HALF-YEAR REPORT

19

GROUP PERFORMANCE

In the first half of 2019, Valora increased EBIT by +18.8% to CHF 42.8 million, also due to accounting changes resulting from IFRS 16. On a pro-forma adjusted basis allowing for IFRS 16 and at constant currency rates, the Group achieved +8.6% EBIT growth, improving the EBIT margin by +0.3 percentage points to 4.3%. Net profit from continuing operations increased by +21.4% to CHF 27.4 million (+10.7% vs. 2018 reported figures). The rise in profitability is attributable to the positive development of Retail DE/LU/AT, Food Service, bob Finance and lower financing costs. Group net profit growth came in at a higher rate of +45.5% (+30.4% vs. 2018 reported figures) due to a value adjustment for discontinued operations in 2018. This corresponds to an EPS increase of +66.4% to CHF 6.95 for the first half of 2019 (+46.9% vs. 2018 reported figures), also benefitting from the hybrid bond replacement in 2018. For reasons of comparability, the 2018 figures are hereafter referred to on a pro-forma adjusted basis.

External sales of CHF 1,324.0 million and net revenues of CHF 1,004.8 million were on a par with the previous year's figures, as convenience core categories (Group sales excluding print media, books and tobacco) grew by +2.2% and +3.2% respectively, particularly thanks to higher food sales. These favourable changes in the product mix were the main driver of the +1.4% increase in gross profit to CHF 451.0 million as the margin improved by +0.7 percentage-points to 44.9%.

Return on capital employed (ROCE) rose by +0.3 percentage-points to 9.2%, stemming from the EBIT increase. Free cash flow increased by +56.7% to CHF 15.7 million, thanks in particular to lower cash outflows from net working capital.

In the first half of 2019, Valora achieved major milestones in the execution of its strategy. At the beginning of April, Valora opened its first cashier-free convenience store with avec box and the avec X future store at Zurich main station. The latter operates as Valora's innovation laboratory for the shopping experience of the future, continuously introducing the latest food convenience trends and testing digital shopping experiences. Also in April, Valora was awarded all 262 kiosk and convenience locations of the SBB tender. Valora thereby successfully underscored its position as the leading kiosk operator in Switzerland while at the same time significantly expanding the convenience share of its total business.

Financially, Retail CH experienced a mixed first half of 2019. While the first quarter showed positive same-store-sales development, the second quarter remained below the previous year's sales levels, particularly due to lower temperatures. In addition, project expenses related to new concepts and the SBB tender impacted profitability. Retail DE/LU/AT successfully completed the implementation of its cost initiatives, which already have begun to pay off. In addition, the unit recorded a solid increase in same-store sales with a lower than expected press decline.

Food Service saw an overall positive sales development with attractive same-store growth and strong B2B momentum. Food Service DE with its retail formats Ditsch and BackWerk continued to pursue its strategy of network optimisation focussing on sustainably profitable locations. In the B2B business, most line capacities were fully utilised. The ongoing capacity expansion programmes in the USA and Germany are well advanced and are to be completed in 2019 and in the first quarter of 2020 respectively.

A NET REVENUES

Net revenues (NR) in CHF million	2019	2019 share in %	2018[1]	2018 share in %	Change	2018 revised[2] pro Memoria
Valora Retail CH	572.0	56.9 %	585.4	58.2 %	–2.3 %	585.4
Valora Retail DE/LU/AT	256.9	25.6 %	259.8	25.8 %	–1.1 %	269.1
Valora Retail	828.9	82.5 %	845.2	84.0 %	–1.9 %	854.5
Food Service	172.3	17.2 %	158.5	15.7 %	+8.8 %	162.1
Other	3.5	0.3 %	2.5	0.3 %	+37.8 %	2.5
Total Group	**1 004.8**	**100.0 %**	**1 006.2**	**100.0 %**	**–0.1 %**	**1 019.2**
Switzerland	629.4	62.6 %	637.1	63.3 %	–1.2 %	637.1
Elsewhere	375.4	37.4 %	369.1	36.7 %	+1.7 %	382.0

[1] Pro-forma adjusted according to IFRS16 and at constant currency exchange rates.
[2] See note 3 and 8 in the financial report.

In the first half of 2019, Valora recorded net revenues of CHF 1,004.8 million at the previous year's level. Convenience core categories (Group sales excluding print media, books and tobacco) grew by +3.2%, particularly thanks to higher food sales (+6.0%).

Retail CH earned net revenues of CHF 572.0 million compared to CHF 585.4 million in the prior-year period. While the store network showed a slight increase of a net +2 points of sale since half-year 2018, same-store sales remained below their previous year's levels (–1.7%), particularly as a result of lower temperatures during spring 2019 compared to the record levels in 2018. In addition, the figures for 2018 included sales of Panini collectibles related to the FIFA World Cup.

Retail DE/LU/AT posted net revenues of CHF 256.9 million compared to CHF 259.8 million in the first half of 2018. Same-store sales grew by +1.2% with a lower than expected press decline, whereas an increased number of franchise outlets (+14) and a reduced number of own stores (–36) led to a slight contraction in net revenues.

Food Service increased net revenues by +8.8% to CHF 172.3 million in the first half of 2019. Both Food Service CH and Food Service DE recorded considerable same-store growth of +3.1% and +1.4% respectively, driven by high-traffic locations while city-centre locations have been facing challenges. Ditsch B2B experienced a strong momentum with +20.0% sales growth thanks to accelerated market growth and market share gains.

Net revenues in the **Other** segment increased by +37.8% thanks to bob Finance.

