valora

18

ANNUAL
REPORT

Valora – brightens up your journey.

Each and every day, around 15 000 employees in the Valora network work to brighten up their customers' journey with a comprehensive convenience and food offering – nearby, quick, convenient and fresh. The around 2 800 small-scale points of sale of Valora are located at highly frequented sites in Switzerland, Germany, Austria, Luxembourg and the Netherlands. The company includes, among others, k kiosk, Brezelkönig, BackWerk, Ditsch, Press & Books, avec, Caffè Spettacolo and the popular own brand ok.– as well as a continuously growing range of digital services. Valora is also one of the world's leading producers of pretzels and benefits from a well-integrated value chain in the area of baked goods.

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Letter to shareholders

Dear shareholders,

With EBIT of CHF 89.8 million and an EBIT margin of 4.2 %, we once again met the communicated expectations in 2018. This result was mainly supported by the encouraging operating performance of Retail and Food Service in Switzerland and the solid performance of the Food Service division as a whole – in spite of the accelerated decline in the print media business in Germany and high project costs.

Apart from the excellent operating performance, 2018 was dominated by the consistent alignment of various sales formats to the latest customer needs. Within just a short space of time, the new management team in Switzerland modernised all retail formats in Switzerland. The new avec concept has already been rolled out successfully, with the focus falling on the most modern foodvenience.

The figures for the first time include a full year's contribution by BackWerk, the food service format acquired in 2017 which we continued to expand further. We also posted strong same-store growth for our Food Service sales formats. Retail CH developed well as regards same-store business and in the second half managed to keep the number of sales outlets stable for the first time in a while. Our pretzel production facilities were working at full capacity and we are progressing well with the required expansion of our production capacity.

With the new organisational structure which entered into force on 1 January 2019, Valora is even better prepared for the future. The organisation is structured into the two market and customer-focused Retail and Food Service divisions and Group-wide Shared Services. The new structure allows us to better capture synergies and ensures that expertise is spread throughout the Group. This includes the area of digital innovation, which is now the direct responsibility of the CEO.

Valora has made further progress with digitalisation and innovation, both of which are permanent tasks. We offer novel digital services and make use of the latest new technologies to create unique shopping experiences. In spring 2019, Valora will launch the new avec box, a cashier-free convenience store that can be operated around the clock, as well as avec X in Zurich main station. The latter will serve as our test lab for developing the shopping experience of the future.

Valora is also intensifying its focus on sustainability. The Board of Directors expects sustainability to become an integral part of Valora's business activities. In doing so we focus on our role as employer, our impact on the planet and healthy and sustainable food products. Valora is not yet where it wants to be in every aspect, but we are constantly making progress. And we are doing everything in our power to meet our aspirations for ourselves. We owe this to our stakeholders and the environment.

Valora has also taken important steps in 2018 to optimise its long-term financing structure. We took advantage of the attractive market conditions to place two Schuldschein issues and to redeem existing bonds. These measures will have a positive effect on the earnings per share in future.

We are optimistic about the 2019 financial year and are well-positioned to achieve further growth with our clearly defined strategic focus on the convenience and food service segments. We are already the leading operator of kiosks and convenience stores in Switzerland, one of the biggest snack food providers in Germany, and a global leader in the production of pretzels. We will continue to develop our business on this basis.

The around 15 000 employees in our network make a decisive contribution to Valora's success and brighten up our customers' journey every single day. We owe them a big thank you. We would also like to thank all our business partners and suppliers for the trust-based working relationship.

You, our valued shareholders, also deserve great thanks for the trust you have placed in us, without which we cannot successfully implement Valora's growth strategy. We are delighted to propose an unchanged dividend of CHF 12.50 at the upcoming General Meeting on 29 March 2019. The dividend will be distributed fully from capital reserves.

Best regards

Franz Julen
Chairman of the Board of Directors

Michael Mueller
CEO

We brighten up our customers' day. Wherever people are on the move.

Nearby

— We make our customers happy.

Quick

— We combine flexibility with foresight.

Convenient

— We are uncomplicated and take decisions efficiently.

Fresh

— We give space for ideas.

ok.–

bob finance

k kiosk

Press & Books

avec

cigo

ServiceStore DB

Ditsch

BREZELKÖNIG

PRETZEL BARON THREE GENERATIONS OF PRETZEL BAKING MASTERS

back WERK

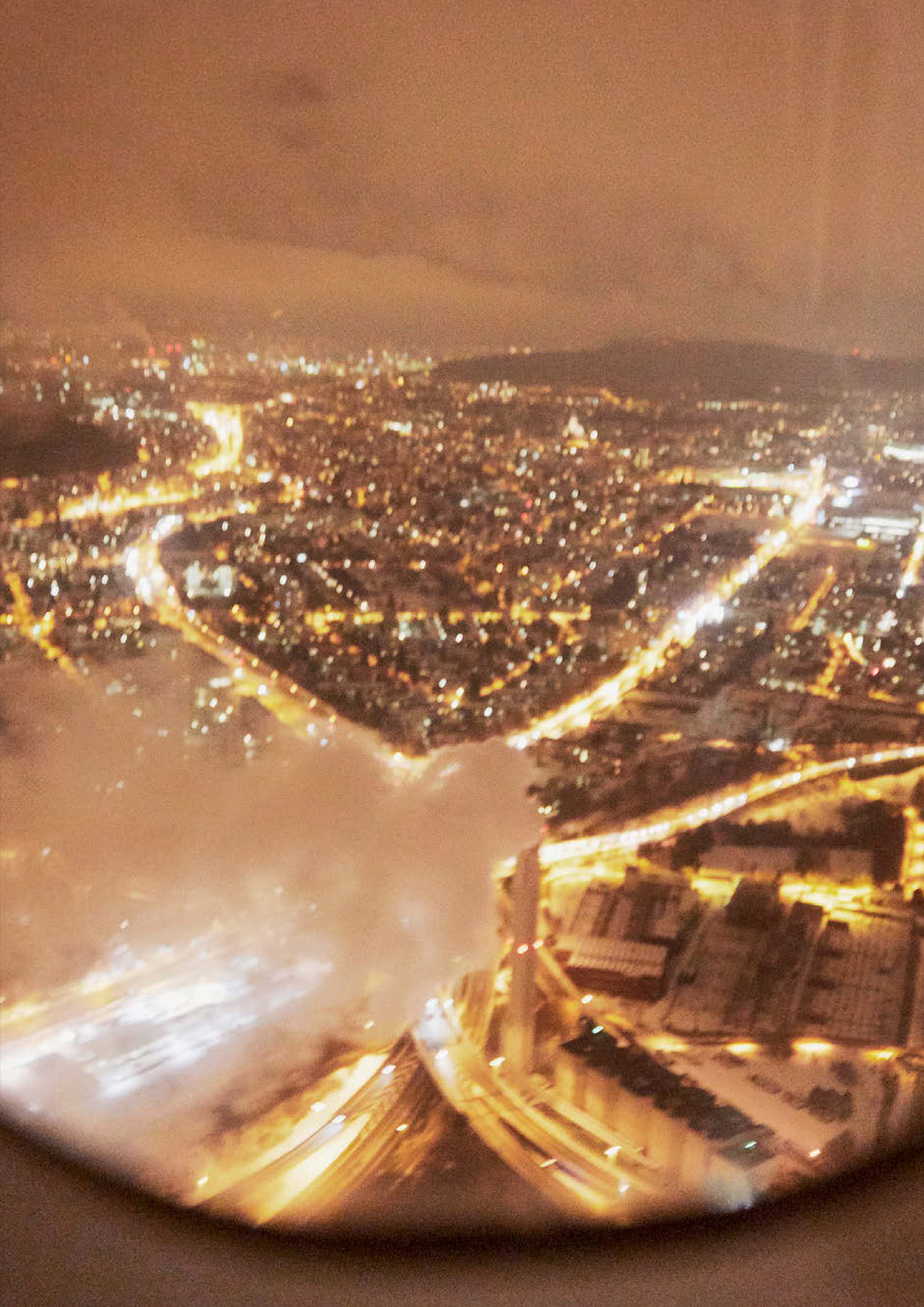
CAFFÈ SPETTACOLO

Brands

Germany
Switzerland
Luxembourg
Austria
Netherlands
USA

Our Vision

We offer the best food and convenience concepts based on: an in-depth understanding of customers and formats, operational excellence, ongoing innovation and agility as well as optimal value creation.



Retail

Valora operates a dense network of small-scale retail formats at heavily frequented sites and transport hubs. The stores offer kiosk and convenience products with a growing share of food and services as well as strong own brands.

Food Service

Through its modern network of sales outlets, Valora offers products of high quality for out-of-home consumption to a broad customer base. It also produces pretzels and other bakery products for its own formats and international third-party customers in four production facilities.

External sales in CHF million

2 731

+ 11.3 %*

EBIT in CHF million

89.8

+ 13.7 %

Sales outlets

2 761

– 32

Employees in the network

~ 15 000

Bakery products per year

~ 650 million

* 2017 restated according to IFRS 15

Key financial data

		31.12.2018	31.12.2017	Change
External sales [1]	**CHF million**	**2 731.0**	**2 453.7**	+ 11.3 %
Net revenues [1]	**CHF million**	**2 122.1**	**2 001.6**	+ 6.0 %
EBITDA	**CHF million**	**156.0**	**133.7**	+ 16.7 %
in % of net revenues	%	7.4	6.7	
Operating profit (EBIT)	**CHF million**	**89.8**	**79.0**	+ 13.7 %
in % of net revenues	%	4.2	3.9	
Net profit from continuing operations	**CHF million**	**64.1**	**57.1**	+ 12.2 %
in % of net revenues	%	3.0	2.9	
in % of equity	%	10.4	7.7	
Net cash provided by (used in) [2]				
Operating activities	CHF million	116.0	114.2	+ 1.6 %
Ordinary investment activities	CHF million	– 67.0	– 32.1	+ 108.4 %
Free cash flow [2]	**CHF million**	**49.0**	**82.0**	– 40.2 %
Earnings per share [2]	**CHF**	**15.28**	**15.26**	+ 0.1 %
Free cash flow per share [2]	**CHF**	**12.47**	**23.93**	– 47.9 %
Number of outlets operated by Valora		**1 868**	**1 882**	– 0.7 %
of which agencies		1 105	1 031	+ 7.2 %
Number of franchise outlets		**881**	**872**	+ 1.0 %
Net revenues per outlet	CHF 000	1 136	1 064	+ 6.8 %
Share price	**CHF**	**215.00**	**325.00**	– 33.8 %
Market capitalisation	**CHF million**	**846**	**1 277**	– 33.7 %
Cash and cash equivalents	**CHF million**	**104.8**	**152.5**	– 31.3 %
Interest-bearing debt	**CHF million**	**463.4**	**398.6**	+ 16.2 %
Equity	**CHF million**	**613.8**	**737.9**	– 16.8 %
Total liabilities and equity	**CHF million**	**1 326.2**	**1 408.9**	– 5.9 %
Number of employees	**FTE**	**4 230**	**4 265**	– 0.8 %
Net revenues per employee	CHF 000	502	469	+ 6.9 %

All totals and percentages are based on unrounded figures from the consolidated financial statements.
[1] 2017 restated according to IFRS 15
[2] From continuing operations

Key financial data

EBITDA

in CHF million

2017
133.7
2018
156.0

Free Cashflow

in CHF million

2017
82.0
2018
49.0

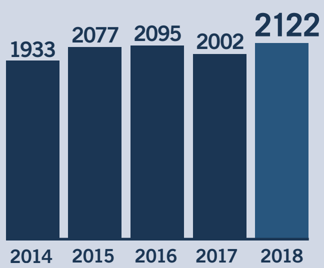
EPS

in CHF (from continuing operations)

2017
15.26
2018
15.28

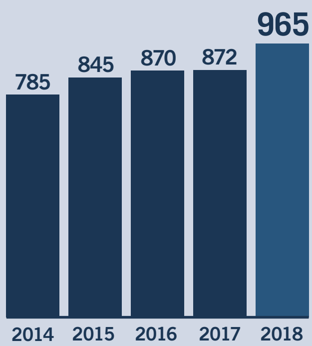
Net revenues

in CHF million (2017 restated according to IFRS 15)



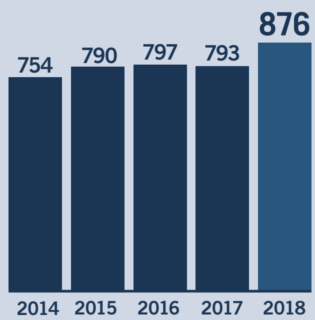
Gross profit

in CHF million



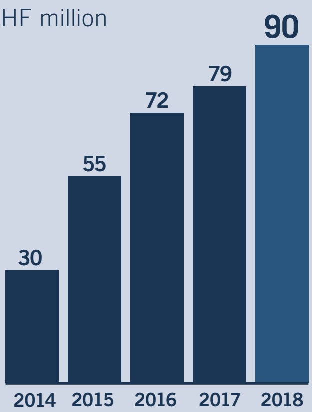
Operating expense (net)

in CHF million



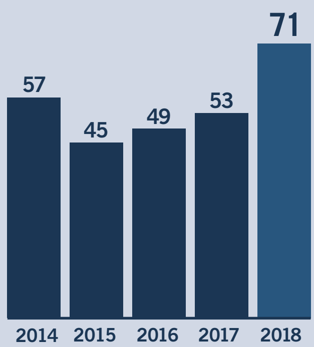
EBIT

in CHF million



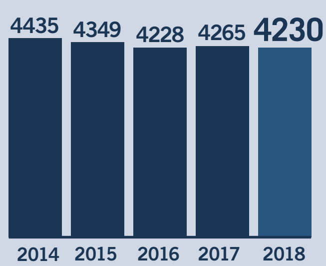
Investments

in CHF million



Employees

number in full-time equivalents (FTE)



"Right now our focus is on renewing and further developing existing concepts: forward-looking, convenient and fresh."

