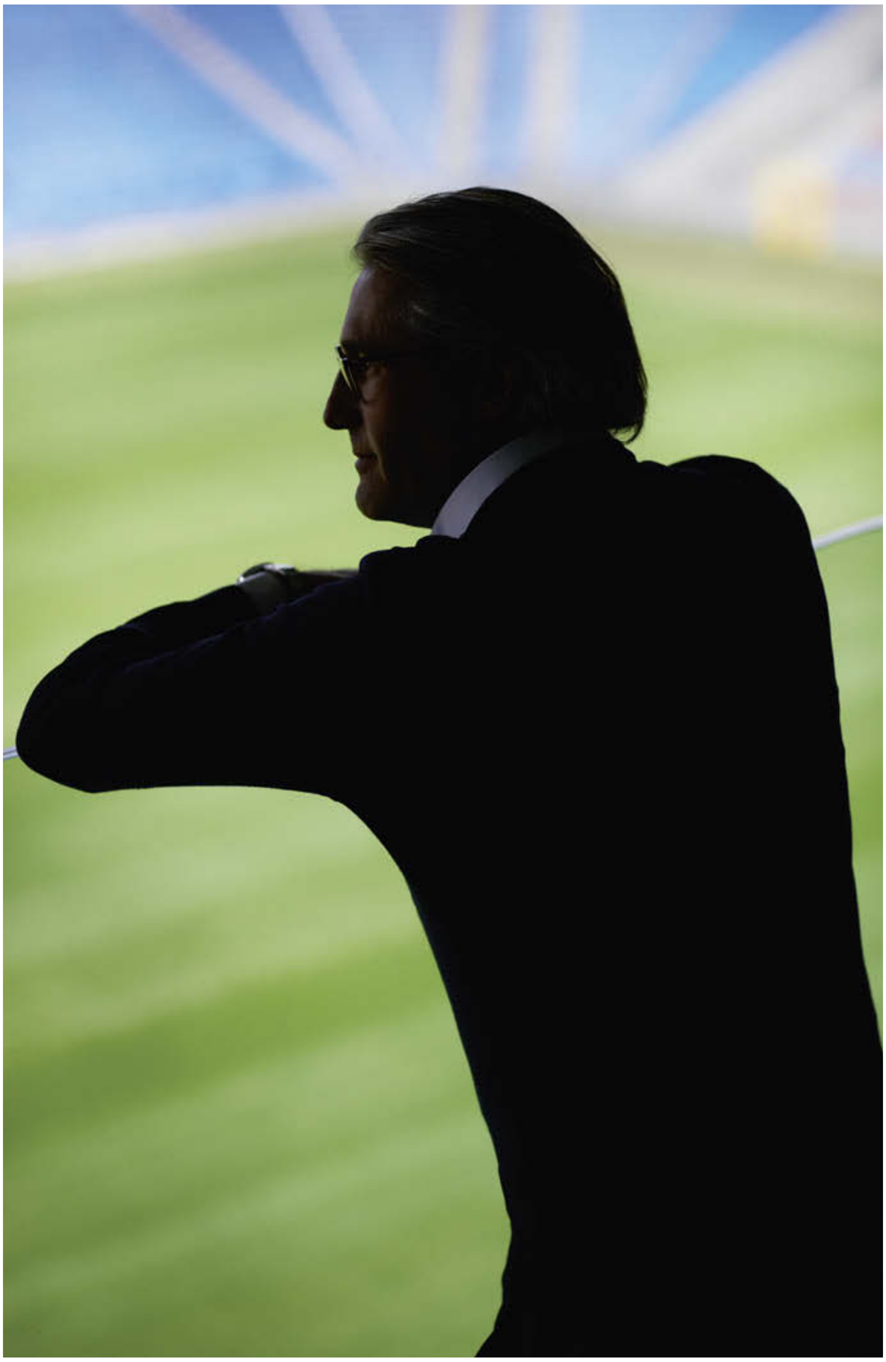
Employees

number of employees (FTE)



"We are now one of the leading vertically integrated food service providers in Germany."

Michael Mueller
CEO Valora



Michael Mueller, would you agree that 2017 was a good year for Valora?

Yes. We have completed our transformation into a focused convenience and food service provider, while at the same time setting the course for future growth with the acquisition of BackWerk and Pretzel Baron as well as the decision to expand our pretzel production capacity. In addition, we have made significant progress in the area of efficiency and process optimisation. And we finally completed the Naville integration with the sale of the La Praille building. All in all, it was a successful year.

What do you think were some of the highlights?

The acquisition of BackWerk is a landmark in our growth strategy we have communicated. We are thus now one of the leading vertically integrated food service providers in Germany. Another important highlight to note here is the trust shown by our shareholders, which was demonstrated by their approval of the capital increase. Furthermore, with the increase in the gross profit margin to 42.0%, we have already achieved our medium-term goal for 2018. Excluding the acquisition costs and EBIT contribution from BackWerk, the EBIT margin stands at 4.0%, meaning that we have also achieved this target one year ahead of schedule.

Let us talk about BackWerk for a moment. What potential does this format offer?

BackWerk, with its 345 points of sale, perfectly complements our other food service formats, such as Ditsch, Brezelkönig and Caffè Spettacolo, ideally supplementing these formats thanks to its "feel good food" concept. BackWerk's city centre locations also complement our existing sites at transport hubs and shopping centres. Finally, BackWerk is an excellent steppingstone for the further internationalisation of Valora, as it gives us access to the Netherlands, which is a new market for us.

How many new BackWerk locations do you plan to open in the coming year?

It is our goal to open 80 to 100 new BackWerk locations, gross, over the next five years. In doing so, our focus will be on the countries where we currently operate, i.e. Germany, Austria and the Netherlands. We also plan to open several new locations in Switzerland.

As part of the acquisition, you carried out a capital increase. Overall, how do things stand in terms of Valora's capital strength?

We have a very balanced financing structure and we have the resources to continue our growth. With our long-term financing strategy, we want to secure our future strategic and financial flexibility. The capital increase must be viewed in connection with the overall refinancing strategy. For example, in 2018 we also placed a new Schuldschein issue for EUR 170 million at highly attractive market conditions. These elements are used to refinance the BackWerk acquisition, to further finance the planned expansion of pretzel production capacities and to refinance the capital market instruments that will fall due in 2018.

In addition to BackWerk, you also acquired US pretzel producer Pretzel Baron.

Yes. Although it is a fairly small company, we see great potential. This acquisition will enable us to increase our footprint in the US – a market that, in terms of pretzel consumption, is already almost as large as Germany. Previously, we supplied the US from Germany, but our production capacity has become tight there. For this reason, we will invest a total of around EUR 50 million in the expansion of production in Germany and in the US in 2018/2019.

Last year was characterised by acquisitions. How was the operational business?

We are pleased that we were able to confirm the communicated expectations. The EBIT climbed by +9.3% to CHF 79.0 million. The EBIT margin increased by +0.4 percentage points to 3.8%. As mentioned, the gross profit margin improved to 42.0% (+0.5 percentage points). Without Naville Distribution, which was sold in 2016, net revenues would have increased by +0.9% on a year-on-year basis.

EBIT in CHF million

2016
72
2017
79

Can you give us details on how things went on the revenue side?

Retail Germany/Luxembourg recorded an increase in sales of +7.0%, while the Food Service division realised an increase of +10.5%. This growth is driven by a higher number of outlets operated by Valora itself and by positive same-store sales development, especially in the case of the Food Service formats (B2C). We also generated more sales in the B2B area – despite the replacement of a production line during ongoing operations in Oranienbaum. The growth at Retail Germany/Luxembourg and at Food Service more than offset the lower revenues generated at Retail Switzerland/Austria (–3.4%). The decline here was primarily due to a lower number of sales outlets and a lower same-store index.

"We have a very balanced financing structure and we have the resources to continue our growth."

And on the cost side?

Our ongoing cost discipline, optimisations in our range and processes as well as adjustments in our network have led to an overall improvement in the EBIT margin. Particularly in Switzerland, we greatly increased profitability. In contrast, the profitability of Retail Germany/Luxembourg and in the Food Service division temporarily remained under pressure. However, we not only made savings, but the minimum wages for our employees in Germany and Switzerland have also been increased.

You also concluded a new collective labour agreement in Switzerland.

Yes. Following constructive discussions with our new social partner, the Kaufmännischer Verband, we concluded a new collective labour agreement (CLA) for all employees in Switzerland who are not already covered by another collective labour agreement. As part of this agreement, we increased gross minimum wages across the board and awarded professional qualification higher. Education should also be financially worthwhile, and we want to be a fair, attractive employer where employees can develop.

However, there has been criticism that the pay increases are too small and, in particular, that employees at k kiosk agencies have not benefited from them.

It is important to look at the context when you talk about wages. Our situation, with small-scale points of sale at highly frequented locations, is different from that of large retailers. Nor is the criticism justified regarding our agency partners. They are free to join the collective labour agreement. Also, whenever there is a new contract with us, they are required to abide by the minimum wage defined in the current CLA. Previously, they were required to pay the minimum wage based on the CLA that was in force when the agency opened.

Let us first take a quick look back and talk about the Food Service division. Did it meet your expectations last year?

Yes, absolutely. We realised a good performance in all formats. In Switzerland, our same-store sales at Brezelkönig and Caffè Spettacolo grew by +2.9%, while in Germany we recorded growth of +1.5% with Ditsch. In the B2B business, we grew +3.7%. Increases in revenue were roughly on balance with higher costs, especially with respect to diary prices. The division's overall revenues increased consiberably despite the conversion work in Oranienbaum, which is a very good basis for further growth.

What are the next steps in the international expansion of Valora's Food Service division?

In the B2B area, demand for our products is outpacing production capacity, which is why the planned capacity expansions are urgently needed. On the one hand, this demand is coming from our current sales markets in Europe, but we also see high growth potential in the US, where we are represented by Pretzel Baron, and in our current export markets. In the B2C area, on the other hand, our focus is on our current markets in Switzerland, Germany and Austria, and, since the acquisition of BackWerk, also in the Netherlands. For Brezelkönig International, we have just won the food travel group SSP as our first franchise partner in Austria and opened a joint store at Vienna Schwechat Airport.

So the focus in future will be on the franchise model?

Yes, Valora has had good experiences with this model as well as with the agency partner model. We already operate 69% of our sales outlets under these models. The franchisees act as entrepreneurs and thus participate in the shared success. BackWerk, a very well-known and established franchise concept, is now part of the Group and on the whole we will benefit from its experiences.

How did the retail business do last year?

Consumer behaviour is changing substantially, which has also an impact on print media and tobacco sales. Print media products recorded another decline in Switzerland and Germany. In Switzerland, tobacco product sales fell, while in Germany this product category benefited from market consolidation and even grew. Our strong ok.– brand also saw very positive growth, and the more than 700 modules with coffee from Caffè Spettacolo and Starbucks that we installed in our Swiss points of sale proved to be very popular among customers. We also see high potential in the convenience business, which is especially relevant for our avec format.

What is next then for avec?

We have developed the concept over the past year and already tested it at two locations in Switzerland. This concept will receive even more attention this year. We are confident that the new fresh product concept will help avec grow further as well.

You also introduced CBD hemp products in Switzerland last year. How is this product range doing?

Demand is high. These products seem to meet a real customer need. However, they remain interesting niche products. We see especially significant demand in alternative nicotine and e-smoke products, which we introduced in 2017. In Germany, in particular, we have pushed ahead with the e-smoking rollout. Tobacco – including corresponding alternative and replacement products – remains a strong driver of customer footfall.

One growth initiative in the retail area involves the business as a service partner for third parties. How are things going here?

We are pleased that we continue to be able to sell public transport tickets in Switzerland. The customer response to the announcement by the SBB that it would suspend this service was in some cases very strong. We have also further expanded our cooperation with Swiss Post and are increasingly offering pick-up / drop-off services, including with Swisscom easy point. Customers can also increasingly pay in cash for their online orders at our points of sale. Our offering of other financial services has also developed further. This includes our consumer credit products from bob Finance.

How do things stand financially with the latter?

We are satisfied with the number of customers and have further strengthened our market position. The lifetime value of our consumer credit business has been positive for some time now and the key figures are developing satisfactorily.

OUTLET NETWORK

31.12.2017

	Format	Switzerland	Germany	Luxembourg	Austria / Slovenia	Netherlands	France	TOTAL
RETAIL	k kiosk	924	238	66				1'228
	cigo & subformats / partners		439					439
	Press & Books	31	167	5	10			213
	avec	136	4					140
	ServiceStore DB / U-Store		118					118
FOOD SERVICE	BackWerk	2	304		24	15		345
	Ditsch		220					220
	Brezelkönig	56			5		2	63
	Caffè Spettacolo	33		2				35
TOTAL		1,182	1,490	73	39	15	2	2,801

"Innovation is required, which along with digitalisation, is a driver in the retail business."

And what are the plans for Valora's retail business this year?

The retail business is an important pillar of our strategy. However, we need to further expand the existing business with updated concepts, adjustments to our product range, new service offerings and measures aimed at increasing efficiency. This requires innovation, which along with digitalisation, is a driver in the retail business.

You repeatedly emphasise the great opportunities that digitalisation offers for Valora. How does this impact business specifically?

It allows for new services such as those mentioned above, which we bring to market either on our own or together with partners. Our digital strategy also supports our promotional and loyalty activities, such as the k kiosk app, which was recognised with an award by NACS, a convenience industry organisation. Digitalisation also has a substantial impact on our efficiency and our processes.

Can you give an example of this?

Last year, we built an easily scalable and well-structured communication platform for our sales staff on Google Cloud and rolled it out to all Swiss retail points of sale in record time. In doing so, we have replaced seven applications. The simplified sales communication with VAPOS.info will also allow us to make new offerings available more quickly in our points of sale. We will now connect our other formats to it in stages.

Not all of Valora's experiences with digitalisation have been good. There was much criticism of the customer flow analysis pilot at the Zurich Main Station.

Valora takes the issue of data protection very seriously and works intensively to examine corresponding projects in advance, from both a technical and legal perspective. However, we definitely did not provide enough information at that time. All we wanted to do was take advantage of the WiFi signals of smartphones to measure customer flows. We would use this information, for example, to optimise staffing. The aggregate data that Valora received in connection with the project could not be attributed to a specific person at any time due to the data's anonymity. Generally speaking, we are interested in approaches and solutions that can provide us with valuable information, but naturally always ensuring that they comply with the relevant data protection legislation and offer customer benefits.

"We aim to brighten up our customers' journey – nearby, quick, convenient and always full of fresh ideas."

Where will Valora focus in 2018?

Valora will focus on the further expansion of the food and drink offering as well as the implementation of our new fresh product concept in the entire kiosk and convenience business. We will also focus on the consolidation of the BackWerk acquisition, our ongoing international expansion and the implementation of the planned expansion of our production capacity. In addition, we will invest in our innovation capacity as well as new digital offerings and the digitalisation of our processes. So we have a lot of work ahead of us, but we are well positioned in terms of management and organisation. And the two new members of the expanded Group Executive Management – Roger Vogt as CEO of Retail Switzerland & Austria and Philipp Angehrn as Head of Transformation & Project Management Office – will help us in these efforts.

Given the pace and amount of change, will employees be able to keep up?

I am sure they will. We have excellent employees on all levels and in all formats. I would like to take this opportunity to thank all employees for their commitment and their motivation. Valora wants to provide employees with prospects and allow them to make a real difference themselves. We aim to brighten up our customers' journey – nearby, quick, convenient and always full of fresh ideas. A positive corporate culture is important for our success.

What concerns you when you look ahead to the coming months?

The accelerated decline of print media, historically high prices for raw materials for dairy products, declining footfall in shopping centres and greater competitive pressure in highly frequented locations remain challenging factors. But I am convinced that we at Valora have all reason to be optimistic. We are optimally positioned to take advantage of the ongoing trend towards high-margin "foodvenience", the increasing number of visitors at highly frequented locations, more customised products and the merging of digital and physical offerings. However, we cannot afford to stand still and must instead be innovative and agile.

Are further acquisitions being considered?

Yes, because we generally follow a growth strategy and the acquisition of BackWerk was certainly not the last one. Our long-term financing strategy allows us to review such opportunities at all times. At the same time, however, we also want to invest in organic growth, the current business and innovative offerings.

"We are optimally positioned to take advantage of the ongoing trend towards high-margin 'foodvenience'."

Group structure

Board of Directors

Franz Julen
Chairman
Markus Fiechter
Vice-Chairman
Peter Ditsch
Bernhard Heusler
Michael Kliger
Cornelia Ritz Bossicard

Group Executive Management

Michael Mueller
CEO
Tobias Knechtle
CFO
Thomas Eisele
CEO Food Service

Extended Group Executive Management and Corporate Functions

Philipp Angehrn*
Transformation / Project Management Office
Jonathan Bodmer*
Corporate Human Resources
Roberto Fedele*
Corporate Information Services
Adriano Margiotta*
Corporate Legal Services / General Counsel
Peter Obeldobel*
Retail Germany / Luxembourg
Hilmar Scheel*
Valora Lab / bob Finance
Roger Vogt*
Retail Switzerland / Austria
Markus Nadig
Corporate Group Controlling
Christina Wahlstrand
Corporate Communications & Strategic Branding

*Extended Group Executive Management

Market areas

RETAIL

SWITZERLAND & AUSTRIA

Roger Vogt
Head of the Executive Board

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
Marc Kranz
Divisional CFO
Björn Tiemann
Head of Wholesale Operations
Klaus Westerwelle
Head of Production / Engineering / Logistics

DE / CH / SL / AT / NL

Karl Brauckmann
Managing Director BackWerk

USA

Gary Gottenbusch
President Pretzel Baron

Status at 28.2.2018

RESPONSIBILITY TO EMPLOYEES, BUSINESS PARTNERS, SOCIETY AND THE ENVIRONMENT

Since sustainable activities form the basis for the long-term competitiveness of each and every company, Valora views economic, environmental and social responsibility as a key component of its corporate policy. This report highlights the measures Valora employs to achieve its goal of economic success while acting responsibly toward the environment, society and its staff.

SOCIAL SUSTAINABILITY

SATISFIED EMPLOYEES, ENTHUSIASTIC CUSTOMERS

Valora focuses its social activities on supporting employees and cultivating relationships of trust with customers and business partners. After all, happy, competent and well-trained employees are the key to success. With that in mind, Valora wants to ensure that its employees are satisfied with and motivated by the work they do and therefore offers continuing education and training opportunities, among other things, in addition to attractive employment conditions. At the same time, Valora constantly reviews daily collaboration to see which processes and systems can be used to further improve the satisfaction and organisational conditions for employees. Staff already benefit from flexible working models and excellent fringe benefits. Employees show their appreciation by working hard every day to ensure that each and every interaction with customers leaves a lasting positive impression.

Employee surveys are conducted at regular intervals to measure employee satisfaction effectively. A variety of measures were extrapolated and implemented in response to the results of the last survey, which was conducted at the various business units between 2016 and 2017. These concerned the employment conditions and staff development on the one hand and improvements in terms of communication, the transfer of knowledge and collaboration on the other. For example, relevant information was made more easily accessible by means of various digitalisation projects. Among other things, the introduction of a new IT platform for further optimising the flow of communication between the head office and retail outlets during the sales process contributed to this. The new tool, VAPOS.info, has been used by Valora Retail Switzerland since summer 2017. According to Roberto Fedele, Head of Corporate Information Services, in the first few months it helped make sharing information with one another easier, more structured and more direct, and it also helped improve sales processes in general. The plan is to role out the cloud-based communication solution across the entire Group. Other IT projects support the continuous enhancement of internal process efficiency.

A survey of Retail Switzerland agency and franchise partners was carried out in summer 2017. By the end, it achieved a good response rate of about 55 %. One insight revealed by the survey: the partners stressed the importance of a good relationship with Valora, which they viewed as very positive. Valora's ok.– brand also received good marks. All of the results were presented at various partner meetings and workshops were conducted to define measures to achieve improvements in the areas of information, range management, promotions and others.

In light of the valuable feedback yielded by these surveys and the consistently high participation rates, Valora plans to conduct another employee survey in 2018. As in previous years, the results will be shared in a transparent manner with the entire organisation once they have been analysed.

NEW COLLECTIVE LABOUR AGREEMENT: FOCUS ON EMPLOYEES

Valora aspires to be a fair employer with satisfied employees who can make full use of their potential. To make that a reality, Valora and the Kaufmännischer Verband (kfmv) reached an agreement on a revised collective labour agreement (CLA) for employees in Switzerland who are not already subject to another CLA as part of the new social partnership approved at the end of 2016. The new CLA entered into force at the start of 2018 and is intended to promote the transparency and sustainability of Valora's employment conditions.

The new CLA improves working conditions and provides greater rewards for professional training. In addition, Valora introduced paternity leave of ten days for all employees in Switzerland. Michael Mueller, CEO of Valora, says: "We are very pleased to have a new collective labour agreement in place for our Swiss employees following the con-

> *"We want to be sure that our employees benefit from good working conditions, fair wages compared to the rest of our industry, and attractive development opportunities."*
>
> Michael Mueller,
> CEO Valora

structive discussions with the kfmv. We want to be sure that our employees benefit from good working conditions, fair wages and attractive development opportunities."

There are a number of employee representation organisations at Valora to ensure that employees also have an internal point of contact to address their concerns. In Switzerland, this role is assumed by the Staff Council, which meets with the kfmv and Valora Group Executive Management at regular intervals in order to share staff feedback. In Germany, employees are supported by a number of works councils.

CREATING VALUES, LIVING VALUES

"The nicest thing about my job is making customers happy." This is not a quote from a promotional brochure, but rather a statement by Baidullah Naroei, a k kiosk agency partner in the Swiss city of Burgdorf. It is an impressive reflection of the drive felt by all employees at Valora. No matter whether they work in a retail outlet, a production facility or an office location, employees strive to brighten up their customers' and business partners' day. This is borne out in conversations with numerous employees, on the basis of which Valora developed its new corporate values. Nearby, quick, convenient, fresh – four values that represent Valora. Both when employees interact with one another and when they deal with their customers and partners.

In order to ensure that the values worked out with numerous employees are instilled in the entire organisation over the long term, they will now also be integrated into Human Resources and corporate processes.

PROFESSIONAL SUPPORT, PERSONAL DEVELOPMENT

Valora supports its employees with a broad and constantly growing range of training and development opportunities. One example of this is Valora Campus, which was introduced for Retail Germany. This programme provides employees with opportunities for professional development so they can improve their specialist qualifications, learn self-management skills or leadership skills. Coaching was integrated two years ago as a key component of the management culture. It has now been installed and established across all management levels. Peter Obeldobel, CEO of Valora Retail Germany & Luxembourg, explains: "In order to be even closer to the customer when making our decisions, it is important to transfer responsibility to those employees who are closest to the target group."

Another training offering at Retail Germany is the "Train the Trainer" course. A total of ten employees successfully completed this in February 2017 in cooperation with Hamburg Chamber of Commerce. As well as the coordination of group processes, the focus was among other things placed on the methodical and didactic structuring of seminars. The employees are now able to pass on their newly acquired knowledge within the service and offer seminars on topics such as time management and team communication.

Regular management courses are held in Switzerland for sales staff as well as leadership weeks for members of middle management. These training sessions are led by external specialists and contribute significantly to personal and professional development. In addition, each year all of the managers of the various Valora retail shop formats congregate their respective agency and franchise partner meetings where participants have an opportunity to learn new information, talk to other participants and cultivate their personal networks.

At pretzel specialist Ditsch, the increase at the middle management level was received positively. Of the seven new positions created at this hierarchy level at the Oranienbaum location, four were filled internally. Putting employees in new management roles not only ensures much better employee support, but also greater acceptance of the new managers as well.

E-learning is an increasingly important component of training and development. It is also in line with Valora's strategy of employing innovative platforms and digitalisation initiatives in all business areas. Valora uses the Avendoo learning management system to offer training and development opportunities to employees. This system allows to provide sales staff with uniform information in a timely manner, irrespective of the employee's location, time zone or employment level. The tool also ensures that employees learn the prescribed standards regarding the Anti-Money Laundering Act and wire transfers as well as the youth protection. Based on the number of positive comments it has received, Valora has decided to expand this area further.

> *"In order to be even closer to the customers when making our decisions, it is important to transfer responsibility to those employees who are closest to the target group."*
>
> Peter Obeldobel,
> CEO Valora Retail Deutschland & Luxemburg

ATTRACTING YOUNG TALENT, SECURING THE FUTURE

Valora has been committed to finding young talent in the retail sector for more than 15 years. In Switzerland alone, there are currently 17 apprentices completing their education at Valora. Of these, 12 apprentices are completing training as a certified retail assistant (EBA) or certified retail specialist (EFZ) in the kiosk and food and beverage sector. In addition, Valora currently has five apprentices in its basic commercial training programme. An ongoing commitment to training can also be seen at Ditsch. The company trains more than 40 apprentices at its Mainz and Oranienbaum locations each year. The top goal is to tie young talents to the company while they are still completing their education and to be able to hire them after they finish their studies. Apprenticeships are also available in Retail Germany in the areas of press sales specialist, bookseller and the retail trade. A total of ten young people are currently completing these training programmes.

The success story of the one-year Valora trainee programme for university graduates also continued this year in Switzerland. In parallel with this, a three-and-a-half-year dual course of study in business administration is being offered in Germany in collaboration with Nordakademie Elmshorn in which six students are currently participating. Following successful completion of the programme, they will have the opportunity to work in management or as junior sales managers at Valora on a permanent basis with attractive terms of employment. "We will also continue to utilise this programme in the future and recruit new trainees," stresses Bianca Pegoretti, Head of HR at Valora Retail Germany.

AGENCY AND FRANCHISE OPERATIONS: MAINTAINING CUSTOMER CONTACT POINTS

In order to remain aware of the needs of both employees and customers, Valora maintains a culture of open communication and collaborative partnership with its agency partners, franchisees and managers who all greatly appreciate the approach. For example, Mirjana Dakic, k kiosk agency partner at Zurich Airport says: "I really enjoy the partnership with Valora. They give me a lot of freedom, but at the same time they also offer a substantial amount of support."

To ensure a strong partnership, there is close coordination with representatives of the retail outlets during regular committee meetings and working groups. Training sessions on topics such as labour law, business administration and pensions have been developed and optimised on the basis of valuable feedback from the agency partners. Valora also offers introductory training, which was provided a total of five times in German- and French-speaking Switzerland in 2017. Valora Retail uses the training sessions to provide future agency partners with information about key aspects of their daily work. These include tasks such as business administration, inventories, staff management and pensions. The training is greatly appreciated by future agency partners. "The support I received from Valora from day one made starting on my own much easier," says Ankul Lal, who has worked as an agency partner for Valora in Switzerland since 2014.

Valora maintains an active dialogue with its agency partners and franchisees in the German retail business as well. Each year, the company invites them to a three-day annual meeting. The motto of the 2017 event was "Exciting customers". Customer focus was the central theme of the entire programme. Every year, the franchisee and shop manager of the year are honoured at this meeting. Awards are presented to partners who have distinguished themselves through their excellent work and great commitment. In addition to the annual meeting, there is a committee of experts in the Convenience area in Germany that regularly convenes. It is made up of franchise partners, employees from the service divisions in Hamburg and members of Deutsche Bahn system management and aims to develop the business further through intensive dialogue in the common interest.

Both Ditsch, the pretzel specialist, and BackWerk, Germany's largest food service bakery, set great store by mutual trust and fairness in dealings with their agency and franchise partners. In fact, the continuous development of employees and partners is one of the most important aspects of our collaboration. For example, BackWerk allows its employees to attend part-time classes while they are employed or to take part in internal service training.

PROTECTING EMPLOYEES, PROMOTING OCCUPATIONAL SAFETY

Valora wants to ensure the health and safety of its employees in the workplace. To do so, regular inspections are carried out at Valora Retail Germany and BackWerk by occupational safety specialists, company physicians and occupational physicians. Individual workstations are assessed and any needs or requirements in terms of ergonomics or lighting are documented and then addressed where necessary. At Retail Germany, this task was assigned to a single company beginning on 1 January 2017. This ensures that all outlets receive uniform and comprehensive service. Reviews for further improving occupational safety are also carried out at BackWerk. To this end, administration employees will receive adjustable-height desks starting in 2018.

The promotion of health in the workplace plays an equally important role at Valora Retail Switzerland. The "Valora Schweiz AG group solution" for implementing occupational health and safety has been in place here since 2011. By law, group solutions must be reviewed periodically and submitted to the authorities for recertification. The recertification was carried out by the competent authorities in 2017 and is now valid for another five years.

Employee health and safety takes top priority at Ditsch as well. The pretzel baker offers all of its employees occupational health care, which is provided by external specialists. In addition, another external partner makes monthly rounds to proactively assess and optimise occupational health and safety and workplace ergonomics. If employees are absent for extended periods due to illness, there is a company integration management programme to help reintegrate them in work life when they return.