B GROSS PROFIT

Gross profit in CHF million	2019	2019 share in %	2019 % of NR	2018[1]	2018 share in %	2018 % of NR[1]	Change	2018 revised[2] pro Memoria
Valora Retail CH	226.3	50.2%	39.6%	229.8	51.7%	39.3%	–1.5%	229.8
Valora Retail DE/LU/AT	86.2	19.1%	33.5%	85.4	19.2%	32.9%	+0.9%	88.4
Valora Retail	312.5	69.3%	37.7%	315.2	70.9%	37.3%	–0.8%	318.2
Food Service	135.0	29.9%	78.3%	126.9	28.5%	80.1%	+6.4%	129.8
Other	3.5	0.8%	99.9%	2.5	0.6%	99.3%	+38.6%	2.5
Total Group	**451.0**	**100.0%**	**44.9%**	**444.6**	**100.0%**	**44.2%**	**+1.4%**	**450.6**

[1] Pro-forma adjusted according to IFRS16 and at constant currency exchange rates.
[2] See note 3 and 8 in the financial report.

Gross profit increased by +1.4% to CHF 451.0 million. The gross profit margin rose by +0.7 percentage points to 44.9%, particularly thanks to a higher share of food sales.

Retail CH reported gross profit of CHF 226.3 million, remaining slightly below 2018 figures (CHF 229.8 million) due to lower sales. Margin improvements of +0.3 percentage-points to 39.6% thanks to better purchasing conditions and higher promotional income had a mitigating effect.

Retail DE/LU/AT realised gross profit growth of +0.9% to CHF 86.2 million. Margin improvements of +0.7 percentage points to 33.5% more than offset the slight decrease in sales.

Gross profit of the **Food Service** division rose by +6.4% to CHF 135.0 million driven by the significant sales growth outlined above. Impacted by increased raw material prices, the gross profit margin came in at 78.3% compared to 80.1% in the first half of 2018.

Gross profit in the **Other** segment increased by +38.6% to CHF 3.5 million thanks to higher income from bob Finance.

C OPERATING COSTS, NET

Net operating costs in CHF million	**2019**	**2019 share in %**	**2019 % of NR**	2018[1]	2018 share in %	2018 % of NR[1]	Change	2018 revised[2] pro Memoria
Valora Retail CH	–204.8	50.2 %	–35.8 %	–205.3	50.7 %	–35.1 %	–0.2 %	–206.2
Valora Retail DE / LU / AT	–79.7	19.5 %	–31.0 %	–80.9	20.0 %	–31.1 %	–1.4 %	–85.1
Valora Retail	–284.5	69.7 %	–34.3 %	–286.1	70.6 %	–33.8 %	–0.6 %	–291.3
Food Service	–117.1	28.7 %	–67.9 %	–110.7	27.3 %	–69.9 %	+5.7 %	–114.9
Other	–6.6	1.6 %	n.a.	–8.4	2.1 %	n.a.	–20.8 %	–8.4
Total Group	**–408.2**	**100.0 %**	**–40.6 %**	**–405.2**	**100.0 %**	**–40.3 %**	**+0.7 %**	**–414.6**

[1] Pro-forma adjusted according to IFRS16 and at constant currency exchange rates.
[2] See note 3 and 8 in the financial report.

Net operating costs came to CHF –408.2 million in the first half of 2019 compared to CHF –405.2 million in the prior-year period. The increase of +0.7 % is due in particular to volume-related higher expenses in production.

Retail CH maintained net operating costs slightly below their previous year's levels at CHF –204.8 million (–0.2 %). Cost savings due to lower sales volumes were partially offset by project expenses related to new concepts and the SBB tender. The cost ratio amounted to –35.8 %.

Retail DE / LU / AT reduced its costs by –1.4 % to CHF –79.7 million, whereby cost initiatives and process improvements have begun to pay off.

Food Service recorded net operating costs of CHF –117.1 million, with higher sales and production volumes resulting in a cost increase of +5.7 %. The division's cost ratio improved by +1.9 percentage-points to –67.9 % thanks to economies of scale and efficiency gains.

Decreased expenses led to a reduced cost base in the **Other** segment (–20.8 %).

D OPERATING PROFIT (EBIT)

Operating profit (EBIT) in CHF million	**2019**	**2019 share in %**	**2019 % of NR**	2018[1]	2018 share in %	2018 % of NR[1]	Change	2018 reported pro Memoria
Valora Retail CH	21.6	50.4 %	3.8 %	24.6	62.3 %	4.2 %	–12.3 %	23.6
Valora Retail DE/LU/AT	6.5	15.1 %	2.5 %	4.5	11.5 %	1.7 %	+42.8 %	3.4
Valora Retail	28.0	65.5 %	3.4 %	29.1	73.8 %	3.4 %	–3.7 %	27.0
Food Service	17.9	41.9 %	10.4 %	16.2	41.1 %	10.2 %	+10.7 %	14.9
Other	–3.1	–7.3 %	n.a.	–5.9	–14.9 %	n.a.	n.a.	–5.9
Total Group	**42.8**	**100.0 %**	**4.3 %**	**39.4**	**100.0 %**	**3.9 %**	**+8.6 %**	**36.0**

[1] Pro-forma adjusted according to IFRS16 and at constant currency exchange rates.

Group EBIT grew by +8.6 % or CHF +3.4 million to CHF 42.8 million, while the EBIT margin improved by +0.3 percentage points to 4.3 %.

Retail CH recorded EBIT of CHF 21.6 million compared to CHF 24.6 million in the first half of 2018. As a result of lower sales and expenses related to new concepts as well as for the SBB tender, the unit's operating profit remained below the prior-year figure. The EBIT margin amounted to 3.8 % compared to 4.2 % in the first half of 2018.

The EBIT of **Retail DE/LU/AT** grew by +42.8 % to CHF 6.5 million as a result of positive same-store development, the increased gross-profit margin and cost reductions. The EBIT margin improved by +0.8 percentage points to 2.5 %.