Michael Mueller
CEO Valora

Michael Mueller, how did Valora develop in 2018?

We have been pursuing our strategy consistently for years, and we made great progress once again last year. At the beginning of this strategy cycle, the aim was to focus on and consolidate our core business. Since 2015/2016, Valora has seen more growth initiatives, including acquisitions. Right now our focus is on renewing and further developing existing concepts: forward-looking, convenient and fresh.

What specifically did you do last year?

I am particularly proud of the complete revamp of our avec convenience format. The new management team in Switzerland managed to accomplish this in just five months, and we have already applied the new concept to nine sales outlets since July. The concept focuses strictly on the latest foodvenience and ultra-fresh products, which are clearly marked with the new label "Handmade with Love". We now also carry a regional product line – a novelty in small-scale retailing in Switzerland.

And k kiosk, Valora's most well-known format, stayed the same?

No. We also completely overhauled the k kiosk concept and will be opening the first new sales outlets in the spring of this year. We followed the same approach here as with avec: more food and more freshness. We have also updated the design, added more regional products, and simplified the sales processes. Plus the first Press & Books with a new, modern look has just recently been opened at the Zurich Airport.

You made headlines at the end of 2018 by announcing the first cashier-free store in Switzerland.

avec box is a unique concept that aims to make avec's foodvenience and fresh product range available 24/7, a development made possible thanks to our efforts in the area of digitalisation. With this format, you access the store using an app, scan the products you want and pay for them directly. Customers can do their shopping any time, and at their own pace. This makes us a leader in innovation in Switzerland.

We are developing a similar concept for k kiosk, but aim to take it a step further: thanks to our cooperation with the Silicon Valley start-up AiFi and its auto-checkout technology, the products do not even have to be scanned. Customers simply walk into the k kiosk box, take what they need and leave again.

This has also earned some criticism.

Yes, and we take that seriously. Among other things, we are being accused of cutting jobs and making working conditions worse for staff.

Well?

We already have around 2800 sales outlets in the European market and are pursuing a growth strategy. New technologies and concepts like the avec box are helping us to further expand the offering and provide even greater convenience – in the shopping experience too. We simply want to offer people more shopping options and better meet customers' growing need for flexibility. At the same time, it allows us to access new sites with less footfall. Once we have opened the first avec box in spring 2019, we will have to gain some experience before we roll it out any further.

There is a shift in the focus of staff activities in the avec box. When they're on duty in the store they will no longer have to be at the checkout, but will have more time for the customers – helping out with the app, the purchasing process or the assortment, for example. At the same time, they take care of the shop.

"New technologies are helping us to further extend the offering and provide even greater convenience – in the shopping experience too."

In 2017 you bought the German food service bakery BackWerk. How is that going?

The acquisition of BackWerk made us one of the leading snack food providers in Germany. By now, BackWerk has become a permanent part of Valora. We are on track with the opening of new stores, while also eliminating the less lucrative locations from the network. In Frankfurt we opened the first BackWerk at an airport; the first BackWerk in Switzerland under the new concept opened in Winterthur; and we are now offering BackWerk products at ServiceStore DB. At the same time we are also selling our own pretzels and ok.– products through BackWerk. This is a great example of how we are capturing synergies and benefiting from our integrated value chain.

You also mentioned your own pretzels.

Today, we are one of the world's leading pretzel producers and make about 650 million bakery products a year – for our own sales outlets and primarily for third-party customers (B2B). In 2018, the B2B business posted a strong growth of +5.9% in local currency and our production plants are running at full capacity. This backs up our decision to expand. We already doubled our production capacity at Ditsch USA in 2018. We are on track with building another production line in the US and two new additional lines in Germany and we will be able to start production in the fourth quarter of 2019.

EBIT in CHF million

2017
79
2018
90

Are you equally satisfied with the B2C business in food service?

Our same-store revenues were up at both Ditsch (+1.4%) and Food Service Switzerland (+2.7%). The latter was certainly helped by the revamp of the Brezelkönig concept in 2018 as well as the further development of our products. We also made considerable progress with the streamlining of the Ditsch store network. Food Service performed well overall, as you can see from the +26.6% rise in net revenues. This increase reflects both the consolidation of BackWerk for a full year and also organic same-store growth. These two effects drove EBIT by +30.1%.

How did the operating business perform overall in 2018?

In the past few years we have always announced ambitious and realistic goals and stuck to them. This is also true for 2018. EBIT rose by +13.7% to CHF 89.8 million. The EBIT margin was +0.3 percentage points higher year-on-year at 4.2%. The gross profit margin improved by +1.9 percentage points to 45.5%. Net revenue increased by +6.0%. Including the sales revenues of our franchise partners, external sales increased by +11.3% to CHF 2731 million. And in spite of substantial investments in our production sites, free cash flow per share is at the level of the amount of the attractive dividend.

What specifically drove the sales growth?

BackWerk, which was only consolidated for the last two months of 2017, made a major contribution to sales growth in 2018. In addition, there were positive currency effects and higher sales in the other Food Service areas. Retail DE/LU/AT also posted an increase in external sales of +5.2%, mainly due to currency effects. External sales at Retail CH were slightly down by –0.3% compared to the previous year. What I would like to highlight particularly is that Retail CH posted same-store growth of +0.4%. Also, the number of sales outlets was stable in the second half-year for the first time in quite a while. This is a clear affirmation that we are on the right track with the transformation of our kiosk business.

What does the cost situation look like?

Costs rose by +10.4% versus last year – partly due to the full-year consolidation of BackWerk and partly due to higher production volumes. EBIT at Group level improved thanks to BackWerk and the growth in Food Service as well as in Retail CH. This resulted in an increase in operating profitability – absolutely, and in terms of margin.

Talking of profitability, is Retail CH still as profitable?

We were able to keep profitability in this market segment at the high level seen the previous year. Do not forget that the 2017 figures included a book gain from the sale of the building in Geneva following the acquisition of Naville. Operating EBIT rose by +4.6%.

“In the past few years we have always announced ambitious and realistic goals and stuck to them.”

The position does not seem as rosy in the German retail business.

Retail DE/AT/LU had a challenging year: EBIT fell by –25.1%. However, we were able to more than make up for this thanks to Food Service and Retail CH.

So was the print media business in Germany still under heavy pressure in the second half of 2018?

Yes, Retail Germany is experiencing an intensified, market-driven decline in high-margin print media with a certain delay to Switzerland. We are taking measures to counteract this, cutting costs and driving the expansion of e-smoke, for example. It will take some time for the measures to have their full effect. In the second half of the year, we were already able to mostly soften the print media effect. Tobacco, food, non-food and services did well, and same-store sales of Retail DE/AT/LU were down by only –0.2%.

Alternative nicotine products seem to be experiencing a boom.

They are fashionable and we are one of the first providers with nationwide coverage. In Germany we are more advanced with e-smoke than in Switzerland. Even though these are still niche products, demand for e-cigarettes and for “heat not burn” alternatives is steadily rising. Protecting young people is very important for us. That is why Valora applies a minimum age of 18 in Switzerland too for all e-smoke and tobacco products, even though the law does not yet require this everywhere.

What happened in 2018 with the various services mentioned before?

Services are becoming increasingly important and are helping us to compensate the decline in print media. This is made possible by innovative digital solutions with third-party companies and our dense network of sales outlets. Our network is highly attractive, especially for new payment or pick-up/drop-off options. We were able to expand the Swisscom easy point offering launched at the start of 2018 over the course of the year. We now also have the Sonect app, which allows customers to withdraw cash in Swiss kiosks. In Germany we offer the new “amazon top up in store”. These are just some of the examples that show how the shopping of tomorrow is bringing the online world and physical sales outlets together again.

bob Finance is mainly involved in online business. How are you getting on?

bob Finance had a profitable second half-year and we now wish to invest more in this business. In 2018, the offering was expanded with new digital payment and financing products for the B2B2C area. Partners benefit from rising sales, while customers enjoy more convenience. Consequently, the products meet with high interest from online as well as stationary retailers. The first partnerships were launched successfully.

“The shopping of tomorrow is bringing the online world and physical sales outlets together again.”

OUTLET NETWORK
31.12.2018

	Format	Switzerland	Germany	Luxembourg	Austria	Netherlands	TOTAL
RETAIL	k kiosk	912	225	66			1 203
	cigo & subformats / partners		421				421
	Press & Books	29	159	6	10		204
	avec	141	5				146
	ServiceStore DB / U-Store		128				128
FOOD SERVICE	BackWerk	2	304		25*	22	353
	Ditsch		210				210
	Brezelkönig	61			3		64
	Caffè Spettacolo	30		2			32
TOTAL		1 175	1 452	74	38	22	2 761

* incl. 3 outlets in Slovenia

The Future Store is also meant to be something new. What can we expect there?

The Future Store in Zurich main station is scheduled to open in April 2019. It will be called avec X and will mainly be a test lab for Valora to try out newly developed digital aspects of the shopping experience like checkout processes and personalised shopping, along with other forward-looking themes in the convenience segment.

And what is the long-term destination for Valora itself?

Valora offers the best food and convenience concepts. That is our vision. To achieve this, we strive for operational excellence, ongoing innovation and agility, and optimum value creation. This is based on the underlying premise of a comprehensive understanding of the customers and formats.

What strategic levers do you have available to help you achieve this vision?

We have further sharpened our corporate strategy. We want to extend the foodvenience locations in transport hubs and inner cities. We will do this together with our agency and franchise partners. We also want to further promote our internal product competence through our own production and own brands such as ok.–. At the same time we are continuing to develop the international B2B distribution and production business for our pretzel products. All this will be done using simplified processes and the latest technology for a delightful customer experience. We also attach more importance to sustainability.

Has sustainability not been an issue for Valora before?

Of course it has. But to date sustainability has not been embedded in our strategy systematically enough. We are changing this now. Our stakeholders rightly expect Valora, as a responsible company, to make its contribution to sustainable development for people and the environment.

Valora has reorganised itself in response to the strategy. Why was that necessary?

We want to be closer to the customers, integrate new businesses more easily, exploit synergies and profit more from the wealth of know-how available in the company. So we have grouped together the things that belong together and made the structure consistent. There are now two divisions with a market and customer focus, Retail and Food Service, and Group-wide Shared Services. Among others, we have combined the B2C formats BackWerk and Ditsch in Germany and placed Digital Innovation directly under the CEO. The new structure will make us stronger.

"To date sustainability has not been embedded in our strategy systematically enough. We are changing this now."

How do you drive the growth going forward?

We specifically align our formats to the latest customer needs and have strong brands that still have great growth potential. With the renewed formats Valora is ideally positioned to profit from the global growth trends in convenience and on-the-go consumption. We will in future also offer more unique snacking experiences at an attractive price and expand our range of services for people on the move. Our investments in the production facilities will also pay off from 2020 onwards. We see further opportunities for growth with BackWerk in the Netherlands and Austria, and using international franchise partners for Brezelkönig. Finally, our capital base allows us to make acquisitions that add to our formats and/or expertise – we look at opportunities on a regular basis.

How do you see your capital strength and long-term financing?

Our reliability and credibility have allowed us to further optimise our capital structure in the past year. We placed a Schuldschein issue of EUR 170 million at the beginning of the year. This was followed by a Schuldschein issue for another EUR 100 million and CHF 63 million in December 2018, which was used to refinance an expiring EUR Schuldschein issue and part of a CHF hybrid bond. The Swiss franc tranche was an innovation in the market. Demand was strong, well above our expectations. This allowed us to benefit from the attractive market conditions and further cut our financing costs.