> *"The support I received from Valora from day one made starting on my own much easier."*
>
> Ankul Lal,
> Agency partner k kiosk Langnau i.E.

If an employee is unable to return to his or her previous position, the company works with the company physician, the authorities and the employee's line manager to determine how to reintegrate the employee into the workflow at Ditsch.

Regular training on occupational health and safety as well as product and personal hygiene is also conducted at Brezelkönig. The training sessions are carried out at least once annually and are supplemented with driver safety training for drivers.

PARTNERSHIPS: TRUSTING AND LONG-TERM

As a company with a history dating back more than 100 years, Valora is very familiar not only with the needs of its customers, but also those of its partners and suppliers. Since its beginnings, the leading convenience provider has relied on long-term partnerships based on mutual trust. While daily business is defined by issues such as lease management and questions regarding the product range, the overarching focus is on customer needs.

The cooperation with Zurich Airport AG, which dates back more than 50 years, is just one example of the sustainable partnerships entered into by Valora that are based on mutual respect. A further example is the cooperation with Swiss Federal Railways (SBB), which has already existed for more than a century. André Bagioli, Head of Expansion/Location Management, explains: "Our work with Swiss Federal Railways is underpinned by professional and partnership-based cooperation that goes beyond a pure tenant-landlord relationship".

Selecta is the coffee partner for all Valora retail outlets in Switzerland. The collaboration between the two companies is based on their shared history. The partnership is founded on great mutual respect for each other's core competencies as well as quick, open communication aimed at achieving the long-term objectives each company has set.

The close partnership between Swisslos and Valora has also been in place for many years, dating back to the founding of Swisslos in 1937. With its extensive distribution network, Valora makes a significant contribution to total sales at Swisslos. The Swisslos cooperative's net profits go to the cantonal lottery and sport fund, which supports 12,000 charitable projects and institutions in the areas of culture, sport, the environment and society. Since its founding, Swisslos has generated more than CHF 7 billion for charitable purposes and is thus the most important sponsor of culture and sport in Switzerland. Thanks to the sales at its retail outlets, Valora has played a major role in this success.

Valora has also worked with Loterie Romande for more than 30 years. This partnership grew with Valora's acquisition of Naville and its increased presence in French-speaking Switzerland.

Among the long-term partners of Retail Germany is the company Lekkerland. The wholesale company supplies the retail outlets operated by Valora and shares its expertise in category management. The success of the partnership is based on excellent local logistics and lean administrative processes.

An equally long-standing partnership exists in Germany in the lotteries area. Valora Retail Germany is linked through intensive cooperative partnership with the 16 independent companies of Deutscher Lotto- und Totoblock (DLTB).

Ditsch, too, relies on long-term partnerships. The pretzel baker puts a special priority on working together in a spirit of trust. Ditsch also wants to be sure that all of the parties involved in its partnerships adhere to the same standards with respect to proper working conditions as well as recognised social and environmental standards.

TEAMWORK: AT AND OUTSIDE OF WORK

The ok.– brand represents a dynamic lifestyle and a trendy companion for young, mobile people. In keeping with this image, ok.– is active in the area of sport sponsorships. Among other things, this includes support for the MS Sport Camp, where children receive the opportunity to pursue their passion for sport.

ok.– also sponsors one of the greatest talents in Swiss women's tennis, Belinda Bencic. With her youthful, dynamic and authentic personality, she is the perfect embodiment of the ok.– brand. Roger Vogt, CEO of Valora Retail Switzerland & Austria: "We are very proud to promote the career of such a likeable athlete." The tennis player is also excited about the partnership: "I'm thrilled that the ok.– brand and the Valora Group believe in me and support me as a sponsor."

> *"The cooperation with Zurich Airport AG, which dates back more than 50 years, is just one example of our sustainable partnerships that are based on mutual respect."*
>
> André Bagioli,
> Head of Expansion/Location Management

> *"I'm thrilled that the ok.– brand and the Valora Group believe in me and support me as a sponsor."*
>
> Belinda Bencic,
> Tennis player

ECONOMIC SUSTAINABILITY

ACCEPTING AND BEARING SOCIAL RESPONSIBILTY

The focus in the area of economic sustainability is on ethical behaviour, including compliance with the Code of Conduct, adherence to youth protection laws and observance of hygiene standards.

The Code of Conduct sets out the behaviour that is expected of Valora employees and stakeholders throughout the Group. Valora has eleven basic principles in place to ensure that it meets the high standards of ethical behaviour and integrity. One of these principles is strict compliance with human rights, which Valora also expects from its suppliers. These are expected to adhere to the Supplier Code of Conduct, which is part of the entire Group's supply contracts and, more recently, Valora's GTC.

According to Alexia Bühler, Legal Counsel & Compliance Officer, Valora will introduce an e-learning session on the topic over the course of 2018 in order to familiarise employees with the Code of Conduct. It will be geared towards both administrative and sales staff.

A compliance manual helps employees understand and engage in appropriate behaviour and an ethics hotline has been set up for employees, agency partners and franchisees. This hotline will also be made available to suppliers in 2018. Instances of unlawful behaviour, criminal activities and complaints can be reported anonymously to the Compliance Manager via the ethics hotline.

The issues of quality assurance, crisis management and recall processes are reviewed on an ongoing basis at Valora. Producer quality assurance, product information and adherence to the law and supplier terms and conditions must be monitored. "Large industrial producers and suppliers must have at least one of three certifications – BRC, IFS or ISO. Plus the self-control plan drawn up under the principles of HACCP must not be more than two years old," explains Michel Vaucher, Project Manager at Valora Retail Switzerland. Smaller, regional commercial producers and suppliers must also have an HACCP self-control plan in place. This includes an analysis of hazards, the definition of critical control points and guidelines for controlling hazards, and a monitoring system. The plan must also define corrective measures and instructions for complying with manufacturing best practices.

STRICT QUALITY CONTROLS, BEST PRODUCTS

Each item in the Retail Switzerland product range must include product specifications from the supplier. Swiss producers submit written confirmation that their products comply with the Swiss Foodstuffs Act. Foreign producers must demonstrate compliance by submitting confirmation from a Swiss specialist centre. The labelling requirements for packaging, e.g. specification of the shelf life, apply for both food and non-food items. The shelf life and storage conditions must also be met during transport.

Strict quality requirements are also imposed for the ok.– brand. For example, marketability tests are conducted for all new ok.– products and changes to packaging and lab analyses are carried out by suppliers on a regular basis. "Each energy drink additionally undergoes both an in-house analysis and an external analysis conducted by a certified lab at least once a year," says Michael Betschart, Head of Sales Promotion for the Swiss retail business.

To ensure that it only sources products that are grown as environmentally friendly as possible, Ditsch has been a member of the Roundtable on Sustainable Palm Oil (RSPO) since February 2015. RSPO aims to ensure the sustainable

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>
> Alexia Bühler,
> Legal Counsel & Compliance Officer

production of palm oil around the world, providing certification along the entire value chain. In addition, Ditsch has since 2015 exclusively used cage-free eggs in the production of its diverse range of frozen pretzels, pizza snacks and croissant specialities. As a food producer, Ditsch production facilities undergo annually recurring audits in compliance with IFS and BRC standards. Both audits are carried out without advance notice and ensure that certified companies manufacture their products in compliance with the agreed specifications and that they use a continuous improvement process to make improvements to these products.

In 2017, Brezelkönig was once again successfully certified in accordance with ISO 9001:2015. "As a company that produces and distributes baked goods, this ISO certification is a guarantee of solid and reliable processes," says Michel Gruber, Managing Director of Valora Food Service Switzerland. In addition, Brezelkönig can also display the SUISSE GARANTIE label on its pretzels. This label is a guarantee that may only be placed on products with ingredients produced and processed solely in Switzerland.

Valora aims to provide the best quality not only in terms of the products it sells, but also the services it provides. It pays particular attention to customer focus, specialist expertise, communication and accessibility. Corresponding initiatives have resulted in numerous awards. For example, Press & Books took the top spot in the "Newspapers and magazines" category of a customer survey conducted by independent consumer magazine TESTBILD in Germany in 2017. The rating also included k presse + buch shops, which placed third. They are all united in their commitment to excellent service quality.

HIGHEST PRIORITY: PROTECTING CUSTOMERS

DATA SECURITY

Security takes top priority at Valora. Valora has therefore decided to implement ISO 27001, known as the ISMS (Information Security Management System) standard. An ISMS is a combination of methods, processes and rules within a company used for the continuous management and improvement of information security. The ISMS guarantees the confidentiality, integrity and availability of information while applying a risk management process. Data is protected through the use of state-of-the-art security software. Various certificates are used for secure data transmission. One of these certificates is "SSL EV" encryption – the highest bank standard for encrypted connections.

YOUTH PROTECTION

Youth protection is taken very seriously at Valora and all employees receive regular training on this issue as a result. With the help of annual e-learning training modules, topics such as the sale of tobacco or alcohol to young people are discussed and tested. Completion of the training is mandatory for all of Valora's own outlets, agency partners and franchisees. In addition, retail managers inform their employees in the retail outlets of the importance of this topic and the legal requirements governing it.

Technical support is provided by the GK POS systems. When alcohol, tobacco or adult magazines are scanned at the points of sale, the reminder message "Check age" appears on the display screen. Employees are also reminded of the applicable local requirements by signs posted on the points of sale. "Upper management, retail managers and employees are aware of the importance of these controls and want to help improve youth protection and prevent the misuse of products," confirms Roger Vogt, CEO of Valora Retail Switzerland & Austria. To this end, test purchases carried out as part of mystery shopping trips are conducted each year at more than half of all retail outlets to ensure compliance with requirements.

FINANCIAL SERVICES

The offers of bob Finance AG are aimed at borrowers with an affinity for digital technology whose lives are centred in Switzerland. Interested customers can submit their loan application online. For the employees, the regulations and directives serve as the basis for their daily work. bob not only assumes its social responsibility, it is also aware of its great responsibility to its customers. To prevent and protect borrowers from taking on too much debt, bob has implemented a three-tiered system of checking credit ratings that is regularly audited for its effectiveness by internal and external partners. During the first phase, bob checks whether the applicant meets the minimum legal requirements as well as bob's conditions. In the second phase, the budget prepared by the applicants themselves is checked to ensure that the loan amount meets the acceptability guidelines for consumer loans. During the final phase, the information on record with the Central Credit Information Bureau (ZEK), the Information Bureau for Consumer Loans (IKO) and other external information platforms is collected.

ENVIRONMENTAL SUSTAINABILITY

CONSERVE RESOURCES, REDUCE WASTE

The careful use of resources is a key aspect of measures to ensure environmental sustainability. For example, since 2014 all Valora retail outlets in Switzerland have accepted PET bottle returns and handed them over for proper recycling. At Retail Germany, bottles with a deposit are collected and recycled at the retail outlets as part of the DPG deposit system. The same applies to paper in the outlets. Pretzel specialists Ditsch and Brezelkönig collect packaging (sorted by material) in their production facilities, and then efficiently return it to the recycling loop.

In Retail Germany's retail outlets, the introduction of new points of sale systems has reduced the consumption

> *"Upper management, retail managers and employees want to help to constantly improve youth protection."*
>
> Roger Vogt,
> CEO Valora Retail Switzerland & Austria

of paper for receipts substantially. Receipts here are no longer printed automatically, but are instead only printed at the customer's request or for special purchases where the customer needs the information on the receipt.

At Caffè Spettacolo, customers have been able to have their drinks poured not only in disposable cups but also in reusable containers as well for the past three years. The coffee bar chain hopes this will reduce the number of paper cups that wind up in the rubbish. To motivate more customers to use reusable cups, Caffè Spettacolo gives guests who bring their own cup a free upgrade to its "grande" size.

BackWerk allows its customers to bring their own cups into its retail outlets. Germany's largest food service bakery also participates in Hamburg's KEHR.WIEDER recycling campaign. Customers who bring their own cup to participating shops receive a discount on their hot drink as part of the campaign. The goal is to make a meaningful contribution to reducing the number of disposable cups used.

According to Thomas Eisele, CEO Food Service, the product range on offer in retail outlets is baked fresh on demand in order to keep waste at Brezelkönig as low as possible as well. Items that are not sold are returned to Emmenbrücke by the logistics team, where it is reprocessed as biogas. BackWerk also aims to put unsold food that has no quality issues to good use. The food service bakery offers such products at a heavily discounted price via the "Too Good to Go" app or it donates them to soup kitchens and other charitable institutions.

SAVE AND REUSE ENERGY

All Valora Retail shops in Switzerland have used renewable electricity since 2016. Ditsch retail outlets as well as the company's production facilities in Mainz and Oranienbaum also use renewable power. In this case, the electricity is obtained from power plants that have transparent, verifiable certification that their electricity comes from 100% renewable sources. In addition, Valora has developed an action plan that includes specific energy-saving measures. For example, some of the machines in the retail outlets are on timers that cut off their power supply at night.

In order to continuously improve its environmental performance, Ditsch aims to use resources efficiently at its production locations. To do so, it installed heat recovery systems at its production facilities in 2009 which make it possible to use recovered waste to heat both the building and water. Expansions that have already been completed and others that are still pending have added or will add other heat sources to the recovery system.

In addition, all sources of light Group-wide have been reviewed and will be replaced with LED lighting when renovations are carried out. Exterior advertising in Germany, for instance, now uses only LED lighting, which reduces both energy consumption and maintenance costs. Energy-efficient coolers and coffee machines and class A+ baking ovens are being installed during renovations. They generate less heat loss and consume less electricity.

> *"In order to keep waste at Brezelkönig as low as possible, the product range on offer in retail outlets is baked fresh on demand."*
>
> Thomas Eisele,
> CEO Food Service

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 for all stakeholders. 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 shareholder 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 has 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 28 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 in the main segment of SIX Swiss Exchange (Swiss securities number 208897, Telekurs VLAN, Reuters VLAN.S, Bloomberg VLAN.SW, ISIN number CH0002088976). The company itself holds 1.5 % of the total of 3 990 000 issued shares. At 31 December 2017, the market capitalisation of Valora Holding AG amounted to CHF 1 277 million. The company's market capitalisation over the last five years is shown on page 154.

1.1.2 CONSOLIDATED COMPANIES

The significant companies within the Group are shown in the notes to the consolidated financial statements on pages 133 to 134, which list the name, domicile, total share capital, listing 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:

Significant shareholders	Receipt of report	Holding
Ditsch Ernst Peter [1]	29.11.2017	15.93 %
Norges Bank (the Central Bank of Norway), Oslo, Norway	04.01.2018	4.62 %
JP Morgan Chase & Co., New York, USA	05.12.2017	3.08 %

[1] On 29 November 2017, 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 on the shares of Ernst Peter Ditsch covering 15.93 % or 635,599 of own registered shares.
Furthermore it was reported on 29 November 2017 that, the Company, the six members of the Board of Directors and the three members of the Executive Committee are deemed to be acting in concert by virtue of separate parallel lock-up undertakings towards the Managers. The lock-up undertakings will expire 6 months after the First Day of Trading after the capital increase (on 21 May 2018).

The shareholdings were disclosed 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

1.3 CROSS SHAREHOLDINGS

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

2 CAPITAL STRUCTURE

2.1 CAPITAL STRUCTURE AT 31 DECEMBER 2017

The ordinary share capital of Valora Holding AG as of 31 December 2017 amounted to CHF 3 990 000, comprising 3 990 000 single-class registered shares with a nominal value of CHF 1.00 each, each entitled to dividends and votes. All ordinary registered shares of Valora Holding AG are fully paid up and listed in the main segment of the SIX Swiss Exchange.

2.2 CONDITIONAL AND AUTHORISED CAPITAL

At their Ordinary General Meeting held on 14 April 2016, Valora Holding AG shareholders approved the creation of a maximum of CHF 250 000 of share capital through the issue of a maximum of 250 000 registered shares with a nominal value of CHF 1.00 by 14 April 2018 at the latest. 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 the trading of subscription rights. The details and conditions are set out in Article 3b of the company's Articles of Incorporation. No shares were issued prior to 31 December 2017.

Conditional capital amounting to a maximum of CHF 84 000, comprising 84 000 registered shares with a nominal value of CHF 1.00 each, was approved by the Annual General Meeting of 11 May 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 31 December 2017. The conditional capital of CHF 84 000 remains unchanged.

2.3 CHANGES IN SHARE CAPITAL

At the Extraordinary General Meeting held on 8 November 2017, Valora Holding AG shareholders approved a capital increase of CHF 554 401 through the issue of 554 401 registered shares with a nominal value of CHF 1.00. The capital increase was carried out by means of a subscription rights issue at market price.

2.4 SHARES, PARTICIPATION CERTIFICATES AND DIVIDEND RIGHT CERTIFICATES

All 3 990 000 single-class 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.

2.5 CONVERTIBLE BONDS AND OPTIONS

On December 31, 2017 Valora Holding AG had issued neither convertible bonds nor options.

2.6 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 MEMBERS OF THE BOARD OF DIRECTORS

At 31 December 2017, the Board of Directors of Valora Holding AG comprised the following six members:

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

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: SBU manager at Mettler Toledo AG, manager at Boston Consulting Group, CEO of the Minibar Group, CEO of Jacobs Holding AG, member of the Board of Directors of Barry Callebaut AG, member of the Board of Directors of W. Schmid AG.
Current activity: member of the Board of Directors of Minibar AG (2005).

Bernhard Heusler, 1963, Swiss citizen
Attorney-at-law, doctorate and master's degree in law from the University of Basel and postgraduate studies at the University of California, Davis.
Previous activities: partner at Wenger Plattner, attorneys-at-law in Basel, Berne, Zurich, temporary associate at Davis Polk & Wardwell, New York, legal adviser at Walder Wyss Attorneys-at-law, Basel. Chairman and Board Delegate of the FC Basel 1893 AG football club.
Current activities: business and sports consultant and joint proprietor at Heusler, Werthmüller, Heitz AG, Basel (2017).

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 eG.
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 Ferguson Finance (Switzerland) AG, managing partner and member of the Board of Directors of 2bridge AG.

Michael Kliger, 1967, German citizen,
MBA from Northwestern University (Kellogg School of Management) and degree in business administration, TU Berlin
Previous activities: Head of Europe Business of the e-commerce service provider GSI Commerce, Europe and APAC Vice-President at eBay Enterprise, Chief Operating Officer at Real Holding AG, partner at McKinsey and Accenture.
Current activities: President and CEO of mytheresa.com (2015).

No members of the Board of Directors have any operational management duties within the Valora Group.

Board Changes
Bernhard Heusler will not stand for re-election at the 2018 Ordinary General Meeting, thus relinguishing his position as Board member.

3.2 OTHER ACTIVITIES AND VESTED INTERESTS

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

3.2.1 SUPERVISORY BOARD ACTIVITIES

- Bernhard Heusler: Chairman of the Foundation for Sick Children in Basle.
- Markus Fiechter: member of the Board of Directors of Minibar AG, member of the Board of Directors of the Swiss Federal Foundation for Promotion of the National Economy through Scientific Research, Zurich.
- Franz Julen: member of the Advisory Board of the Aldi Süd corporate group 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 Boards of Directors of Ferguson Finance (Switzerland) AG, Zug and 2bridge AG, Uster.

3.2.2 MEMBERSHIP OF EXECUTIVE COMMITTEES

- Cornelia Ritz Bossicard: Managing Partner of 2bridge AG, Uster.
- Michael Kliger: President and CEO of mytheresa.com, Munich.

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 Remuneration, 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 exercised for listed legal entities.

3.4 ELECTION AND TERM 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 for a term of office of one year until the next Ordinary General Meeting. Re-election is permissible.

Subject to the requirements placed upon it by law and the Articles of Incorporation, the Board of Directors is self-constituting. The Board elects from among its number a Vice-Chairman and appoints a Secretary who need not be a Board member. Should the office of Chairman become vacant, the Board shall appoint one of its members for the remaining duration of the Chairman's term of office as Interim Chairman.

The year of the first election of each board member is listed in the table below.

Board member:	**Year of first election**
Franz Julen	2007
Markus Fiechter	2008
Bernhard Heusler	2008
Ernst Peter Ditsch	2013
Cornelia Ritz Bossicard	2014
Michael Kliger	2017

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). It has supreme managerial responsibility for the company and the supervision of its business administration activities. 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, members of the Board or 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 with the exception of the committees. Board members are, however, selected in such a way as to ensure that the Board as a whole has specific expertise in the fields of finance, retail, franchising, trade, IT, law, production and digitisation.

Minutes are kept of Board meetings.

The composition of the Board committees is as follows:

- Audit Committee: Cornelia Cornelia Ritz Bossicard (Chairwoman), Franz Julen, Bernhard Heusler.
- Nomination and Compensation Committee: Markus Fiechter (Chairman), Ernst Peter Ditsch, Michael Kliger.

The Board of Directors held ten meetings in 2017 and conducted eight conference calls. Of the ten meetings, three lasted an entire day and seven half a day. Both the Audit Committee and the Nomination and Compensation Committee convened for four 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 auditors, to attend their meetings. The CEO and CFO attended all meetings of the Board of Directors and its committees. The external auditors 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.
k) 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.
l) To assess audit findings in the internal and external auditors' reports and to monitor the implementation of measures recommended therein.
m) To assess the collaboration between the internal and external auditors.
n) To commission additional and follow-up audits with regard to specific issues or problems as needed.

o) To assess financing and treasury policy.
p) To assess the legal department's annual report on major, potential, pending and resolved legal issues, the financial consequences of which are significant, and to assess the Group's compliance with required standards.
q) To assess tax planning, tax management and tax audits and their outcomes.
r) To assess the evolution of corporate governance and to formulate appropriate recommendations to the Board of Directors.
s) 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), k), l), m), o), p), q) and r) s) above, the Audit Committee exercises a preparatory function. For the duties specified in g), i), j) and n), 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 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.
(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 Board member candidates for submission to the Board.
(l) To prepare proposals for submission to the Board on the appointment or dismissal of the CEO and all 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 but at least four times per year. Board meetings are convened by the Chairman or, in his absence, by the Vice-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 the Board's 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 can also be passed by video or telephone conference or in writing by circular letter, provided that a majority of Board members vote in favour of the proposal, all members had the opportunity of casting their votes and 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 Secretary must sign. Each 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 for risk assessment and risk management activities. The Board also bears ultimate responsibility for personnel matters and determines the fundamental principles of the company's HR and salary policies. It is responsible for the appointment, dismissal and supervision of those persons 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 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 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 the Valora Group's normal business activities and the execution of consultancy contracts the costs of which (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 in excess of 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 with substantial implications.
In addition, the Management Information System provides the Board of Directors with the following information a regular basis: monthly sales figures and monthly divisional and Group reporting based on the budget approved by the Board compared with the current and prior-year figures, information regarding major business events, information 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.
Each member of the Board of Directors can request information from the management about the course of business and operations and, with the authorisation of the Chairman of the Board, on specific business transactions. Each member may also request that company books and files be made available for said member's 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 Valora's key risks. 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 carried out in collaboration with Group Executive Management and the Chairman of the Board. The process comprises three phases. In phase 1, the catalogue of risks and the methodological parameters are defined and structured interviews are conducted with the individual members of Group Executive Management. Some 15 key Valora employees are also 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 assigned to specific members of Group Executive Management. The implementation status of measures defined in the previous year is also reviewed. The final phase involves documenting the key findings and potential consequences for 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 and objective audit and advisory services which are designed to generate added value and improve business processes. It 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 and monitoring processes and helping to improve them.
Internal Audit is independent. It assumes no managerial responsibilities and makes no management decisions. It reports functionally to the Audit Committee and administratively to the Chief Financial Officer of the Valora Group.

Every year, Internal Audit draws up a risk-based annual plan which it submits to the Audit Committee as the basis for determining the key areas of audit examination. 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 assignment. In addition to its own audit findings and recommendations, this also contains a statement from the management setting out the measures planned and the time 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 7 audits in 2017.

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 manage 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 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 Ltd., CEO, Board Delegate and Member of the Board of Directors of Jelmoli Holding AG, CEO of GVO Asset Management Ltd., merger and acquisitions advisor in investment banking at Goldman Sachs, management consultant at Bain & Company advising on strategic transformation and restructuring programmes. CEO of Valora since 1 March 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 1 March 2014.

Thomas Eisele, 1974, Swiss citizen
Master's degree in Economics (lic. rer. pol.) from the University of Basel.
Previous activities: Managing Director of 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 of itheca Group, management consultant at MCS.
Head of the Food Services division since 1 April 2014

4.2 FURTHER SIGNIFICANT ACTIVITIES AND VESTED INTERESTS

No member of Group Executive Management currently engages in any other activities on the management or supervisory boards of any listed companies in Switzerland or abroad. 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 is a member of the supervisory boards and investment committees of Valora Pension Fund and 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 Remuneration, 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 a 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, SHAREHOLDINGS AND LOANS

Full details of all remuneration, shareholdings and loans (content of remuneration and share programmes, process for determining remuneration under these 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 39 to 55 and in the financial report in Note 34 "Transactions and balances outstanding with related parties" to the consolidated financial statements of the Valora Group (pages 129 and 130) and in Note 3.4 "Shareholdings" to the financial statements of Valora Holding AG (page 146).

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 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 to shareholders who fail to confirm expressly on request that they have acquired the shares in their own name and for their account. The Board of Directors may also delete – with retroactive effect to the date of original entry – the entry in the share register as a shareholder with voting rights of shareholders who, on subsequent inquiry, are found to have had the voting rights concerned registered by making a false declaration, and have them entered instead as shareholders without voting rights. Any such deletion 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 permit the fiduciary entry of registered shares with voting rights over and above the limits set out in this article 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 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 or by the independent shareholders' representative. The Board of Directors will ensure that shareholders can also grant powers of attorney and issue instructions electronically 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 stipulate 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 abstentions and invalid votes are considered as not submitted. In the event of a tied vote, the Chairman of the Board of Directors has 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 shares represented:

- changing the purpose 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 Swiss Official Gazette of Commerce.

The holders of registered shares entered 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 for 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 said General Meeting.

6.5 ENTRY IN THE SHARE REGISTER

To attend the 2018 Annual General Meeting, shareholders must submit their requests for entry in the share register to the company no later than 4 p. m. on 4. April 2018.

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 and annual financial statements of Valora Holding AG and its subsidiaries are audited by Ernst & Young AG. The General Meeting appoints an individual or corporate body satisfying the relevant legal requirements to act as statutory auditor for a period of one year with the rights and obligations prescribed by law.

8.1 DURATION OF THE MANDATE AND TERM OF OFFICE

The audit mandate was first entrusted to Ernst & Young AG at the 2009 General Meeting. Ernst & Young AG were reappointed as auditors for a further year at the General Meetings from 2010 until 2017. The lead auditor, André Schaub, 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 FEE AND ADDITIONAL FEES

Type of Services (in CHF million)	2017	2016
Audit Services[1]	0.8	0.8
Audit related services[2]	0.5	0.0
Total audit and audit related services	**1.3**	**0.8**
Tax services	0.0	0.1
Other services[3]	0.4	0.3
TOTAL	**1.7**	**1.2**

[1] This amount includes the fees for the individual audits of Group companies carried out by Ernst & Young as well as their fees for auditing the Group financial statements.

[2] Audit-related services comprise the half year review of Valora Holding AG and of the Valora Group as well as the audit of the financial statements according to IFRS of the Backwerk Group all in relation with the offering of the additional registered shares. In addition, this position includes comfort letters.

[3] Other services include mainly transaction services.

8.3 INFORMATION INSTRUMENTS AVAILABLE TO THE EXTERNAL AND INTERNAL AUDITORS

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

Internal auditing was carried out by an external audit company in the reporting year. The external auditors attended all Audit Committee meetings whereas the interal auditors attended three meetings. All members of the Board of Directors were invited to the Audit Committee meetings held during the financial year, at which the interim and full-year financial results were reviewed. The assessment of the external auditors takes account of a number of important criteria including 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 ended and their audit plan for the current financial year. The internal auditors submit their audit plan for the current year to the Audit Committee and provide it with a separate report on each audit carried 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 close contact with the financial community and the general public. Important news items concerning the company are reported on an ad-hoc basis. In addition, the Valora website provides comprehensive information on a range of topics as well as all matters subject to statutory disclosure.

Investor Relations 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 in 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 observing the relevant directives on ad-hoc publicity and on blackout periods ahead of the publication of interim and full-year results. Blackout dates commence on predefined dates prior to the official publication of results 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 of the annual report.

In July the company publishes an unaudited interim report for the first six months of the year on the Valora Group website.

The Investors section of the Valora website contains a variety of information including the corporate governance report, the Articles of Incorporation, a calendar of events, information on General Meetings and on the share and further key figures. Media releases, ad-hoc news and reports on potentially price-sensitive matters can be obtained in a timely manner free of charge 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: *Christina Wahlstrand*
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 2017 and explain its key details.