Food Service raised EBIT by +10.7 % to CHF 17.9 million benefitting from strong momentum in the B2B business and notable same-store growth. The EBIT margin increased slightly by +0.2 percentage points to 10.4 %, with efficiency gains compensating for increased raw material prices.

Other business increased EBIT by CHF +2.7 million to CHF –3.1 million, whereby the positive development of bob Finance and decreased expenses were the main factors for the improvement.

E FINANCIAL RESULT, TAXES AND NET PROFIT

Net profit from continuing operations increased by +21.4% to CHF 27.4 million. Group net profit growth came in at a higher rate of +45.5% due to a value adjustment for discontinued operations in 2018. EPS increased by +66.4%.

The net financial result improved by CHF +2.5 million to CHF –9.0 million. Reduced IFRS 16 interest expense, improved financing conditions after the 2018 refinancing activities and lower exchange rate losses arising from a decreased EUR exposure were the main drivers for the positive development.

Tax expense for the first half of 2019 was CHF –6.4 million compared to CHF –6.1 million in the prior-year period. The tax rate amounted to 19.0%.

These effects plus the EBIT growth outlined above, increased net profit from continuing operations by +21.4% to CHF 27.4 million.

Growth in Group net profit came in at a higher rate of +45.5% due to a value adjustment for discontinued operations in the previous year. In the first half of 2018, the result from discontinued operations contained a value adjustment of CHF –3.7 million for the earn-out components related to the sale of the former Trade division.

This corresponds to an EPS increase of +66.4% to CHF 6.95 for the first half of 2019, also benefitting from the hybrid bond replacement in 2018.

F LIQUIDITY, CASH FLOW AND KEY FINANCIAL DATA

Free cash flow increased by +56.7% to CHF 15.7 million thanks in particular to lower cash outflows from net working capital. The equity ratio before lease liabilities was 45.4% compared to 46.3% at year-end 2018.

Free cash flow increased by +56.7% or CHF +5.6 million to CHF 15.7 million. EBITDA – defined as earnings before interest, taxes, depreciation (but including depreciation of the right of use) and amortisation – grew by CHF +2.8 million to CHF 74.5 million. Net working capital increased less than in the previous year. On the other hand, net investment expenditure was higher than in the first half of 2018, mainly due to the expansion of pretzel production capacity.

At CHF 388.3 million, net debt as at 30 June 2019 was up from 31 December 2018 (CHF 358.6 million) following the payout of the dividend for the 2018 financial year. The leverage ratio remained stable at 2.3x EBITDA. Including lease liabilities, net debt amounted to CHF 996.0 million compared to CHF 960 million at year-end 2018.

The equity ratio before lease liabilities as at 30 June 2019 was 45.4% compared to 46.3% as at 31 December 2018. Including lease liabilities, the equity ratio amounted to 30.8% (31.6% as at 31 December 2018).

G RETURN ON CAPITAL EMPLOYED

ROCE [1] in %	30.06.2019	30.06.2019 without Goodwill	31.12.2018[3]	2018 reported pro Memoria
Valora Retail CH	28.1 %	39.3 %	+ 30.5 %	29.5 %
Valora Retail DE / LU / AT	9.4 %	20.0 %	+ 8.3 %	6.7 %
Valora Retail	19.1 %	32.0 %	+ 19.6 %	18.3 %
Food Service	5.9 %	15.4 %	+ 5.7 %	5.2 %
Total Group[2]	**9.2 %**	**18.3 %**	**+ 8.9 %**	**8.2 %**

[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.
[3] Pro-forma adjusted according to IFRS16.

Return on capital employed (ROCE) rose by + 0.3 percentage-points to 9.2 %, stemming from the EBIT increase.

The return on capital employed (ROCE) is the ratio of the EBIT generated over the past 12 months to the average capital invested including goodwill. The Group's ROCE increased by + 0.3 percentage points to 9.2 % as of 30 June 2019.

Retail CH recorded ROCE of 28.1 %. The profitability ratio was down on the previous year (30.5 %) due to the decline in EBIT in the first half of the year.

ROCE for **Retail DE / LU / AT** improved by + 1.1 percentage points to 9.4 % as a result of both lower capital employed and higher EBIT.

Food Service increased ROCE by + 0.2 percentage points to 5.9 % as of 30 June 2019 despite the investments in capacity expansion. Over the coming years, the potential of the unit's ROCE will be exploited further through the ongoing realisation of the BackWerk synergies, further expansion and the putting into operation of the expanded production capacities. Excluding goodwill, ROCE amounted to 15.4 %.

H PRO-FORMA ADJUSTMENT 2018

Pro-forma adjustment of 2018 figures | EBIT in CHF million	H1 2018 reported (1)	Reclassi-fication (2)	H1 2018 revised[1] (1+2)	IFRS 16 effect (3)	H1 2018 pro-forma adjusted (1+2+3)	Currency effects (4)	**H1 2018 pro-forma adjusted at constant currency** (1+2+3+4)	**H1 2019**	Change
External Sales	1 347		1 347		1 347	–23	1 324	1 324	–0.0 %
Net Revenue	1 043	–23	1 019		1 019	–13	1 006	1 005	–0.1 %
Gross Profit	474	–23	451		451	–6	445	451	+1.4 %
Net operating costs	–438	23	–415	4	–411	5	–405	–408	+0.7 %
thereof affected by IFRS 16:									
Rental expense	–116		–116	85	–30	1	–30	–36	+20.1 %
Other revenue / income	2	23	25	–12	13	–1	12	15	+24.5 %
Depreciation and Amortisation	–32		–32	–70	–101	2	–100	–97	–2.4 %
Operating profit (EBIT)	**36**	**0**	**36**	**4**	**40**	**–1**	**39**	**43**	**+8.6 %**

[1] See note 3 and 8 in the financial report.