Might the possible loss of rental space as a result of the current SBB tender be a stumbling block?

We have made an excellent submission and are convinced that our new and refreshed formats meet the needs of train travellers precisely. We are therefore optimistic that we will be able to successfully continue the strong and long-standing partnership with the SBB. Our unique expertise in small-scale retailing at heavily frequented sites and the strong offering of unique products and innovative services will be powerful arguments for awarding the sites to Valora again.

"Valora is ideally positioned to profit from the global growth trends in convenience and on-the-go consumption."

So you are optimistic for 2019?

Yes. We will benefit from the advantages of the new organisational structure, and also the additional synergy effects between the formats and markets. Many of the measures taken in 2018 will have a greater impact in the new year. These include not least the continued rollout of the new avec concept and the launch of the revised k kiosk concept. The higher food share will help us in terms of both customer frequency and margins. In recent years we have demonstrated that our business model is very resilient and that we are able to deliver on our promises.

Group structure

BOARD OF DIRECTORS

Franz Julen
Chairman

Markus Fiechter
Vice-Chairman

Peter Ditsch

Michael Kliger

Cornelia Ritz Bossicard

GROUP EXECUTIVE MANAGEMENT

Michael Mueller
CEO

Roger Vogt
CEO Retail

Thomas Eisele
CEO Food Service

Tobias Knechtle
CFO

EXTENDED GROUP EXECUTIVE MANAGEMENT AND CORPORATE FUNCTIONS

DIVISION RETAIL

Roger Vogt
Retail Switzerland

Roger Vogt a.i.
Retail Germany
(incl. Luxembourg / Austria)

DIVISION FOOD SERVICE

Thomas Eisele a.i.
Food Service Switzerland

Karl Brauckmann
Food Service Germany
(incl. Netherlands / Austria)

Seb Gooding
Ditsch Production / B2B

SHARED SERVICES

Roberto Fedele
Corporate Information Services

Tobias Knechtle
Finance

Adriano Margiotta
Corporate Legal Services / General Counsel

Philipp Angehrn
Transformation & Project Management

Michael Mueller
Digital

Barbara Becker
Group Human Resources

Christina Wahlstrand*
Corporate Communications & Strategic Branding

Hilmar Scheel
bob Finance

* Corporate Functions
Status 20.02.2019

Sustainability

SUSTAINABILITY

The world around us is changing at an ever faster pace, the environmental challenges are becoming ever bigger, and Valora's customers are growing increasingly aware of the working conditions underlying the products. Valora is facing these challenges head-on. Its stakeholders rightly expect Valora to contribute to sustainable development as a responsible company.

The growing world population, an ever bigger global middle class, urbanisation, climate change and the multiplier effect of digitalisation – these megatrends not only affect Valora directly, but also have an impact on its customers, employees and value chain. They harbour opportunities as well as challenges and increase the urgency for Valora to intensify its own sustainability agenda. The statutory provisions serve as the minimum standard for Valora. A responsible company looks after its employees, protects the environment, manufactures excellent products that outstrip the expectations of its customers, and in the process generates a return for its shareholders.

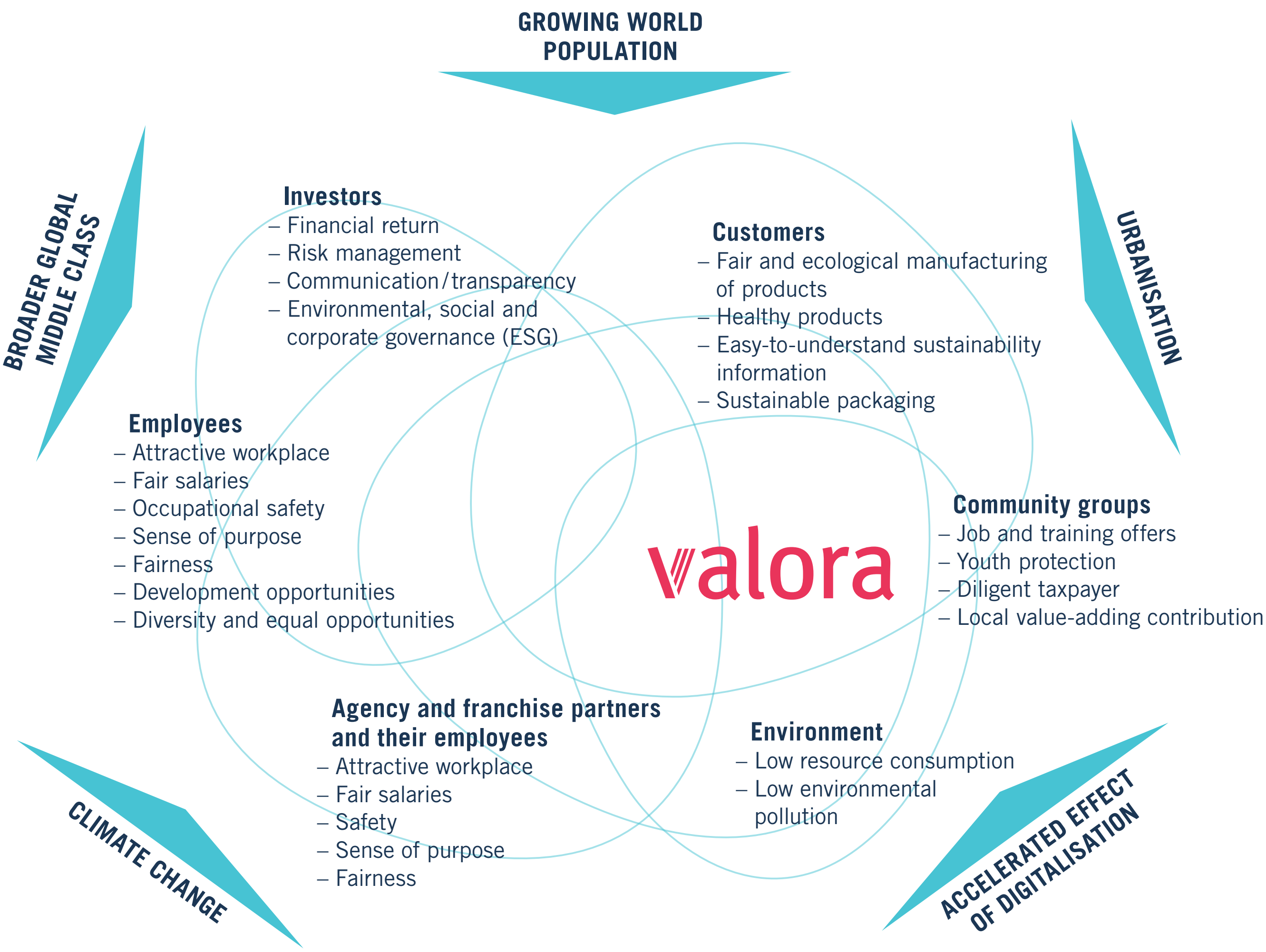
"Sustainability is a permanent and important component of Valora's strategy. The company is not yet where it wants to be in every aspect, but we are constantly making progress. And we are doing everything in our power to meet our aspirations for ourselves. We owe this to our stakeholders and the environment," says Franz Julen, Chairman of the Board of Directors.

Valora wants to assume this responsibility and live up to the challenges. A working group was set up in 2018 to develop a systematic strategy based on as well as extending beyond the existing sustainability measures. The working group consists of members of the Board of Directors, the CEO and management. They identified the connections between the aforementioned megatrends, the company's own business activities and the trends affecting the business sector. The 17 Sustainable Development Goals (SDGs) of the United Nations were also consulted in order to identify additional areas where Valora can potentially make a contribution to sustainable development.

Last year, the corporate strategy was already streamlined to meet Valora's vision of offering the best food and convenience concepts. In addition to growth, efficiency, a performance-oriented culture and innovation, the strengthening of the sustainability commitment as a responsible contribution to humanity and the environment is one of our five material strategic ambitions.

STAKEHOLDERS AND EXPECTATIONS

The further development of the sustainability strategy will be aligned to the expectations of Valora's stakeholders. The following graph identifies the most important stakeholders and their expectations.



STRATEGY: THE 3 P

Stakeholder expectations show: Valora's commitment to sustainability is not only good for humanity and the planet, it is also a strategic requirement. Business success will be even more dependent on social and environmental sustainability in the future. Valora's customers increasingly want to know where the products are coming from. Who made them, were human rights respected and was the impact on the environment minimised? Valora wishes to honour these requirements and to offer sustainable products in line with its maxim "We brighten up our customers' day. Wherever people are on the move." The Board of Directors expects sustainability to become an integral part of Valora's business activities and a strategic management pillar.

Valora squares profitable growth with sustainable growth by adjusting its operational processes, procedures and products while always keeping an eye on the people. This gives rise to the three pillars People – Planet – Products, which will in future provide the structure for Valora's sustainability management process. A dedicated claim explains the aspiration asserted by each of these pillars.

These three pillars will not only be used for the further development of the strategy, but also provide the structure for the following pages. This year the focus falls on the People pillar. Our reporting will be expanded further in the coming years, in particular with regard to the Planet and Products pillars.

PEOPLE – WE WANT TO BE A GREAT PLACE TO WORK

PLANET – WE WANT TO BE A CONVENIENCE BUSINESS THAT DOESN'T COST THE EARTH

PRODUCTS – WE WANT TO MAKE AND SELL MORE HEALTHY AND SUSTAINABLE FOOD

CODE OF CONDUCT

Valora is not only measured by its business performance, but increasingly also by the way and principles by which it generates its profits. Business success and ethical conduct are not contradictory principles. Rather, they are essential conditions for Valora's sustainable corporate development. The key figures and expectations in this regard are set out in Valora's Code of Conduct, the updated version of which entered into force on 1 January 2019. New sections were added on the protection of property, mutual respect and data privacy. Another new section introduces Valora's values: "open", "trustworthy", "passionate" and "for and with one another". The organisation will implement the new Code of Conduct with an e-learning module in 2019.

In addition, a revised Code of Conduct for Business Partners will replace the current Supplier Code in 2019. This will expand the scope of application from suppliers to all business partners. The new Code also includes sections on data privacy, free competition, conflicts of interest, protection of business secrets and compliance with anti-money laundering legislation.

Since 1 January 2019, Valora's employees and business partners can contact the Valora Integrity Line to report violations or suspected violations. This platform provides all Valora employees with a simpler and more user-friendly option for reporting irregularities in the company, such as theft, infringements of labour law or other suspicions easily, anonymously and online. The platform can be accessed around the clock via smartphone, tablet and PC. The Integrity Line replaces the Ethics Hotline, which has been in operation since 2011.

With the updated Code of Conduct, the Code of Conduct for Business Partners and the Integrity Line, Valora has laid the foundation for all other sustainability measures.

Valora's Code of Conduct and Integrity Line can be accessed by the public on the website.

VALUE OF SUSTAINABILITY FOR VALORA

Attractiveness as an employer
Not only are employees proud to work for a sustainable company, it also improves their motivation. Job applicants also pay more attention to sustainable companies.

Competitive advantage
The integration of sustainability into the product portfolio, fair partnerships and innovative offers differentiate Valora from its competitors and improve its reputation and brand value.