As part of the election of the members of the Nomination and Compensation Committee at the 2017 Annual General Meeting, Michael Kliger was nominated as a new member of the Committee and of the Board of Directors. In addition, the Board of Directors appointed the signatory as chairman of the Nomination and Compensation Committee for the term of office beginning with the 2017 Annual General Meeting.

After the NCC implemented a comprehensive set of changes to the remuneration system for Group Executive Management at the end of 2015, no major changes were carried out in the reporting year. The objectives of the current remuneration system are simplicity, transparency, a performance-based component and close alignment with the interests of shareholders. Accordingly, a key attribute of this remuneration 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.

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. 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 share price.

In the reporting year, the NCC reviewed the remuneration programmes for Group Executive Management in order to ensure that they were aligned with the corporate strategy, the long-term interests of shareholders and the sustained interests of the company. In this context, the NCC has fleshed out the basic features of a new remuneration system for members of Group Executive Management from financial year 2019 that is considerably more performance-oriented and therefore ensures that short and long-term variable remuneration are even more strongly aligned with performance and the company's success. The aim of consistently structuring the new system based on variable remuneration elements is to reward extraordinary performance and to further promote a high-performance culture within the company.

Target remuneration will not be increased as a result of the new remuneration system. The remuneration of Group Executive Management will continue to comprise three elements: an annual fixed salary, a performance-based Short Term Bonus (STB) and a Long Term Incentive Plan (LTI).

The fixed salary of all participants will be reduced by approximately 30%. Its proportion of total remuneration will be a maximum of 40% for the CEO and a maximum of 50% for all other members of Group Executive Management and it is structured as a cash payment.

The Short Term Bonus (STB) will be increased by a factor of 2.5 to 3.5 and corresponds to a maximum of 40% of total remuneration for all members of Group Executive Management. The STB will be paid out upon achievement of quantitative targets. Remuneration depends entirely on at least two predefined profit targets (e.g. EBIT, ROCE). The profit target is only granted if the key figures meet a threshold of 80% of the defined profit target. Effective target achievement can lie between 0% and a maximum of 150%. At least 20% of the STB is paid out in the form of blocked shares. This proportion can be increased to up to 100% at the participant's request.

The Long Term Incentive Plan (LTI) envisages assigning Group Executive Management a target EBIT value each year which is fixed for three years based on three-year medium-term planning. The target value will be reviewed and confirmed by the Board of Directors annually and can be adjusted accordingly, in particular in the event of extraordinary circumstances such as the purchase or sale of company assets or changes in the number of members of Group Executive Management. The target value accounts for around 25% of the CEO's total remuneration and 20–25% of that of the members of Group Executive Management. Payment takes the form of shares with a blocking period of three years.

Accordingly, the remuneration of members of Group Executive Management is up to two-thirds performance-related and will only be paid upon achievement of predefined profit targets. As a result of the three-year blocking period for shares awarded under the STB and LTI, the amount of variable remuneration corresponds strongly with the performance of the share price. The Board of Directors is confident that this will offer members of Group Executive Management performance-based remuneration that is in line with the market while also protecting the interests of shareholders and the company.

Moreover, the NCC has determined the remuneration of members of the Board of Directors and Group Executive Management and has prepared both the Remuneration Report and the "Say-on-Pay" vote for the Annual General Meeting. You can find further information about our activities, the remuneration system and the remuneration rules on the following pages.

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. As in previous years, shareholders can express their views on the remuneration system by participating in the consultative vote on the 2017 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 2018 Ordinary General Meeting to the 2019 Ordinary General Meeting and for Group Executive Management for 2019.

Yours sincerely

Markus Fiechter
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 held binding votes on the maximum remuneration paid to members of the Board of Directors during the period until 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:
https://www.valora.com/media/investors/documents/de/documents/statuten_valora_en.pdf

2 COMPENSATION GOVERNANCE

2.1 RESPONSIBILITIES

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 2017, the NCC comprised Markus Fiechter (Chairman), Ernst Peter Ditsch and Michael Kliger.

The NCC primarily assists in preparing the decision-making process by the Board of Directors and the decisions it ultimately makes. In accordance with the requirements imposed on them by law and the Articles of Incorporation, the NCC and the Board carry out the following duties concerning remuneration issues:

	Proposal	Recommendation	Approval
Determining and assessing the remuneration strategy and guidelines		NCC	Board
Determining and assessing the qualitative and quantitative criteria applied to remuneration		NCC	Board
Maximum remuneration for Group Executive Management	NCC	Board	AGM
Remuneration of the CEO and the other members of Group Executive Management		NCC	Board
Assessing the extent to which the quantitative performance criteria for determining the variable remuneration of Group Executive Management have been met			NCC
Performance appraisals of the CEO and the other members of Group Executive Management		NCC	Board
Maximum remuneration for the Board of Directors	NCC	Board	AGM
Remuneration of the Board Chairman and the other Board members		NCC	Board
Remuneration Report		NCC	Board
Remuneration recommendations of the Board of Directors and Group Executive Management to the General Meeting		NCC	Board

The NCC meets as often as business requires, but at least three times each year. Meetings are convened by the NCC Chairman or at the request of an NCC member. In special cases, they may also be convened by Board resolution. The NCC held four meetings in 2017. 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.

2.2 BENCHMARKS AND EXTERNAL ADVISORS

Valora regularly reviews the total remuneration paid to the members of Group Executive Management. To this end we compare data from executive studies as well as benchmarks published by companies of a similar size and structure, a comparable mix of business activities, business model and geographical structure or by companies of a comparable business complexity and similar size with regard to market capitalisation, sales revenue, number of employees, etc. If needed, external advisors are mandated to help us review the mix of fixed and variable components and cash-based and share-based components as well as the levels of remuneration.
In 2017, the remuneration packages of the members of Group Executive Management were reviewed on the basis of an executive study carried out in cooperation with the external partner Mercer. The study shows that the total target remuneration is competitive and that Group Executive Management receives remuneration that is in line with the market median if business performance meets the targets that were set. The findings from the study were used to plan the total remuneration package of Group Executive Management for 2019, and the variable component as described on page 50 will be increased considerably to the debit of the fixed component, in particular by adding a stronger performance component to the LTI.

The Board of Directors is confident that these changes will mean that the planned remuneration system for 2019 (see in addition section 6) is even better aligned to the following principles:

- Pay for performance: The lion‘s share of the total remuneration (from 2019 around 60 %) of the members of Group Executive Management depends on performance and is therefore variable. The target remuneration can only be earned if the profit targets defined by the Board of Directors are achieved. Such performance-based remuneration that is dependent on business success creates a sustainable performance culture and effectively links individual performance to the creation of sustainable company value for the shareholders of Valora.
- Clear alignment of the interests of management and those of the company and its shareholders: A significant part of the remuneration consists of blocked shares. After three years at most, every member of Group Executive Management is expected to hold shares for at least the amount of one fixed annual salary. In this way, only a sustainable increase in the company‘s value and thus the share price will lead to an increase in management‘s remuneration. This serves the interests of the company and its shareholders.
- Setting effective incentives by ensuring a balance between the fixed and variable/ performance-based remuneration components

- Competitiveness on market: Valora endeavours to attract talented managers on the market and to motivate them and retain their long-term commitment to the company. Valora's remuneration system is competitive and is also regularly reviewed against benchmarks and adjusted to market conditions.

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 Group and its shareholders.

Members of the Board of Directors receive a fixed director's fee. The chairpersons and members of the Board Committees (the Audit Committee and the Nomination and Compensation Committee) receive additional remuneration. 80% of the director's fee is paid out in cash and 20% in the form of blocked Valora Holding AG shares. No pension fund contributions are made on behalf of members of the Board of Directors. The Board members may join the Valora Pension Fund but must pay their own contributions.

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 have been 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:
https://www.valora.com/media/investors/documents/de/documents/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 7.2.

4 BOARD MANDATES AND EMPLOYMENT CONTRACTS OF GROUP EXECUTIVE MANAGEMENT

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:
https://www.valora.com/media/investors/documents/de/documents/statuten_valora_en.pdf

REMUNERATION STRUCTURE

5 GROUP EXECUTIVE MANAGEMENT REMUNERATION STRUCTURE IN 2017

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).

The fixed 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 Group Executive Management. Like other employees, members of Group Executive Management participate in the pension plan of Valora Pension Fund.

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 blocking period and are fully exposed to the price risk.

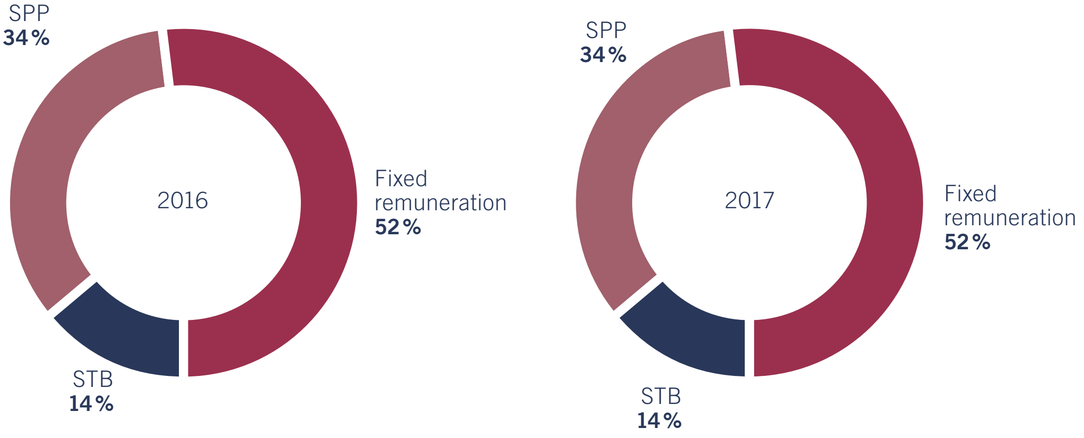
The table below shows the percentages of the overall remuneration paid to Group Executive Management attributable to its individual component elements assuming 100 % achievement of the defined objectives:

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, promotion of sustainable company performance and staff development	Share award (with three-year blocking period)
Retirement provision	Pension fund			To provide for the risks of old age, survivorship and invalidity	Contributions as per 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:
https://www.valora.com/media/investors/documents/de/documents/statuten_valora_en.pdf

The composition of the overall remuneration paid to Group Executive Management (incl. the CEO) as a whole in 2017 is set out below. Under this system, 100 % achievement of all performance targets results in variable remuneration equivalent to 19 % of the fixed salary for the CEO and an average 20 % for the other members of Group Executive Management.

EFFECTIVE GROUP EXECUTIVE MANAGEMENT REMUNERATION



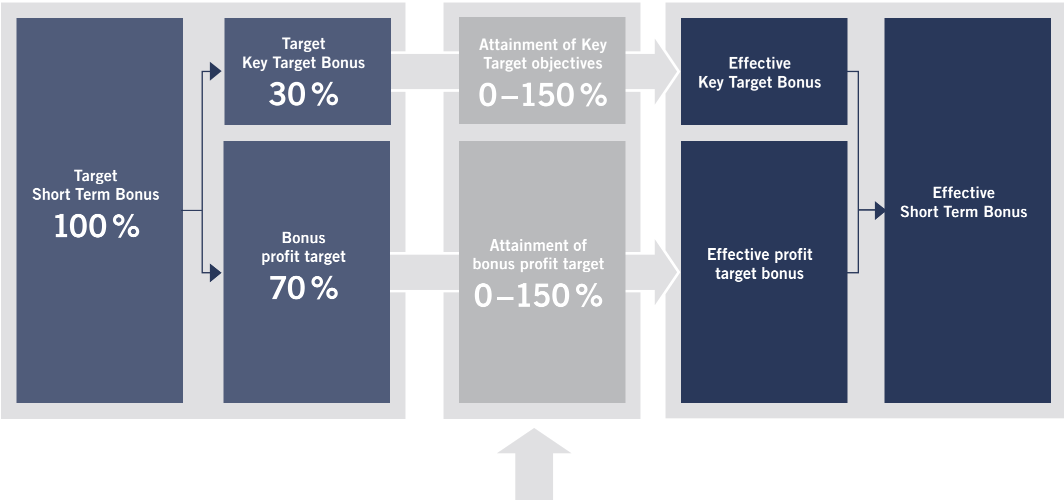
5.1 SHORT TERM BONUS (STB)

The revised regulations governing the Short Term Bonus (STB) came into effect on 1 January 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 annually 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 profit target must be achieved to qualify for a bonus; if the profit target is exceeded by more than 15 %, 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. For 2017, the defined profit target was EBIT (earnings before interest and taxes). Actual EBIT performance was equivalent to 124.5 % (126 % in 2016) of the target for the CEO and 87.8 % (100 % in 2016), 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 are 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 2017, actual individual key target performance was 144.5 % (125 % in 2016) for the CEO and 146.5 % (111 % in 2016), 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 33% 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 2017, the Short Term Bonus paid to the CEO was 30% (28% in 2016) of fixed salary and 24% (25% in 2016) 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 31 March 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 share participation program (SPP). The share price used for determining the number of shares allocated is that applying on 31 March of the bonus measurement year, thus ensuring that the STB also allows the management 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 is paid fully in cash rather than in 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 units are available 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 a permanent employment contract which has not been terminated and have achieved the appropriate objectives.

5.2 SHARE PARTICIPATION PROGRAM (SPP)

With effect from 1 November 2015, Valora established a management award scheme in the form of a share participation program (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. It also has the objective of aligning the interests of Valora's top management with those of its shareholders. Under the SPP, shares are granted as a component of compensation in accordance with the relevant employment contract. Participants are accordingly not required to make any payment, in cash or in kind, for the shares thus allocated to them. Participants receive shares of Valora Holding AG with all the rights of a normal shareholder, with the exception of the restrictions connected with the blocking period. The price risk associated with the shares during the blocking period is fully borne by the participants.

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

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 Valora registered shares during a specified reference period (VWAP reference period) less a discount of 16.038% to compensate for the blocking period. The reference period comprises the ten consecutive trading days ending on 31 March of the financial year in which the allocations are made. Where necessary, the resulting number of shares is rounded up to the next whole share.

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

Participants joining the SPP during a calendar year receive a pro rata allocation for that year based on the duration of their employment contract in that year.

Participants leaving Valora during a calendar year generally receive a pro rata share allocation 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 good cause by Valora under the terms of Article 337 of the Swiss Code of Obligations. 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 without replacement. Any shares not yet granted during that year are withheld.

Shares allocated under the SPP are subject to a blocking period of three years from the date of allocation. During this time, participants are prohibited from selling, pledging or otherwise transferring the shares. Both before and during the blocking 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 blocking period, the shares are held in a custody account maintained in the company share register in the name and for the account of the participant. Following the end of the blocking period, the shares become freely disposable 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 blocking period. In such cases, participants are generally entitled to have the duration of any remaining blocking 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 blocking periods still in force at that time are lifted immediately.

The Share Participation Program is administered by the NCC. All allocations and granting of shares under the SPP are carried out by the NCC. The value of the shares granted to Group Executive Management must be within the maximum remuneration ceiling approved by the Ordinary General Meeting of Shareholders.

5.3 REMUNERATION IN 2017

The maximum overall remuneration for members of Group Executive Management in 2017 approved by shareholders at the 2016 Ordinary General Meeting was CHF 6.6 million. The overall remuneration effectively paid to members of Group Executive Management in 2017 amounted to TCHF 5405 (previous year: TCHF 6722). The decrease in overall remuneration is essentially attributable to the discontinued remuneration of those members of Group Executive Management who departed in 2016.

Table 1
Group Executive Management 2017

in CHF thousand	Fixed basic salary	Short Term Bonus (STB) [1]	Share Partici-pation Program (SPP) [2]	Other fixed rem-uneration [3]	Total 2017
Michael Mueller CEO and highest-paid member	1 180.0	359.7	951.3	321.7	2 812.7
Other members [4]	1 209.3	286.3	625.7	471.4	2 592.7
Total Group Executive Management remuneration	**2 389.3**	**646.0**	**1 577.0**	**793.1**	**5 405.4**

[1] These figures relate to the effective cost of the bonuses granted in respect of 2017, which will be paid out in 2018. The STB bonuses for the CEO and CFO with an aggregate value of TCHF 536 will be converted into shares at the VWAP of CHF 339.04 applying on 31 March 2017 in accordance with the formula described above.

[2] The blocking period for the shares allocated in 2017 is three years. Their valuation complies with IFRS rules.

[3] 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.

[4] 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 2016

in CHF thousand	Fixed basic salary	Short Term Bonus (STB) 1)	Share Partici-pation Program (SPP) 2)	Other fixed rem-uneration 3)	Total 2016
Michael Mueller CEO and highest-paid member	1 180.0	328.4	942.0	294.2	2 744.6
Other members 4)	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 and paid out in 2017. The STB bonuses for the CEO and CFO with an aggregate value of TCHF 408.6 are converted into shares at the VWAP of CHF 321.85 applying on 31 March 2016 in accordance with the formula described above.
2) The blocking period for the shares allocated in 2016 is three years. Their valuation complies with IFRS rules.
3) 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.
4) 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.

The aggregate maximum remuneration payable to members of Group Executive Management in respect of 2018 was fixed at CHF 6.4 million by the Ordinary General Meeting of Shareholders held in 2017.

6 GROUP EXECUTIVE MANAGEMENT REMUNERATION STRUCTURE FOR 2019

A new remuneration system for Group Executive Management is being developed in 2018. It will apply to remuneration from 2019. The following outline of the new remuneration structure provides an initial insight into the model.

The remuneration of Group Executive Management will consist of a fixed component, a performance-based Short Term Bonus (STB) and a Long Term Incentive Plan (LTI). The remuneration will be awarded at the discretion of the Board of Directors, taking into account the function, responsibility and experience of the member of Group Executive Management as well as the remuneration paid at comparable companies for which such information is publicly available.

The fixed salary will comprise a cash payment and depending on the function account for between 40% (CEO) and a maximum of 50% (members of Group Executive Management) of the total remuneration of each member.

The Short Term Bonus (STB) will correspond to a maximum of 40% of the total remuneration of each member and will be paid out upon achievement of quantitative targets. Remuneration depends entirely on at least two predefined profit targets (e.g. EBIT, ROCE). The profit target is only granted if the key figures meet a threshold of 80% of the defined profit target. Effective target achievement can lie between 0% and a maximum of 150%. At least 20% of the STB is paid out in the form of blocked shares. This proportion can be increased to a maximum of 100% at the participant's request.

The Long Term Incentive Plan (LTI) envisages assigning Group Executive Management a target EBIT value each year which is fixed for three years based on three-year medium-term planning, subject to extraordinary circumstances such as the purchase or sale of company assets or changes in the number of members of Group Executive Management. The target value accounts for around 25% of the CEO's total remuneration and 20–25% of that of the members of Group Executive Management. Payment takes the form of shares with a blocking period of three years. The settlement price of the shares is based on the average price of Valora registered shares with a discount to take account of the blocking period. Participants have voting and dividend rights during the blocking period.

7 REMUNERATION STRUCTURE FOR THE BOARD OF DIRECTORS IN 2017

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 chairpersons and members of the Board Committees (the Audit Committee and the Nomination and Compensation Committee) receive additional remuneration. Apart from the statutory social security contributions, no other pension-related payments are made for Board members.

For the period from the 2017 Ordinary General Meeting to the 2018 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 this quarter.

7.1 REGULATIONS GOVERNING THE PORTION OF FEES PAID IN SHARES

Under the regulations for the Board of Directors, 20% of the total remuneration paid to individual members of the Board of Directors is generally paid out in blocked registered shares. In justified cases, the Board of Directors may decide to pay a higher or lower percentage of the total remuneration in shares. The shares are generally subject to a blocking period of three years. Regardless of any subsequent transfer of shares, the blocking period commences on the date of the Ordinary General Meeting which marks the beginning of the term of office for which the remuneration is awarded. The shares remain in a Valora custody account during the blocking period. Board members are prohibited from selling, pledging or otherwise transferring the shares. After the end of the blocking period, members may dispose of the shares as they wish.

The proportion of fees paid in the form of shares is calculated on the basis of the volume-weighted average price (VWAP) of Valora registered shares during a period of 20 trading days beginning on the trading day following the Ordinary General Meeting. A discount of 20% is then applied to compensate for the blocking 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.

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

Based on the requirements of the law, the Articles of Incorporation and the organisational regulations of Valora Holding AG, 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 resigns, does not stand for re-election or is not re-elected despite having stood for re-election, any pending blocking periods of more than one year's duration are generally reduced to one year. This remaining one-year period begins on the last day of the Board member's term of office. If a Board member leaves the Board as a result of death, invalidity or comparable circumstances, any blocking periods still in force are lifted immediately.

In the event of a change of control, a delisting of Valora registered shares or any similar such occurrence, any blocking periods still in force are lifted immediately.

In 2017, all members of the Board of Directors received 20% of their total remuneration in shares in the quarter following the Ordinary General Meeting.

7.2 REMUNERATION IN 2017

The maximum remuneration authorised for members of the Board of Directors for the period from the 2017 Ordinary General Meeting to the 2018 Ordinary General Meeting was CHF 1.6 million. The remuneration paid to the Board of Directors in 2017 amounted to TCHF 1444 (previous year: TCHF 1436).

Table 3
Board of Directors 2017

in CHF thousand	Fixed fee (cash)	Committee fee	Portion paid in blocked shares [1]	Other remuneration [2]	Total 2017
Rolando Benedick Chairman (until March 2017)	125.0	3.8	–	15.3	144.1
Franz Julen Chairman (from March 2017)	307.0	18.8	129.0	60.8	515.6
Markus Fiechter Vice-Chairman and Chairman of Nomination and Compensation Committee	154.0	26.3	57.8	32.9	271.0
Bernhard Heusler Member	109.0	15.0	38.8	5.0	167.8
Ernst Peter Ditsch Member	–	–	–	–	–
Cornelia Ritz Bossicard Chair of Audit Committee	106.0	30.0	42.6	25.1	203.7
Michael Kliger Member (from March 2017)	74.0	11.3	38.8	17.4	141.5
Total remuneration paid to Board of Directors	**875.0**	**105.2**	**307.0**	**156.5**	**1443.7**

[1] In 2017, Board members received 20% of their overall remuneration in blocked shares, subject to a three-year blocking 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 2017.

Table 4
Board of Directors 2016

in CHF thousand	Fixed fee (cash)	Committee fee	Portion paid in blocked shares [1]	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 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] Member	–	–	–	–	–
Cornelia Ritz Bossicard Chair 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**	**1 435.8**

[1] In 2016, Board members received 20 % of their overall remuneration in blocked shares, subject to a three-year blocking 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.

8 LOANS AND CREDITS

As of 31 December 2017 and 2016, there were no outstanding loans or credits to members of the Board of Directors or Group Executive Management or to related parties.

Valora Holding AG does not grant any loans or credits and therefore does not have any regulations in its Articles of Incorporation on such matters.

9 SHAREHOLDINGS

As of 31 December 2017 and 2016, the individual members of the Board of Directors and Group Executive Management (including related parties) held the following number of shares of Valora Holding AG:

Table 5

	2017 Number of shares	**2017 Share of total voting rights in %**	**2017 of which subject to a blocking period**	2016 Number of shares	2016 Share of total voting rights in %	2016 of which subject to a blocking period
Board of Directors						
Rolando Benedick Chairman (until March 2017)	–	–	–	17 485	0.51	1 697
Franz Julen Chairman (from March 2017)	1 672	0.04	766	1 012	0.03	562
Markus Fiechter Vice-Chairman and Chairman of Nomination and Compensation Committee	3 102	0.08	656	2 800	0.08	709
Bernhard Heusler Member	651	0.02	465	512	0.01	512
Ernst Peter Ditsch Member	635 599	15.93	none	635 599	18.50	none
Cornelia Ritz Bossicard Chair of Audit Committee	825	0.02	510	562	0.02	562
Michael Kliger Member (since March 2017)	138	0.00	115	–	–	–
Total Board of Directors	**641 987**	**16.09**		**657 970**	**19.15**	
Group Executive Management						
Michael Mueller CEO	9 195	0.23	8 895	4 754	0.14	4 754
Tobias Knechtle CFO	4 049	0.10	3 819	1 993	0.06	1 993
Thomas Eisele Head Food Service	1 895	0.05	1 781	1 189	0.03	1 135
Total Group Executive Management	**15 139**	**0.38**		**7 936**	**0.23**	
Total shares held by Board and GEM	**657 126**	**16.47**		**665 906**	**19.38**	

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 2017. 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 8 on pages 49 to 53 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 2017 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, 26 February 2018

Financial Report

VALORA FINANCIAL REPORT 2017

REVIEW OF GROUP RESULTS

Valora confirms the communicated expectations and achieved EBIT in the 2017 financial year of CHF 79.0 million, an increase of +9.3% or CHF +6.8 million. Its EBIT margin rose by +0.4 percentage points to 3.8%. Its gross profit margin improved by +0.5 percentage points to 42.0%, meaning it has achieved its medium-term goal for 2018 ahead of schedule. Adjusted for acquisition costs and the EBIT contribution from BackWerk, the results are at the upper end of the communicated expectations and the EBIT margin goal of 4.0% has likewise already been achieved in 2017.

At CHF 2,075.3 million, the Group's net revenues are slightly lower than the previous year (–0.9%) as a result of the deconsolidation of Naville Distribution as of August 2016 (+0.9% adjusted for Naville Distribution). Group net profit is CHF 57.1 million, which is lower than the previous year (CHF 63.4 million) because of non-recurring positive effects involving deferred taxes in the 2016 financial year. In terms of the return on capital employed (ROCE), profitability improved by +0.3 percentage points to 8.6% well above the cost of capital. Free cash flow increased as well, rising by +13.0% or CHF +9.5 million to CHF 82.0 million.

Following the successful conclusion of its focus strategy, which ended with the sale of the Naville property in Geneva at the beginning of the year, Valora took major steps towards strengthening and expanding its core business in 2017.

Thanks to the optimisation of product ranges, improvement of processes, network adjustments and selective expansion, Retail Switzerland/Austria, in particular, increased profitability further. Retail Germany/Luxembourg and the Food Service division increased revenues and gross profits substantially, although profitability remains under pressure for the time being.

By strengthening its management team, Valora is ensuring that the Group will be able to take even better advantage of future market opportunities. Such opportunities mainly involve the ongoing trend towards "foodvenience" (ready-to-eat food, out-of-home consumption), increased footfall at high-frequency locations, individual offerings and the merging of digital and physical offerings. However, challenges continue to be presented by the accelerated decline of print media in Germany, historically high prices of raw materials for dairy products and greater competitive pressure in locations with high footfall.

With its acquisition of the young and promising US-based pretzel producer Pretzel Baron in January 2017, Valora laid the foundation for further international growth and the expansion of its market position as one of the leading pretzel producers. It also expanded its pretzel production capacity in Europe by replacing a production line at Brezelbäckerei Ditsch in Germany. Further expansions of capacity are planned in both Germany and the USA over the next few years. Following its acquisition of the BackWerk franchise business, which was first consolidated in November 2017, Valora is now one of the leading vertically integrated food service providers in Germany, and it strengthened its international presence with its market entry in the Netherlands.

Valora took the first two important steps towards achieving its announced long-term financing strategy: Following the successful capital increase of some CHF 166 million in November 2017, a five-year promissory note (Schuldschein issue) for EUR 170 million was placed on the capital market in the first half of January 2018. The funds generated by this transaction are being used to refinance the BackWerk transaction, further finance the planned expansion of pretzel production capacities in Germany and the USA and refinance the capital market instruments that will fall due in 2018. The Schuldschein issue has allowed Valora to take advantage of the current attractive market conditions as well as high investor interest and enabled it to refinance the credit instruments falling due in 2018 at significantly better conditions.

A NET REVENUES

Net revenues (NR) in CHF million	**2017**	**2017 share in %**	2016	2016 share in %	Change	in local currency
Retail Switzerland / Austria	1 264.5	60.9 %	1 309.3	62.5 %	– 3.4 %	– 3.4 %
Retail Germany / Luxembourg	520.7	25.1 %	486.4	23.2 %	+ 7.0 %	+ 5.0 %
Naville Distribution	0.0	0.0 %	63.2	3.0 %	– 100.0 %	– 100.0 %
Elimination of intrasegment revenues	0.0	0.0 %	– 25.2	– 1.2 %	n.a.	n.a.
Valora Retail	1 785.1	86.0 %	1 833.8	87.5 %	– 2.7 %	– 3.2 %
Food Service	286.7	13.8 %	259.4	12.4 %	+ 10.5 %	+ 9.2 %
Other	3.4	0.2 %	1.9	0.1 %	n.a.	n.a.
Total Group	**2 075.3**	**100.0 %**	**2 095.0**	**100.0 %**	**– 0.9 %**	**– 1.6 %**
Switzerland	1 349.6	65.0 %	1 429.7	68.2 %	– 5.6 %	– 5.6 %
Elsewhere	725.7	35.0 %	665.3	31.8 %	+ 9.1 %	+ 7.0 %

At CHF 2 075.3 million, net revenues were slightly lower than the previous year’s figure of CHF 2 095.0 million (– 0.9 %) as a result of the deconsolidation of Naville Distribution as of August 2016, although growth in the Food Service division and at Retail Germany / Luxembourg more than offset lower revenues at Retail Switzerland / Austria.