Pro-forma adjustment of 2018 figures | Group Net Profit in CHF million	H1 2018 reported (1)	IFRS 16 effect (2)	**H1 2018 pro-forma adjusted** (1+2)	**H1 2019**	Change
Operating profit (EBIT)	36	4	40	43	+6.9 %
Financial expenses	–6	–7	–13	–10	–20.8 %
Financial income	1	1	2	1	–13.5 %
Tax expenses	–6	0	–6	–6	+5.2 %
Profit from continuing operations	**25**	**–2**	**23**	**27**	**+21.4 %**
Result from discontinued operations	–4	0	–4	0	–100.0 %
Group Net Profit	**21**	**–2**	**19**	**27**	**+45.5 %**

Pro-forma adjustment of 2018 figures | Balance Sheet in CHF million	31.12.2018 reported (1)	IFRS 16 effect (2)	**31.12.2018 pro-forma adjusted** (1+2)	**30.06.2019**	Change
Right-of-use asset	0	518	518	517	–0.1 %
Sublease net investment	0	78	78	86	10.7 %
Other assets	1 326	0	1 326	1 304	–1.7 %
Assets	**1 326**	**595**	**1 922**	**1 908**	**–0.7 %**
Lease liabilities	0	601	601	608	1.0 %
Other liabilities	712	0	712	712	–0.0 %
Equity	614	–6*	608	588	–3.3 %
Liabilities and Equity	**1 326**	**595**	**1 922**	**1 908**	**–0.7 %**

* Including CHF –2 million cumulative effect of the initial application of IFRS 16 from the initial recognition of sublease arrangements.

Valora Holding AG

Franz Julen
Chairman

Michael Mueller
CEO

KEY FINANCIAL DATA

		30.06.2019	30.06.2018	Change
External sales	**CHF million**	**1 324.0**	**1 347.2**	– 1.7 %
Net revenues[1]	**CHF million**	**1 004.8**	**1 019.2**	– 1.4 %
EBITDA[2]	**CHF million**	**140.1**	**67.6**	+ 107.2 %
in % of net revenues		13.9	6.6	
Operating profit (EBIT)	**CHF million**	**42.8**	**36.0**	+ 18.8 %
in % of net revenues		4.3	3.5	
Net profit from continuing operations	**CHF million**	**27.4**	**24.7**	+ 10.7 %
in % of net revenues		2.7	2.4	
in % of equity[3]		9.1	6.9	
Net cash provided by (used in)[4]				
Operating activities	CHF million	120.5	33.9	+ 255.9 %
Investment in property, plant, equipment and intangible assets	CHF million	– 41.2	– 25.1	+ 63.8 %
Proceeds from sales of property, plant, equipment and intangible assets	CHF million	0.5	1.3	– 62.4 %
Repayments of lease liabilities	CHF million	– 74.7	0.0	n.a.
Lease payments received from finance leases	CHF million	10.6	0.0	n.a.
Free cash flow[4]	**CHF million**	**15.7**	**10.0**	+ 56.7 %
Earnings per share[4]	**CHF**	**6.95**	**5.68**	+ 22.4 %
Number of outlets operated by Valora		**1 845**	**1 886**	– 2.2 %
of which agencies		1 115	1 010	+ 10.4 %
Number of franchise outlets		**872**	**875**	– 0.3 %
		30.06.2019	31.12.2018	
Share price	**CHF**	**248.50**	**215.00**	+ 15.6 %
Market capitalisation	**CHF million**	**979**	**846**	+ 15.7 %
Cash and cash equivalents	**CHF million**	**87.5**	**104.8**	– 16.5 %
Interest-bearing debt[2]	**CHF million**	**1 083.5**	**463.4**	+ 133.8 %
Equity	**CHF million**	**587.6**	**613.8**	– 4.3 %
Total liabilities and equity[2]	**CHF million**	**1 907.6**	**1 326.2**	+ 43.8 %
Number of employees	**FTE**	**4 089**	**4 230**	– 3.3 %

All totals and percentages are based on unrounded figures from the consolidated financial statements.
[1] 2018 revised
[2] Change mainly due to IFRS16 application
[3] Annualised net profit as % of the average equity
[4] From continuing operations

VALORA HALF-YEAR FINANCIAL STATEMENTS 2019

CONSOLIDATED INCOME STATEMENT

1 January to 30 June, in CHF 000 (except per-share amounts)	Notes	2019	%	2018 revised[1]	%
Net revenues	6	**1 004 762**	**100.0 %**	**1 019 155**	**100.0 %**
Cost of goods and materials		– 553 733	– 55.1 %	– 568 579	– 55.8 %
Personnel expenses		– 125 277	– 12.5 %	– 134 997	– 13.2 %
Other operating expenses	7	– 200 870	– 20.0 %	– 273 125	– 26.8 %
Depreciation, amortisation and impairments		– 97 346	– 9.7 %	– 31 632	– 3.1 %
Other income	8	16 008	1.6 %	25 835	2.5 %
Other expenses		– 754	– 0.1 %	– 653	– 0.1 %
Operating profit (EBIT)		**42 789**	**4.3 %**	**36 005**	**3.5 %**
Financial expenses	9	– 10 319	– 1.0 %	– 5 745	– 0.6 %
Financial income	9	1 354	0.1 %	596	0.1 %
Earnings before income taxes		**33 824**	**3.4 %**	**30 856**	**3.0 %**
Income taxes		– 6 427	– 0.6 %	– 6 108	– 0.6 %
Net profit from continuing operations		**27 397**	**2.7 %**	**24 747**	**2.4 %**
Net loss from discontinued operations		0	0.0 %	– 3 742	– 0.4 %
Net profit		**27 397**	**2.7 %**	**21 005**	**2.1 %**
Attributable to shareholders of Valora Holding AG		27 397	2.7 %	18 605	1.8 %
Attributable to providers of hybrid capital		0	0.0 %	2 400	0.2 %
Attributable to providers of Valora Holding AG equity		**27 397**	**2.7 %**	**21 005**	**2.1 %**
Earnings per share					
from continuing operations, diluted and undiluted (in CHF)		6.95		5.68	
from discontinued operations, diluted and undiluted (in CHF)		0.00		– 0.95	
from continuing and discontinued operations, diluted and undiluted (in CHF)		**6.95**		**4.73**	