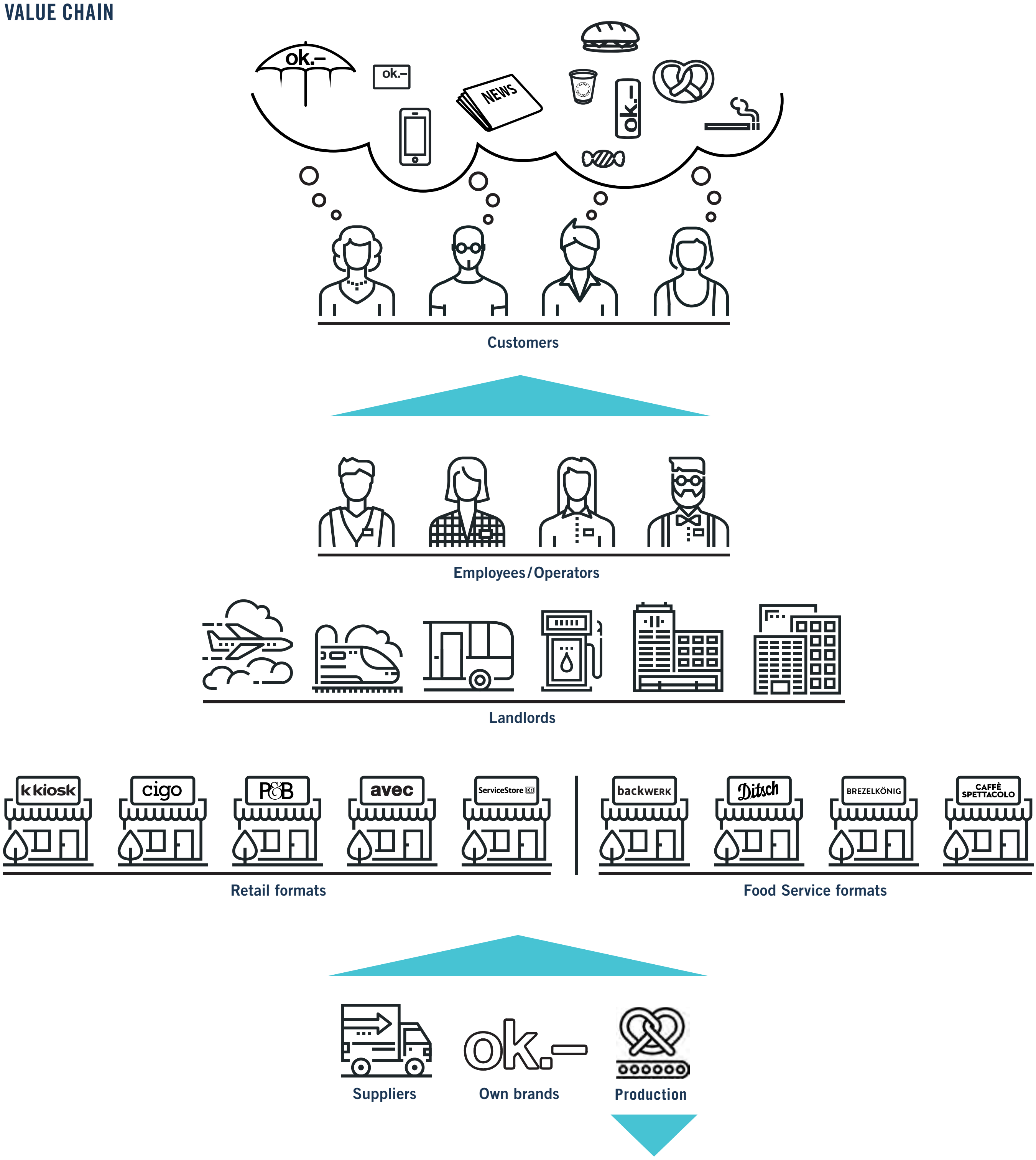
Access to financing
Investors increasingly consider social and ecological criteria when taking investment and credit decisions. Sustainable companies have easier access to investments and financing at better conditions.

Cost reduction
Sustainability initiatives, e.g. in the areas of energy, water, transport, packaging and waste, lead to efficiency enhancements and cost reductions.

Fewer risks
Risks relating to the supply chain, employee turnover and health and operational activities as well as legal risks are reduced, the reputation is protected and confidence in the company is strengthened.

Sustainability is not only good for people and the planet. Valora benefits with regard to its employees, competition and investors. Valora also reduces its costs and risks through sustainable business practices. This means that Valora's commitment to sustainability is a strategic requirement.

VALUE CHAIN



Valora's evolution into a focused retailer has simplified its value chain. Supplier products, our own brands and our own production output are sold to other companies (B2B) as well as to consumers (B2C). Customer sales are channelled through different formats, whereby the sales outlets are operated by Valora employees as well as franchise and agency partners. They brighten up their customers' day, at airports, railway stations and central urban locations.

PEOPLE – WE WANT TO BE A GREAT PLACE TO WORK

Valora's employees play a decisive role in the company's success. It is therefore all the more important for Valora to build an inclusive culture defined by fairness and equal opportunities. Employees should also benefit from responsible working conditions and salaries that are customary in this economic sector. They should be able to work at Valora in an environment in which people from different backgrounds feel respected and all employees have the opportunity to develop to their fullest potential. Valora appreciates the individual talents, experiences and views of its employees and considers these to be the basis for its success. In 2018, some 15 000 people worked for Valora and its franchise and agency partners. Of these, 5 304 (4 230 full-time equivalents) worked directly for the Valora Group, while the rest were employed by franchise and agency partners. Valora works in five areas on behalf of its own employees and employees of its franchise and agency partners:

- Diversity, inclusion and equality of treatment
- Fair salaries and working conditions
- Health, safety and wellbeing at the workplace
- Talent promotion and careers
- Fair partnerships

Employees

	Group	
	2018	**2017**
Employees	5 304	5 406
of which Food Service*	1 291	1 225
of which Retail*	3 837	4 013
of which Shared Services*	176	168
Full-time equivalents	4 230	4 265
of which Food Service*	1 150	1 079
of which Retail*	2 916	3 032
of which Shared Services*	164	154

*Food Service comprises Caffè Spettacolo, BackWerk, Brezelkönig and Ditsch. Shared Services include the Corporate and Finance functions. Retail comprises Valora Retail Switzerland and Valora Retail Germany (incl. Luxembourg and Austria).

DIVERSITY

Valora and its employees benefit equally from fair treatment and equal opportunities. Diversity is helpful at all levels. It promotes performance and innovation capacity and contributes to the successful introduction of new formats and products. This is why Valora supports an inclusive culture where each and everyone is recognised for their unique contribution and is allowed to realise their own ideas. Valora does not tolerate any discrimination based on personal background.

Women account for 70% of Valora's workforce. Two-thirds of them work part-time, while around one-third of the men work part-time. The age distribution is very balanced, whereby the Food Service employees are younger than the Retail employees.

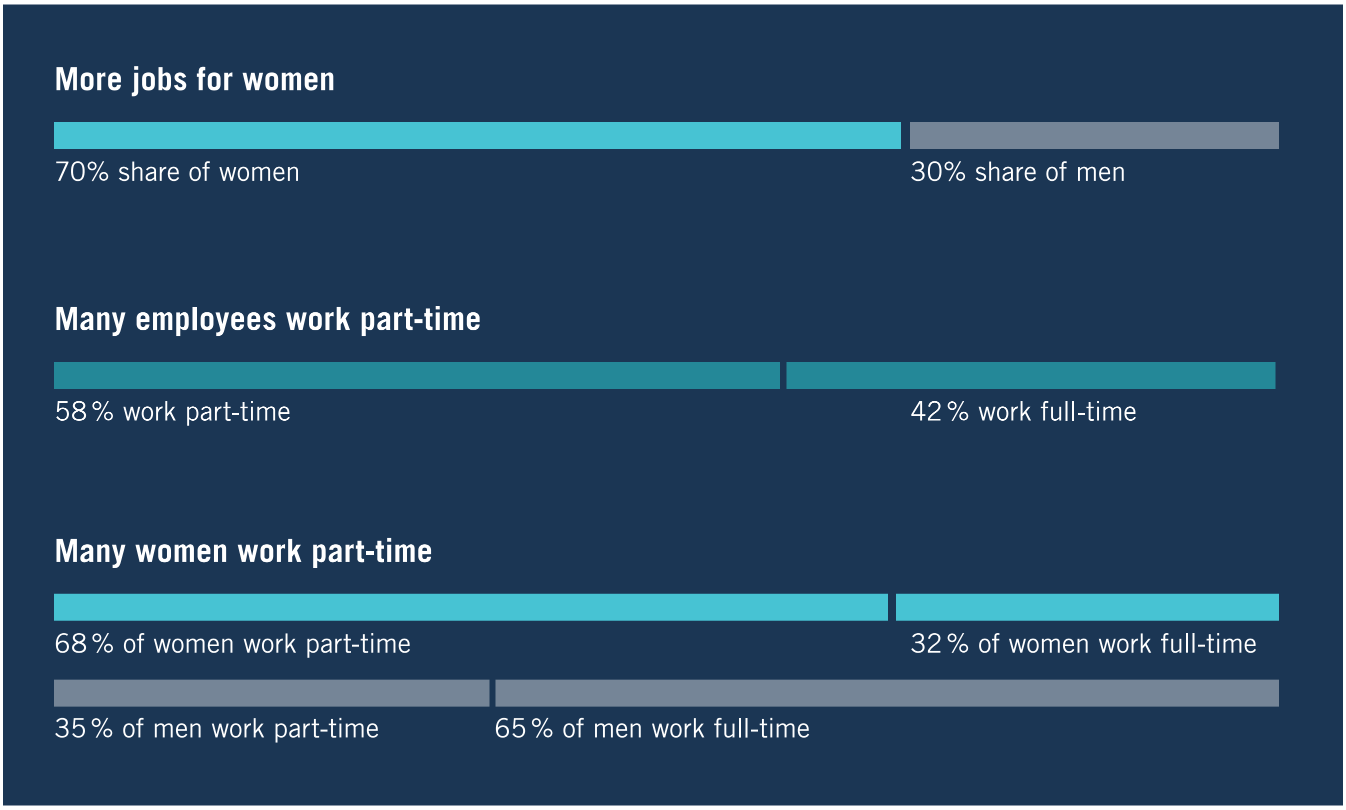
Valora plans to survey and analyse additional diversity criteria across the different hierarchical levels in the future. On this basis, Valora will in future approach the topics of inclusion and equal opportunities more systematically.

Diversity at Valora

	Group		Food Service		Retail		Shared Services	
Employees	**5 304**		**1 291**		**3 837**		**176**	
Share of women	3 687	70 %	719	56 %	2 913	76 %	55	31 %
of which work 0 to 50 % of regular working hours	821	22 %	105	15 %	714	24 %	2	4 %
of which work 50 to 79 % of regular working hours	1 228	34 %	89	12 %	1 129	39 %	10	18 %
of which work 80 to 99 % of regular working hours	450	12 %	71	10 %	370	13 %	9	16 %
of which work 100 % of regular working hours	1 188	32 %	454	63 %	700	24 %	34	62 %
Share of men	1 617	30 %	572	44 %	924	24 %	121	69 %
of which work 0 to 50 % of regular working hours	164	10 %	30	5 %	134	15 %	0	0 %
of which work 50 to 79 % of regular working hours	275	17 %	17	3 %	257	28 %	1	1 %
of which work 80 to 99 % of regular working hours	125	8 %	22	4 %	95	10 %	8	7 %
of which work 100 % of regular working hours	1 053	65 %	503	88 %	438	47 %	112	92 %
of which 30 or younger	1 428	27 %	373	29 %	1 031	27 %	24	14 %
of which 31 to 50 years	2 279	43 %	635	49 %	1 545	40 %	99	56 %
of which older than 50	1 597	30 %	283	22 %	1 261	33 %	53	30 %

*Food Service comprises Caffè Spettacolo, BackWerk, Brezelkönig and Ditsch. Shared Services include the Corporate and Finance functions. Retail comprises Valora Retail Switzerland and Valora Retail Germany (incl. Luxembourg and Austria).

VALORA WORKPLACE



FAIR SALARIES AND WORKING CONDITIONS

In order to meet their and their family's basic daily needs, employees should earn salaries that are customary to or in line with the market and benefit from modern and socially responsible working conditions. Because only satisfied employees are motivated to put Valora's maxim "We brighten up our customers' day. Wherever people are on the move." into practice.

The social partnership with the Swiss Association of Commercial Employees (kfmv) and the adopted Collective Labour Agreement (CLA) make an important contribution in this regard. The new Valora CLA for Switzerland entered into force on 1 January 2018. This implemented a salary increase for Valora employees in Switzerland of 1.8% on average. The k kiosk and Press & Books agency partners undertake to pay their employees the CLA minimum salary. There is no collective labour agreement in Germany. Here, Valora bases its principles on the framework conditions of the applicable wage agreements.

Valora carries out regular employee surveys to identify employees' expectations and to formulate measures for improvement. Following unit-specific surveys in the previous years, Valora for the first time carried out a Group-wide employee survey in 2018. Around 2800 employees (52%) participated in the survey. The survey identified employees' expectations with regard to key improvements. In future, Valora wishes to improve employee commitment and satisfaction with additional measures. Employees expect more transparency and information from management in these times of digital change. As there is also a need to optimise some aspects of personnel development, a number of tools such as the recruitment process and the onboarding programme are in revision and an individual, job-focused induction programme is under development. The measures that are being implemented should have a positive effect and help to reduce the turnover rate (44%). According to the employee survey, other expectations differ greatly by unit and region.

Valora has already implemented measures to increase the rate of participation in future surveys. The survey process has been revised and employees at the sales outlets will in future be able to participate electronically in the survey.