Retail Switzerland / Austria posted net revenues of CHF 1 264.5 million in the 2017 financial year, compared to CHF 1 309.3 million in the previous year. The lower figure is the result of the closure of net 21 points of sale. Same-store sales development (– 2.2 %) reflects the persistently challenging market situation in Switzerland. In addition, the record lotto jackpot in the previous year had a heightening impact on revenues.

Retail Germany / Luxembourg had revenues of CHF 520.7 million, with an increase in sales of + 7.0 %. This corresponds to growth in local currency of + 5.0 %. The primary reason for this increase is the higher number of outlets operated by Valora itself. On a same-store basis, Retail Germany / Luxembourg was on a par with the previous year (+ 0.1 %). In Germany, the positive development for food (+ 10.6 %), non-food (+ 7.1 %) and tobacco (+ 2.8 %) - also due to the successful introduction of e-smoke products - compensated for the downward trend for print media products (– 5.6 %).

In the **Food Service** division net revenues rose by + 10.5 % (+ 9.2 % in local currency) to CHF 286.7 million. This growth was boosted on the one hand by the positive development for same-store sales in Switzerland (+ 2.9 %) and in Germany (+ 1.5 %) as well as by consistent growth of + 3.7 % posted by the business-to-business (B2B) segment in spite of the replacement of a production line in Oranienbaum and the associated operational challenges in overall production at this location. On the other hand, the revenues also include the profit contribution from the acquired BackWerk companies for the months of November and December, which contributed + 4.2 % to the division’s revenue growth in local currency terms. The consistent focus of the expansion actitvities on sustainability and profitability resulted in the stable development of the Food Service division’s network of sales outlets, apart from the BackWerk acquisition. In addition to opening a total of 12 outlets, another 12 were closed over the course of the year.

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	463.9	53.2 %	36.7 %	473.5	54.4 %	36.2 %	– 2.0 %	– 2.1 %
Retail Germany / Luxembourg	182.9	21.0 %	35.1 %	171.3	19.7 %	35.2 %	+ 6.8 %	+ 4.7 %
Naville Distribution	–	0.0 %	n.a.	23.1	2.7 %	36.6 %	– 100.0 %	– 100.0 %
Valora Retail	646.8	74.2 %	36.2 %	667.9	76.8 %	36.4 %	– 3.2 %	– 3.7 %
Food Service	222.0	25.5 %	77.4 %	199.8	23.0 %	77.0 %	+ 11.1 %	+ 9.8 %
Other	3.4	0.4 %	n.a.	1.9	0.2 %	n.a.	n.a.	n.a.
Total Group	**872.2**	**100.0 %**	**42.0 %**	**869.7**	**100.0 %**	**41.5 %**	**+ 0.3 %**	**– 0.4 %**

The Group's gross profit saw its margin improve by +0.5 percentage points to 42.0 %, meaning it has already achieved its medium-term goal for 2018. In absolute terms, Valora posted gross profit of CHF 872.2 million (+ 0.3 %); excluding the divested unit Naville Distribution from last year's figures, the increase in local currency is + 2.3 %, or CHF + 19.8 million. This includes the profit contribution from the acquired BackWerk companies for November and December.

Retail Switzerland / Austria posted gross profit of CHF 463.9 million in the 2017 financial year, compared to CHF 473.5 million in the previous year. Its margin improved by + 0.5 percentage points to 36.7 %, which partially offset the revenue effects mentioned in Section A. This positive development is due in particular to higher promotional revenues and improved conditions.

At **Retail Germany / Luxembourg,** gross profit rose by + 6.8 % (+ 4.7 % in local currency terms) as a result of the aforementioned revenue growth to CHF 182.9 million. The gross profit margin was stable at 35.1 %.

The **Food Service** division saw its gross profit increase by + 11.1 % to CHF 222.0 million; in local currency terms, the growth was + 9.8 %. This increase is due in particular to the aforementioned rise in revenues, including the two months of profits contributed by BackWerk, although historically high prices of raw materials for dairy products dampened growth (CHF – 3.0 million). The gross profit margin improved by + 0.4 percentage points to 77.4 %. This results particularly from the attractive margin profile of the acquired BackWerk franchise business.

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	in local currency
Retail Switzerland / Austria	– 410.2	51.7 %	– 32.4 %	– 434.0	54.4 %	– 33.2 %	– 5.5 %	– 5.5 %
Retail Germany / Luxembourg	– 166.4	21.0 %	– 32.0 %	– 154.9	19.4 %	– 31.9 %	+ 7.4 %	+ 5.4 %
Naville Distribution	-	0.0 %	n.a.	– 19.3	2.4 %	– 30.5 %	– 100.0 %	– 100.0 %
Valora Retail	– 576.7	72.7 %	– 32.3 %	– 608.3	76.3 %	– 33.2 %	– 5.2 %	– 5.7 %
Food Service	– 195.8	24.7 %	– 68.3 %	– 173.0	21.7 %	– 66.7 %	+ 13.2 %	+ 11.8 %
Other	– 20.7	2.6 %	n.a.	– 16.2	2.0 %	n.a.	+ 28.1 %	+ 28.0 %
Total Group	**– 793.2**	**100.0 %**	**– 38.2 %**	**– 797.4**	**100.0 %**	**– 38.1 %**	**– 0.5 %**	**– 1.2 %**

The net operating costs of CHF – 793.2 million are – 0.5 % below the figure for the previous year as a result of the deconsolidation of Naville Distribution as of August 2016 as well as efficiency measures and process improvements.

The net operating costs of **Retail Switzerland / Austria** fell by CHF 23.8 million to CHF – 410.2 million. This reduction is due in particular to efficiency measures and process improvements. The result also includes a book profit of CHF 2.9 million from the sale of the Naville property in Geneva. The lower number of sales outlets also reduced costs. Consequently, the cost ratio improved by + 0.7 percentage points, or + 0.5 percentage points when adjusted for the book profit for the property in Geneva.

The net operating costs of **Retail Germany / Luxembourg** were CHF – 166.4 million in the 2017 financial year, compared to CHF – 154.9 million the year before. The increase of + 7.4 % is partly currency-related (+ 2.0 %). The higher number of Valora operated sales outlets and the increase in the minimum wage in Germany also had an increasing impact on costs. However, cost efficiency remained stable at – 32.0 % of net revenues.

The **Food Service** division had net operating costs of CHF -195.8 million, compared to CHF – 173.0 million the year before. The increase of + 11.8 % in local currency terms is due to the volume-related higher level and the two months of contribution to profit from BackWerk. In addition, operating expenses in connection with the replacement of the production line in Oranienbaum (CHF – 1.0 million) and project costs for the acquisition and integration of Pretzel Baron in the USA (CHF – 0.5 million) also had an increasing impact on costs. The cost ratio was – 68.3 %, which is above the previous year’s figure (– 66.7 %) because of the aforementioned special items and the cost and revenue structure of BackWerk.

Other operating expenses of CHF – 20.7 million are up CHF 4.5 million on the prior year, mainly due to project costs for the acquisition of BackWerk.

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	53.6	67.9 %	4.2 %	39.4	54.6 %	3.0 %	+ 36.0 %	+ 36.0 %
Retail Germany / Luxembourg	16.5	20.9 %	3.2 %	16.4	22.7 %	3.4 %	+ 0.7 %	– 1.7 %
Naville Distribution	–	0.0 %	n.a.	3.8	5.3 %	6.1 %	– 100.0 %	– 100.0 %
Valora Retail	70.1	88.7 %	3.9 %	59.6	82.5 %	3.3 %	+ 17.5 %	+ 16.8 %
Food Service	26.2	33.1 %	9.1 %	26.9	37.2 %	10.4 %	– 2.5 %	– 3.6 %
Other	– 17.3	– 21.9 %	n.a.	– 14.2	– 19.7 %	n.a.	n.a.	n.a.
Total Group	**79.0**	**100.0 %**	**3.8 %**	**72.3**	**100.0 %**	**3.4 %**	**+ 9.3 %**	**+ 8.3 %**

The Group's EBIT rose by + 9.3 % or CHF + 6.8 million to CHF 79.0 million. Operational growth, excluding the divested unit Naville Distribution from last year's figures, was + 15.5 % or CHF + 10.6 million, largely as a result of efficiency and process improvements at Retail Switzerland / Austria. The two special items – the book profit from the sale of the Naville property in Geneva (CHF + 2.9 million) and BackWerk, including acquisition costs (CHF – 3.2 million) – almost neutralised each other. The EBIT margin rose by + 0.4 percentage points to 3.8 % – excluding acquisition costs and the contribution to EBIT from BackWerk, it increased to 4.0 %.

Retail Switzerland / Austria saw strong EBIT growth of + 36.0 % to CHF 53.6 million. The result includes the book profit from the sale of the Naville property in Geneva (CHF 2.9 million), as a result of which operational growth is CHF + 11.3 million. This is mainly due to the efficiency measures and process improvements that were implemented. The improvement in profitability is also reflected in the increase in the EBIT margin of + 1.2 percentage points to 4.2 %, or 4.0 % excluding the book profit from the sale of the property in Geneva.

Retail Germany / Luxembourg closed the 2017 financial year with EBIT of CHF 16.5 million, slightly higher than the previous year (CHF 16.4 million). The positive net revenue development, especially for food, offset the decline in print media and higher costs as a result of network optimisation and the increase in the minimum wage in Germany. The EBIT margin of 3.2 % remains on a solid level (previous year: 3.4 %).

Food Service recorded EBIT of CHF 26.2 million. The previous year's figure of CHF 26.9 million included one-off income (CHF 1.0 million). The 2017 figure is impacted by historically high prices of raw materials for dairy products (CHF – 3.0 million). In addition, special costs in connection with the replacement of the production line in Oranienbaum (CHF – 1.0 million) and for the acquisition and integration of Pretzel Baron (CHF – 0.5 million) also affected profit. Excluding these special items in both years would result in an EBIT increase of around CHF + 4.8 million as a result of positive overall revenue development and the consolidation of BackWerk as of November 2017. The aforementioned effects result in an EBIT margin of 9.1 %, which is below the figure for the previous year (10.4 %) although there has been a positive trend since the first half of the year (8.0 %).

Other profit is CHF -17.3 million, compared to CHF – 14.2 million the year before. The project costs from the acquisition of BackWerk reduced EBIT. In addition, last year's figure included the book profit from the sale of Naville Distribution (CHF 0.5 million).

E FINANCIAL RESULT, TAXES AND NET RESULT

Valora posted Group net profit in the 2017 financial year of CHF 57.1 million. This was lower than the previous year's figure (CHF 63.4 million) because of non-recurring positive effects from deferred taxes in 2016.

The financial result improved by CHF +4.7 million to CHF –10.6 million. This positive development is mainly due to CHF +4.5 million in lower expenses for bank loans and liabilities, which last year included one-off costs for the termination of the EUR 72 million interest-rate swap in connection with the early renewal of the variable tranche of the former EUR 150 million Schuldschein issue .

For the 2017 financial year, Valora's tax expense is CHF -11.3 million and it has an increased tax rate of 16.6%. In the previous year, an improvement in long-term business prospects resulted in an increase in capitalised tax loss carryforwards and thus tax income of CHF 5.4 million.

Group net profit is thus CHF 57.1 million, compared to CHF 63.4 million the year before.

F LIQUIDITY, CASH FLOW AND KEY FINANCIAL DATA

Key financial data in CHF million	2017	2016
EBITDA	**133.7**	**127.6**
Cash flow from operations	114.6	112.5
Free cash flow/ before purchase/sale of subsidiaries	**82.0**	**72.6**
Free cash flow per share in CHF	**23.93**	**21.74**
Group net profit	**57.1**	**63.4**
Earnings per share in CHF	**15.27**	**17.55**
Shareholder's equity	737.9	530.9
Total equity in % of total assets	52.4 %	45.5 %
Net debt	246.1	202.0

Valora's free cash flow rose substantially by +13.0 % to CHF 82.0 million. The growth in EBITDA and the proceeds from the sale of the Naville property in Geneva more than offset higher investments; net working capital also remained at a low level. The equity ratio improved by +6.9 percentage points to 52.4 %. Net debt amounted to CHF 246.1 million and is CHF +44.1 million higher than the figure for the previous year because of the acquisition of BackWerk and currency effects, while the net debt ratio of 1.7x EBITDA is almost the same as last year (1.6x EBITDA).

Valora increased its free cash flow in the 2017 financial year by +13.0 % or CHF +9.5 million to CHF 82.0 million. Earnings before interest, taxes, depreciation and amortisation (EBITDA) rose by CHF +6.1 million or +4.8 % to CHF 133.7 million. In addition, the proceeds from the sale of the Naville property in Geneva had a positive impact on free cash flow. Despite the growth-related structural increase, net working capital remains at a low level due to normal business fluctuations. As a result, increased investment expenditures, especially for the initiated expansion of pretzel production capacity, are more than offset.

The Group's equity ratio rose by +6.9 percentage points to 52.4 % as a result of the capital increase of CHF 166 million, which was completed in November 2017. Net debt rose to CHF 246.1 million compared to CHF 202.0 million as of 31 December 2016 as a result of the BackWerk acquisition and due to currency effects on the carrying amounts of the Schuldschein issues. Because of the higher EBITDA level, the net debt ratio of 1.7x EBITDA is only slightly above the previous year's figure of 1.6x EBITDA. If the hybrid bond booked to equity, which will be repaid in October 2018, is counted towards net debt, the net debt ratio would be 2.5x EBITDA.

G RETURN ON CAPITAL EMPLOYED

ROCE [1] in %	**2017**	2016	Percentage-point change
Retail Switzerland / Austria	27.5 %	17.5 %	+ 10.0 %
Retail Germany / Luxembourg	10.4 %	11.5 %	– 1.2 %
Valora Retail	19.8 %	15.4 %	+ 4.4 %
Food Service	5.9 %	6.9 %	– 1.1 %
Total Group [2]	**8.6 %**	**8.2 %**	**+ 0.3 %**

[1] Capital employed is the average measured over the preceding 13 months. EBIT is the aggregate operating profit for the preceding 12 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 improved as a result of the increase in EBIT by + 0.3 percentage points to 8.6 %.

The return on capital employed (ROCE) is the ratio of the EBIT generated over the past 12 months to the average capital invested.

In the 2017 financial year, Valora's ROCE rose by + 0.3 percentage points to 8.6 %. This improvement is due to higher profitability at Retail Switzerland / Austria, where the ROCE increased by + 10.0 percentage points to 27.5 %. This includes the book profit from the sale of the Naville property in Geneva. Food Service had a ROCE of 5.9 % in the 2017 financial year (previous year: 6.9 %). The temporarily lower profitability was due to the aforementioned special costs as well as the higher level of capital employed following the acquisition of BackWerk and the expansion of pretzel production capacities initiated in Oranienbaum. The potential of these strategic investments has not yet been fully exhausted in the EBIT. Adjusted for the book profit from the sale of the property in Geneva and the BackWerk contribution including acquisition costs, the Group's ROCE is 9.0 %.

CONSOLIDATED INCOME STATEMENT

1 January to 31 December, in CHF 000 (except per-share amounts)	Notes	2017	%	2016	%
Net revenues	8	**2 075 251**	**100.0**	**2 094 956**	**100.0**
Cost of goods and materials		– 1 203 053	– 58.0	– 1 225 298	– 58.5
Personnel expenses	9	– 246 376	– 11.9	– 261 091	– 12.5
Other operating expenses	10	– 496 717	– 23.9	– 487 688	– 23.3
Depreciation, amortisation and impairments	20, 21	– 54 698	– 2.6	– 55 358	– 2.6
Other income	11	7 623	0.4	10 977	0.5
Other expenses	11	– 3 017	– 0.1	– 4 235	– 0.2
Operating profit (EBIT)	8	**79 014**	**3.8**	**72 263**	**3.4**
Financial expenses	12	– 13 484	– 0.6	– 16 733	– 0.8
Financial income	13	2 931	0.1	1 509	0.1
Earnings before income taxes		**68 462**	**3.3**	**57 040**	**2.7**
Income taxes	14	– 11 343	– 0.5	5 439	0.3
Net profit from continuing operations		**57 118**	**2.8**	**62 479**	**3.0**
Net profit from discontinued operations	7	31	0.0	924	0.0
Net profit		**57 150**	**2.8**	**63 402**	**3.0**
Attributable to shareholders of Valora Holding AG		52 350	2.5	58 602	2.8
Attributable to providers of hybrid capital		4 800	0.2	4 800	0.2
Attributable to providers of Valora Holding AG equity		**57 150**	**2.8**	**63 402**	**3.0**
Earnings per share					
from continuing operations, diluted and undiluted (in CHF)	15	15.26		17.27	
from discontinued operations, diluted and undiluted (in CHF)	15	0.01		0.28	
from continuing and discontinued operations, diluted and undiluted (in CHF)	**15**	**15.27**		**17.55**	

The accompanying notes from page 75 to page 134 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

1 January to 31 December, in CHF 000	**Notes**	**2017**	2016
Net profit		**57 150**	**63 402**
Remeasurement losses	28	–1 783	–687
Income taxes	28	357	–334
Items that will not be reclassified to profit or loss		**–1 426**	**–1 021**
Cash flow hedge		1 701	5 095
Currency translation adjustments		25 847	–5 187
Items that may be reclassified to profit or loss		**27 548**	**–92**
Other comprehensive income		**26 122**	**–1 114**
Total comprehensive income		**83 272**	**62 288**
Attributable to shareholders of Valora Holding AG		78 472	57 488
Attributable to providers of hybrid capital		4 800	4 800
Attributable to providers of Valora Holding AG equity		**83 272**	**62 288**

The total comprehensive income attributable to shareholders of Valora Holding AG is divided as follows:

Attributable to shareholders of Valora Holding AG from continuing operations	78 441	58 461
Attributable to shareholders of Valora Holding AG from discontinued operations	31	–972
Attributable to shareholders of Valora Holding AG	**78 472**	**57 488**

The accompanying notes from page 75 to page 134 form an integral part of these consolidated financial statements.

CONSOLIDATED BALANCE SHEET

ASSETS

in CHF 000	Notes	31.12.2017	%	31.12.2016	%
Current assets					
Cash and cash equivalents	16	152 515		159 381	
Trade accounts receivable	17	71 268		45 256	
Inventories	18	154 537		146 698	
Current income tax receivables		1 557		2 131	
Other current receivables	19	54 567		52 764	
Total current assets		**434 443**	**30.8 %**	**406 230**	**34.8 %**
Non-current assets					
Property, plant and equipment	20	227 894		221 514	
Goodwill, software and other intangible assets	21	707 849		469 010	
Investment in associates and joint ventures		50		50	
Financial assets	23	23 197		31 809	
Deferred tax assets	14	15 474		38 624	
Total non-current assets		**974 465**	**69.2 %**	**761 008**	**65.2 %**
Total assets		**1 408 908**	**100.0 %**	**1 167 238**	**100.0 %**

LIABILITIES AND EQUITY

in CHF 000	Notes	31.12.2017	%	31.12.2016	%
Current liabilities					
Current financial liabilities	24	216 660		726	
Derivative financial liabilities	31	1 035		0	
Trade accounts payable	25	143 339		136 557	
Current income tax liabilities		7 102		9 854	
Other current liabilities	26	101 257		87 737	
Total current liabilities		**469 394**	**33.3 %**	**234 874**	**20.1 %**
Non-current liabilities					
Other non-current liabilities	24	190 554		363 927	
Long-term pension obligations	28	307		310	
Non-current provisions	27	3 562		10 562	
Deferred tax liabilities	14	7 166		26 689	
Total non-current liabilities		**201 589**	**14.3 %**	**401 488**	**34.4 %**
Total liabilities		**670 983**	**47.6 %**	**636 362**	**54.5 %**
Equity					
Share capital	35	3 990		3 436	
Treasury shares		–17 110		–18 345	
Hybrid capital		119 098		119 098	
Fair value adjustments of financial instruments		–288		–1 988	
Retained earnings		697 932		520 220	
Cumulative translation adjustments		–65 698		–91 545	
Equity of Valora Holding AG		**737 924**	**52.4 %**	**530 875**	**45.5 %**
Total equity		**737 924**	**52.4 %**	**530 875**	**45.5 %**
Total liabilities and equity		**1 408 908**	**100.0 %**	**1 167 238**	**100.0 %**

The accompanying notes from page 75 to page 134 form an integral part of these consolidated financial statements.

CONSOLIDATED CASH FLOW STATEMENT

1 January to 31 December, in CHF 000	**Notes**	**2017**	2016
Operating profit (EBIT)		**79 014**	**72 263**
Elimination of non-cash transactions in operating profit (EBIT)			
Depreciation and impairments on property, plant, equipment	20	42 436	42 950
Amortisation of intangible assets	21	12 262	12 407
Gains on sales of fixed assets, net	11	–1 929	–447
Share-based remuneration	29	2 758	1 983
Release of provisions	27	0	–361
(Decrease)/increase in pension obligations		–1 813	3 427
Other non-cash transactions		2 215	2 767
Increase/(decrease) in other non-current liabilities		–411	58
Change in net working capital, excluding the effects of the purchase and sale of business units			
Increase in trade accounts receivable		–13 784	–4 132
Increase in inventories		–2 303	–3 151
Decrease in other current assets		7 945	764
Increase in trade accounts payable		2 502	624
Decrease in other liabilities		–2 786	–556
Cash flows from operating activities		**126 105**	**128 596**
Interest paid		–9 573	–14 877
Income taxes paid		–5 340	–2 391
Interest received		2 983	1 607
Dividends received		34	55
Cash flows from operating activities from continuing operations		**114 209**	**112 990**
Cash flows from operating activities from discontinued operations		355	–459
Cash flows from operating activities		**114 564**	**112 531**
Cash flow from investing activities			
Investment in property, plant and equipment	20	–47 033	–39 306
Proceeds from the sale of property, plant and equipment	20	21 011	5 807
Proceeds from the sale of investment properties		0	525
Acquisition of subsidiaries, net of cash and cash equivalents acquired	6	–233 145	–948
Sale of subsidiaries, net of cash and cash equivalents disposed of	6, 7	0	12 597
Investment in financial assets		–4 690	0
Proceeds from the sale of financial assets		1 861	1 501
Acquisition of other intangible assets	21	–6 421	–7 447
Proceeds from the sale of other intangible assets	21	296	24
Cash flow used in investing activities from continuing operations		**–268 122**	**–27 247**

1 January to 31 December, in CHF 000	Notes	2017	2016
Cash flow from financing activities			
Increase/(decrease) in current financial liabilities, net	24	19 794	–3 244
Proceeds of non-current financial liabilities	24	110	79 001
Repayment of non-current financial liabilities	24	–142	–79 287
Purchase from treasury shares		–14 787	–9 629
Sale of treasury shares		19 654	16 681
Distributions to providers of hybrid capital		–4 800	–4 800
Dividends paid to Valora Holding AG shareholders		–42 047	–41 636
Share-capital increase of Valora Holding AG		165 760	0
Cash flows from financing activities from continuing operations		**143 541**	**–42 914**
Cash flows from financing activities from discontinued operations		0	459
Cash flows from financing activities		**143 541**	**–42 455**
Net (decrease)/increase in cash and cash equivalents		**–10 017**	**42 829**
Exchange rate effect on cash and cash equivalents		3 150	–434
Cash and cash equivalents at the beginning of year		159 381	116 985
Cash and cash equivalents at year-end	16	**152 515**	**159 381**

The accompanying notes from page 75 to page 134 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Equity

in CHF 000	Share capital	Treasury shares	Hybrid capital	Fair value adjustments of financial instruments	Retained earnings	Cumulative translation differences	Total equity of Valora Holding AG	Share of equity attributable to non-controlling interests	Total equity
	Equity of Valora Holding AG								
Balance on 31 December 2015	**3 436**	**–26 849**	**119 098**	**–7 083**	**503 745**	**–86 359**	**505 988**	**27**	**506 015**
Net profit					63 402		63 402		63 402
Other comprehensive income				5 095	–1 022	–5 187	–1 114		–1 114
Total comprehensive income				**5 095**	**62 380**	**–5 187**	**62 288**		**62 288**
Share-based remuneration					1 983		1 983		1 983
Dividend paid to shareholders					–41 636		–41 636		–41 636
Purchase of treasury shares		–9 629					–9 629		–9 629
Sale of treasury shares		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 on 31 December 2016	**3 436**	**–18 345**	**119 098**	**–1 988**	**520 219**	**–91 545**	**530 875**	**0**	**530 875**
Net profit					57 150		57 150		57 150
Other comprehensive income				1 701	–1 426	25 847	26 121		26 121
Total comprehensive income				**1 701**	**55 723**	**25 847**	**83 271**	**0**	**83 271**
Share-based remuneration					2 758		2 758		2 758
Dividends paid to shareholders					–42 047		–42 047		–42 047
Purchase of treasury shares		–14 787					–14 787		–14 787
Sale of treasury shares		16 022			874		16 896		16 896
Distributions to providers of hybrid capital					–4 800		–4 800		–4 800
Increase of share capital	554				165 206		165 760		165 760
Balance on 31 December 2017	**3 990**	**–17 110**	**119 098**	**–288**	**697 932**	**–65 698**	**737 924**	**0**	**737 924**

The accompanying notes from page 75 to page 134 form an integral part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 INFORMATION ABOUT THE GROUP

Valora is an international retail group. The parent company, Valora Holding AG, which has its head office in Muttenz, Switzerland, is listed on the SIX Swiss Exchange. The Retail business segment of Valora operates small-outlet convenience retail units in heavily frequented locations.

Its Food Service segment maintains an integrated value chain covering all phases from the production of lye bread to sales to wholesalers (B2B) and the operation of takeaway concepts (B2C).

The consolidated financial statements for Valora for the 2017 financial year were approved by the Board of Directors on 26 February 2018. They are subject to approval by the Ordinary General Meeting on 13 April 2018.

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 are 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 thousands of Swiss francs (CHF 000).

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 the listing rules specified of the SIX Swiss Exchange.

Significant accounting policies. In addition to the accounts of Valora Holding AG, Muttenz, Switzerland, the Valora Group's financial statements also comprise those of its Group companies as follows:

Consolidated companies. Group companies controlled by Valora Holding AG are fully consolidated. In determining whether control exists, Valora also considers contractual agreements and other rights it may have. Group companies acquired are consolidated from the date Valora obtains control and deconsolidated on the date control is lost.

Consolidation method. All intra-Group assets, liabilities, income and expenses, and all unrealised gains or losses from intra-Group transactions, are eliminated in full. When 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 consideration 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 neither directly nor indirectly attributable to the 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 non-controlling interests acquired recognised in equity attributable to the shareholders of Valora Holding AG.

Associated companies and joint ventures. Associates and joint ventures are accounted for using the equity method. Associates are companies over which Valora has significant influence, but that it does not control. Significant influence is assumed to exist when Valora holds between 20% and 50% of the voting shares.

A joint venture is an entity over which Valora has joint control.

Scope of consolidation. Note 37 provides an overview of Valora's significant Group companies.

Changes in consolidation scope. Valora acquired 100% of the shares of BackWerk GmbH, based in Essen, Germany, as of 26 October 2017.

On 26 January 2017, Valora acquired Pretzel Baron, based in Cincinnati, Ohio/USA, a frozen pretzels producer with own production facilities.

On 30 August 2016, Valora completed the sale of Naville's logistics and distribution business.

On 30 June 2016, Valora acquired 100% of the shares of CDM Buffet SA, based in Lausanne.

Additional information concerning these transactions can be found in note 6.

3 CHANGES TO ACCOUNTING POLICIES

Implementation of new International Financial Reporting Standards (IFRS) and Interpretations thereof. On 1 January 2017, the amendments to IAS 12 (recognition of deferred tax assets for unrealised losses) and IAS 7 (additional disclosure requirements for changes in liabilities arising from financial activities) have been adopted.

Aside from additional disclosures in note 24 these and other changes in IFRS are not relevant for the Group and have no significant impact on these financial statements.

Future implementation of International Financial Reporting Standards (IFRS) and Interpretations thereof. The following amendments and new standards and interpretations become effective in future accounting periods and are potentially relevant for the group.