[1] See Note 3 and 8.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

1 January to 30 June, in CHF 000	**2019**	2018
Net profit	**27 397**	**21 005**
Remeasurement gains	115	594
Income taxes	–23	–119
Items that will not be reclassified to profit or loss	**92**	**475**
Cash flow hedge	0	285
Currency translation adjustments	–3 680	–3 057
Items that may be reclassified to profit or loss	**–3 680**	**–2 772**
Other comprehensive income	**–3 588**	**–2 297**
Total comprehensive income	**23 808**	**18 708**
Attributable to shareholders of Valora Holding AG	23 808	16 308
Attributable to providers of hybrid capital	0	2 400
Attributable to providers of Valora Holding AG equity	**23 808**	**18 708**

CONSOLIDATED BALANCE SHEET

ASSETS

in CHF 000	Notes	30.06.2019	%	31.12.2018	%
Current assets					
Cash and cash equivalents		87 514		104 776	
Trade accounts receivable		68 416		80 235	
Inventories		146 980		145 585	
Current income tax receivables		1 179		1 720	
Current lease receivables	10	25 816		0	
Other current receivables		63 635		55 938	
Total current assets		**393 540**	**20.6 %**	**388 253**	**29.3 %**
Non-current assets					
Property, plant and equipment		244 728		235 398	
Right-of-use assets	11	517 346		0	
Goodwill, software and other intangible assets		671 886		681 544	
Investment in associates and joint ventures		70		50	
Financial assets		8 626		10 773	
Non-current lease receivables	10	60 050		0	
Deferred income tax assets		11 310		10 212	
Total non-current assets		**1 514 017**	**79.4 %**	**937 976**	**70.7 %**
Total assets		**1 907 557**	**100.0 %**	**1 326 229**	**100.0 %**

LIABILITIES AND EQUITY

in CHF 000	Notes	30.06.2019	%	31.12.2018	%
Current liabilities					
Current financial liabilities	13	27 668		185 133	
Current lease liabilities	12	148 305		0	
Trade accounts payable		128 172		136 546	
Current income tax liabilities		9 801		7 000	
Other current liabilities		75 185		84 599	
Total current liabilities		**389 130**	**20.4 %**	**413 278**	**31.2 %**
Non-current liabilities					
Other non-current liabilities		454 026		284 402	
Non-current lease liabilities	12	459 370		0	
Non-current pension obligations		267		274	
Deferred income tax liabilities		17 199		14 495	
Total non-current liabilities		**930 862**	**48.8 %**	**299 171**	**22.6 %**
Total liabilities		**1 319 992**	**69.2 %**	**712 449**	**53.7 %**
Equity					
Share capital		3 990		3 990	
Treasury shares		– 13 358		– 15 108	
Retained earnings		677 577		701 860	
Cumulative translation adjustments		– 80 643		– 76 962	
Total equity		**587 566**	**30.8 %**	**613 781**	**46.3 %**
Total liabilities and equity		**1 907 557**	**100.0 %**	**1 326 229**	**100.0 %**

CONSOLIDATED CASH FLOW STATEMENT

1 January to 30 June, in CHF 000	**2019**	2018
Operating profit (EBIT)	**42 789**	**36 005**
Cash flow from operating activities		
Depreciation and impairments of property, plant and equipment	22 813	22 460
Depreciation and impairments of right-of-use assets	65 665	0
Amortisation and impairment of intangible assets	8 868	9 172
Other non-cash transactions	3 038	3 742
Change in net working capital	–12 458	–29 274
Cash flows from operating activities before interests and taxes	**130 715**	**42 105**
Interest paid on financial liabilities	–5 124	–6 870
Interest paid on lease liabilities	–5 582	0
Income taxes paid	–714	–1 946
Interest received from lease receivables	793	0
Other interest and dividends received	401	571
Cash flows from operating activities from continuing operations	**120 490**	**33 860**
Cash flows from operating activities from discontinued operations	0	2 822
Cash flows from operating activities	**120 490**	**36 682**
Cash flows from investing activities		
Acquisition of subsidiaries, net of cash acquired	–4 036	–4 833
Investment in property, plant, equipment and intangible assets	–41 175	–25 137
Proceeds from the sale of property, plant, equipment and intangible assets	499	1 327
Lease payments received from finance leases	10 563	0
Proceeds from sale of / (investment in) financial assets	1 463	–57
Cash flow used in investing activities	**–32 687**	**–28 700**
Cash flow from financing activities		
Proceeds from current financial liabilities	0	38 500
Repayments of current financial liabilities	–157 214	–257 841
Repayments of lease liabilities	–74 729	0
Proceeds from non-current financial liabilities	175 818	201 169
Repayments of non-current financial liabilities	–592	–92
Purchase of treasury shares	–8 751	–8 451
Sale of treasury shares	9 964	10 677
Dividends paid	–49 257	–49 167
Cash flows from financing activities	**–104 762**	**–65 204**
Net decrease in cash and cash equivalents	**–16 959**	**–57 222**
Exchange rate differences on cash and cash equivalents	–303	–285
Cash and cash equivalents at the beginning of the year	104 776	152 515
Cash and cash equivalents at 30 June	**87 514**	**95 009**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Equity