Valora employees in Switzerland who are subject to a collective labour agreement

	Employees	
	2018	**2017**
All employees in Switzerland	2162	2268
of which CLA for Valora Switzerland	1369	1743
of which CLA for hotel and catering industry	302	270
of which CLA for service station shops	247	–*
of which CLA for bakers	37	36
Rest (based on Valora CLA)	207	219

* The employees were subject to the CLA for Valora Switzerland in 2017.

Employee satisfaction

	Scale of 1 to 100 up to 50 little or no agreement 60 to 80 medium agreement from 90 full agreement		
	2018	**2016/17***	**Benchmark****
Commitment	78	79	83
Satisfaction	66	68	75
Attractive employer	65	66	75

* Only a limited comparison is possible, as more employees were questioned in 2018.
** Swiss Employer Award in 2018 without sector-specific competitors.

*Labour turnover rate**

	2018	
Employees	5304	
Departures	2772	
Owing to notice of termination given by employee	1129	41%
Owing to notice of termination given by employer	738	27%
Owing to switch to agency/franchise model	424	15%
Other reasons such as natural attrition due to retirement & death	481	17%
Labour turnover rate*		44%

* Departures owing to notice of termination given by the employee, notice given by the employer and other reasons as a ratio of the number of employees. Excluding departures owing to a switch to the agency/franchise model, as this only involves a change of employer.

HEALTH, SAFETY AND WELLBEING AT THE WORKPLACE

Valora does everything in its power to ensure that its employees can work in a safe and healthy environment where they can inspire their customers. It is not only a corporate obligation to ensure health, safety and wellbeing at the workplace, it also leads to lower injury and absence rates.

Valora therefore provides a safe, ergonomic and healthy work environment with attractive and modern workstations where employees remain physically and emotionally healthy, are satisfied with their work and have the energy to inspire their customers. To promote health and wellbeing, the business areas identify the risks relevant to health that need to be addressed and instigate the required measures.

In spite of all efforts, occupational accidents increased from 127 to 158 in the reporting year. Most accidents occurred at Valora's own sales outlets and its production facilities. To counter this trend, Valora will deploy more occupational health and safety inspectors and carry out regular inspections of all areas.

Wellbeing at BackWerk

For its 135 employees, BackWerk has its own company doctor who visits the sites at regular intervals and offers employees personal consultations and free preventive examinations. Regular visits to all sites by an occupational safety specialist also makes it possible to identify risks and implement the required measures. To promote the wellbeing of its employees, BackWerk offers courses such as fascia training, yoga and back therapy training and supplies them with adjustable height and ergonomic desks.

TALENT PROMOTION AND CAREERS

Not only the retail business but also society as a whole is in the grip of a rapid process of transformation. Digitalisation makes many things possible, but also gives rise to totally new needs and expectations among customers and employees. The present day has become much faster-paced and more complex. To enable employees to cope with these challenges, Valora supports their personal and skills development. They should have opportunities for advancement and the chance to fully exploit their potential at a workplace defined by commitment and cooperation. Valora therefore maintains a comprehensive programme of further education measures for its own employees as well as those of its franchise and agency partners.

For its own employees, for example, Valora offers a comprehensive programme including coaching, internal and paid external courses as well as the Valora Campus. Some 1 500 employees made use of these offers in 2018. As Valora aims to develop the next generation of employees internally, it is training 74 apprentices, three more than in the previous year. Most of them work in administration or production, but the sales teams are also training 18 apprentices.

As part of its partnership programme, Valora offers its franchise and agency partners coaching sessions and seminars, which were attended by around 1 600 partners in 2018.

E-learning programmes ensure an even wider reach. These focus on topics such as occupational safety, hygiene, money laundering and youth protection. More than 12 107 modules were completed in 2018. Valora also for the first time offered a Group-wide training course on information security in 2018, which was taken 4 785 times.

Occupational accidents

	2018	2017
Total	158	127
of which Food Service	50	13
of which Retail and Shared Services	108	114

Trainee programme (Switzerland)

Janine Sutter completed Valora's trainee programme and now works as Corporate Controller in Muttenz. She reports: "After completing my bachelor's degree in business economics in 2016, I worked in HR Development, Category Management and Group Controlling for one year as a management trainee. This allowed me to work on very different projects, which helped me enormously in my development. During challenging stints at the sales outlets of k kiosk, avec and Caffè Spettacolo, I developed a better understanding of the challenges facing shopkeepers."

She recommends the trainee programme to graduates who have not yet decided on the future direction of their professional careers. "The foodvenience business is very challenging and fast-paced and therefore extremely interesting. The chance of being offered a permanent position at the end of the programme is also a big advantage."

FAIR PARTNERSHIPS

In order to remain aware of the needs of its customers as well as its franchise and agency partners, Valora maintains a culture of open communication and collaborative partnership with the latter. At the same time Valora allows them room for entrepreneurial initiative. Because those who can act independently are committed, motivated and develop their own ideas. The independent entrepreneurs can also rely on Valora as a partner who offers them top locations and supports them with training, know-how and operational advice.

By now, around 80% of sales outlets are operated by franchisees and agency partners. The agency partner model is more common in Switzerland, while the franchise model is preferred in Germany. Valora's agency model in particular offers its partners entrepreneurial freedom at a containable risk. For example, k kiosk agency partners in Switzerland are trained for three months as employees of Valora, after which they become independent and receive commission on their sales. Valora is responsible for the rent, goods and equipment.

A partnership can only be successful in the long term if Valora and the partner benefit equally from the arrangement. Valora Retail Switzerland, Brezelkönig, Ditsch and BackWerk therefore regularly carry out satisfaction surveys among their partners. At the end of 2017, the Swiss partners particularly commended Valora's friendliness, but identified room for improvement as regards information policy and availability.

Difference between agency and franchise models

Both franchisees and agency partners are independent entrepreneurs who participate in the success of their business. The biggest difference between the two concepts lies in the fact that franchisees sell the goods in their own name and for their own account and pay a franchise licence fee to Valora. Agency partners on the other hand sell the goods in the name and for the account of Valora and receive an agency commission on their turnover, which they use to pay their staff, among other things.

Number of sales outlets

	2018	2017
Total	**2 761**	**2 793**
of which agencies	1 136	1 031
of which franchisees	850	872
of which own outlets	763	851
Additional sales outlet partners	12	39

PLANET – WE WANT TO BE A CONVENIENCE BUSINESS THAT DOESN'T COST THE EARTH

Climate change and limited resources are some of the biggest challenges of our times. Valora strives to limits its impact on the planet by minimising the environmental damage caused by economic activity. Valora will therefore reduce the company's impact on the environment and its ecological footprint. In this context, Valora wishes to focus on the following topics:

- Waste
- Sustainable packaging
- Energy

WASTE

Individually packaged products, own production output and fresh products cause general and food waste. Both cost resources, energy and money. Valora's aim is therefore to substantially reduce its waste and to implement a closed-loop system promoting the reduction, reuse and recycling of raw materials. In the long term, Valora endeavours to use its waste to develop reverse material flows. To reduce waste, Valora has been charging between 5 and 30 cents for plastic and paper bags at all its Swiss outlets since 1 November 2018. Valora will donate the proceeds to a good cause once a year. Based on the earnings since 1 November 2018, Valora expects these proceeds to be in the high five-digit range. The retail sales outlets in Germany and Austria also charge 20 to 25 cents per plastic bag.

To reduce food waste, Caffè Spettacolo has been working with Too Good To Go since November 2018, with four outlets offering meals shortly before closing time at lower prices via the Too Good To Go app. This programme was rolled out to all Caffè Spettacolo locations at the beginning of 2019. Brezelkönig and avec will launch their own additional pilot projects.

SUSTAINABLE PACKAGING

Convenience products require elaborate packaging: from wrapped sandwiches to coffee sold in cups and bottles for beverages. Packaging is also used for the own production output, albeit to a lesser extent than in the sales segments. With sustainable packaging, Valora and its suppliers can protect the environment, reduce the costs of waste disposal and improve the customer experience.

Valora can exert considerable influence on the packaging used for its own brands. In 2018, for example, Valora introduced a deposit system for the ok.– energy drink range in Germany. The cans are now part of a recycling system and are reused.

In general, Valora aims to use as little plastic and other non-degradable materials as possible in its production processes. It tries to manufacture its products in the most environmentally benign way possible. Naturally, the packaging still has to protect the product as required.

For fresh products, such as coffee or pizzas, Valora exerts its influence on the local packaging. Valora promotes reusable solutions, certified materials and organic materials in order to reduce plastic waste. Several Valora units promote the use of reusable cups (as opposed to disposable cups). There are also more environmentally-friendly alternatives to disposable cups.

*Waste volume in tonnes**

	2018		2017	
Total	6 879		6 918	
of which recyclable (carton and film)	406	6 %	408	6 %
of which organic	5 768	84 %	5 791	84 %
of which residual waste	705	10 %	718	10 %

* For the four production locations of the Valora Group in Mainz, Oranienbaum, Emmenbrücke and Cincinnatti, without the waste generated by the supply chain.

In 2018, Ditsch switched from double-walled to single-walled coffee cups, thereby reducing its material consumption by 40%. A PEFC label also guarantees that the material was obtained from sustainable forestry exploitation.

Brezelkönig changed to sustainable material for its drink stirrers (bamboo) and completely eliminated the use of straws.

Caffè Spettacolo is planning to find a future replacement for plastic lids. This year, Ditsch will investigate how to further improve the bags used for baked goods. Ditsch's production team is also optimising its use of paper and its share of recycling.

ServiceStore DB is expanding the concept of reusable cups to reusable bread boxes. Progressive data capture will make it possible in future to measure the overall effect of all these measures.

Reusable instead of disposable cups

Disposable cups represent enormous resource consumption. All Valora formats therefore also fill up reusable cups. At Brezelkönig, Ditsch, ServiceStore DB, Caffè Spettacolo and the participating franchise partners of BackWerk guests who bring their own reusable cup either receive a free upgrade to a “grande” coffee or a discount. Various Valora formats sell reusable cups. The around 150 cigo, k kiosk and Press & Books branches in Germany offer a particularly eco-friendly cup made from sustainable bamboo fibre, corn kernel powder and melamine resin. Valora is planning to expand sales of its own reusable cups in 2019.

ENERGY

The use of fossil fuels is the main cause of climate change. Energy consumption is therefore a relevant cost factor, in particular at our production locations.

Valora is working on improving its energy efficiency in production as well as at its sales outlets and administration. Valora is also making increasing use of renewable energies. During renovations done in Switzerland, conventional lights are replaced by LED lights whenever possible, time switch clocks are installed where it makes sense to do so, and air conditioners using old-fashioned coolants are replaced.

In 2018, energy consumption at the production plants rose by 2.8% compared to 2017, which reflects the increase in production volume. Total energy consumption was 38,609 MWh. Of this, 76% was electricity and 24% gas.

*Energy consumption in thousand MWh**

	2018		2017	
Total	38 609		37 548	
of which electricity	29 353	76 %	28 463	76 %
of which gas	9 247	24 %	9 076	24 %
of which heating oil	8	0 %	8	0 %

*For the four production locations of the Valora Group in Mainz, Oranienbaum, Emmenbrücke and Cincinnatti.

PRODUCTS – WE WANT TO MAKE AND SELL MORE HEALTHY AND SUSTAINABLE FOOD

Valora's comprehensive and steadily growing range of convenience and food products should brighten up our customers' day. To achieve this, Valora must offer healthy and sustainable food, among other things. In this regard, the focus falls on the following topics:

- Local procurement
- Fair trade and labels
- Animal welfare
- Better-for-you products
- Product design

LOCAL PROCUREMENT

Local products reduce transports costs and thus emissions. Shorter routes save time and keep the products really fresh. According to a study carried out by the University of St. Gallen, customers have also noticed this and 80% of them react positively to regional products. Valora is therefore expanding its range of local products, taking care to offer authentic products of high quality.

Since 2018, Valora has used the "Von hier. Regional für dich." (From here. Regional for you.) label to identify products obtained from selected regional suppliers. With this initiative, Valora launched the first convenience label for regional products in Switzerland. It supports smaller businesses and reduces the environmental impact with shorter transport routes. Compliance with these requirements is checked by the independent certification company ProCert. The criteria include, for example, that at least 80% of the ingredients and 66% of the value added for composite products have to be regional. From its introduction until the end of the year, a total of 127 regional products were included in the product catalogue in cooperation with 19 regional suppliers.

VON HIER
REGIONAL FÜR DICH

Regional products from avec

An example of a regional product carrying Valora's "From here. Regional for you" convenience label is "Echti Churer Milch" from Plankis. The Plankis Foundation founded in 1845 with a legacy from Johann Peter Hosang provides assisted living facilities and protected jobs and study places to people with disabilities. On the farm estate, 20 people have a secure job in agriculture and the farm's own Alpine dairy, which processes the milk produced by 60 cows and 100 dairy goats.