IFRS 9. Financial instruments effective from 1 January 2018.
The standard introduces new classification and measurement guidance for financial instruments. Valora will apply the new expected credit loss model to its trade receivables using the simplified approach. The application of the hedge accounting rules is not expected to have a significant impact. Under IFRS 9 financial instruments cannot be classified as available for sale at amortised costs and must be reclassified.

IFRS 15. Revenue from contracts with customers effective from 1 January 2018.
The standard introduces a five step model according to which revenue is recognised when control of the goods or services transfers to the customer. While the assessment of the impact is not complete, the principal effects expected are as follows:

For sale of goods and sale of goods produced no changes from IFRS 15 implementation are expected. Revenue is recognised when control of the goods or services is transferred to the customer. The revenue that is recognised is the consideration received net of any deductions including rebates, discounts, credit card fees and other agreed deductions. According to the current status of assessment, Valora does not control the goods sold to end customers in franchise stores and considers itself as an Agent. Franchise fees are thus recognised on a commission basis. No changes from the IFRS 15 implementation are expected. An assessment if rental income from franchise contracts will be presented as a sub-lease is currently part of the IFRS 16 analysis.

Promotion services and listing fees are recognised upon satisfaction of the contractual performance obligation primarily over time. No changes from the IFRS 15 implementation are expected.

The Group will implement the new standard on 1 January 2018 and will apply the modified retrospective method, which requires the recognition of the cumulative effect of initially applying IFRS 15, as at 1 January 2018 to retained earnings and not restate prior years. Overall Valora does not expect any significant changes from this standard.

IFRS 16. IFRS 16 Leases replaces IAS 17 and becomes effective on 1 January 2019. Under the new lease accounting model lessees will recognise a right-of-use asset and a lease liability for most leases. Lessor accounting will essentially remain unchanged and operating and finance leases will continue to be distinguished.

The current undiscounted operating lease commitments, as disclosed in Note 30, provide an indicator of the impact of the implementation of IFRS 16 on the Group's consolidated balance sheet.

Valora has as a lessee entered into a large number of lease contracts regarding sales stores which include variable sales based components and minimum fixed rental fees. Such minimum fees will be capitalised as a right of use asset with the respective recognition of a leasing liability and hence lead to:

- An increase in total assets due to an increase in property, plant and equipment and leasing liabilities.
- An increase in depreciation and a reduction in the major share of other operating lease expenses

However, a relevant number of such lease contracts is sub-contracted to franchise partners. Valora is currently assessing if and to what extent such contracts qualify as sub-lease, especially as finance lease under IFRS 16. This would lead to adjustments in measurement and classification of the related assets with subsequent implications on the income statement.
As a result of the above described adjustments in measurement and classification the cash flow statement will also be impacted.

Valora will apply the modified retrospective method which requires the recognition of the cumulative effect of initially applying IFRS 16, as at 1 January 2019 to retained earnings and not restate prior years. In addition to the above mentioned changes the new accounting standard comes along with extended disclosure requirements.

Other standards and interpretations (IFRIC 22, IFRIC 23). Other standards and interpretations and amendments to IFRS standards have been issued but based on current information are not expected to have a material impact on Valora Group's financial position and performance.

4 GENERAL ACCOUNTING POLICIES

Translation of foreign currencies. Transactions in foreign currencies are translated into the functional currency at the prevailing exchange rate on the date of the transaction. On the balance sheet date, assets and liabilities in foreign currencies are translated using the exchange rates at the balance sheet date and the resulting exchange differences are recognised in profit or loss.

The assets and liabilities of Group companies whose functional currency is not the Swiss franc are translated into Swiss francs on the balance sheet date. The income statement, cash flow statement and items of other comprehensive income are translated using the average exchange rate for the reporting period, provided this results in a reasonable approximation of the results that would be obtained when applying the transaction rates. Otherwise the items are translated using the transaction rates. Translation differences resulting from the translation of the financial statements of Group companies are recognised in the statement of comprehensive income (other comprehensive income) and reported separately.

Translation rates used for Valora's major foreign currencies

	Average rate for 2017	**Closing rate on 31.12.2017**	Average rate for 2016	Closing rate on 31.12.2016
Euro, EUR 1	1.112	1.170	1.090	1.072
US dollar, USD 1	0.985	0.974	0.986	1.019

Rounding. Due to rounding, 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 goods produced by Valora, net of any deductions including rebates, discounts and other agreed deductions. Retail sales are recognised upon sale to the customer. Payment is made in cash or by credit card. The revenue that is recognised is the consideration received, net of any credit card fees. Revenue from goods produced is recognised when the goods have been delivered, the customer has accepted them and there is sufficient certainty that the amount will be collected. Goods produced may be sold with a right to return. In this case, net revenues will be reduced by estimated returns based on historical evidence and other reasonable assumptions. Revenue from promotion services and listing fees is recognised as soon as the contractual service is rendered. The commission Valora receives from franchise contracts and other agreements, as well as rental income from franchise contracts is recognised as net revenue. Revenues generated from lending and credit brokerage are recognised in net revenues, as well.

Share-based remuneration. The Valora Group settles part of its employee remuneration in Valora shares. The expense recognised in the income statement as a result of share-based remuneration is calculated by multiplying the number of shares granted by the grant date fair value of the Valora equity instruments granted (net of any amounts to be paid by the recipients of the equity instruments). The expense for plans that are settled in shares (equity settled) is recognised in equity; the expense for cash-settled plans is recognised as liabilities. If the vesting conditions extend over several periods, the expense is spread over the vesting period taking into account the expected achievement of targets. Share-based remuneration that is settled in cash is remeasured at each balance sheet date until settlement.

Financial result. Net gains and losses on financial instruments at fair value through profit or loss do not include any dividend or interest payments. Dividend and interest income is reported separately (see Note 13).

Income taxes. Income tax is calculated on the basis of the applicable tax laws in each tax jurisdiction and charged to the income statement for the accounting period in which the net income is recognised. The effective tax rate is applied to the annual profit.

Deferred income taxes that arise as a result of temporary differences between the values of assets and liabilities reported in the consolidated balance sheet and their tax values are recognised as deferred tax assets or deferred tax liabilities. Deferred tax assets are capitalised when it is probable that there will be sufficient taxable income to against which the deductible differences can be utilised.

Deferred income taxes are calculated on the basis of the tax rates that are expected to apply during the period when the deferred tax asset is realised or the liability is settled. Deferred tax liabilities for temporary differences are generally recognised. Tax receivables and tax liabilities are offset against one another if they are for the same taxable entity and there is an enforceable right to offset them. Changes to deferred tax assets and deferred tax liabilities are recognised as a tax expense/income in the income statement. This does not apply to deferred taxes for items recognised in other comprehensive income or directly in equity.

Net profit / loss from discontinued operations. On disposal of a segment or separate major line of business the related income is reported separately as net income/loss from discontinued operations. In the cash flow statement, only continuing operations are presented in detail and the operating, investing and financing cash flows from discontinued operations are aggregated in one line.

Earnings per share. Earnings per share are calculated by dividing the net profit/loss attributable to Valora Holding AG shareholders by the average number of outstanding shares of Valora Holding AG. For diluted earnings per share, any potentially dilutive effects on the number of outstanding shares are taken into account and the net profit is adjusted, if necessary.

Cash and cash equivalents. Cash and cash equivalents include cash on hand, sight deposits with banks and short-term money market investments with a maximum term of three months.

Trade accounts receivable. Trade accounts receivable are measured at amortised cost, less necessary valuation allowances for impaired receivables. Valuation allowances are recognised if there are objective indications that the receivables cannot be recovered in full.

Inventories. Inventories are measured at the lower of acquisition/production cost and net realisable value. The inventories of the Valora Retail division are measured on the basis of the weighted average method. At Ditsch/Brezelkönig, semi-finished and finished goods are valued at the production cost; all other inventories are measured at the weighted average cost. Inventories that cannot be sold or that have a low turnover are partially or fully written off.

Property, plant and equipment. Property, plant and equipment is recognised at cost, less accumulated depreciation. Subsequent expenditure for refurbishments is capitalised only if the costs can be determined reliably and the work results in an increase of future economic benefits to be obtained. Other repair and maintenance expense is charged directly to the income statement.
Capitalised leasehold improvements of rented premises are depreciated over their estimated useful life or shorter lease term.
Depreciation is calculated using the straight-line method based on the estimated useful life:

	Years
Land	no depreciation
Buildings and building components	20 – 40
Machines, equipment, installations and furniture	6 – 10
Vehicles	5
IT hardware	3 – 5

Impairment of property, plant and equipment. The recoverability of property, plant and equipment is always reviewed if there are indications that the carrying amounts may be overstated due to changed circumstances or events. If the carrying amount exceeds the recoverable amount, which is the higher of fair value, less costs of disposal, and value in use, the carrying amount is reduced to the recoverable amount. A previously recognised impairment is reversed only if there has been a change in the estimates used to determine the recoverable amount since the recognition of the last impairment. In this case, the carrying amount of the asset is increased to its recoverable amount. However, this amount may not exceed the carrying amount that would have been determined (net of depreciation) had no impairment loss been recognised in previous years. A reversal is immediately recognised through profit or loss.

Leases. Assets acquired under lease agreements and where the significant risks and rewards of ownership are transferred to Valora as the lessee are recognised as assets in accordance with the nature of the leased asset. In doing so, the assets under finance leases are initially recognised at the fair value of the leased asset or at the lower net present value of future minimum lease payments. A liability from financial leases is recognised in the same amount. The leased asset is depreciated over its useful life or, if it is not reasonably certain that ownership will be transferred at the end of the lease period, over the shorter lease term.

Similarly, property, plant and equipment that is made available for use to third parties for consideration is not reported as property, plant and equipment; instead, the present value of future lease payments is recognised as a financial asset, provided the related significant risks and rewards of ownership of the assets are largely transferred to the lessee.
Expenses / income from operating leases are recognised in profit or loss on a straight-line basis over the lease term.

Intangible assets (excluding goodwill). Intangible assets are classified as software, intangible assets with finite usefu lives and intangible assets with indefinite useful lives. Intangible assets (excluding goodwill) are recognised at acquisition or production cost, less accumulated amortisation. Amortisation is calculated using the straight-line method over the estimated useful life of the asset.

Intangible assets with indefinite useful life. Intangible assets with indefinite useful lives are not amortised on a systematic basis, instead they are tested for impairment at least once a year and, if necessary, impaired.

Amortisation is calculated using the straight-line method based on the following estimated useful life:

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

Impairment of intangible assets. The recoverability of intangible assets (excluding goodwill) is always reviewed if there are indications that the carrying amounts may be overstated due to changed circumstances or events. If the carrying amount exceeds the recoverable amount, which is the higher of fair value, less costs of disposal, and value in use, the carrying amount is reduced to the recoverable amount. A previously recognised impairment of intangible assets (excluding goodwill) is reversed if there has been a change in the estimates used to determine the recoverable amount since the recognition of the last impairment. If this is the case, the carrying amount of the asset is increased to its recoverable amount. However, this amount may not exceed the carrying amount that would have determined (net of amortisation) had no impairment loss been recognised in previous years. A reversal is immediately recognised in profit or loss.

Goodwill. Goodwill is the amount the Group pays in excess of the fair value of the identifable net assets of an acquired business. Goodwill is capitalised and allocated to the cash-generating unit ("CGU") that expects to benefit from the business combination. Goodwill is subject to an impairment test annually, or more frequently if there are indications of a possible impairment. For this purpose, the carrying amount of the cash-generating unit to which the goodwill has been allocated is compared with its recoverable amount. The recoverable amount represents the higher of the fair value, less costs of disposal, of the cash-generating unit and its value in use. The fair value, less costs of disposal, is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants as at the measurement date. If the carrying amount of the cash-generating unit exceeds the recoverable amount, an impairment of goodwill is recognised. Reversals are prohibited.

Financial assets. Financial assets are divided into the following categories:
- Financial assets measured at fair value through profit or loss
- Loans and receivables
- Available for sale financial assets

The classification depends on the purpose for which the financial assets were acquired and is determined upon initial recognition.

Assets measured at fair value through profit or loss. These include financial assets held for trading and derivative financial instruments as well as other financial assets that were included in this category upon initial recognition.

Assets are allocated to this category if they are acquired with the intention of selling them in the short term. Financial assets in this category are held for trading or sold within 12 months.

Loans and receivables. Loans and receivables are financial assets with fixed or determinable payments that are not quoted in a market and include the trade receivables and other receivables reported separately in the balance sheet. They are classified as current unless the due date is more than 12 months after the balance sheet date.

One Valora Group company sells its loans receivable to a bank.

As all significant risks from the receivables are transferred to the bank upon sale, the asset and the liability are derecognised. In certain defined cases – if non-compliant loan agreements were to be concluded with borrowers – the bank would be entitled to reverse the transaction. In this case, the risk is limited to the value of the loan receivable.

Available for sale financial assets. This category includes equity interests (with a shareholding of less than 20%) and financial assets that have not been assigned to any other category. Available-for-sale financial assets are classified as non-current, with the exception of instruments that are expected to be sold within 12 months of the balance sheet date.

All purchases and sales of financial assets are recognised on the date of purchase or sale. Other than those that are recognised at fair value through profit or loss, financial assets are initially recognised at fair value, including transaction costs.

Held-for-trading financial assets are initially measured at fair value excluding transaction costs and subsequently, as financial assets classified as "fair value through profit or loss". "Loans and receivables" are measured at amortised cost using the effective interest rate method. "Available-for-sale financial assets" are measured at fair value, which is based either on the quoted price in a market or, if no market exists, determined using valuation methods. Assets that are not traded on a market and for which there is insufficient information available for measurement purposes are measured at cost (less impairments). Unrealised gains and losses from fair value adjustments are recognised in other comprehensive income. In the case of a significant or prolonged decline in fair value, the cumulative loss recognised in other comprehensive income is reclassified to profit or loss. Upon sale, the fair value adjustments accumulated in other comprehensive income in equity are recognised in the income statement.

Interest-bearing debt. Interest-bearing liabilities are measured at amortised cost, with differences between cost and repayment amounts recognised in financial expense over the term of the liabilities using the effective interest rate method.

Accounting of derivative financial instruments and hedging transactions. Derivative financial instruments are recognised in the balance sheet at fair value and adjusted for changes in fair value. How the gain or loss is recognised depends on whether the instrument serves to hedge a specific risk and if the conditions for hedge accounting have been met. The purpose of hedge accounting is to offset the change in fair value of the hedged item and the hedging instrument over the term of the hedging relationship. If a derivative financial instrument is not designated as a hedging transaction or the conditions for recognising it as a hedging transaction have not been met, the gains and losses from changes in the fair value of derivatives are recognised in the income statement. To qualify for hedge accounting, a hedging relationship must meet strict conditions related to documentation, the likelihood of occurrence, the effectiveness of the hedging instrument and the reliability of the measurement. When concluding a hedging transaction, the Group documents the relationship between hedging instruments and the hedged items as well as the purpose and strategy of the hedge. This process also involves linking all hedging derivatives with specific assets and liabilities or firm commitments and expected transactions. Both at the start and during the term of hedge, the Group documents the extent to which the derivative financial instruments used for hedging largely offset the change in fair value of the hedged item. When the contract is concluded, a derivative instrument that qualifies for recognition as a hedging transaction is designated either as a) a fair value hedge of a recognised asset or liability or b) a cash flow hedge from a planned transaction or firm commitment or c) a hedge of a net investment in a foreign Group company. Gains and losses from hedging instruments that are attributable to the effective portion of the change in the fair value of derivative financial instruments designated as cash flow hedges are recognised in other comprehensive income. The gain or loss attributable to the ineffective portion is recognised immediately in profit or loss. The amounts recognised in other comprehensive income are subsequently recognised in the income statement when the underlying income / expense affects profit or loss.

If the conditions for recognition as a hedging transaction are no longer met, the gains and losses accumulated in other comprehensive income remain in equity until the underlying transaction occurs. If the underlying transaction is no longer expected to take place, the cumulative gains and losses are immediately transferred to the income statement.

Provisions. Provisions are set up if – as a result of past events – an obligation has been incurred, the amount of which can be reliably estimated and for which it is probable that there will be an outflow of economic benefits. Provisions are recognised at the present value of the estimated cash outflow as of the balance sheet date.

Pension obligations. Valora pays its pension contributions to various pension schemes established in accordance with local regulations. For defined benefit pension plans, the present value of the defined benefit obligation is determined on the basis of annual actuarial reports using the "projected unit credit" method. This takes account of the years of service, benefits that accrue to employees at the balance sheet date as well as expected future changes in salary. The employer's pension expenses and the net interest expense or income for the net pension liability or asset are recognised in the income statement during the period in which they occur. The actuarial gains and losses as well as the effect of any limit on the pension assets (IFRIC 14) are recognised in other comprehensive income. The expense for defined contribution plans is recognised in the income statement on an accrual basis.

5 MANAGEMENT ESTIMATES, ASSUMPTIONS AND DISCRETION

Key judgements when applying accounting principles. The application of accounting policies for the Group requires the exercise of significant judgements by management that can have a material impact on the amounts reported in the consolidated financial statements. Estimates by management are necessary when assessing the substance of complex transactions.

Material estimates. The preparation of the consolidated financial statements in accordance with IFRS requires the use of estimates that relate to the future and affect the presentation of certain items in the income statement, statement of comprehensive income, balance sheet, cash flow statement and related notes. The estimates underlying the values in the consolidated financial statements are based on experience and the information available at the time of preparation. Estimates and assumptions are reviewed regularly and adjusted if necessary. However, actual outcomes may deviate from the estimates. Changes in estimates are included in the consolidated financial statements in the year when the adjustment is made. Estimates and assumptions that involve a significant risk regarding future material adjustments to carrying amounts are explained below:

Property, plant and equipment. The useful life of property, plant and equipment is determined on historical evidence, taking account of current technical conditions. The actual useful life may differ from the originally determined useful life as a result of technological changes and changed market conditions. In the event of such deviations, the residual useful life is adjusted. The recoverability of property, plant and equipment is always reviewed if it seems possible that the carrying amounts have been overstated due to changed circumstances. Recoverability is determined on the basis of management's estimates and assumptions regarding the economic benefits of these assets. The actual values obtained in the future may differ from these estimates (see Note 20). When analysing onerous contracts, Valora assesses the profitability of each store. For each store with an expected persisting negative profit contribution the carrying amount of its assets is impaired as a result.

Goodwill, trademark rights and other intangible assets (Franchises). Goodwill and trademark rights are tested for impairment if there are indications of a lower recoverable amount or at least annually.

The recoverable amount is based on the estimated future free cash flows (DCF measurement) of the respective units (CGUs). The recoverable amount is mainly affected by estimated net revenues, the estimated operating profit margin and the applied discount rate.

The carrying amount of franchise contracts (BackWerk) is assessed annually for impairment. Whenever there are indications of impairment for a particular contract, the recoverable amount is determined using a discounted cash flow model. Optional renewals are assumed to be exercised and fully considered in the model.

Pension assets and long-term pension obligations. The Group has pension schemes whose benefits are considered defined benefits under IFRS. As a result, the fair value of plan assets is compared annually with the dynamically calculated present value of the benefit obligations. The resulting net pension asset (in case of a surplus that is available to the Group) is capitalised or the net pension liability (in case of a plan deficit) is recognised in the consolidated balance sheet. These calculations depend on different assumptions. The most important are the discount rate used to discount future benefits and the changes in the salaries of the beneficiaries (see Note 28). The actual change may differ significantly from the assumptions.

Deferred tax assets. Under IFRS, deferred tax assets are recognised for tax loss carryforwards in an amount equal to the amount of expected future tax savings (see Note 14). The amount of future tax benefits depends on the amount of future profits earned within the period until expiry of the tax loss carryforwards. Accordingly, future results may be adversely affected by write-offs on tax assets if future results are below expectation or may be positively impacted if unrecognised losses of prior periods can be utilised.

6 ACQUISITIONS AND DISPOSAL OF BUSINESS UNITS

Transactions in 2017.

Acquisition of BackWerk. Valora acquired 100 % of the shares of BackWerk GmbH, based in Essen, Germany, as of 26 October 2017. The food service company operates a franchise network of over 340 outlets in locations mainly in Germany, Austria and the Netherlands. This transaction will enable Valora to unlock new growth potential in its core markets through significant sales and margin synergies and to significantly expand its presence in the German out-of-home market.

Acquired net assets, payment of the purchase price, cash outflow

in CHF 000	Fair value of BackWerk (provisional)
Current assets	23 414
Intangible assets	58 135
Other non-current assets	6 947
Deferred tax assets	4 201
Current liabilities	– 5 223
Other non-current liabilities	– 11 951
= Acquired net assets	**75 523**
Goodwill	159 096
= Purchase price	**234 619**
Contingent consideration	1 162
Cash and cash equivalents acquired	10 360
= Cash outflow from the acquisition of subsidiaries	**223 096**

The fair value of the intangible asset in the amount of CHF 58 million relates to franchise agreements and was determined using the multi-period excess earnings method. The intangible asset is amortised on straight-line basis over the estimated useful life.

Goodwill of CHF 159.1 million represents expected sales and margin synergies from the acquisition and the acquired work force. The reported goodwill is not expected to be tax-deductible.

Current assets include receivables with a fair value of CHF 10.6 million and a gross amount of CHF 15.8 million.

From the acquisition date, BackWerk contributed net revenues of CHF 11.0 million with no material impact on net profit. If the acquisition had taken place on 1 January 2017, management estimates the impact on net revenues would have been CHF 61.8 million with no material impact on net profit.

Goodwill has not yet been allocated.

The transaction costs directly attributable to the acquisition amount to a total of CHF 4.1 million and are included in other operating expenses (management and administration expenses).

The purchase price for the acquisition was CHF 234.6 million, of which CHF 233.4 million was paid in cash and CHF 1.2 million is outstanding in a contingent consideration arrangement. This contingent consideration is subject to the signing of specific rental contracts and will be due in 2020 at the latest.

Acquisition of Pretzel Baron. On 26 January 2017, Valora acquired pretzel producer Pretzel Baron, based in Cincinnati, Ohio / USA. The acquisition contributes to Valora's international expansion and fast market entry to the USA. Having a US production facility on its own Pretzel Baron will enable Valora to expand its growing B2B business.

Acquired net assets, payment of the purchase price, cash outflow

in CHF 000	**Fair value of Pretzel Baron**
Current assets	157
Property, plant and equipment	7 419
= Acquired net assets	**7 576**
Goodwill	3 388
= Purchase price	**10 964**
Contingent consideration	915
Cash and cash equivalents acquired	0
= Cash outflow from the acquisition of subsidiaries	**10 049**

The goodwill of CHF 3.4 million represents the acquired work force, the market entry and expected synergies from the acquisition. It is assumed that the goodwill is fully deductible for tax purposes.

The purchase price for the acquisition was CHF 11.0 million, of which CHF 10.0 million was paid and CHF 0.9 million is outstanding in a contingent consideration arrangement. The contingent payment is dependent on the achievement of projected sales figures and is due in 2018. The possible, undiscounted cash outflow is between zero and a maximum of CHF 3.0 million. The recorded liability of CHF 0.9 million is based on the best estimate of the net revenue for the business year 2017.

Transactions in 2016.

Acquisition of CDM Buffet SA. Valora concluded the purchase of CDM Buffet SA, based in Lausanne, on 30 June 2016. The company operates two outlets, which are allocated to Food Service.

Acquired net assets, payment of the purchase price, cash outflow

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

Since it was acquired, CDM has contributed net revenues of CHF 1.3 million and a net profit of CHF 0.3 million to the consolidated profit. If the acquisition had taken place on 1 January 2016, net revenues 2016 would have been CHF 2.6 million and net profit 2016 CHF 0.7 million respectively.

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

Sale of Naville Distribution. Valora completed the sale of logistics and distribution company Naville on 30 August 2016. The transaction partner was 7Days Media Services GmbH.

Net assets disposed of, net sale price, cash inflow

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
= Sold net assets	**29 983**
Gain on disposal	2 138
= Net sale price	**32 121**
Cash and cash equivalents disposed	–11 754
= Cash inflow from sales of subsidiaries	**20 367**

Intangible assets include the goodwill attributed to the distribution business in the amount of TCHF 37 562.

7 DISCONTINUED OPERATIONS

Transactions in 2016.

Valora Trade. Valora completed the sale of Trade Germany to the Aurelius Group on 1 January 2016.

Income statement for discontinued operations

1 January to 31 December, in CHF 000	**2017**	2016
Expenses	–980	–1 488
Other income	1 011	489
Operating profit (EBIT)	**31**	**–999**
Gain on disposal	–	1 923
Net profit from discontinued operations	**31**	**924**

The expenses include the revaluation of the earn-out in the amount of CHF 8.7 million and the release of the warranty and tax provision in the amount of CHF 7.0 million (see note 27 provisions) as well as a purchase price accrual of CHF 0.7 million. Other income includes mainly dividends received from a disposed associated company for the years 2015 and 2016.

Expenses in 2016 mainly include the costs for selling the Trade division which were recognised during the year as well as the contractual obligations related to the sale. Other income includes the release of a warranty provision (see Note 27).

8 SEGMENT REPORTING

The Valora Group is an internationally active retail group whose business activities are divided into the following reportable 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 products, tobacco and consumer products for everyday needs as well as impulse purchases. Valora Retail's brands include the k kiosk, k presse + buch, avec, P & B, ServiceStore DB and CIGO formats, among other brands.

Food Service: Food Service has an integrated value chain covering all phases from the production of lye bread to sales to wholesalers (B2B) and the operation of takeaway concepts (B2C). Lye pretzels and other bakery goods are produced by Ditsch/Brezelkönig in Germany and Switzerland as well as by Pretzel Baron in the USA. They are sold both at the division's own retail outlets (agencies) in Germany, France, Austria and Switzerland, and via the wholesale segment. Another component of the segment is the newly acquired sales channel BackWerk, which has retail outlets in Germany, Austria, the Netherlands and Switzerland. The segment also includes Caffè Spettacolo, one of Switzerland's leading coffee-bar chains.

Other: The Group support functions Finance, Human Resources, Business Development, Legal Services and Communications as well as bob Finance are combined in "Other". The assets mainly include loans to Group companies, cash and cash equivalents and short-term receivables. The segment liabilities comprise the financing instruments listed in Note 24.

The reportable segments include various formats and geographic regions. The net revenues for the reportable segments mainly relate to the sale of goods. Non-current assets relate to property, plant and equipment and intangible assets (additions without changes to the scope of consolidation). The internal and external reporting is based on the same measurement principles.

Segment data

2017

in CHF 000	Valora Retail	Food Service	Other	Elimination	Group total
Net revenues					
Total	**1 785 118**	**286 703**	**3 430**	**0**	**2 075 251**
From third parties	1 785 118	286 703	3 430	0	2 075 251
Operating profit (EBIT)					
Total	**70 109**	**26 184**	**– 17 279**	**0**	**79 014**
Depreciation, amortisation and impairments	32 775	18 495	3 428	0	54 698
Additions to non-current assets					
Total	**31 284**	**20 456**	**982**	**0**	**52 723**
Segment assets					
Total	**663 693**	**724 554**	**575 176**	**– 554 516**	**1 408 908**
Segment liabilities					
Total	**270 340**	**341 506**	**613 653**	**– 554 516**	**670 983**

Third-party net revenues include CHF 1 710 million from the sale of goods, CHF 134 million from the provision of services and CHF 231 million from the sale of products produced by Valora itself. Depreciation, amortisation and impairments include impairments of CHF 1.3 million in the Valora Retail segment and impairments in the Food Services segment of CHF 0.4 million.

2016

in CHF 000	Valora Retail	Food Service	Others	Elimination	Group total
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 impairments	34 793	15 604	4 960	0	55 358
Additions to non-current assets					
Total	**24 804**	**19 582**	**4 566**	**0**	**48 952**
Segment assets					
Total	**659 105**	**431 306**	**421 091**	**–344 264**	**1 167 238**
Segment liabilities					
Total	**317 961**	**165 619**	**497 047**	**–344 264**	**636 362**

Third-party net revenues include 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 itself. Depreciation, amortisation and impairments include impairments of CHF 2.4 million in the Valora Retail segment and impairments in the Food Services segment of CHF 0.5 million.

Segment information by region

2017

in CHF 000	Switzerland	Germany	Other countries	Group total
Net third-party revenues	1 349 568	619 047	106 636	2 075 251
Non-current assets	310 162	605 806	19 774	935 743

2016

in CHF 000	Switzerland	Germany	Other countries	Group total
Net third-party revenues	1 429 682	567 107	98 166	2 094 956
Non-current assets	338 318	347 710	4 496	690 524

Information about revenues and non-current assets (property, plant and equipment and intangible assets) is based on the location of the Group company. No external customer accounts for more than 10 % of net third-party revenues.