in CHF 000	Share capital	Treasury shares	Hybrid capital	Hedge Reserve	Retained earnings	Cumulative translation adjustments	Total equity
Balance on 31 December 2017	**3 990**	**–17 110**	**119 098**	**–288**	**697 932**	**–65 698**	**737 924**
Net profit					21 005		21 005
Other comprehensive income				285	475	–3 057	–2 297
Total comprehensive income				**285**	**21 481**	**–3 057**	**18 708**
Share-based remuneration					1 977		1 977
Dividend paid to shareholders					–49 167		–49 167
Purchase of treasury shares		–8 451					–8 451
Sale of treasury shares		9 331			–631		8 700
Distributions to providers of hybrid capital					–3 200		–3 200
Balance on 30 June 2018	**3 990**	**–16 230**	**119 098**	**–3**	**668 391**	**–68 755**	**706 491**
Balance on 31 December 2018	**3 990**	**–15 108**	**0**	**0**	**701 860**	**–76 962**	**613 781**
Cumulative effect of initial application of IFRS 16					–1 979		–1 979
Opening balance on 1 January 2019	**3 990**	**–15 108**	**0**	**0**	**699 882**	**–76 962**	**611 802**
Net profit					27 397		27 397
Other comprehensive income					92	–3 680	–3 588
Total comprehensive income	**0**	**0**	**0**	**0**	**27 489**	**–3 680**	**23 808**
Share-based remuneration					1 760		1 760
Dividends paid to shareholders					–49 257		–49 257
Purchase of treasury shares		–8 751					–8 751
Sale of treasury shares		10 501			–2 297		8 204
Balance on 30 June 2019	**3 990**	**–13 358**	**0**	**0**	**677 577**	**–80 643**	**587 566**

NOTES TO THE HALF-YEAR FINANCIAL STATEMENTS

1 INFORMATION REGARDING THE GROUP

Valora Holding AG is a publicly listed company with headquarters in Muttenz, Switzerland. Valora is a leading small-scale retailer in the convenience and food service sector. 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 lye bread production to wholesaling (B2B) and the operation of takeaway concepts (B2C).

2 SIGNIFICANT ACCOUNTING POLICIES

The consolidated interim financial statements for the six months to 30 June 2019 were prepared in accordance with the International Accounting Standard "IAS 34 Interim Financial Reporting" and are presented in Swiss francs (CHF). The interim consolidated financial statements do not include all information and disclosures required for annual financial statements and should be read in conjunction with the consolidated annual financial statements for the financial year ended 31 December 2018.

The consolidated interim financial statements were prepared in accordance with the accounting policies described in Valora's 2018 consolidated financial statements and the accounting principles adopted on 1 January 2019.

3 CHANGES TO ACCOUNTING POLICIES

IFRS 16. Valora has applied IFRS 16 leases with effect from 1 January 2019. The modified retrospective method was used for initial application. The prior year figures were not restated.

The new standard replaces IAS 17 leases and sets out the principles for the recognition, measurement, presentation and disclosure of lease arrangements. IFRS 16 introduces a single lessee accounting model with a requirement to recognise the majority of leases on the balance sheet at present value in the form of a right-of-use asset and a corresponding lease liability.

Right-of-use assets are capitalised at a value equivalent to the lease liability and are depreciated over their useful life, except for leases with a remaining useful life of less than 12 months, or leases of low-value assets. Extension and termination options are reflected in the calculation of the lease term when their exercise is reasonably certain at the commencement date.

The lease liability represents the present value of fixed or in-substance fixed lease payments over the lease term. Depreciation of the right-of-use assets and interest expense on the lease liabilities as well as expenses related to variable lease payments and lease of low-value assets and short term leases are recognised in the income statement instead of rental expense.

Lessor accounting continues to be accounted for differently for operating and finance leases. Where Valora acts as an intermediate lessor, i.e. enters into a head lease and subleases the right-of-use asset to a third party, the sublease is classified as either a finance or operating lease. The classification is primarily based on whether the sublease term consumes the majority of the remaining useful life of the right-of-use asset under the head lease as at the transition date. As a lessee, Valora holds more than 2 800 lease contracts, mainly for sales outlets, comprising both fixed and variable sales-based lease payments. As an intermediate lessor, Valora subleases around 900 sales outlets to franchisees. For those subleases qualifying as a finance lease, the right-of-use asset from the head lease is derecognised and a lease receivable is recognised. Valora measures the right-of-use assets initially at the amount of the lease liability, adjusted for any prepaid or accrued lease payments.

Practical expedients are applied as follows:

- Short term leases and low value leases are treated similarly. Instead of being capitalised they are recognised through profit and loss when incurred.
- Non-lease components of lease contracts are generally separated out and are not capitalised.

As of the date of initial application of IFRS 16, lease liabilities, right-of-use assets and lease receivables from subleases (for those subleases classified as finance leases) were recognised in separate line items on the balance sheet. The depreciation charge for right-of-use assets is presented within depreciation, amortisation and impairments. The application of IFRS 16 has resulted in a reduction of rental expenses presented in other operating expenses, an increase in interest expenses and interest income from lease receivables.

Lease payments are presented as financing cash flows, and interest paid on lease liabilities as operating cash outflows. Lease payments received from financial leases are reported as investing cash flows and interest payments received as operating cash flows. The cumulative effect of the initial application of IFRS 16 as at 1 January 2019 resulting in valuation losses from the initial recognition of sublease arrangements is recognised in retained earnings.

The reconciliation from the off-balance sheet lease obligation pursuant to IAS 17 as of 31 December 2018 and the lease liability recognised on the balance sheet pursuant to IFRS 16 as of 1 January 2019 is as follows:

in CHF 000	1 January 2019
Obligations from operating leases as at 31.12.2018	**716 284**
Recognition exemption for short term leases	–46 400
Recognition exemption for low value leases	–2 409
Variable lease payments not included in the lease liability	–2 706
Additional extension options and termination options recognised	–3 388
Currency translation difference	–8 278
Gross obligations from operating leases as at 01.01.2019	**653 103**
Effect of discounting	–33 697
Lease liability as at 01.01.2019	**619 406**

The lease liability was discounted using a weighted average incremental borrowing rate of 1.8 % at 1 January 2019.