The regional products will be rolled out further in 2019 so that almost all avec sales outlets will offer regional products under the new label by the end of 2019. During this roll-out phase, regional products should reach a share of 1% of sales of "fresh" products.

FAIR TRADE AND LABELS

The production chain for the products offered by Valora has a particularly strong impact on sustainability: from the production of raw materials to processing, the environmental impact and affected jobs are spread over many upstream levels of the value chain. Valora's Code of Conduct for Business Partners sets out social and environmental standards for its suppliers. Valora ensures compliance with other sustainability aspects by using fair trade and eco labels.

The Caffè Spettacolo coffee beans, which are also sold by ServiceStore DB, U-Store, k kiosk, avec and Press & Books, are certified to be fair trade. Ditsch will switch to this coffee in spring 2019. BackWerk serves organically certified ice tea.

When choosing the products to be offered for sale, Valora increasingly pays attention to the sustainability of the ingredients and prefers to use suppliers who meet high environmental standards. Palm oil, for example, is an ingredient with a massive environmental footprint. Brezelkönig and BackWerk therefore do not use any palm oil at all in their products, while Caffè Spettacolo only uses it in vegan products. Ditsch has been a member of the Roundtable on Sustainable PalIm Oil (RSPO) since 2015 and only procures palm oil under the "segregated" model. This means that certified palm oil is never mixed with conventional palm oil.

Valora is planning to continuously increase the share of products certified to be sustainable in its range.

ANIMAL WELFARE

Valora's customers attach great importance to animal welfare. Livestock farming, transport and slaughter are only a few aspects that play a role here.

Pretzels, one of Valora's main products, do not contain any animal-derived ingredients. Lye pretzels are vegan by nature. The Valora Group has decided to offer products exclusively with barn-laid or free-range eggs in the future. This applies to the sale of eggs themselves as well as to products containing eggs. All products should meet this standard by 2020 at the latest. Valora has entered into an agreement to this effect with the animal rights organisation The Humane League, which applies to all Valora's business units and for all countries in which Valora operates.

Valora is planning to pay even more attention to animal welfare for products containing animal-derived ingredients. Among others, Valora intends to offer alternatives to products containing animal protein in the future.

BETTER-FOR-YOU PRODUCTS

The greatest happiness is fleeting if it harms your health. Valora's customers are increasingly paying attention to their health. Valora meets this need with "better-for-you" products in the convenience segment. The legal requirements set the minimum standard, in particular with regard to compliance with the Foodstuffs Act and a certified quality management system.

In the tobacco segment, alternatives to traditional tobacco products are offered which expose customers to fewer harmful substances. According to the current state of knowledge, e-cigarettes are less harmful than tobacco cigarettes. Valora has been selling e-cigarettes, nicotine-containing liquids and what is known as "heat not burn" products since 2014.

Youth protection is a central concern for tobacco products. Since 1 January 2019, Valora has been applying a voluntary minimum age of 18 to the sale of tobacco products in Switzerland. When nicotine-containing liquids were launched in Switzerland in spring 2018, Valora already applied this age limit to e-cigarettes. Since 1 October 2018, it has repeatedly underlined this commitment by signing the code governing the marketing of electronic vaping devices and liquids. In Germany, nicotine-containing e-smoking products may only be sold legally to consumers aged 18 and over. Valora ensures that youth protection is upheld in practice with regular training courses, technical support for sales staff and mystery shopping spot checks.

Valora plans to pay more consideration to healthier products when drawing up plans for its sales outlets in future.

PRODUCT DESIGN

The greatest leverage for determining the sustainability of a product is found right at the beginning of the product development process. The design can influence the raw materials, packaging, shelf life and many other aspects of a product, and therefore has a huge impact on the product's social and ecological footprint. The following dimensions therefore have to be considered when designing a product:

- Convenience
- High quality
- Health
- Sustainability and local procurement
- Price and value for money

Valora is convinced that it is possible to optimally combine these dimensions. Customers should not have to accept any compromises. Valora will therefore focus on these five dimensions in future and integrate the principle of product design even more strongly into its development process.

BackWerk's range of vegan products

The PETA animal welfare organisation honoured Valora's subsidiary BackWerk with the Progress AWARD in 2016. BackWerk received this award for offering the most animal-friendly product range in a self-service bakery. The range of vegan products was expanded even further in 2018, which was notified to its members by PETA. The "Florida summer sandwich" is served with red lentil cream, onion, arugula and paprika. The "Wellness sandwich" is spread with hummus, avocado and dried tomato. Old favourites are also still on the menu, including a vegan chia sandwich, an avocado bagel and a melon cup.

OUTLOOK

Valora has many plans with regard to sustainability for 2019. The strategy will be developed further in cooperation with all business units. During the next step, the material topics will be defined, taking account of Valora's impact and the expectations of its stakeholders. The contributions that Valora can and should make will then be identified together with the business units. The strategy will define objectives for the different topics and will be reliant on the broad-based collection of data.

ABOUT THIS REPORT

Reporting period:
1 January to 31 December 2018
Reporting cycle:
Annually as part of the Annual Report
Contact person:
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+41 61 467 24 53
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Reporting standard:
Based on the GRI standards.
GRI compliance is planned
for subsequent reports.

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 26 significant unlisted companies, all of which are fully consolidated. The Group's operational structure is set out on page 23.

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 1.3 % of the total of 3 990 000 issued shares. At 31 December 2018, the market capitalisation of Valora Holding AG amounted to CHF 846 million. The company's market capitalisation over the last five years is shown on page 181.

1.1.2 CONSOLIDATED COMPANIES

The significant companies within the Group are shown in the notes to the consolidated financial statements on pages 161 to 162, 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]	24.11.2018	15.93 %
Norges Bank (the Central Bank of Norway), Oslo, Norway	04.01.2018	4.62 %
Credit Suisse Funds AG	31.01.2019	3.01 %

[1] On 29 November 2017, Valora Holding AG reported, that it held preferential purchasing rights on the shares of Ernst Peter Ditsch covering 15.93 % or 635,599 of own registered shares. On 24 November 2018 it was reported that Ernst Peter Ditsch holds his shares indirectly through DV Beta GmbH & Co. KGaA.

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 2018 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 13 April 2018, Valora Holding AG shareholders approved the creation of a maximum of CHF 400 000 of share capital through the issue of a maximum of 400 000 registered shares with a nominal value of CHF 1.00 by 13 April 2020 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 Board of Directors can issue new shares by means of a firm underwriting by a bank or another third party and a subsequent offer to the current shareholders.

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 2018.

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 2018. 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, 2018 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 2018, the Board of Directors of Valora Holding AG comprised the following five 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, member of the Board of Directors of Zermatt Bergbahnen AG.
Current activities: member of the Advisory Board of the Aldi Süd Group of companies (2016) and President of the Board of Directors of Zermatt Bergbahnen AG (2018).

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: President of the Board of Directors of Fresh & Frozen Food AG (2018), member of the Board of Directors of Porterhouse Group AG (2018) and Minibar AG (2005).

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: managing partner and member of the Board of Directors of 2bridge AG (2016) as well as member of the Board of Directors of Ferguson Finance (Switzerland) AG (2015), Confiseur Läderach Holding AG (2019) and Läderach (Switzerland) AG (2019).

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
Insa Klassing and Sascha Zahnd will be proposed to the 2019 Ordinary General Meeting for election as new members to the Board of Directors.

3.2 OTHER ACTIVITIES AND VESTED INTERESTS

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

3.2.1 SUPERVISORY BOARD ACTIVITIES

- Markus Fiechter: President of the Board of Directors of Fresh & Frozen Food AG, Wohlen, member of the Board of Directors of Porterhouse Group AG, Luzern, Minibar AG, Baar, member of the Board of Directors of the Swiss Federal Foundation for Promotion of the National Economy through Scientific Research, Zurich, member of the Advisory Board of Manres AG, Zollikon.
- Franz Julen: member of the Advisory Board of the Aldi Süd Group of companies and President of the Board of Directors of Zermatt Bergbahnen AG, Zermatt.
- Cornelia Ritz Bossicard: President of the Supervisory Board of swissVR, Zug, President of the Supervisory Board of the Swiss-American Society, Zurich, member of the Boards of Directors of Ferguson Finance (Switzerland) AG, Zug, 2bridge AG, Uster, Confiseur Läderach Holding AG, Ennenda and Läderach (Switzerland) AG, Ennenda and member of the Fondation Board of the Cäsar Ritz Fondation, Goms.

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
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
- Nomination and Compensation Committee: Markus Fiechter (Chairman), Ernst Peter Ditsch, Michael Kliger.

The Board of Directors held 12 meetings in 2018 and conducted 4 conference calls. Of the 12 meetings, 3 lasted an entire day and 9 half a day. The Audit Committee convened for 4 half-day meetings and the Nomination and Compensation Committee for 3 half-day meetings.

The Board of Directors and its committees may invite other persons, in particular members of management and representatives of the internal and external 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 8 audits in 2018.

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 University of St. Gallen.
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.
CEO of the Food Service division since 1 April 2014.

Roger Vogt, 1977, Swiss citizen
Executive Master of Business Administration (EMBA) at the University of Applied Sciences in Zurich (HWZ).
CEO Valora Retail Switzerland, Head of Sales Region Northwestern Switzerland, Central Switzerland and Zurich at Coop, Head of Sales Region Central Switzerland and Zurich at Coop, manager of various Coop sales outlets, butcher at Coop.
CEO of the Retail division since 1 January 2019.

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 63 to 84 and in the financial report in Note 35 "Transactions and balances outstanding with related parties" to the consolidated financial statements of the Valora Group (pages 157 and 158) and in Note 3.4 "Shareholdings" to the financial statements of Valora Holding AG (page 174).

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 20. March 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 2018. 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)	2018	2017
Audit Services[1]	0.9	0.8
Audit related services[2]	0.0	0.5
Total audit and audit related services	**0.9**	**1.3**
Tax services	0.0	0.0
Other services[3]	0.1	0.4
TOTAL	**1.0**	**1.7**

[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 internal 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 pleased to present the Remuneration Report for 2018 and explain its key improvements and details.

In the reporting year, the NCC fully reviewed the remuneration programmes for Group Executive Management to ensure that they are aligned with the corporate strategy, the long-term interests of shareholders and the sustained interests of the company. In this context, the remuneration structure and Remuneration Report were designed and prepared with the assistance of external consultants specialising in corporate governance and executive remuneration. Based on this review and the analysis of comparable data from executive studies and benchmarks published by companies of a comparable size, complexity and geographical focus, the NCC partially amended and developed the remuneration programmes for the Group Executive Management. We are also including the actual attainment levels for 2018 of the profit target for the Group Executive Management Team (see section 5).

In the 2017 Remuneration Report, the NCC provided initial insight into the new remuneration structure to be applied from 2019 onwards. While developing this new remuneration system, the NCC discussed the intended structure with shareholders and proxy advisors/investors. Following their feedback, NCC took further steps to improve the originally announced remuneration structure. The NCC is convinced that with the currently proposed changes, the remuneration structure planned for Group Executive Management from 2019 meets the relevant international best practice principles. The increase in performance-based remuneration and introduction of a Long-Term Incentive Plan ensures a strong alignment of interests of the management and the company respectively its shareholders and sustainability of management performance. This further aligns the remuneration structure with long-term growth in shareholder value. The specific changes we made will be described below. We also note that these changes were made without increasing the target remuneration (for level of target and maximum remuneration, see section 6).

Compensation Philosophy The philosophy behind our executive remuneration programme is based on corporate governance best practice, guided by three main principles as follows:

- **Fair and Transparent** - The company aims to ensure internal and external balance with regard to compensation. Disclosure of compensation follows governance good practice and rules.
- **Performance Driven** - Variable compensation is based on achievement of business goals and on share price performance. Caps and thresholds are applied to all variable compensation.
- **Competitive** - The compensation system allows the company to attract and retain the talent needed to support its strategy.

Compensation Governance Central to our philosophy is that remuneration generally comprises fixed and variable components and awards are designed to promote medium and long-term success, which is reflected in stretch targets and adequate performance periods for variable elements.