9 PERSONNEL EXPENSES

in CHF 000	**2017**	2016
Wages and salaries	198 850	206 445
Social security expenses	32 992	38 748
Share-based remuneration	2 758	1 983
Other personnel expenses	11 776	13 914
Total personnel expenses	**246 376**	**261 091**
Headcount in full-time equivalents as at 31 December	4 265	4 228

Social security expenses include expenses for defined contribution plans of TCHF 181 (2016: TCHF 184). Other personnel expenses include, in particular, compensation paid to recruiters for temporary staff and expenses for training and staff recruitment. The reduction in personnel expenses is primarily due to the disposal of Naville Distribution in August 2016 and the further expansion of the agency network in 2017 and was offset to a small extent by the acquisition of BackWerk that occurred at the end of October 2017.

10 OTHER OPERATING EXPENSES

in CHF 000	**2017**	2016
Rent	168 879	166 059
Property expenses	8 900	7 933
Ancillary rental costs	26 452	28 356
Agency fees	156 692	153 438
Insurance	1 657	1 338
Communication and IT	26 167	27 296
Advertising and sales	15 511	15 076
Shipping	32 710	33 398
Management and administration	28 337	24 157
Capital and other taxes	843	1 212
Other operating leases	2 416	2 386
Other operating expenses	28 153	27 038
Total other operating expenses	**496 717**	**487 688**

The increase in total other operating expenses is mainly due to the acquisition of BackWerk (particularly due to the transaction costs of the acquisition) and due to additional outlets which introduced the agency model and the resulting increase in agency fees.

11 OTHER INCOME AND OTHER EXPENSES

in CHF 000	**2017**	2016
Rental income	573	954
Gain on disposal of assets	3 593	796
Other income	3 458	9 226
Total other income	**7 623**	**10 976**

The profit from the sale of assets is primarily due to the disposal of the building “La Praille” in Geneva.

Other income in 2017 included primarily the release of long-term liabilities and accruals as well as reimbursements received. In 2016 this position consisted of the provision of administrative services on behalf of the successor organisations of the Divisions Trade and Services.

in CHF 000	**2017**	2016
Loss from the disposal assets	–1 663	–2 014
Other expenses	–1 353	–2 221
Total other expenses	**–3 017**	**–4 235**

12 FINANCIAL EXPENSE

in CHF 000	2017	2016
Interest expenses on bank loans and liabilities	5813	9376
Interest on bond	6779	6779
Interest on financial leases	9	39
Net loss on derivative financial instruments	883	0
Foreign exchange losses, net	0	539
Total financial expense	**13484**	**16733**

On 3 May 2016, as part of the refinancing of a promissory note, an interest rate swap was completely unwound and the negative replacement value of TCHF 3497 recognised in the income statement.

13 FINANCIAL INCOME

in CHF 000	2017	2016
Interest income from cash and cash equivalents, loans and receivables	570	731
Interest income from financial leases	195	223
Net gain from derivative financial instruments	0	501
Dividend income from available-for-sale financial assets	34	55
Foreign exchange gains, net	2132	0
Total financial income	**2931**	**1509**

14 INCOME TAXES

Income tax is broken down as follows:

in CHF 000	2017	2016
Expense for current income taxes	2884	2235
Expense/(income) from deferred income taxes	8459	–7674
Total income tax	**11343**	**–5439**

The reconciliation of income taxes at the expected consolidated tax rate with the reported income tax is broken down as follows:

in CHF 000	**2017**	2016
Earnings before income taxes	68 462	57 040
Expected average Group tax rate	19.8%	23.4%
Income taxes at the expected Group tax rate	**13 573**	**13 376**
Expenses not recognised for tax purposes/non-taxable income	1 539	–4 601
Utilisation of previously unrecognised tax loss carryforwards	–2 644	–3 760
Effects on current income taxes from prior periods	–337	–1 677
Recognition of valuation allowances for deferred income taxes	980	2 392
Reversal of valuation allowances for deferred tax assets	–1 550	–10 009
Tax rate changes	412	–19
Other effects	–630	–1 141
Total reported income taxes	**11 343**	**–5 439**
Effective tax rate	16.6%	–9.5%

In calculating the expected average Group tax rate, the individual tax rates for the taxable entities are taken into account on a weighted basis. Compared to the previous year, the expected average Group tax rate fell, which is due to the changed composition of the earnings before income tax of the operational companies.

The change in deferred income taxes is as follows:

Change in deferred tax assets/liabilities

in CHF 000	**Deferred tax assets**	**Deferred tax liabilities**	**Net assets/(net liabilities)**
Balance on 31 December 2015	**40 855**	**–34 138**	**6 717**
Deferred taxes recognised in the income statement	–389	8 063	7 674
Deferred taxes recognised in other comprehensive income	0	–334	–334
Change in consolidation scope	–1 691	–369	–2 060
Currency translation differences	–151	89	–62
Balance on 31 December 2016	**38 624**	**–26 689**	**11 936**
Deferred taxes recognised in the income statement	–12 770	4 310	–8 460
Deferred taxes recognised in other comprehensive income	0	357	357
Change in consolidation scope	4 018	0	4 018
Offsetting	–16 286	16 286	0
Currency translation differences	1 888	–1 429	458
Balance on 31 December 2017	**15 474**	**–7 166**	**8 309**

The deferred taxes recognised in the other comprehensive income related to continuing operations.

The deferred tax assets and liabilities recognised in the balance sheet are as follows:

Deferred tax assets by origin of the difference in CHF 000	**2017**	2016
Current assets	149	0
Property, plant and equipment	767	297
Goodwill, software and other intangible assets	9 909	22 286
Liabilities and provisions	1 194	107
Tax loss carryforwards	21 075	16 435
Total	**33 094**	**39 125**
Deferred tax liabilities by origin of the difference		
Current assets	–15	–3 409
Property, plant and equipment	–3 117	–3 580
Goodwill, software and other intangible assets	–19 976	–18 440
Other assets	0	–680
Liabilities and provisions	–1 677	–1 081
Total	**–24 785**	**–27 190**
Reported in the balance sheet		
Deferred tax assets	15 474	38 624
Deferred tax liabilities	–7 166	–26 689
Total deferred tax assets, net	**8 309**	**11 936**

Tax loss carryforwards total to an amount of CHF 472.9 million (2016: CHF 492.4 million). Utilisation of CHF 311.0 million (2016: CHF 440.7 million) of these tax losses is not considered probable and therefore no deferred taxes have been recognised. These tax loss carry forwards do not expire or have their expiration dates in more than 5 years.

15 EARNINGS PER SHARE

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

in CHF 000	**2017**	2016
Net profit from continuing operations	57 118	62 479
Coupon attributable to providers of hybrid capital	–4 800	–4 800
Net profit from continuing operations attributable to Valora Holding AG shareholders	52 318	57 679
Net profit from discontinued operations	31	924
Net profit from continuing and discontinued operations attributable to Valora Holding AG shareholders	**52 350**	**58 604**
Average number of outstanding shares	3 427 949	3 339 499
Earnings per share from continuing operations (in CHF)	15.26	17.27
Earnings per share from continuing operations and discontinued operations (in CHF)	**15.27**	**17.55**

In 2017 and 2016 there were no dilutive effects.

16 CASH AND CASH EQUIVALENTS

in CHF 000	**2017**	2016
Cash on hand and sight deposits	152 515	159 381
Total cash and cash equivalents	**152 515**	**159 381**
of which restricted cash	8 355	2 986

17 TRADE ACCOUNTS RECEIVABLE

in CHF 000	**2017**	2016
Trade accounts receivable, gross	74 232	49 235
Valuation allowances	–2 964	–3 979
Total trade accounts receivable, net	**71 268**	**45 256**

The following table shows the change in valuation allowances for trade accounts receivable:

in CHF 000	2017	2016
Balance on 1 January	**3 979**	**5 656**
Recognition of valuation allowances through profit or loss	718	1 069
Reversal of valuation allowances through profit or loss	–1 626	–1 080
Utilisation of valuation allowances	–571	–1 591
Currency translation differences	464	–75
Balance on 31 December	**2 964**	**3 979**

As of the balance sheet date, the age structure of the past due but not impaired trade accounts receivable is as follows:

in CHF 000	2017	2016
Up to 10 days overdue	4 079	5 079
More than 10 days, but less than one month overdue	6 866	3 770
More than one month, but less than two months overdue	112	565
More than two months, but less than four months overdue	338	682
More than four months overdue	1 186	919

The trade accounts receivable, net, are in the following currencies:

in CHF 000	2017	2016
CHF	37 081	33 141
EUR	33 320	12 115
USD	830	0
GBP	37	0
Total trade accounts receivable, net	**71 268**	**45 256**

18 INVENTORIES

in CHF 000	**2017**	2016
Merchandise	147 318	142 053
Semi-finished and finished products	4 690	2 627
Other inventories	2 530	2 018
Total inventories	**154 537**	**146 698**

During the financial year, write-downs on inventories of CHF 6.4 million (2016: CHF 6.2 million) were charged to the cost of goods and materials.

19 OTHER CURRENT RECEIVABLES

in CHF 000	**2017**	2016
Value-added taxes and withholding tax receivables	2 171	2 013
Prepaid expenses	18 912	15 207
Current receivables for financial leases	621	621
Other receivables	32 863	34 924
Total other current receivables	**54 567**	**52 765**

In particular, other receivables include claims for reimbursement of costs as well as receivables due from social security and insurance companies. Additional information on current receivables for financial leases can be found in Note 22.

20 PROPERTY, PLANT AND EQUIPMENT

in CHF 000	Land	Building	Machinery and equipment	Projects in progress	Total
Acquisition costs					
Balance on 31 December 2015	**7 031**	**48 256**	**428 518**	**7 106**	**490 910**
Disposals from the scope of consolidation	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
Reclassifications	0	18	10 932	–10 950	0
Currency translation differences	–45	–139	–1 481	–173	–1 838
Balance on 31 December 2016	**7 697**	**47 549**	**411 225**	**13 701**	**480 173**
Consolidation scope additions	492	2 462	8 818	0	11 773
Additions	1	1 520	33 602	11 137	46 260
Disposals	0	–17 536	–21 306	0	–38 841
Reclassifications	0	67	16 921	–16 987	0
Currency translation differences	324	1 235	13 874	582	16 014
Balance on 31 December 2017	**8 514**	**35 297**	**463 135**	**8 433**	**515 379**
Accumulated depreciation / impairments					
Balance on 31 December 2015	**0**	**–6 898**	**–250 639**	**0**	**–257 537**
Disposals from the scope of consolidation	0	492	1 055	0	1 547
Additions	0	–2 156	–38 090	0	–40 245
Impairments	0	0	–2 702	0	–2 702
Disposals	0	204	39 388	0	39 592
Currency translation differences	0	28	659	0	687
Balance on 31 December 2016	**0**	**–8 330**	**–250 328**	**0**	**–258 658**
Additions	0	–1 724	–39 093	0	–40 818
Impairments	0	0	–1 619	0	–1 619
Disposals	0	611	19 216	0	19 828
Currency translation differences	0	–245	–5 973	0	–6 218
Balance on 31 December 2017	**0**	**–9 689**	**–277 796**	**0**	**–287 485**
Carrying amount					
On 31 December 2016	7 697	39 219	160 898	13 701	221 514
On 31 December 2017	**8 514**	**25 608**	**185 338**	**8 433**	**227 894**

The disposed building relates to the former headoffice of Naville in Geneva.

Impairments on machinery and equipment mainly involve point-of-sale equipment for both years.

21 GOODWILL, SOFTWARE AND OTHER INTANGIBLE ASSETS

in CHF 000	Goodwill	Intangible assets with indefinite useful lives	Software and intangible assets with finite useful lives	Projects in progress	Total
Acquisition costs					
Balance on 31 December 2015	**418 330**	**46 207**	**155 800**	**3 488**	**623 825**
Additions to the scope of consolidation	0	0	1 669	0	1 669
Disposals from the scope of consolidation	–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
Reclassifications	0	0	3 089	–3 089	0
Currency translation differences	–2 171	–234	–411	–18	–2 834
Balance on 31 December 2016	**378 597**	**45 973**	**142 125**	**3 300**	**569 994**
Additions to the scope of consolidation	162 484	0	55 469	135	218 088
Additions	0	0	2 656	3 806	6 462
Disposals	0	0	–689	0	–689
Reclassifications	0	0	2 677	–2 677	0
Currency translation differences	19 743	2 013	7 428	181	29 365
Balance on 31 December 2017	**560 824**	**47 986**	**209 666**	**4 744**	**823 220**
Accumulated depreciation / impairments					
Balance at December 31, 2015	**–1 189**	**0**	**–109 464**	**0**	**–110 653**
Disposals from the scope of consolidation	0	0	494	0	494
Additions	0	0	–11 219	0	–11 219
Impairments	0	0	–1 188	0	–1 188
Disposals	0	0	21 415	0	21 415
Currency translation differences	13	0	155	0	168
Balance on 31 December 2016	**–1 177**	**0**	**–99 807**	**0**	**–100 984**
Additions	0	0	–12 215	0	–12 215
Impairments	0	0	–47	0	–47
Disposals	0	0	338	0	338
Currency translation differences	–108	0	–2 356	0	–2 464
Balance on 31 December 2017	**–1 285**	**0**	**–114 086**	**0**	**–115 371**
Carrying amount					
On 31 December 2016	377 420	45 973	42 317	3 300	469 010
On 31 December 2017	**559 539**	**47 986**	**95 579**	**4 744**	**707 849**

The increase in software and intangible assets with finite useful lives contains mainly franchise contracts which were capitalised resulting from BackWerk's purchase price allocation.

Intangible assets with indefinite useful lives. The intangible assets with indefinite useful lives include the brands Ditsch (CHF 24 million) and Brezelkönig (CHF 24 million). The trademarks were tested for impairment by calculating the value in use of the cash-generating unit Ditsch/Brezelkönig. The revenues used in this calculation are based on three-year business plans. In addition, revenue growth of 1.0 % was assumed (2016: 1.0 %). The pre-tax discount rates applied are 6.9 % for Ditsch and 5.4 % for Brezelkönig (2016: 7.9 % and 5.9 % respectively).

Software and intangible assets with finite useful lives. Software and intangible assets with finite useful lives includes CHF 12.8 million (2016: CHF 14.3 million) for software and CHF 82.8 million (2016: CHF 28.1 million) for intangible assets with finite useful lives, of which CHF 17.8 million (2016: CHF 19.7 million) relate to Ditsch/Brezelkönig customer relationships and CHF 57.2 million to BackWerk franchise contracts.

Goodwill impairment test. Goodwill is allocated to the following cash-generating units:

Cash-generating units in CHF 000	**Segment**	**Year of acquisition**	**2017**	2016
Valora Retail Switzerland	Retail	2002 – 2015	53 730	53 730
Valora Retail Germany	Retail	2008 – 2012	94 768	86 816
Ditsch Germany and Brezelkönig Switzerland	Food Service	2012	247 502	236 874
BackWerk	not yet allocated	2017	160 202	0
Pretzel Baron	Food Service	2017	3 337	0
Total carrying amount as at 31 December			**559 539**	**377 420**

Goodwill is tested for impairment based on the estimated future free cash flows (DCF method) of the cash-generating units taken from the respective business plans approved by the Board of Directors over a three-year period, which reflect management's assessment. The following key assumptions were used:

Valora Retail Switzerland. Slightly lower revenues and a slightly higher margin are expected for the three plan years.
Valora Retail Germany. Average revenue growth for the plan period is just over 5 %, with margins rising.
Ditsch/Brezelkönig. The average revenue growth for the plan period is just under 5 %, with stable margins.

For cash flows after this period, a residual value based on the third plan year is used, which does not include any growth assumptions, with the exception of Ditsch/Brezelkönig, which has a growth rate of 1.0 % (2016: 1.0 %). The discount rates used reflect data from the Swiss financial market and have been adjusted for currency and country-specific risks.

The following (pre-tax) discount rates were used:

in CHF 000	**Currency**	**2017**	2016
Valora Retail Switzerland	CHF	5.9 %	6.5 %
Valora Retail Germany	EUR	7.1 %	8.0 %
Ditsch / Brezelkönig (Germany / Switzerland)	EUR	6.2 %	7.0 %

No impairments were charged to the income statement in 2017 and 2016. An impairment test of the goodwill of BackWerk will be carried out for the first time in 2018.

Sensitivities. For all goodwill items, the impairment tests for 2017 also show that, in the event of an increase in the discount rate of 1.5 percentage points, or if zero growth in sales is assumed, all resulting values in use exceed the carrying amounts.

22 RECEIVABLES FROM RENTAL AGREEMENTS AND LEASES

Receivables from rental agreements in CHF 000	**2017**	2016
Payments received during the reporting year	20 267	17 101
Due dates of future receivables		
Within one year	39 298	16 487
Within 1–2 years	32 929	12 973
Within 2–3 years	27 752	9 896
Within 3–4 years	22 855	8 640
Within 4–5 years	16 980	6 770
After more than 5 years	32 482	16 768
Total future receivables from rental agreements	**172 296**	**71 533**

Total future receivables from rental agreements increased significantly as a result of the BackWerk acquisition.

Receivables from other operating leases in CHF 000	**2017**	2016
Payments received during the reporting year	4 521	3 998
Due dates of future receivables		
Within one year	4 263	1 645
Within 1–2 years	3 239	1 245
Within 2–3 years	2 849	1 186
Within 3–4 years	2 282	1 135
Within 4–5 years	1 837	1 023
After more than 5 years	3 399	939
Total future receivables from other operating leases	**17 870**	**7 172**

Other operating leases involve point-of-sale facilities that are let to franchisees in Germany.

Receivables from financial leases in CHF 000	**2017**	2016
Payments received during the reporting year	642	643
Due dates of the receivables		
Within one year	625	643
Within 1–2 years	571	624
Within 2–3 years	571	571
Within 3–4 years	571	571
Within 4–5 years	570	570
After more than 5 years	428	999
Total future receivables from financial leases	**3 336**	**3 978**
Less future interest income	–547	–741
Total receivables from financial leases (present value)	**2 789**	**3 237**
Less the current portion (see Note 19)	–621	–621
Non-current receivables from financial leases (see Note 23)	**2 168**	**2 616**

Present values of minimum lease payments receivable in CHF 000	**2017**	2016
Within one year	621	621
Within 1–2 years	517	566
Within 2–3 years	485	485
Within 3–4 years	455	455
Within 4–5 years	426	426
After more than 5 years	285	684
Total present value	**2 789**	**3 237**

Financial leases relate to leasehold improvements at the former head office in Bern, which is now used by new tenants.

23 FINANCIAL ASSETS

in CHF 000	**2017**	2016
Loans	5 292	4 958
Receivables from financial leases	2 168	2 616
Other non-current receivables	15 088	23 593
Financial assets available for sale	649	643
Total financial assets	**23 197**	**31 809**

Additional information on receivables from financial leases can be found in Note 22.

Other non-current receivables mainly represent the remaining amount from the sale of the property in Muttenz in 2012, which is offset against the receivables from a right of use secured by mortgages over the next five years until 2022, as well as the earn-out from the sale of the Trade division (see Note 33) and a guarantee claim.

Available-for-sale financial investments include TCHF 649 (2016: TCHF 643) in unlisted participation rights for which there is neither an active market nor sufficient information for measurement. They are therefore recognised in the balance sheet at the cost of acquisition, less impairment.

24 CURRENT FINANCIAL LIABILITIES AND OTHER NON-CURRENT LIABILITIES

Current financial liabilities in CHF 000	**2017**	2016
Current bank debt	16 670	37
Current bond liabilities	199 990	0
Current portion of liabilities from financial leases	0	689
Total current financial liabilities	**216 660**	**726**

Other non-current liabilities in CHF 000	**2017**	2016
Promissory notes	175 421	160 459
Bond	0	199 932
Other non-current liabilities	15 133	3 536
Total other non-current liabilities	**190 554**	**363 928**

The syndicated loan facility of CHF 200 million is currently not being utilised.

The change in the carrying amount of the promissory notes is mainly attributable to the foreign currency loss of TCHF 14 731 as a result of the Swiss Franc weakening against the Euro.

Other non-current liabilities include financial liabilities (mainly deposits) in the amount of TCHF 6 550 (2016: TCHF 741) and other liabilities (primarily onerous contracts and jubilee benefits) in the amount of TCHF 8 583 (2016: TCHF 2 795). The increase results from the BackWerk acquisition.

Bond in CHF 000	Nominal value	2017 Carrying amount	2016 Carrying amount
2.50% bond 2012 – 2018	200 000	199 990	199 932

Maturities at year end are as follows in CHF 000	2017	2016
Within one year	216 660	726
Within 1 – 2 years	92 813	199 578
Within 2 – 3 years	1 499	83 623
Within 3 – 4 years	85 668	0
Within 4 – 5 years	819	77 190
After more than 5 years	1 172	741
Total financial liabilities	**398 632**	**361 858**
Current portion of financial liabilities	– 216 660	– 726
Total non-current portion of financial liabilities	**181 971**	**361 132**

The interest rates on financial liabilities ranged between 0.1% and 4.0% (2016: between 0.9% and 4.0%). The weighted average interest rate on financial liabilities was 3.0% (2016: 3.4%). Non-current financial liabilities are in the following currencies:

in CHF 000	2017	2016
CHF	148	200 673
EUR	181 823	160 459
Total non-current financial liabilities	**181 971**	**361 132**
Other non-current liabilities	8 583	2 795
Total other non-current liabilities	**190 554**	**363 927**

Financing activities in CHF 000	Current bank debt	Current portion of long-term debt	Current bonds	Current portion of liabilities from financial leases	Total current financial liabilities	Promissory notes	Other non-current financial liabilities	Bond	Total non-current financial liabilities
Opening Balance on 1 January 2017	**37**	**0**	**0**	**689**	**726**	**160 459**	**741**	**199 932**	**361 132**
Additions to scope of consolidation	0	0	0	0	0	0	6 459	0	6 459
Additions	15 565	122 669	0	0	138 234	0	110	0	110
Disposals	0	– 117 750	0	– 689	– 118 439	0	– 142	0	– 142
Reclass	0	911	199 961	0	200 872	0	– 911	– 199 961	– 200 872
Non-cash transactions	0	0	29	0	29	231	0	29	260
Currency translation differences	167	– 4 929	0	0	– 4 762	14 731	294	0	15 025
Closing Balance on 31 December 2017	**15 769**	**901**	**199 990**	**0**	**216 660**	**175 421**	**6 550**	**0**	**181 971**

25 TRADE ACCOUNTS PAYABLE

Trade accounts payable are in the following currencies:

in CHF 000	**2017**	2016
CHF	101 037	103 115
EUR	41 917	33 345
Other	384	97
Total trade accounts payable	**143 338**	**136 556**

26 OTHER CURRENT LIABILITIES

in CHF 000	**2017**	2016
Value-added tax and other taxes	4 887	1 876
Personnel and social security	1 597	1 460
Accruals for overtime, vacation and variable salary components	5 625	8 717
Liabilities to pension funds	1 729	1 794
Accrued expenses	53 407	43 597
Other current liabilities	34 012	30 293
Total other current liabilities	**101 257**	**87 737**

Accrued expenses primarily include accruals for agency fees, goods and services purchased as well as accrued interest. Other current liabilities mainly include liabilities from rent and ancillary rental costs as well as liabilities from investments in property, plant and equipment and intangible assets. The increase in other current liabilities is due to the acquisition of BackWerk and Pretzel Baron.

27 PROVISIONS

in CHF 000	Guarantees	Legal cases	Total
Balance on 31 December 2015	**11 053**	**359**	**11 412**
Reversal	– 491	– 355	– 846
Currency translation differences	0	– 4	– 4
Balance on 31 December 2016	**10 562**	**0**	**10 562**
Reversal	– 7 000	0	– 7 000
Balance on 31 December 2017	**3 562**	**0**	**3 562**
Non-current provisions	3 562	0	3 562
Total provisions	**3 562**	**0**	**3 562**

Guarantees: CHF 11.1 million was recognised in connection with contractual obligations arising from the sale of the Trade division.

In the course of the review of all contractual arrangements with Aurelius in connection with the sale of the Trade division in financial year 2015, it was determined that the reason for a warranty provision had partially ceased to exist and a tax provision could partially be released due to expiration of limitation period. Therefore, the reported amount was reduced by CHF 7.0 million in 2017. The release is recorded in net profit from discontinued operations.

28 PENSION OBLIGATIONS

In line with statutory requirements, most employees are insured by pension schemes that are funded by the Valora Group and its employees. These institutions include state or self-funded insurance, private insurance companies, independent foundations and pension funds. The benefits provided by these institutions vary according to the legal and economic conditions in each country, but they are mainly based on length of service and the employee's average salary and they generally cover the risks of old age, death and disability in line with statutory provisions on occupational benefits.

Most Valora employees in Switzerland are insured by the autonomous Valora pension fund against the risks of old age, death and disability. Ordinary employer contributions include age-related risk premiums of 1.0–3.0% as well as savings contributions of 4.0–12.0% of the insured salary in credits to individual saving accounts. Benefits are defined in the pension fund regulations of the Valora Pension Fund, with minimum benefits defined by law. The ordinary retirement age is 65 for men and 64 for women. After they turn 58, Valora employees have the right to early retirement, with the conversion rate being reduced in line with the longer expected pension period. The amount of the pension that is paid out is based on the conversion rate applied to the individual beneficiary's accumulated saving accounts when they retire. For ordinary retirement after reaching age 65 or 64, the conversion rate is currently 6.40% (2016: 6.50%). The conversion rate will be reduced by 0.20% to 6.20% in 2018 and by 0.20% to 6.00% in 2019. The accumulated saving accounts are made up of savings contributions from employers and employees as well as interest credited to the saving accounts. The interest rate is set annually by the Board of Trustees of the Valora Pension Fund. The legal form of the Valora Pension Fund is a foundation. The Board of Trustees, which is comprised of an equal number of employer and employee representatives, is responsible for managing the foundation. The duties of the Board of Trustees are defined in the Federal Act on Occupational Old Age, Survivors' and Invalidity Pension Provision (BVG) and the pension fund regulations of the Valora Pension Fund. A temporary shortfall is permitted under the BVG. In order to remedy a shortfall within a reasonable period of time, the Board of Trustees is obliged to initiate remedial measures. If there is a significant shortfall, additional employer and employee contributions may be imposed under the BVG.

Day-to-day business is managed by the plan administrator under the supervision of the Board of Trustees. The plan administrator periodically informs the Board of Trustees about developments. The foundation bears all actuarial risks. These are divided into demographic (in particular, changes in mortality) and financial risks (in particular, changes to the discount rate, changes to wages and the return on plan assets). The Board of Trustees assesses the risks on a regular basis. To this end, an actuarial report is prepared once a year in accordance with the provisions of the BVG. This report is not prepared using the projected unit credit method. The Board of Trustees is responsible for investments. If necessary, it redefines the investment strategy, particularly in the event of significant changes on the market or to the structure of plan participants. The investment strategy takes account of the foundation's risk capacity as well as the plan's benefit obligations and is set out in the form of a target long-term asset structure (investment policy). The aim is to achieve a medium- and long-term balance of plan assets and obligations under the pension plan.

The last actuarial evaluation was prepared as at 31 December 2017. The assets of the pension schemes are invested in accordance with local investment regulations. Valora pays its contributions to pension schemes on the basis of the rules specified by the pension scheme.

Other employees in Germany and Austria are also insured by various, smaller unfunded pension plans.

Change in liabilities and assets in CHF 000	**2017**	2016
Present value of defined benefit obligation at the beginning of the year	524 125	600 721
Service cost	6 700	11 057
Employee contributions	4 896	5 399
Interest costs	2 851	4 147
Plan amendments, curtailments, settlements	–9 877	–7 581
Disposals from the scope of consolidation	0	–59 826
Additions to the scope of consolidation	1 321	3 462
Benefits paid	–24 096	–29 188
Actuarial losses/(gains) from obligations	10 771	–4 063
Currency translation differences	27	–3
Present value of defined benefit obligation at year-end	**516 717**	**524 125**
Market value of pension assets at the beginning of the year	530 424	596 066
Interest income	2 883	4 116
Employer contributions	6 755	7 545
Employee contributions	4 896	5 399
Plan amendments, curtailments, settlements	–7 358	–7 367
Disposals from the scope of consolidation	0	–50 782
Additions to the scope of consolidation	1 270	3 028
Benefits paid	–24 062	–29 142
Actuarial gains from assets	63 551	2 293
Other pension costs	–791	–732
Market value of pension assets at year-end	**577 568**	**530 424**

The pension assets calculated at fair value all relate to the Swiss pension schemes.

The Group expects to pay employer contributions of CHF 6.5 million in 2018.