Change in presentation: Since 1 January 2019 Valora presents rental income from franchisees (e. g. rental income from operating leases under IFRS 16) within other income, the comparative period has been revised accordingly, refer to note 8. Until 31 December 2018 rental income from franchise contracts was reported as part of revenue.

IFRIC 23 and annual improvements (2015 - 2017 cycle).
Effective 1 January 2019, Valora adopted IFRIC Interpretation 23, Uncertainty over Income Tax Treatments (IFRIC 23), which addresses recognition and measurement of uncertain income tax positions. Valora reassessed the tax provision for income taxes attributable to periods, which have not yet been finally assessed by the local tax authorities.

The adoption of IFRIC 23 and other changes in IFRS adopted on 1 January 2019 had no material impact on these financial statements.

4 ACQUISITIONS OF NEW BUSINESS

Transactions in 2019.

Acquisition of SuperGuud. Valora acquired SuperGuud, based in Zurich, in an asset deal on 31 January 2019. The acquisition was conducted by BackWerk Switzerland AG and comprised three sales outlets.

Net assets purchased, purchase price, net cash used (preliminary)
The purchase price amounted to CHF 3.4 million and was paid in cash. The consideration was paid for the acquired other intangibles and retail equipment. At the acquisition date the right-of-use asset and the lease liability amounted to CHF 1.2 million. The purchase accounting remains provisional.

From the acquisition date, SuperGuud contributed net revenues of CHF 1.7 million with an immaterial impact on net profit. If the acquisition had been made on 1 January 2019 net revenues for the first half-year of 2019 would have been CHF 2.1 million with an immaterial impact on net profit.

Transactions in 2018.

Acquisition of Presse + Buch Grauert. Valora acquired Presse + Buch Grauert based in Düsseldorf, Germany in an asset deal on 1 April 2018. The acquisition was conducted by Retail Germany and comprised two sales outlets.

Net assets purchased, purchase price, net cash used
The purchase price was CHF 4.4 million, of which CHF 4 million was paid in cash and CHF 0.4 million was outstanding under a contingent consideration arrangement. This contingent consideration was due and paid in March 2019.

5 SEGMENT REPORTING

Segment data by division

in CHF 000	Valora Retail	Food Service	Others	Elimination	Total Group
Segment information for the six months to 30.06.2019					
Net revenues					
Total	**828 912**	**172 341**	**3 509**	**0**	**1 004 762**
From third parties	828 912	172 341	3 509	0	1 004 762
Depreciation, amortisation and impairments					
Total	**68 195**	**27 795**	**1 356**	**0**	**97 346**
Operating profit (EBIT)					
Total	**28 022**	**17 910**	**– 3 143**	**0**	**42 789**
Operating profit (EBIT) in % of net revenues	3.4	10.4			4.3
Segment assets					
Total	**1 002 614**	**934 630**	**503 486**	**– 533 173**	**1 907 557**
Segment liabilities					
Total	**559 200**	**563 820**	**730 145**	**– 533 173**	**1 319 992**
Segment information for the six months to 30.06.2018					
Net revenues (revised)					
Total	**854 488**	**162 121**	**2 546**	**0**	**1 019 155**
From third parties	854 488	162 121	2 546	0	1 019 155
Depreciation, amortisation and impairments					
Total	**16 993**	**12 826**	**1 814**	**0**	**31 632**
Operating profit (EBIT)					
Total	**26 989**	**14 900**	**– 5 884**	**0**	**36 005**
Operating profit (EBIT) in % of net revenues	3.2	9.2			3.5
Segment assets					
Total	**650 091**	**716 600**	**520 020**	**– 550 229**	**1 336 482**
Segment liabilities					
Total	**244 137**	**342 268**	**593 813**	**– 550 229**	**629 990**

6 REVENUE FROM CONTRACTS WITH CUSTOMERS

Disaggregation of sales

2019

in CHF 000	Valora Retail	Food Service	Others	Group total
Revenue from sale of goods[1)]	762 268	155 668	0	917 936
Services[2)]	55 186	7 686	3 509	66 381
Total revenue from contracts with customers	**817 454**	**163 353**	**3 509**	**984 317**
Commission and other income from franchise outlets	11 457	8 987	0	20 445
Total net revenues	**828 912**	**172 341**	**3 509**	**1 004 762**

1) Includes wholesale revenues of CHF 60.9 million, which can be attributed to the Food Service segment.
2) Includes franchise fees. Income from services mainly represents commission income.

2018 (revised)

in CHF 000	Valora Retail	Food Service	Others	Group total
Revenue from sale of goods[1)]	788 534	142 809	0	931 343
Services[2)]	54 546	10 041	2 546	67 132
Total revenue from contracts with customers	**843 080**	**152 849**	**2 546**	**998 475**
Commission and other income from franchise outlets	11 408	9 272	0	20 680
Total net revenues[3)]	**854 488**	**162 121**	**2 546**	**1 019 155**

1) Includes wholesale revenues of CHF 52.4 million, which can be attributed to the Food Service segment.
2) Includes franchise fees. Income from services mainly represents commission income.
3) Rental income in the amount of CHF 23.4 million was reclassified to other income.

7 OTHER OPERATING EXPENSES

1 January to 30 June, in CHF 000	**2019**	2018
Agency fees	88 565	78 790
Rental expenses	20 122	100 050
Ancillary rental costs and property expenses	19 306	19 666
Shipping	19 619	17 321
Management and administration	15 807	17 637
Communication and IT	12 110	12 407
Advertising and sales	8 996	9 758
Impairment losses on accounts receivable	1 033	893
Other operating expenses	15 313	16 603
Total other operating expenses	**200 870**	**273 125**

The reduction of rental expenses in the first six months of 2019 is due to the adoption of IFRS 16. The remaining rental expenses comprise the variable portion of rental agreements. A small portion can be allocated to short-term and low value leases.