Our philosophy also includes the following:

- The remuneration system should be designed in a way that ensures that variable components are based on clearly measurable performance metrics in line with the company's KPIs.
- Variable remuneration should include short-term and long-term components.
- The variable remuneration component should depend on clearly defined, sufficiently challenging and comprehensible performance criteria. The short-term and long-term variable remuneration components may not be based on the same key performance indicators. The selected performance criteria should also correlate to the company's long-term performance metrics.
- Remuneration that is independent of performance, guaranteed or discretionary, and in particular „pay for failure", must be avoided.
- The maximum variable remuneration should have a clearly defined upper limit.
- If share-based payments are made, the final acquisition of shares should depend on the fulfilment of challenging performance criteria that are applied over a sufficiently long period and are subject to a adequate performance period.
- Performance criteria are either defined in absolute terms or relative to a comparable group of companies of a similar size, complexity, market capitalisation, business model, etc. (peer group).

Overall, the remuneration structure should ensure that remuneration is aligned with the corporate strategy, the long-term interests of shareholders and the sustained interests of the company.

Remuneration structure and reporting:

- The proportion of the fixed salary of total remuneration was reduced and will be around 40-45% for the CEO and 50-60% for all other members of Group Executive Management. The share of fixed (cash) and variable remuneration in total remuneration is benchmarked against other companies. In total, the maximum variable remuneration (including both Short Term Bonus and Long-Term Incentive Plan) may still not exceed 200% of the fixed basic annual salary at the time it is granted.
- The Share Participation Programme (SPP) is replaced by the performance-based Long-Term Incentive Plan (LTI). As a result, the guaranteed remuneration is reduced and a higher share of the total remuneration for members of Group Executive Management is performance based. Although this stronger performance orientation increases the maximum that can be earned, a larger portion of total remuneration is in turn not guaranteed. This sets clear incentives for Group Executive Management to deliver high performance in the best interests of the company and the shareholders.
- For the performance evaluation different key performance indicators are applied to the Short-Term Bonus (STB) and Long-Term Incentive Plan (LTI). The performance metrics applied for STB (EBIT, NWC) and LTI (ROCE, EPS) are the most relevant and accurately reflect short and long-term company performance that translates into creation of shareholder value.
- The performance metrics reflect adequate performance periods derived from budgeting and mid-term planning. The targets are very ambitious and require excellent or extraordinary performance for achievement of the target or maximum pay-out.

- The Board of Directors looked at potential peer groups and concluded that for the performance evaluation there are no listed comparison groups that are sufficiently representative in terms of business model, both at Group and division levels. For this reason, no relative performance criteria are defined, but performance criteria (ROCE and EPS) are applied that correlate to the company's long-term performance measures and thus the change in the share price over time.
- Share ownership guidelines are introduced according to which members of Group Executive Management must hold shares in at least the amount of one fixed annual salary after five years following their appointment. This ensures long-term compliance with shareholder interests.
- Disclosure in this Remuneration Report was substantially improved. Key performance indicators, weightings, objectives and level of performance are described in detail.
- STB and LTI targets and their level of achievement will be disclosed retrospectively, i.e. at the end of the performance period.

Short-term variable remuneration (STB):

- The STB key performance indicators correspond entirely to performance-related and quantitative targets. In addition to EBIT, NWC has now been introduced as a key performance indicator to reward the efficient utilisation of capital.
- The entry threshold and maximum pay-out are the same as before (for details, see section 6).
- In the context of the STB, key targets (personal objectives) are irrelevant to the assessment of objective attainment. This increases transparency as well as comprehensibility and simplifies objective assessment.

Long-term variable remuneration (LTI):

- The current Share Participation Programme (SPP) is replaced by a three-year performance-based Long-Term Incentive Plan (LTI) commencing in the 2019 financial year. Under the LTI, a prospective share award with a three-year vesting period will apply in future. At the end of the three-year vesting period, the prospective share award is converted into shares with a subsequent blocking period of two years. No discount is granted for blocked shares. The prospective share award is structured so that the final acquisition of the shares is dependent on the degree of attainment of the defined performance objectives. The LTI provides for adequate exit clauses (good leaver, bad leaver, change of control etc.; see section 6.).
- ROCE (50 %) and EPS (50 %) are defined as the applicable targets. ROCE as a capital-based benchmark and EPS as an indicator of profitability make it possible to assess the relevant long-term performance over the three-year vesting period and therefore comply with shareholder interests.
- The ratio of conversion into shares ranges from 0 % to a maximum of 150 % related to the target remuneration, and the degree of target attainment from 85 % to 115 % (for details, see section 6).

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**: A substantial share of the total remuneration (55-60 % for the CEO and 40-50 % for the other 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 medium- and long-term 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 total remuneration comprises prospective share awards and blocked shares. After five years following appointment, 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 with clearly defined upper limits.
- **Competitiveness on the 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.

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. From the 2019 Annual General Meeting, no discount for the blocking period is applied to the calculation of the fee paid in the form of shares.

The NCC has also determined the remuneration of members of the Board of Directors and Group Executive Management and has prepared the Remuneration Report.
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 and compare it to the usual practice of other national and multi-national companies. We will also continue to intensively engage in an open dialogue with our shareholders and their representatives. As in previous years, shareholders can express their views on the remuneration system by participating in the consultative vote on the 2018 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 2019 Ordinary General Meeting to the 2020 Ordinary General Meeting and for Group Executive Management for 2020 („Say-or-Pay").

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 the 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 2018, the NCC comprised Markus Fiechter (Chairman), Michael Kliger and Ernst Peter Ditsch.

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 a year. Meetings are convened by the NCC Chairman or at the request of an NCC member. In exceptional cases, they may also be convened by Board resolution. 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 of 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.
The NCC held three meetings in 2018. The rate of attendance of NCC meetings was 100%.

2.2 BENCHMARKS AND EXTERNAL ADVISORS

In order to assess the competitiveness of the total remuneration for Group Executive Management, we compare data from executive studies as well as benchmarks published by companies of a comparable 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 2018, the remuneration structure and Remuneration Report were designed and prepared with the assistance of external consultants specialising in corporate governance and executive remuneration. This led to a new remuneration structure for Group Executive Management, which takes effect from financial year 2019.

In 2017, the remuneration packages of the members of Group Executive Management were reviewed based on an executive study carried out in cooperation with the external partner Mercer. The study shows that the total target and maximum 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. For the benchmark analysis two sets of data were reviewed:

a) Data for relevant positions of comparable size from all companies from the retail and consumer goods sector in DACH and CH region relevant/comparable to Valora, and
b) data considering remuneration levels of Swiss companies of mainly comparable size and industry, as disclosed in annual reports.

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. 80% of the director's fee is paid out in cash and 20% in the form of blocked Valora Holding AG shares. The chairpersons and members of the Board Committees (the Audit Committee and the Nomination and Compensation Committee) receive additional remuneration. No pension fund contributions are made on behalf of members of the Board of Directors. The 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 based on publicly available information.

The overall remuneration paid to members of Valora's Group Executive Management comprises a fixed salary, a variable Short-Term Bonus and a share-based management award, i.e. from financial year 2019, a Long-Term Incentive Plan based on a prospective share 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 2018

The remuneration paid to members of Group Executive Management in 2018 comprised a fixed salary, a variable Short-Term Bonus and a share-based management award (the Share Participation Programme – 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 Programme (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:

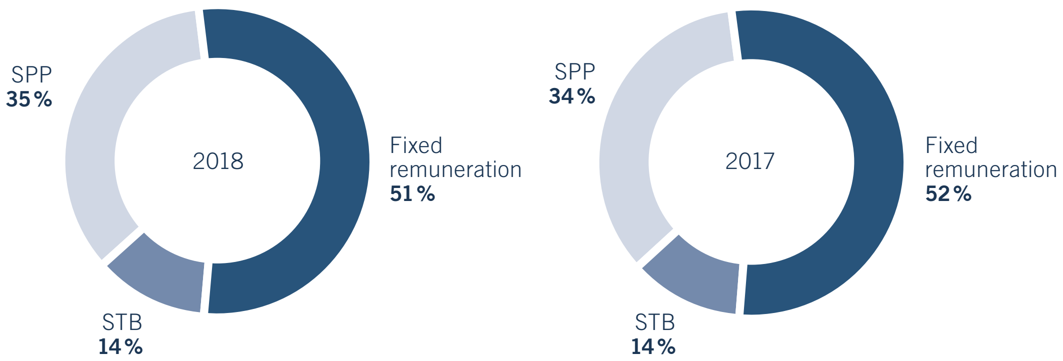
Component	Plan	Percentage		Purpose	Form of payment
		CEO	Other GEM		
Fixed remuneration	Annual salary	48 %	51 – 57 %	To attract and retain highly qualified staff	Monthly cash payment
Variable remuneration	STB	12 %	13 – 17 %	Participation in the short-term performance of the company	One-time choice between cash or shares
Management award	SPP	40 %	26 – 35 %	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 remuneration paid to Group Executive Management (incl. the CEO) in the year 2018 is set out below.

EFFECTIVE GROUP EXECUTIVE MANAGEMENT REMUNERATION



5.1 SHORT-TERM BONUS (STB) IN 2018

The STB provides members of Group Executive Management with a remuneration component which reflects the company's short-term performance. In 2018, the key targets (personal objectives) were abolished for the assessment of objective attainment.

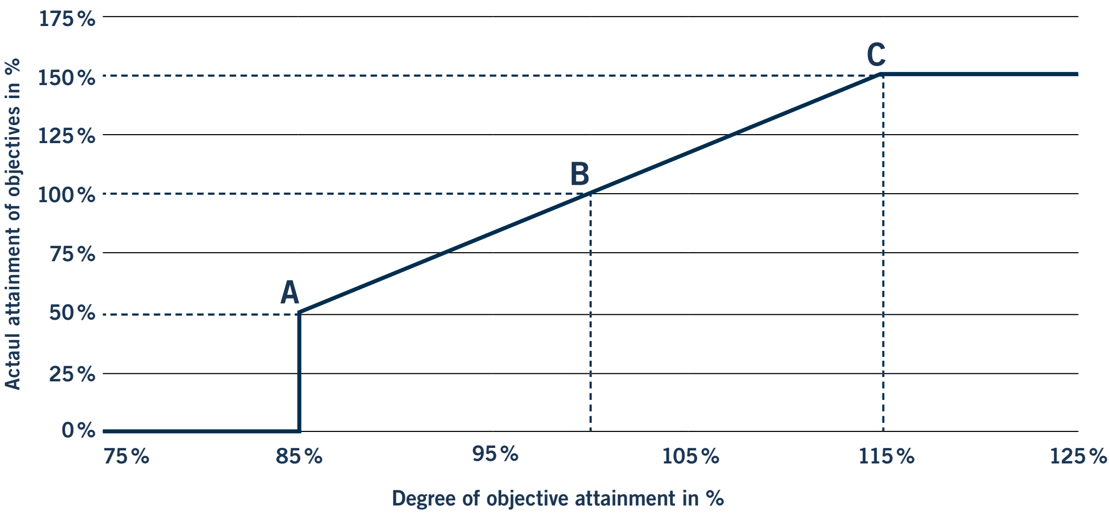
Remuneration depends entirely on a predefined profit target (e.g. EBIT, ROCE). Members of Group Executive Management can choose whether they wish to receive the STB in cash in full or (partially or fully) in the form of blocked shares.

The profit target is set annually before the beginning of the respective financial year. The relevant performance indicator for each year is approved by the Board of Directors upon recommendation of the NCC. 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% to a maximum of 150%. The profit target is only granted if the key figures meet a threshold of 85% of the defined profit target. 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 considered.
For 2018, the defined profit target was EBIT (earnings before interest and taxes).

The attainment of key targets is calculated according to the following formula:

$$\text{Degree of target attainment} = \frac{\text{current performance indicator}}{\text{budgeted performance indicator}}$$

STB profit target



A
Entry threshold

B
Expected figure (100 % objective attainment)

C
CAP (maximun possible objective attainment)

Actual attainment of objectives is derived from the degree of objective attainment. For a negative deviation of more than 15 %, the actual attainment of objectives is 0 %, and for a positive deviation of at least 15 %, it is 150 %. The payment factors are calculated on a straight-line basis between these two points.

The annual target bonus (i.e. the bonus for 100 % actual objective attainment) is expressed as a percentage of the basic annual salary and equals 24 % for the CEO and between 26 % and 31 % for the other members of Group Executive Management. For CEO, maximum annual bonus equals to 36 % of base salary, and 39 % to 47 % for the other members of Group Executive Management.