Balance sheet values in CHF 000	**2017**	2016
Present value of funded pension obligations	–516 410	–523 814
Fair value of pension assets	577 568	530 424
Excess / (shortfall) of fund-financed plans	**61 158**	**6 610**
Asset ceiling effect	–61 158	–6 610
Present value of unfunded pension obligations	–307	–309
Total net pension obligation	**–307**	**–309**

The weighted average duration of the defined benefit obligation is 12.9 years (2016: 13.0 years).

The net pension obligation developed as follows:

in CHF 000	**2017**	2016
1 January	–309	–4 655
Disposals from the scope of consolidation	0	9 044
Additions to the scope of consolidation	–51	–434
Pension expense, net in profit or loss	–4 976	–11 606
Employer contributions	6 789	7 591
Actuarial losses in other comprehensive income	–1 732	–254
Currency translation differences	–27	3
31 December	**–307**	**–309**

Income statement in CHF 000	**2017**	2016
Service cost	–6 700	–11 057
Interest costs	–2 851	–4 147
Plan amendments, curtailments, settlements	2 519	213
Interest on effect of asset ceiling	–36	0
Interest income	2 883	4 116
Other pension costs	–791	–732
Actuarial net pension expense	**–4 976**	**–11 606**

Income from plan amendments in the amount of CHF 2 519 are due to the reduction in the conversion rate and the conversion of own outlets to agencies.

Actuarial gains / losses in CHF 000	**2017**	2016
Changes in demographic assumptions	0	71
Changes in financial assumptions	–51	–7 314
Experience adjustment on defined benefit obligation	–10 771	10 872
Gain on pension assets (excluding interest based on the discount rate)	63 551	2 293
Asset ceiling effect	–54 512	–6 610
Actuarial losses of the period	**–1 783**	**–688**

Total actuarial gains / losses recognised in other comprehensive income in CHF 000	**2017**	2016
1 January	–89 477	–88 455
Actuarial losses	–1 783	–688
Deferred taxes	356	–334
31 December	**–90 904**	**–89 477**

Significant actuarial assumptions in CHF 000	**2017**	2016
Discount rate (Switzerland only)	0.55 %	0.55 %
Future salary increases (Switzerland only)	1.00 %	1.00 %

Calculations in Switzerland were carried out using the BVG 2015 mortality table (generation table).

Sensitivity analysis in CHF 000	**2017**	2016
Discount rate (+0.25 %)	–15 281	–15 681
Discount rate (–0.25 %)	14 470	14 846
Change in salaries (+0.50 %)	743	801
Change in salaries (–0.50 %)	–777	–837

Only one of the assumptions is adjusted in the analysis while all other parameters remain unchanged.

Asset allocation in CHF 000	**2017**	2016
Cash and cash equivalents	6.80 %	3.60 %
Bonds	26.70 %	31.40 %
Equities	31.10 %	30.80 %
Real estate	30.00 %	31.80 %
Other	5.40 %	2.40 %
Total	**100.00 %**	**100.00 %**

With the exception of real estate, all assets have quoted prices in active markets.

The effective income from plan assets is CHF 65.6 million (2016: CHF 5.7 million). The effective return for 2017 was 12.4 % (2016: 1.0 %). The pension schemes do not hold any Valora Holding AG securities and do not let significant portions of their real estate to the Valora Group.

29 SHARE-BASED REMUNERATION

The following share-based remuneration programmes are available for the Board of Directors, management and employees:

Share participation programme for the Board of Directors. Under the regulations for the Board of Directors, 20 % of the individual total compensation of members of the Board of Directors is generally paid out in blocked registered shares. In justified cases, the Board of Directors may decide to pay a higher or lower percentage of the total compensation in shares. The shares are generally subject to a blocking period of three years. The shares remain in a Valora securities account during the blocking period. Board members are prohibited from selling, pledging or otherwise transferring the shares. After the end of the blocking period, members can freely dispose of the shares.

During the reporting year, the members of the Board of Directors received 20 % of their total compensation in shares in the quarter following the Ordinary General Meeting.

Share participation programme (SPP) for Group Executive Management. With effect from 1 November 2015, a management share participation programme was introduced for members of Group Executive Management and selected members of Extended Group Executive Management. Under the SPP, shares are granted as a component of compensation in accordance with the relevant employment contract. Participants receive shares of Valora Holding AG with all of the rights of a normal shareholder, apart from the three-year lock-up period. The allocation of shares is not subject to any further service conditions. Each calendar year, 50 % of the shares allocated will be granted on 31 March and 50 % on 30 September as part of the compensation for the first or second half respectively of the corresponding calendar year. Employees who join or leave the company during the year will receive a pro rata allocation or be required to return their shares based on their period of employment.

The fair value of the compensation is the share price on the grant date (31 March) multiplied by the quantity of allocated shares. This amount is recognised as expense through profit and loss in the calendar year.

Share participation programme for employees. Employees in Switzerland (members of Group Executive Management are excluded from the programme) are entitled to acquire shares of Valora Holding AG at a preferential price at the beginning of the next year based on certain criteria and function/management level. The price is 60% of the average market price in November of the previous year. The shares are acquired with all rights, but they cannot be sold for three years.
The proceeds of these sales to employees are credited directly to equity.

Recognised personnel expense for share-based remuneration for personnel and the Board of Directors in CHF 000	**2017**	2016
Expenses for Valora Group employees and management share participation plans (equity settled)	2 758	1 983
Total expense recognised for share-based remuneration	**2 758**	**1 983**

30 CONTINGENT LIABILITIES, OBLIGATIONS FROM LEASES AND OTHER AGREEMENTS

Contingent liabilities in CHF 000	**2017**	2016
Guarantees	7 361	0
Other contingent liabilities	0	140
Total contingent liabilities	**7 361**	**140**

Future obligations from operating leases and other agreements in CHF 000	**2017**	2016
Future rent obligations	746 266	725 336
Future obligations from other operating leases	4 483	2 192
Future obligations from other agreements	39 797	41 472
Total future obligations	**790 546**	**768 999**

Rental agreements in CHF 000	**2017**	2016
Minimum rental expense	142 441	139 578
Variable rental expense	26 440	26 479
Total rental expense	**168 881**	**166 058**
Due dates of future rental obligations		
Within one year	171 085	148 985
Within 1 – 2 years	154 715	137 839
Within 2 – 3 years	135 911	124 009
Within 3 – 4 years	89 888	109 534
Within 4 – 5 years	66 283	67 458
After more than 5 years	128 384	137 511
Total future obligations from rental agreements	**746 266**	**725 336**

The long-term rental contracts have been concluded in order to secure long-term access to the sites concerned. Most of the rental contracts contain variable, sales based components.

Other operating leases in CHF 000	**2017**	2016
Total expense for other operating leases during the reporting year	2 407	2 386
Due dates of future obligations from other operating leases		
Within one year	2 052	1 248
Within 1 – 2 years	1 259	661
Within 2 – 3 years	675	239
Within 3 – 4 years	376	24
Within 4 – 5 years	121	10
After more than 5 years	0	9
Total future obligations from other operating leases	**4 483**	**2 192**

The future obligations from other operating leases mainly relate to vehicle leases.

Other agreements in CHF 000	**2017**	2016
Due dates of future obligations from other agreements		
Within one year	28 271	24 140
Within 1–2 years	7 953	9 827
Within 2–3 years	1 559	7 287
Within 3–4 years	1 071	218
Within 4–5 years	943	0
Total future obligations from other agreements	**39 797**	**41 472**

The future obligations from other agreements primarily relate to IT outsourcing agreements.

31 RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

By virtue of the international nature of its business operations and its financing structure, the Valora Group is exposed to financial risks. These not only include market risks such as foreign exchange and interest rate risk, but also liquidity and credit risks. Valora's financial risk management activities aim to limit these risks. The financial risk policy is determined by Group Executive Management and monitored by the Board of Directors. Responsibility for implementation of the financial policy as well as for financial risk management rests with the central Corporate Treasury.

Sensitivity analyses that show the effects of hypothetical changes in relevant risk variables on earnings before income taxes and other comprehensive income are used to present market risks. These effects are determined by assuming hypothetical changes in the risk variables and assessing their impact on the financial instruments. The hypothetical changes in interest rates relate to the differences between the expected interest rates at the end of the following year and the current values on the balance sheet date. The hypothetical changes in currencies correspond to the one-year volatility as at the balance sheet date.

Foreign currency risks. Transaction risks arise when the value of foreign currency transactions fluctuates as a result of changes in the exchange rate of the functional currency. For Valora, transaction risks arise when it obtains goods and services in a currency other than the functional currency and as a result of intra-group transactions. Most Group companies mainly carry out their transactions in the functional currency. According to IFRS currency risks do not arise from financial instruments that are non-monetary items or from financial instruments denominated in the functional currency. In order to limit the transaction risks, currency derivatives are used selectively.

Translation risk arises when translating the balance sheets and income of foreign Group companies as part of consolidation and the resulting change in equity.

Net investments in foreign Group companies are also periodically analysed and the risk is measured using the volatilities of the corresponding currencies. These analyses show that the translation risk is acceptable compared to consolidated equity. The translation risks are not hedged and are not included in the currency sensitivities presented below.

The following table shows the material effects on earnings before income taxes and other comprehensive income as a result of hypothetical changes to the relevant foreign exchange rates of the financial instruments.

Currency sensitivity analysis in CHF 000	**Hypothetical change (percent) 2017**	**Impact on earnings before income tax 2017**	**Impact on other comprehensive income 2017**	Hypothetical change (percent) 2016	Impact on earnings before income tax 2016	Impact on other comprehensive income 2016
CHF / EUR	+/– 5.0 %	+/– 9 570	+/– 9 694	+/– 10.0 %	+/– 764	+/– 16 457

The acquisition of BackWerk increased temporarily the Euro exposure. To mitigate the risk Valora placed on 11 January 2018 a promissory note in the amount of EUR 170 million on the capital market.

Interest rate risks. The Group's interest-bearing assets mainly consist of cash and cash equivalents. Due to the variable interest rate on cash and cash equivalents, the amount of income is influenced by the development of market interest rates. The Group's interest rate risk normally arises in connection with financial liabilities. Financial liabilities with variable interest rates result in a cash flow interest rate risk for the Group. 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 desired balance of fixed and variable interest rates, the Group enters into interest rate hedges where needed. Interest-bearing liabilities mainly consist of a bond and a promissory note (see Note 24).

The sensitivity analysis of the interest rate risk only includes items with variable interest rates. The following table shows the material effects on earnings before income taxes as a result of hypothetical changes to the relevant market interest rates.

Interest rate sensitivity analysis in CHF 000	**Hypothetical change (basis points) 2017**	**Impact on earnings before income tax 2017**	Hypothetical change (basis points) 2016	Impact on earnings before income tax 2016
CHF	+/– 27	+/– 205	+/– 8	+/– 42
EUR	+/– 34	+/– 68	+/– 8	+/– 43

Liquidity risks. Liquidity risk management refers to the Group's ability at all times to meet its payment obligations in full and in a timely manner. Valora's Group liquidity is monitored on an ongoing basis and optimised through cash pool arrangements. Liquidity reserves in the form of credit limits and cash ensure constant solvency and financial flexibility.

The following table shows the undiscounted interest and principal payments of the Group's non-derivate financial liabilities. All instruments in the portfolio at the end of the year are included. The interest rates set most recently prior to the balance sheet date are used to calculate variable interest payments.

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
As at 31 December 2017					
Current financial liabilities	15 772	199 990	901	0	0
Derivative financial liabilities	1 035	0	0	0	0
Trade accounts payable	134 566	8 379	392	0	0
Other current liabilities (financial instruments only)	51 537	14 540	9 741	0	0
Non-current financial liabilities	0	5 020	3 628	201 117	685
Total	**202 911**	**227 929**	**14 662**	**201 117**	**685**
As at 31 December 2016					
Current financial liabilities	45	0	689	0	0
Trade accounts payable	128 848	7 369	339	0	0
Other current liabilities (financial instruments only)	44 430	12 028	8 383	0	0
Non-current financial liabilities	0	5 020	3 323	372 851	741
Total	**173 323**	**24 418**	**12 734**	**372 851**	**741**

In order to optimise its ability to manage liquidity, the Valora Group has several different 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 contractual parties are unable to fulfil their obligations as agreed. Valora's receivables are reviewed on an ongoing basis and managed so that no significant credit and concentration risks arise. As at the end of 2017 and 2016, the Valora Group had no receivables from individual customers representing more than 6 % of total trade accounts receivable.

The Valora Group works with a select number of reputable banking institutions. Specific situations may require subsidiaries to transact business with other banks. New banking relationships are established and existing ones terminated in consultation with Corporate Treasury. Corporate Treasury reviews the banking relationships on a regular basis using external ratings and defines credit limits for all counterparties.

The maximum default risk of the financial assets of CHF 291 million (2016: CHF 283 million) corresponds to the carrying amounts (see Note 32).

The following table shows the Group's demand deposits and fixed term deposits with maturities of 3 months or less by bank counterparty rating. The table uses Standard & Poor's rating codes.

Demand deposits and fixed term deposits with maturities of less than three months in CHF 000	**2017**	2016
AAA and / or state guarantee (AAA countries)	76	617
AA	12 078	13 980
A	76 158	70 560
BBB	24 611	34 550
No Rating	1 710	2 890
Total demand deposits and fixed term deposits with maturities of less than three months [1)]	**114 633**	**122 597**

1) The other components of the balance sheet item cash and cash equivalents is comprised of cash holdings (including cash in transit).

Risk management instruments (hedging). The Valora Group uses forward contracts to mitigate foreign currency risks. In addition, interest rate swaps are used to hedge interest rate risks. Exposure arising from existing asset and liability items, as well as from future commitments, is managed centrally.

To hedge the interest payments on the promissory note (nominal value of EUR 72 million), an interest rate swap was concluded as at 30 October 2013 (cash flow hedge), the fair value of which corresponded to its negative replacement value of CHF 3.4 million as at 31 December 2015 and its change in value was recognised in other comprehensive income. On 3 May 2016, as part of the refinancing of a promissory note, an interest rate swap was unwound and the negative replacement value of CHF 3.5 recognised through profit or loss.

To hedge 50% of the interest expense of the bond issued on 1 February 2012 (see Note 24), a forward-starting interest rate swap was entered into in the first half of 2011. This interest rate swap was designated as a hedging instrument to hedge the interest payments on the bond (cash flow hedge). On 1 February 2012, the interest rate swap was closed with a negative replacement value of CHF 10.4 million. In financial year 2017, CHF 1.7 million (2016: CHF 1.7 million) of other comprehensive income was reclassified to financial expense. The hedged payments relate to the years 2012 to 2018 and are recognised through profit and loss during this period.

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 31 December 31 2016 and 2017 or through standard pricing model valuations using market data.

Derivative financial instruments in CHF 000	**Notional amount 2017**	**Replacement values 2017**	Notional amount 2016	Replacement values 2016
Currency instruments				
Forward contracts/ derivative financial liabilities	170 000	1 035	0	0
Total derivative financial liabilities	**170 000**	**1 035**	**0**	**0**

Capital management. The primary goal of capital management at the Valora Group is to achieve a high credit rating and a good equity ratio. This serves to support the Group's business activities and maximise shareholder value.

The Valora Group manages its capital structure and makes adjustments in response to changes in the economic circumstances. The Valora Group can undertake various measures to maintain or adjust its capital structure, such as modifying dividend payments to shareholders, repaying capital to shareholders or issuing new shares.

Capital is monitored with the help of the equity ratio, which is calculated as the percentage of equity to total assets. The Group's capital and equity ratio are listed in the following table:

in CHF 000	**2017**	2016
Equity of Valora Holding AG	737 924	530 875
Total equity	**737 924**	**530 875**
Equity ratio	**52.4 %**	**45.5 %**

With the exception of bob Finance AG, Zurich, the Valora Group is not subject to external capital requirements, such as those that apply in the financial services sector. The minimum equity ratio requirements are based on the financial covenants in the bank loan agreements (see Note 24).

bob Finance AG is subject to the shareholders' equity requirements set out in Art. 5 of Switzerland's Ordinance relative to the Federal Law on Consumer Credit (VKKG). The equity of bob Finance AG must amount to at least CHF 250 000 or 8 % of outstanding consumer loans.

32 FINANCIAL INSTRUMENTS

Carrying amounts, fair value and measurement categories in CHF 000	Measurement category	**Carrying amount 2017**	**Fair Value 2017**	Carrying amount 2016	Fair Value 2016
Assets					
Cash and cash equivalents	LaR	152 515	152 515	159 381	159 381
Trade accounts receivable	LaR	71 268	71 268	45 256	45 256
Other current receivables (financial instruments only)	LaR	44 604	44 604	47 256	47 256
Non-current interest-bearing financial assets	LaR	7 460	7 460	7 574	7 574
Other non-current receivables	LaR	15 088	15 088	23 593	23 593
Financial assets available for sale measured at the cost of acquisition	AfS	649	n/a	643	n/a
Liabilities					
Current financial liabilities	FLAC	216 660	217 490	726	726
Derivative financial liabilities (hierarchy level 2)	FLHfT	1 035	1 035	0	0
Trade accounts payable	FLAC	143 339	143 339	136 557	136 557
Other current liabilities (financial instruments only)	FLAC	74 492	74 492	64 840	64 840
Other current liabilities (financial instruments only)	FLtPL	1 162	1 162	0	0
Non-current financial liabilities	FLAC	181 056	181 056	361 132	366 020
Non-current financial liabilities (hierarchy level 3)	FLtPL	915	915	0	0
By measurement category					
Loans and receivables	LaR	290 936	290 936	283 059	283 059
Financial assets available for sale	AfS	649	n/a	643	n/a
Financial liabilities measured at amortised cost	FLAC	615 548	616 378	563 255	568 143
Financial liabilities held for trading	FLHfT	1 035	1 035	0	0
Financial liabilities measured at fair value	FLtPL	2 077	2 077	0	0

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
FLtPL Financial liabilities measured at fair value through profit or loss

For all current financial instruments, the carrying amounts represent a reasonable approximation of fair value. Any discounting effects are immaterial. The fair value of the bond is the nominal value multiplied by its market price on the balance sheet date. Information on the measurement of derivative financial instruments and financial assets available for sale can be found in Notes 4, 23 and 31. The fair values of other non-current fixed-income financial instruments were determined by discounting the expected future cash flows using standard market interest rates.

33 FAIR VALUES

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

- Level 1: Price quotations on active markets for identical assets and liabilities;
- Level 2: Fair values determined on the basis of observable market data. For this purpose, either quoted prices on non-active markets or unquoted prices are used. These fair values can also be derived indirectly from prices;
- Level 3: Fair values determined on the basis of unobservable inputs and thus based on estimates.

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

2017

in CHF 000	Level 1	Level 2	Level 3	Total
Measured at fair value				
Assets				
Contingent consideration	0	0	7 608	7 608
Liabilities				
Derivative financial liabilities	0	1 035	0	1 035
Contingent consideration	0	0	2 077	2 077
Disclosed at fair value				
Liabilities				
Bonds	200 820	0	0	200 820

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

Level 2 fair values are determined using measurement models that are based on observable market data, such as interest rates, yield curves and exchange rates on the measurement date.
In reporting years 2017 and 2016, there were no transfers between hierarchy levels 1 and 2.

Level 3 fair value. The following table shows the change in level 3 fair value from the opening balances to the closing balances:

in CHF 000	**2017**	2016
Balance on 1 January (assets)	**16 295**	**16 295**
Fair value adjustment recorded in discontinued operations	–8 687	0
Balance on 31 December (assets)	**7 608**	**16 295**

in CHF 000	**2017**	2016
Balance on 1 January (liability)	**0**	**0**
Addition	2 077	0
Balance on 31 December (liability)	**2 077**	**0**

Contingent considerations. The opening balance in 2017 of the contingent consideration in hierarchy level 3 relates to the sale of the Trade division and forms part of the purchase price receivable.
In the course of the re-evaluation of the earn-out from the sale of the Trade division, the probabilities of occurrence of the various parameters were re-assessed and the discounted cash flows recalculated based on the most recent available data. As a result of this revaluation the fair value was reduced by CHF 8.7 million.
As part of the purchase price agreement concerning the acquisition of the lye pretzel manufacturer Pretzel Baron a contingent consideration was set. The consideration in the amount of USD 0.9 million is calculated based on sales achieved within one year after closing and due in February 2018.
As part of the purchase price agreement concerning the acquisition of BackWerk a contingent consideration was set. The consideration in the amount of EUR 1.0 million is triggered by the signing of specific rental contracts (see note 6).

34 TRANSACTIONS AND BALANCES OUTSTANDING WITH RELATED PARTIES

The consolidated financial statements comprise Valora Holding AG as the parent company and the Group companies controlled by it, either directly or indirectly, which are listed in Note 37.

Transactions. The following transactions were conducted with related parties:

Goods and services sold to related parties in CHF 000	**2017**	2016
Goods sold to		
Other related parties	2 847	0
Services sold to		
Associates	21	129
Other related parties	158	154
Total goods and services sold	**3 026**	**283**

Goods and services purchased from related parties in CHF 000	**2017**	2016
Goods purchased from		
Other related parties	8	9
Services purchased from		
Associates and Joint Ventures	972	914
Other related parties	542	621
Total goods and services purchased	**1 522**	**1 544**

Remuneration to management and the Board of Directors. Remuneration to management and the Board of Directors includes all expenses recognised in the consolidated financial statements which are directly connected with members of Group Executive Management and the Board of Directors.

Remuneration to management and the Board of Directors in CHF 000	**2017**	2016
Salaries and other short-term benefits	4 627	5 612
Pension plans	338	371
Share participation plans	1 884	2 175
Total remuneration to management and the Board of Directors	**6 849**	**8 158**

Details on compensation paid to the Board of Directors and Group Executive Management, their holdings of Valora Holding AG shares and the shareholdings of major shareholders pursuant to Art. 663c of the Swiss Code of Obligations and the Ordinance against Excessive Remuneration in Listed Companies Limited by Shares (ERCO) can be found in the notes to the individual financial statement for Valora Holding AG and the compensation report.

Receivables and liabilities. The terms for receivables and liabilities are in line with the standard terms for transactions by the relevant companies. The Valora Group has not received any collateral for receivables nor has it issued any guarantees for liabilities.

Receivables from related parties in CHF 000	**2017**	2016
Receivables from associates	747	635
Receivables from other related parties	114	0
Total receivables	**861**	**635**

Liabilities to related parties in CHF 000	**2017**	2016
Liabilities to associates	10	35
Liabilities towards other related parties	757	1 551
Total liabilities	**767**	**1 586**

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

35 EQUITY

Outstanding shares in number of shares	**2017**	2016
Total registered shares	**3 990 000**	**3 435 599**
Of which treasury shares		
Position as at 1 January	77 078	115 915
Additions	46 137	39 732
Disposals	–61 720	–78 569
Total treasury shares as at 31 December	**61 495**	**77 078**
Total outstanding shares (after deduction of treasury shares) as at 31 December	**3 928 505**	**3 358 521**
Average number of outstanding shares (after deduction of treasury shares)	**3 427 949**	**3 339 499**

In 2017, a dividend of CHF 12.50 per share was paid for the financial year 2016 (2016: CHF 12.50 per share for financial year 2015). The dividend distribution is based on the annual profit and the profit carried forward of Valora Holding AG.

The share capital consists of 3 990 000 shares with a par value of CHF 1.00 each. At the extraordinary General Meeting of Valora Holding AG on 8 November 2017, the shareholders approved a capital increase of CHF 554 401 through the issue of 554 401 registered shares with a par value of CHF 1.00 each. The capital increase was carried out via a rights issue at market price. Existing shareholders of Valora Holding AG received one subscription right for each registered share they held after the close of trading on 10 November 2017. Five subscription rights grant their owners the right to subscribe for one new registered share. The subscription price was CHF 310. Total proceeds from the capital increase amounted to CHF 171.9 million and were reduced by the transaction costs in the amount of CHF 6.1 million.

At the Ordinary General Meeting of Valora Holding AG on 14 April 2016, shareholders approved the creation of authorised share capital of up to CHF 250 000 by issuing a maximum of 250,000 registered shares with a nominal value of CHF 1 by no later than 14 April 2018.

On 9 April 2013, Valora Holding AG issued a perpetual subordinated hybrid bond in the amount of CHF 120 million with a first right of termination on 30 October 2018. The coupon is 4% p.a. until 30 October 2018. For subsequent five-year periods, the interest rate is determined on the basis of the five-year mid-swap rate plus a premium of 500 basis points and the initial credit margin. The interest obligation depends in large part on the dividend resolution of the Ordinary General Meeting. The bond, less transaction costs of TCHF 902, qualifies as equity.

There is contingent capital of 84,000 shares that the Board of Directors may issue to secure existing and future management share participation plans. As of 31 December 2017, no corresponding shares had been issued.

36 SUBSEQUENT EVENTS

On 11 January 2018 Valora placed a promissory note in the amount of EUR 170 million on the capital market with a five-year term.

These consolidated financial statements were authorised for issue by the Board of Directors of Valora Holding AG on 26 February 2018. The Board of Directors recommends that the Ordinary General Meeting of Shareholders to be held on 13 April 2018 approve these financial statements.

37 KEY COMPANIES OF THE VALORA GROUP

	Currency	Share 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			•
BackWerk CH AG, Freienbach	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			•
BackWerk Management GmbH, Essen	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	Share capital in million	Share-holding in %	Corporate	Valora Retail	Food Service
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		•	
BackWerk AT GmbH, Baden	EUR	0.1	100.0			•
France						
Brezelkönig S.à r.l., Paris	EUR	0.1	100.0			•
The Netherlands						
BackWerk NL B.V., Huizen	EUR	0.1	100.0			•
USA						
Valora Holding USA Inc., Wilmington, Delaware	USD	0.1	100.0			•
Pretzel Baron Properties LLC, Cincinnati, Ohio	USD	–	100.0			•

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

STATUTORY AUDITOR'S REPORT ON THE AUDIT OF 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 2017 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 68 – 134), 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 2017 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 43 % of Valora Group's total assets and 82 % of equity.

Key assumptions for the impairment test are disclosed in the notes (notes 5 and 21). 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 Group'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.

ACQUISITION OF BACKWERK – PURCHASE PRICE ALLOCATION

Area of focus. As of 26 October 2017, Valora acquired 100% of the shares of BackWerk Holding GmbH, Germany, for a total consideration of CHF 235 million. For this acquisition, Valora made a preliminary purchase price allocation in which the consideration paid was allocated to the various assets and liabilities of the acquired business, mainly including franchise contracts. This is outlined in note 6 of the financial statements.

Due to the significance of the amounts and the judgment involved in determining the allocation of the purchase price to identified assets and liabilities, this matter was considered significant to our audit.

Our audit response. We analysed the underlying purchase agreement, the total consideration paid, the Group's valuation model and identification of acquired assets and liabilities. We corroborated this information with our knowledge of the business of BackWerk, business plans, and management's explanations on the rationale of the acquisition. We involved valuation specialists to assist in evaluating key assumptions and methodologies applied in determining the provisional fair values of acquired assets and liabilities. We further evaluated the Group's disclosures on this business combination.

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, 26 February 2018

BALANCE SHEET

ASSETS

As at 31 December, in CHF 000	**Note**	**2017**	2016
Current assets			
Cash and cash equivalents		81 702	78 516
Securities		18	18
Other current receivables			
Third parties		341	158
Group companies	2.2	50 112	21 535
Accruals			
Third parties		21	144
Total current assets		**132 194**	**100 371**
Non-current assets			
Loans to Group companies		839 589	675 685
Investments	2.1	224 882	224 882
Discount / issuance costs for syndicated loans / bonds		684	1 221
Total non-current assets		**1 065 155**	**901 788**
Total assets		**1 197 349**	**1 002 159**

LIABILITIES AND EQUITY

As at 31 December, in CHF 000	Note	2017	2016
Liabilities			
Current interest-bearing liabilities			
Bank debts		15 565	–
Bond	2.3	200 000	–
Other current liabilities			
Third parties		1 136	627
Group companies and auditors	2.2	117 103	108 940
Accruals			
Third parties		7 800	6 988
Total current liabilities		**341 604**	**116 555**
Non-current interest-bearing liabilities			
Bond	2.3	120 000	320 000
Promissory notes	2.4	176 338	171 277
Provisions		37 000	50 000
Total non-current liabilities		**333 338**	**541 277**
Total liabilities		**674 942**	**657 832**
Equity			
Share capital	2.5	3 990	3 436
Statutory capital reserves			
General statutory reserves		687	687
Reserves from capital contributions	2.6	165 734	527
Unrestricted reserves		208 011	204 379
Retained earnings available for distribution			
Retained earnings carried forward		111 596	109 257
Net profit for the year		49 499	44 386
Treasury shares	2.7	– 17 110	– 18 345
Total equity		**522 407**	**344 327**
Total liabilities and equity		**1 197 349**	**1 002 159**

INCOME STATEMENT

1 January to 31 December, in CHF 000	**Note**	**2017**	2016
Income			
Investment income	2.8	44 487	20 475
Financial income	2.9	15 604	13 311
Other income	2.10	13 099	34 000
Total income		**73 190**	**67 786**
Expenses			
Financial expenses	2.11	– 20 030	– 18 782
Personnel expenses		– 1 562	– 1 434
Other operating expenses	2.12	– 1 970	– 3 016
Direct taxes		– 129	– 168
Total expenses		**– 23 691**	**– 23 400**
Net profit for the year		**49 499**	**44 386**

NOTES TO THE FINANCIAL STATEMENTS

1. BASIS OF PRESENTATION

1.1 GENERAL. The annual financial statements for Valora Holding AG, based in Muttenz, have been prepared in accordance with the provisions of Swiss accounting law (Title 32 of the Swiss Code of Obligations).
The material accounting principles which have been applied and which are not required by law are described below.