8 OTHER INCOME

1 January to 30 June, in CHF 000	**2019**	2018 (revised)
Rental income	13 699	23 404
Gain from disposal of non-current assets	20	277
Other income	2 289	2 154
Total other income	**16 008**	**25 835**

Rental income from franchisees, previously reported in revenue is now presented as other income. Rental income in the prior period of CHF 23.4 million was reclassified accordingly. The reduction in rental income is due to the classification of subleases as finance leases under IFRS 16 on 1 January 2019 (see note 3 and 10).

9 FINANCIAL INCOME AND EXPENSES

1 January to 30 June, in CHF 000	**2019**	2018
Interest expense on financial liabilities	4 027	4 859
Interest expense on lease liabilities	5 582	0
Foreign exchange gains	710	886
Total financial expenses	**10 319**	**5 745**
Interest income from financial assets	136	191
Interest income from lease receivables	793	87
Dividend income	35	140
Foreign exchange losses	390	178
Total financial income	**1 354**	**596**

10 LEASE RECEIVABLES

in CHF 000	**Lease receivables**
Balance on 31 December 2018	**0**
Change due to IFRS 16 implementation	71 598
Additions	32 255
Interest on lease receivables	793
Repayments	– 11 356
Early termination of contracts	– 5 948
Currency translation differences	– 1 476
Balance on 30 June 2019	**85 866**
Thereof current portion	25 816
Thereof non-current portion	60 050

11 RIGHT-OF-USE ASSETS

in CHF 000	Right-of-use assets sales outlets	Right-of-use assets vehicles	Total right-of-use assets
At cost			
Balance on 31 December 2018	**0**	**0**	**0**
Change due to IFRS 16 implementation	543 207	1 724	544 931
Additions	80 320	965	81 285
Disposals	–39 666	–63	–39 729
Currency translation differences	–5 006	–31	–5 037
Balance on 30 June 2019	**578 856**	**2 595**	**581 451**
Accumulated depreciation			
Balance on 31 December 2018	**0**	**0**	**0**
Additions	–65 167	–498	–65 665
Disposals	1 121	8	1 128
Currency translation differences	425	6	431
Balance on 30 June 2019	**–63 622**	**–484**	**–64 105**
Carrying amount			
Balance on 30 June 2019	**515 234**	**2 112**	**517 346**

New contracts and exercised extension options are recognised as additions to the right-of-use assets.

Disposals relate either to the early termination of contracts, exercised termination options or head lease contracts that become part of sublease arrangements (finance leases).

12 LEASE LIABILITIES

in CHF 000	Lease liabilities
Balance on 31 December 2018	**0**
Change due to IFRS 16 implementation	619 406
Additions	74 956
Interest on lease liabilities	5 582
Lease payments	–80 311
Early termination of contracts	–5 816
Currency translation differences	–6 142
Balance on 30 June 2019	**607 675**
Thereof current portion	148 305
Thereof non-current portion	459 370

13 FINANCIAL INSTRUMENTS AND FAIR VALUES

The carrying amounts of the financial assets and liabilities in the scope of IFRS 7 and IFRS 13 correspond to their fair values.

On 11 January 2019, Valora placed two promissory notes with a face value of EUR 100 million and CHF 63 million respectively, resulting in net proceeds of CHF 175 million, both with a five-year term. Through this transaction, Valora refinanced a maturing EUR 78 million promissory note, which was due in April 2019. In addition, Valora repaid CHF 69.4 million of its short term bank loans during the first six months of 2019.

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

In the second half of 2018 the fair value of the outstanding receivables which related to the sale of the Trade Division was reduced to zero. Following the publication of the 2018 financial results Valora received information from the buyer confirming the 2018 assessment.

Hierarchy levels applied to fair values. Fair values are allocated to three hierarchy levels. Currently all of Valora's financial instruments that are subsequently measured at fair value are allocated to level three and therefore all fair values of financial instruments are determined on the basis of estimates.

Level 3. Other non-current financial assets as per 30 June 2019 were CHF 649 thousand (2018: CHF 649 thousand).

The contingent consideration in the amount of CHF 382 thousand reported as per 31 December 2018 related to the acquisition of Presse + Buch Grauert and was paid in March 2019.

14 SEASONAL EFFECTS

Experience has shown that some 40–45 % of EBIT is usually generated in the first half of the year, with the remaining 55–60 % being generated in the second six months. While non-revenue related costs are fairly evenly distributed across both halves of the year, Valora Retail and Food Service generate higher net revenues in the second half of the year at relatively constant margins, resulting in this period being more profitable than the first six months. The second half of 2019, however, will be affected by mostly non-cash related and partially one-time expenses in relation to the SBB contracts as communicated on 26 June 2019.

15 DIVIDENDS PAID

On 4 April 2019, a dividend of CHF 12.50 per registered share was paid in respect of 2018 (CHF 12.50 per registered share for the previous year).

16 MAJOR FOREIGN CURRENCIES

Translation rates used for Valora's major foreign currencies

	Average rate for 6 months to 30.06.2019	**Closing rate on 30.06.2019**	Average rate for 6 months to 30.06.2018	Closing rate on 30.06.2018	Closing rate on 31.12.2018
Euro, EUR 1	1.130	1.110	1.170	1.157	1.126
US dollar, USD 1	1.000	0.976	0.967	0.991	0.982

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

17 AFTER BALANCE SHEET EVENTS

The Board of Directors of Valora Holding AG approved the issuance of these consolidated interim financial statements on 18 July 2019.

The next Ordinary General Meeting of shareholders of Valora Holding AG will be held on 24 March 2020.

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