1.2 NON-INCLUSION OF THE CASH FLOW STATEMENT AND OTHER INFORMATION IN THE NOTES. Valora Holding AG prepares its consolidated financial statements in accordance with IFRS. For this reason, it has not included information about interest-bearing liabilities and audit fees or its cash flow statement in this annual financial statement.

1.3 LOANS TO GROUP COMPANIES. Loans granted in a foreign currency are measured at the current exchange rate on the reporting date, with unrealised losses recognised, but unrealised gains not reported (imparity principle).

1.4 TREASURY SHARES. Treasury shares are recognised at acquisition cost with no subsequent valuation. Upon resale, the profit or loss is recognised directly in the unrestricted reserves.

1.5 SHARE-BASED COMPENSATION. If treasury shares are used for share-based compensation paid to board members, the fair value at grant date is recognised as a personnel expense.

1.6 NON-CURRENT INTEREST-BEARING LIABILITIES. Interest-bearing liabilities are recognised at their nominal value. A discount and the issuance costs of bonds are recognised under assets and amortised on a straight-line basis over the term of the bond. A premium (less issuance costs) is recognised as accrued liabilities and amortised on a straight-line basis over the term of the bond. Interest-bearing liabilities in a foreign currency are measured at the current exchange rate on the reporting date, with unrealised losses recognised, but unrealised gains not reported.

2. INFORMATION ON BALANCE SHEET AND INCOME STATEMENT POSITIONS

2.1 INVESTMENTS

	Currency	**31.12.2017 Capital in TCHF**	**31.12.2017 Holding in %**	31.12.2016 Capital in TCHF	31.12.2016 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	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	100.0
Guernsey					
Valora Holding Finance Ltd., Guernsey	CHF	-	-	285	100.0

Significant direct and indirect investments in Group companies by Valora Holding AG are detailed in Note 37 of the consolidated financial statements. The participation percentage listed in the table also corresponds to the number of shares in these companies with voting rights.

2.2 OTHER CURRENT RECEIVABLES AND LIABILITIES. Other current receivables and liabilities to Group companies primarily involve receivables and liabilities to subsidiaries which are affiliated with the Valora Holding AG cash pool.

2.3 BONDS OUTSTANDING

in CHF 000	**Coupon**	**Maturity**	**31.12.2017**	31.12.2016
Bond 2012–2018	2.50%	02.03.2018	200 000 [1]	200 000
Hybrid bond	4.00%	30.10.2018 [2]	120 000	120 000

[1] The bond 2012-2018 with maturity date 2 March 2018 is reported under current interest-bearing liabilities.
[2] The hybrid bond does not have a fixed maturity date, but it cannot be recalled until 30 October 2018.

2.4 PROMISSORY NOTES

in CHF 000	Coupon	Maturity	31.12.2017	31.12.2016
EUR 72 million	fixed/variable	29.04.2021	84 261	79 200
EUR 78 million	fixed	30.04.2019	92 077	92 077

2.5 SHARE CAPITAL. The share capital of TCHF 3 990 is comprised of 3 990 000 registered shares with a par value of CHF 1.00 each.

At the Extraordinary General Meeting held on 8 November 2017, Valora Holding AG shareholders approved a capital increase. The capital increase was carried out by means of a subscription rights issue at market price, through the issuance of 554 401 registered shares with a par value of CHF 1.00. Existing shareholders of Valora Holding AG received one subscription right for each registered share they held after the close of trading on 10 November 2017. Five subscription rights grant their owners the right to subscribe for one new registered share. The subscription price was CHF 310.

Conditional capital: On 11 May 2000, the General Meeting approved the creation of conditional capital in the amount of CHF 84 000. As of 31 December 2017, no corresponding shares had been issued.

Authorised capital: At the General Meeting held on 14 April 2016, an increase in the share capital of no more than CHF 250 000 by no later than 14 April 2018 through the issuance of 250 000 registered shares with a par value of CHF 1.00 each was approved. As of 31 December 2017, no corresponding shares had been issued.

2.6 RESERVES FROM CAPITAL CONTRIBUTIONS. The statutory reserves from capital contributions include the premium from the capital increases since 1 January 2000, reduced by the previous dividend distributions.

2.7 TREASURY SHARES

in CHF 000	2017 Number of shares	2017 Carrying amount	2016 Number of shares	2016 Carrying amount
Opening balance (1 January)	**77 078**	**18 345**	**115 915**	**26 849**
Sales	– 61 720	– 16 022	– 78 569	– 18 133
Purchases	46 137	14 787	39 732	9 629
Closing balance (31 December)	**61 495**	**17 110**	**77 078**	**18 345**

In 2017, Valora Holding AG purchased 46 137 shares at CHF 320.51 and sold 61 720 shares at 318.45 (average prices).

As of 31 December 2017, the number of treasury shares as a percentage of total share capital was 1.5 % (2016: 2.2 %).

2.8 INVESTMENT INCOME

1 January to 31 December, in CHF 000	**2017**	2016
Valora International AG	40 000	15 000
Valora Management AG	100	100
Alimarca AG	3 000	–
Valora Holding Germany GmbH	1 387	–
Valora Holding Finance Ltd.	–	5 375
Total investment income	**44 487**	**20 475**

2.9 FINANCIAL INCOME

1 January to 31 December, in CHF 000	**2017**	2016
Interest income on loans to Group companies	13 778	3 012
Other financial income	270	415
Currency translation gains realised	1 556	9 884
Total financial income	**15 604**	**13 311**

2.10 OTHER INCOME

1 January to 31 December, in CHF 000	**2017**	2016
Adjustment to impairment charge on loans	–	20 000
Adjustment to impairment charge on investments	13 000	14 000
Other income	99	–
Total other income	**13 099**	**34 000**

2.11 FINANCIAL EXPENSES

1 January to 31 December, in CHF 000	**2017**	2016
Interest expense on bonds and syndicated loans	13 390	13 372
Discount (bond, hybrid, syndicated loan)	537	751
Bank interest and fees	962	1 125
Interest expense on loans to Group companies	–	1 235
Currency translation losses	5 141	2 299
Total financial expenses	**20 030**	**18 782**

2.12 OTHER OPERATING EXPENSES

1 January to 31 December, in CHF 000	**2017**	2016
Audit expenses	168	137
Other advisory fees	109	214
Management fees	1 000	1 000
Other administrative costs	693	1 665
Total other operating expenses	**1 970**	**3 016**

3. OTHER INFORMATION

3.1 FULL-TIME EQUIVALENTS. Valora Holding AG does not have any employees.

3.2 COLLATERAL PROVIDED FOR THIRD-PARTY LIABILITIES. On 31 December 2017, contingent liabilities – comprised of guarantees, letters of subordination and comfort, as well as warranty and other contingent liabilities – to subsidiaries totalled CHF 138.1 million (2016: CHF 138.1 million), with none to third parties (2016: none).

3.3 SIGNIFICANT SHAREHOLDERS. The statutory registration restriction of 5 % set out in the Articles of Incorporation (restricted transferability) was abolished at the 2010 Ordinary General Meeting.

As of 31 December 2017, 5 % of registered shares equalled 199 500 registered shares.

According to the share register, as of 31 December 2017, Ernst Peter Ditsch held 635 599 registered shares, which represents 15.93 % (2016: 18.5 %) of the shares issued.

3.4 PARTICIPATIONS. As of 31 December 2017 and 2016, the individual members of the Board of Directors and the Group Executive Management (including related parties) held the following number of shares of Valora Holding AG:

	2017 Number of shares	**2017 Share of total voting rights in %**	**2017 of which subject ot a lock-up period**	2016 Number of shares	2016 Share of total voting rights in %	2016 of which subject ot a lock-up period
Board of Directors						
Rolando Benedick Chairman (until March 2017)	–	–	–	17 485	0.51	1 697
Franz Julen Chairman (from March 2017)	1 672	0.04	766	1 012	0.03	562
Markus Fiechter Vice-Chairman and Chairman of Nomination and Compensation Committee	3 102	0.08	656	2 800	0.08	709
Bernhard Heusler Member	651	0.02	465	512	0.01	512
Ernst Peter Ditsch Member	635 599	15.93	none	635 599	18.50	none
Cornelia Ritz Bossicard Chair of Audit Committee	825	0.02	510	562	0.02	562
Michael Kliger Member (from March 2017)	138	0.00	115	–	–	–
Total Board of Directors	**641 987**	**16.09**		**657 970**	**19.15**	
Group Executive Management						
Michael Mueller CEO	9 195	0.23	8 895	4 754	0.14	4 754
Tobias Knechtle CFO	4 049	0.10	3 819	1 993	0.06	1 993
Thomas Eisele Head Food Service	1 895	0.05	1 781	1 189	0.03	1 135
Total Group Executive Management	**15 139**	**0.38**		**7 936**	**0.23**	
Total Board of Directors and Group Executive Management	**657 126**	**16.47**		**665 906**	**19.38**	

3.5 LOANS. As of 31 December 2017 and 2016, there were no loans to members of the Board of Directors or Group Executive Management or to related parties.

3.6 PARTICIPATION RIGHTS FOR MEMBERS OF THE BOARD OF DIRECTORS. 20 % of the individual total compensation of the members of the Board of Directors, is generally paid out in the form of blocked registered shares. The number of registered shares is calculated on the basis of the volume-weighted average price of Valora registered shares for the 20 trading days prior to the allocation. A discount of 20 % is applied to the calculated value.

3.7 NET RELEASE OF HIDDEN RESERVES. In financial year 2017, CHF 13 million in hidden reserves were released (2016: CHF 34.0 million).

3.8 SUBSEQUENT EVENTS. Valora placed a promissory note worth EUR 170 million with a five-year term on the capital market on 11 January 2018. No other significant events occurred subsequent to balance sheet date.

APPROPRIATION OF NET INCOME AND CAPITAL DISTRIBUTION

Proposed appropriation of net income

in CHF 000	**2017**	2016
Net profit for the year	**49 499**	**44 386**
Retained earnings carried forward from the previous year [1)]	111 596	109 257
Retained earnings available for distribution by the Annual General Mee-ting	**161 095**	**153 643**
The Board of Directors proposes the following appropriation		
Allocation to the general statutory reserves	– 111	–
Dividend payable on shares entitled to dividend	–	– 42 945
Balance to be carried forward	**160 984**	**110 698**
Proposal to make a distribution out of the reserve from capital contributions		
Reserve from capital contributions (before distribution)	165 734	527
Distribution	– 49 875	–
Reserve from capital contributions (after distribution)	**115 859**	**527**
Distribution per share (in CHF)		
Distribution out of the reserve from capital contributions (exempt from withholding tax)	12.50	–
Dividend (gross)	–	12.50
– 35 % withholding tax	–	– 4.38
Net distribution (in CHF)	**12.50**	**8.12**

[1)] No dividend was paid for the 71,825 shares held by the company as of the distribution date. As a result, the amount of the net income carried forward increased by TCHF 898.

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 138 to 146), for the year ended 31 December 2017.

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 2017 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 judgment, 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 2017, investments in and loans to Group companies represented 88.9 % of the Company's total assets and amounted to CHF 1,064 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, 26 February 2018

VALORA SHARES

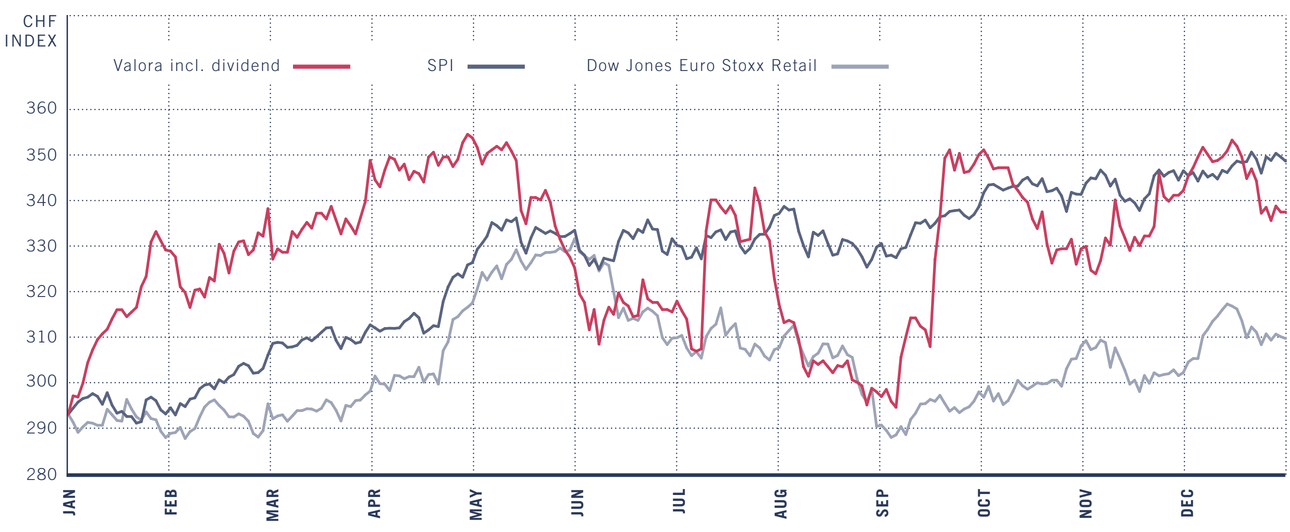
1 SHARE PRICE TRENDS

General Swiss stock market performance. The 2017 stock market year was surprisingly good from the perspective of many Swiss investors. This positive performance primarily reflects the acceleration in global economic and earnings growth as well as the still very low level of inflation. Following the elections in France beginning of May, political uncertainty within the eurozone reduced significantly, adding impetus to the markets. Overall, the equity markets remained mostly immune to political turbulence during 2017. The improved economic and political environment also ultimately had an impact on currency developments. During 2017, the euro strengthened greatly against the Swiss franc.

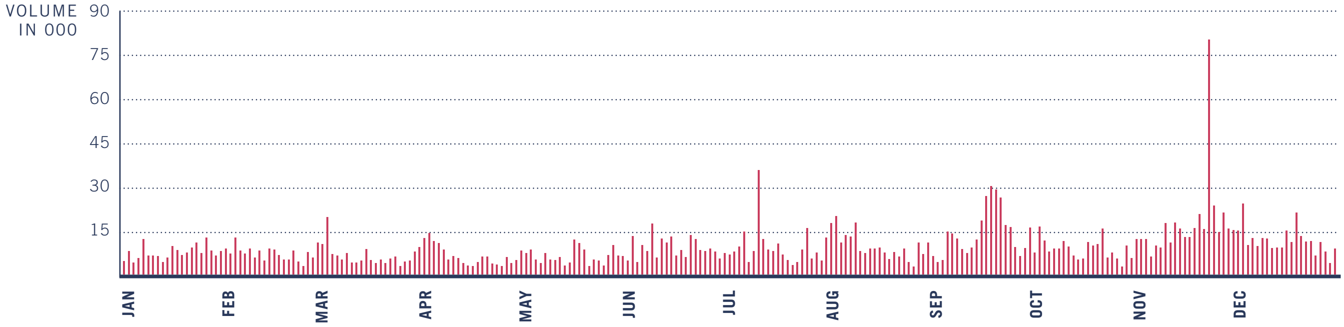
The SPI, as a benchmark that also includes dividends, advanced steadily over practically the entire year and at the end of 2017 posted a gain of around 19.9%. The challenging retail market environment left its mark on the Dow Jones Euro Stoxx Retail index, which in comparison only gained 6.0%.

Valora share performance. During the first months of the year, the Valora share outperformed the market as a whole and reached its highest closing price of CHF 350.50 on 30 March. Following a brief correction phase in the early summer, the Valora share gained momentum once more following the publication of its good semi-annual results at the end of July. After falling to its lowest closing price of the year of CHF 286.00 on 6 September, the Valora share advanced strongly again following the announcement of the BackWerk acquisition on 18 September. Over the year as a whole, Valora shareholders achieved a total return of 16.6% (incl. dividend).

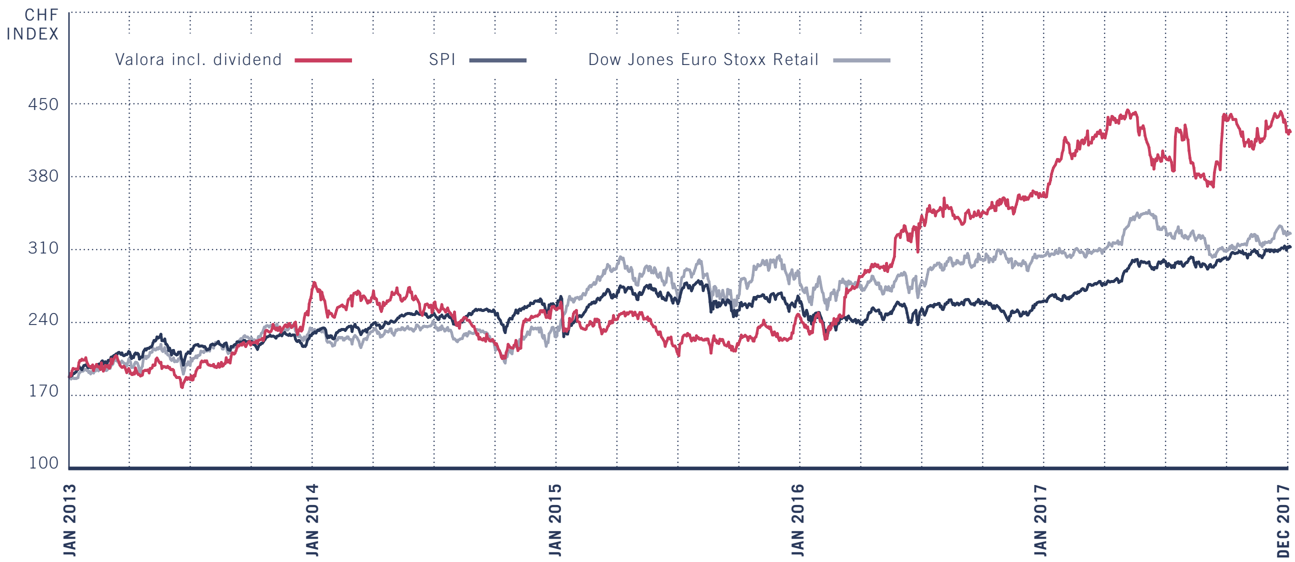
VALORA SHARE PERFORMANCE TREND 2017



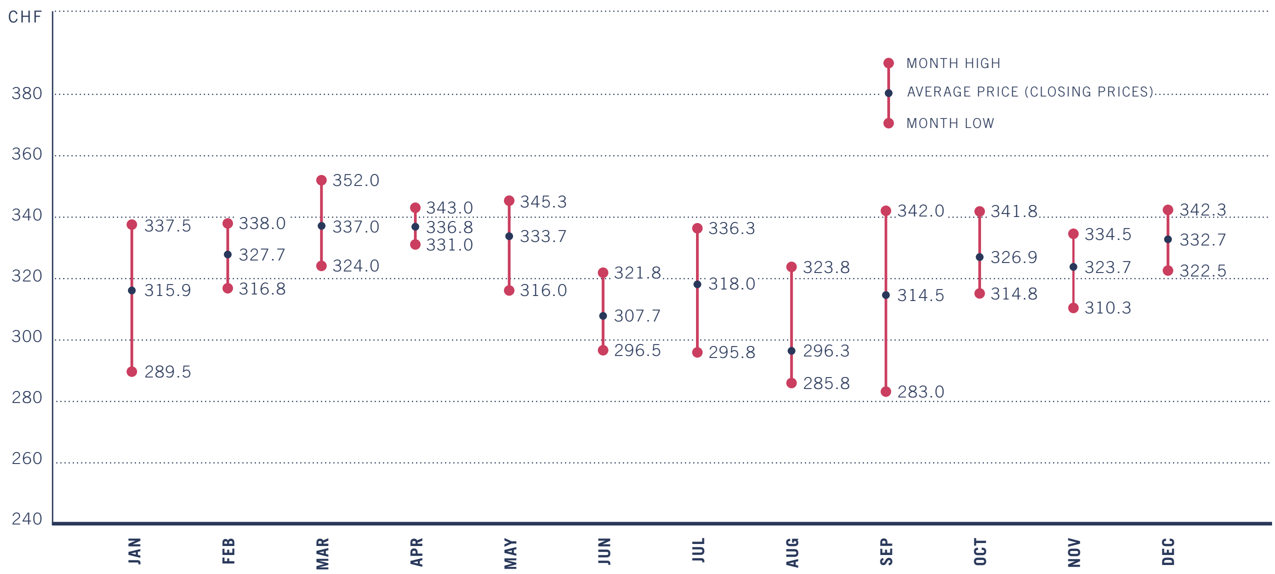
VALORA SHARE VOLUME 2017



VALORA SHARE PERFORMANCE TREND 2013–2017



MONTH HIGHS/LOWS IN 2017



2 SHAREHOLDER RETURNS

		2017	2016	2015	2014	2013
Share price						
Year-end	CHF	325.00	289.25	209.00	228.40	248.70
Distributions to shareholders						
Dividends	CHF	12.50	12.50	12.50	12.50	12.50
Dividend yield	%	3.8 %	4.3 %	6.0 %	5.5 %	5.0 %
Annual return						
excluding dividend	%	12.4 %	38.4 %	–8.5 %	–8.2 %	[2] 34.4 %
including dividend	%	16.7 %	44.4 %	–3.0 %	–3.1 %	[2] 41.1 %
Average return		2017 1 year	2016–2017 2 years	2015–2017 3 years	2014–2017 4 years	[2] 2013–2017 5 years
excluding dividend	%	12.4 %	24.7 %	12.5 %	6.9 %	11.9 %
including dividend	%	16.6 %	30.1 %	17.4 %	11.5 %	17.4 %

[1] Proposed
[2] Based on 2012 price of CHF 185.10

3 KEY SHARE DATA

		2017	2 016	2 015	2 014	2 013
Operating profit (EBIT) per share [1] [2]	CHF	23.05	21.64	16.41	8.99	17.44
Free cash flow per share [1] [2] [3]	CHF	23.93	21.74	24.52	10.05	15.10
Earnings per share [1] [2]	CHF	15.26	17.27	12.51	3.13	7.69
Equity per share [1]	CHF	215.27	158.97	150.68	186.12	215.60
P / E Ratio [1] [2]	31.12.	21.29	16.75	16.71	72.93	32.35

[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		**31.12.2017**	31.12.2016
Composition	Significant shareholders > 5 %	15.9 % of shares	18.5 % of shares
	10 largest shareholders	36.9 % of shares	37.0 % of shares
	100 largest shareholders	48.8 % of shares	47.8 % of shares
Origin	Switzerland	52.0 % of shares	50.7 % of shares
	Elsewhere	48.0 % of shares	49.3 % of shares

The share capital of Valora Holding AG in the amount of CHF 3.99 million is divided in the form of registered shares with a nominal value of CHF 1.00 each.

Conditional capital amounting to a maximum of CHF 84 000, comprising 84 000 registered shares with a nominal value of CHF 1.00 each, was approved by the Annual General Meeting of 11 May 2000.

The shares can be issued at any time by the Board of Directors to secure 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 31 December 2017.

At the Extraordinary General Meeting held on 8 November 2017, Valora Holding AG shareholders approved a capital increase of CHF 554 401 through the issue of 554 401 registered shares with a nominal value of CHF 1.00. The capital increase was carried out via a rights issue at market price. Existing shareholders of Valora Holding AG received one subscription right for each registered share they held after the close of trading on 10 November 2017. Five subscription rights grant their owners the right to subscribe for one new registered share. The subscription price was CHF 310.

At the Ordinary General Meeting held on 14 April 2016, Valora Holding AG shareholders approved the creation of a maximum of CHF 250 000 of share capital through the issue of a maximum of 250 000 registered shares with a nominal value of CHF 1.00 by 14 April 2018 at the latest.

Non-Swiss shareholders are registered in the share register in the same way as Swiss shareholders. The company has distributed dividends to its shareholders without interruption since 1920.

5 SHARE CAPITAL

		2017	2016	2015	2014	2013
Total registered shares [1]	Shares	3 990 000	3 435 599	3 435 599	3 435 599	3 435 599
Number of treasury shares [1]	Shares	61 495	77 078	115 915	61 869	34 014
Number of shares outstanding [1]	Shares	3 928 505	3 358 521	3 319 684	3 373 730	3 401 585
Market capitalisation [1])	CHF million	1 277	972	694	771	846
Average number of shares outstanding	Shares	3 427 949	3 339 499	3 358 171	3 388 061	3 387 163
Number of registered shareholders [1]		7 470	6 990	8 695	7 889	7 546

[1] As at 31 December
[2] Based on the number of shares outstanding as at 31 December

6 TAX VALUES

	Securities no.	**As at 31.12.2017**	As at 31.12.2016	As at 31.12.2015	As at 31.12.2014	As at 31.12.2013
Registered shares of CHF 1.00	208 897	325.00	289.25	209.00	228.40	248.70
2.5 % bond 2012 – 2018	14 903 902	100.41 %	102.41 %	102.65 %	104.30 %	103.75 %
4.0 % hybrid bond	21 128 255	102.25 %	102.85 %	105.60 %	104.55 %	101.05 %

FIVE-YEAR SUMMARY

		31.12.2017	31.12.2016	31.12.2015	31.12.2014	31.12.2013
Net revenues [1]	CHF million	**2 075.3**	**2 095.0**	**2 077.4**	**1 932.6**	**1 889.8**
Change	%	–0.9	+0.8	+7.5	+2.3	–33.6
EBITDA [1]	CHF million	**133.7**	**127.6**	**117.6**	**109.3**	**114.7**
Change	%	+4.8	+8.5	+7.6	–4.7	+2.3
in % of net revenues	%	6.4	6.1	5.7	5.7	6.1
Operating profit (EBIT) [1]	CHF million	**79.0**	**72.3**	**55.1**	**30.5**	**59.1**
in % of net revenues	%	3.8	3.4	2.7	1.6	3.1
Net profit Group [1]	CHF million	**57.1**	**62.5**	**46.8**	**15.4**	**29.2**
Change	%	–8.6	+33.5	+203.7	–47.3	–24.0
in % of net revenues	%	2.8	3.0	2.3	0.8	1.5
in % of equity	%	7.7	11.8	9.2	2.4	4.0
Net cash provided by (used in) [1]						
Operating activities	CHF million	114.2	113.0	125.5	91.9	89.9
Ordinary investment activities	CHF million	–32.1	–40.4	–43.2	–57.9	–38.7
Free cash flow [1]	CHF million	**82.0**	**72.6**	**82.3**	**34.0**	**51.2**
Earnings per share [1]	CHF	**15.26**	**17.27**	**12.51**	**3.13**	**7.69**
Change	%	–11.6	+38.0	+299.7	–59.3	–41.3
Free cash flow per share [1]	CHF	**23.93**	**21.74**	**24.52**	**10.05**	**15.10**
Change	%	+10.1	–11.3	+144.0	–33.4	+4.1
Cash and cash equivalents	CHF million	**152.5**	**159.4**	**116.3**	**129.0**	**107.8**
Equity	CHF million	**737.9**	**530.9**	**506.0**	**630.6**	**730.3**
Equity ratio	%	52.4	45.5	41.5	44.0	44.8
Number of employees at December 31 [1]	FTE	**4 265**	**4 228**	**4 349**	**4 435**	**4 613**
Change	%	+0.9	–2.8	–1.9	–3.9	–22.6
Net revenues per employee [1]	CHF 000	**487**	**495**	**478**	**436**	**410**
Change	%	–1.8	+3.7	+9.6	+6.3	–14.2
Number of outlets operated by Valora		**1 882**	**1 872**	**1 838**	**1 647**	**1 690**
of which agencies		1 031	1 014	990	702	649
Number of franchise outlets		**880**	**543**	**471**	**459**	**404**

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

Current details of press conferences and publications can be found on the Valora website: www.valora.com

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