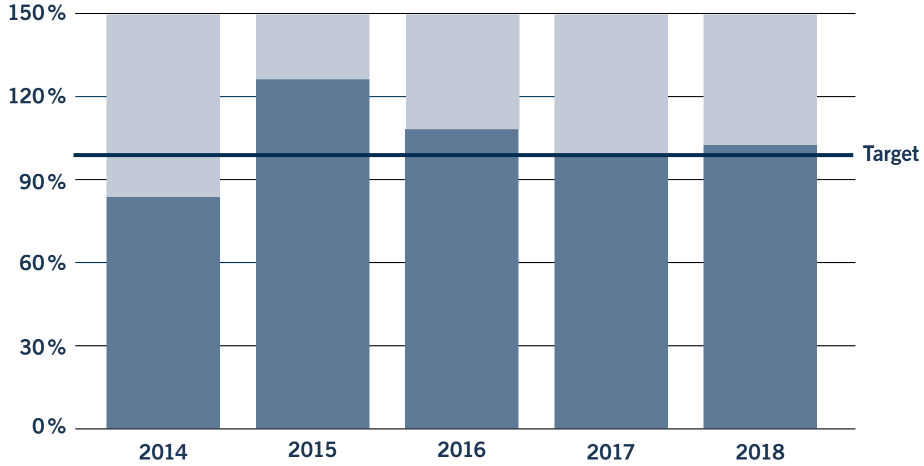
In 2018, the percentage for the CEO was 26 % (2017: 30 %) and for the other members of Group Executive Management 27 % on average (2017: 24 %).

The actual attainment of the profit target for the members of Group Executive Management in 2018 was:

2018 EBIT	Target TCHF	Actual TCHF	Entry threshold	Degree of objective attainment
CEO	280	311	85 %	111.1%
Other GEM	342	330	85 %	96.5%

For the 2017 financial year, actual attainment of the profit target was 124.5 % for the CEO and 87.8 % 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 historical actual attainment of the profit target for the members of Group Executive Management for the past five years was:



The table shows that the design of the STB is structured effectively: In line with Valora's ambitious target–setting, substantial progress needs to be made to reach the target (100 %). It is also clear that the expected factor of objective attainment of 100 % can only be exceeded with extraordinary performance.

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 Programme (SPP). The share price used for determining the number of shares allocated is that applying on 31 March of 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) IN 2018

With effect from 1 November 2015, Valora established a management award scheme in the form of a share participation programme (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 based on 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.

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

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 of 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 occurrence, any blocking periods still in force at that time are removed immediately.

The Share Participation Programme 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.

The annual allocation to the basic salary is 81% for the CEO and between 47% and 69% for the other members of Group Executive Management.

5.3 REMUNERATION IN 2018

The maximum overall remuneration for members of Group Executive Management in financial year 2018 approved by shareholders at the 2017 Ordinary General Meeting was CHF 6.4 million. The overall remuneration effectively paid to members of Group Executive Management in 2018 amounted to TCHF 5,476 (previous year: TCHF 5,405).

Table 1
Group Executive Management 2018

in CHF thousand	Fixed basic salary	Short Term Bonus (STB) [1]	Share Participation Program (SPP) [2]	Other fixed remuneration [3]	Total 2018
Michael Mueller CEO and highest-paid member	1 180.0	311.0	956.5	305.1	2 752.6
Other members [4]	1 209.3	329.8	706.6	477.4	2 723.1
Total Group Executive Management remuneration	**2 389.3**	**640.8**	**1 663.1**	**782.5**	**5 475.7**

1) These figures relate to the effective cost of the bonuses granted in respect of financial year 2018, which will be paid out in 2019. The STB bonuses for the CEO and CFO with an aggregate value of TCHF 490 are converted into shares at the VWAP of CHF 332.47 applying on 31 March 2018 in accordance with the formula described above.
2) The blocking period for the shares allocated in 2018 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 2017

in CHF thousand	Fixed basic salary	Short Term Bonus (STB) [1]	Share Participation Program (SPP) [2]	Other fixed remuneration [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.

The aggregate maximum remuneration payable to members of Group Executive Management in respect of 2019 was fixed at CHF 6.9 million by the Ordinary General Meeting of Shareholders held in 2018.

6 GROUP EXECUTIVE MANAGEMENT REMUNERATION STRUCTURE FOR 2019

A new remuneration system for Group Executive Management was developed in 2018. It will apply to remuneration from 2019 onwards. The remuneration of Group Executive Management will comprise a fixed component, a performance-based Short-Term Bonus (STB) and a performance-based Long-Term Incentive Plan (LTI). The variable short and long-term remuneration is based entirely on quantitative targets and takes equal account of performance-based and capital-based components.

6.1 REMUNERATION STRUCTURE FOR 2019

The following table shows the new remuneration structure assuming at-target achievement:

Component	Plan	Percentage		Form of payment	Performance indicator
		CEO	Other GEM		
Fixed remuneration	Annual salary	43 %	50 – 60 %	Monthly cash payment	-
Short-term variable component	STB	30 %	16 – 24 %	Cash payment or share award	EBIT (75 %) NWC (25 %)
Long Term Incentive Plan	LTI	27 %	24 – 26 %	Prospective award with three-year vesting period	ROCE (50 %) EPS (50 %)

Overall, the restructuring of the remuneration system does not introduce any changes to the total remuneration paid to the same number of members of Group Executive Management. The following table shows the remuneration structure for Group Executive Management for target, maximum and minimum level for the 2019 financial year compared to the current structure (not including newly appointed members of GEM). It represents an average for all members of Group Executive management including CEO.

	2018 in TCHF				2019 in TCHF				% Variance			
Fixed:	2 389				2 259				– 5 %			
Variable:	Target	Maximum	Thres-hold	Minimum	Target	Maximum	Thres-hold [1]	Minimum	Target	Maximum	Thres-hold	Minimum
STB	622	933	311	–	1 207	1 811	604	–	+ 94 %	+ 94 %	+ 94 %	+ 0 %
LTI	1 662	1 662	1 662	1 662	1 207	1 811	604	–	– 27 %	+ 9 %	– 64 %	– 100 %
Total pay [2]	**4 673**	**4 984**	**4 362**	**4 051**	**4 673**	**5 881**	**3 467**	**2 259**	**+ 0 %**	**+ 18 %**	**– 21 %**	**– 44 %**

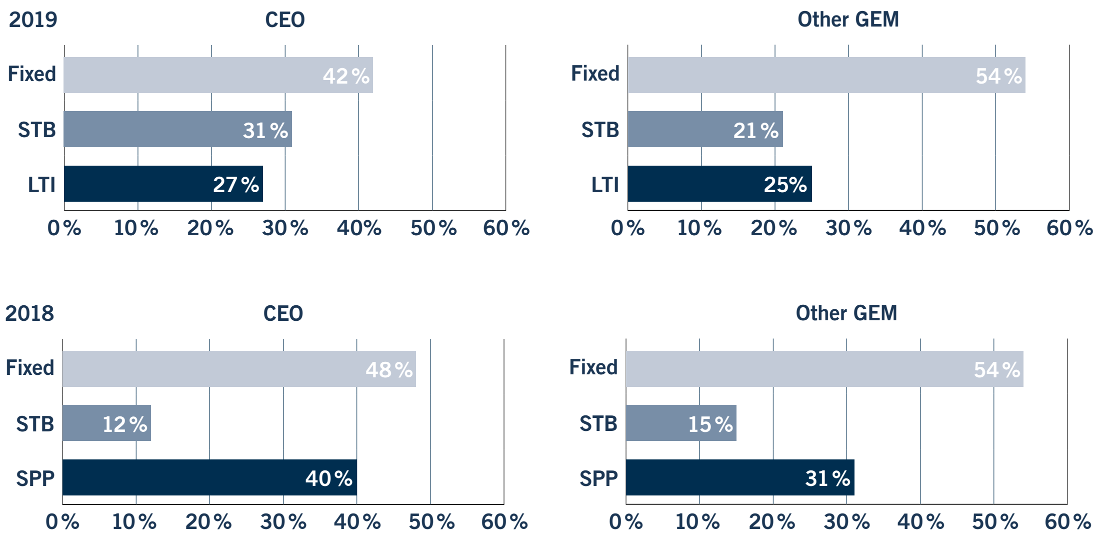
[1] Threshold means key performance indicators reach at least 85 % target achievement.
[2] Not including other fixed remuneration such as payments the employer is required to make by law, a contractually agreed car allowance and other individual contractually agreed benefits.

Total remuneration, assuming at-target achievement, remains the same. The fixed portion of total remuneration is reduced by 5% to the benefit of the variable remuneration. While the upside opportunity is modest with only 18%, the downside risk in total pay-out amounts to 44%. However, as the past shows the expected level of achievement is at target.

The reason for the increase in maximum pay-out in 2019 compared to last year is that a higher share of the total remuneration is performance-based. While slightly increasing the maximum that can be earned, this stronger performance orientation clearly puts a larger portion of total remuneration at risk and hence it is not guaranteed.

Both the variable short-term and the long-term remuneration components have a defined upper limit for challenging and measurable performance criteria. In addition, the total variable remuneration may still not exceed 200% of the fixed basic annual salary at the time it is granted.

The following charts show the new remuneration mix for the CEO and the other members of Group Executive Management from the 2019 financial year onwards compared to the current mix for 100 % objective attainment.



6.2 SHORT-TERM VARIABLE REMUNERATION (STB)

The short-term variable component (STB) is directly dependent on two key performance indicators. EBIT (profit before taxes and interest) is weighted at 75 % and NWC (net working capital) at 25 %. For Valora, EBIT is the most important key performance indicator as it reflects short-term profitability. NWC introduces a capital-based component which takes account of operational capital efficiency.

The actual targets for the key performance indicators are determined by the Board of Directors at the beginning of the relevant bonus measurement year and are based on the budget that applies to the measurement year. The effective payment ranges from 0 % to a maximum of 150 % of the target remuneration. If the key performance indicators are below 85 %, the payment factor is 0 %, if the key performance indicators reach the 85 % threshold, the payment factor is 50 %, and if the key performance indicators exceed the target by at least 15 %, the payment factor is 150 %. The amount that is paid out is interpolated on a straight-line basis between 85 and 115 %.

The actual degree of attainment of the key performance indicators is calculated at the end of the bonus measurement year and approved by the NCC. The maximum short-term variable component is limited to 110 % for the CEO and 47 – 70 % for the other members of Group Executive Management of the fixed salary. The reason for the increase compared to last year is that a significant share of the total remuneration for members of Group Executive Management now is performance based. This stronger performance orientation increases the maximum that can be earned, but at the same time means a larger portion of total remuneration is not guaranteed.

Participants are free to choose the form of payment – fully or partially as blocked or freely tradable shares or in cash – every year. If the right to choose is not or cannot be exercised (e.g. because the participant qualifies as an insider), it is paid out in cash. No discount is granted for blocked shares.

For members who join or leave the company during a calendar year, the short-term bonus is paid out pro rata based on the period of employment in the relevant calendar year. For participants who chose to receive payment in full or partially in the form of shares, no more shares are allocated upon departure, and the STB is paid out in full in cash.

6.3 LONG-TERM VARIABLE REMUNERATION (LTI)

The Long-Term Incentive Plan (LTI) is a performance share unit plan. Plan participants receive prospective share awards in the form of performance share units (PSU) at the beginning of the vesting period. These can be exchanged for shares at the end of the three-year vesting period. PSU are awarded once a year. Participants are not required to make a cash investment. The number of PSU awarded every year equals the value of the variable long-term remuneration of the participants, divided by the fair value of one PSU on the grant date. The fair value on the grant date is the volume-weighted average trading price of Valora registered shares during a period of 10 consecutive trading days ending on and including the 20th trading day after publication of full-year results of the relevant financial year.

At the end of the three-year vesting period, the PSU are converted into shares with a subsequent blocking period of two years. No discount is granted for blocked shares. The ratio of conversion into shares depends on the attainment of the key performance indicators ROCE (return on capital employed) and EPS (earnings per share), which are derived from the mid-term plan approved by the Board of Directors. ROCE is weighted at 50% and EPS at 50%. Targets will be disclosed retrospectively, i.e. at the end of the vesting period.

No relative performance criteria are defined, as Valora concluded after an investigation of potential peer groups that there is no comparison group of listed companies that is sufficiently representative in terms of business model, both at Group and division levels.

It is determined at the end of the vesting period whether the targets defined by the Board of Directors at the beginning of the vesting period (average for the three performance years) were attained. The ratio of conversion into shares ranges from 0% to a maximum of 150% of the target remuneration. If the degree of target attainment is below 85%, the ratio of conversion into shares is 0%, if the degree of target attainment reaches the 85% threshold, the ratio of conversion into shares is 50%, and if the degree of target attainment reaches 115%, the ratio of conversion into shares is 150%. Given the ambitious targets set by Valora, the expected objective attainment of 100% can only be reached if significant progress is made and can only be exceeded with extraordinary performance.

The NCC decides at its discretion to what extent non-budgeted acquisitions, divestments or other unplanned, extraordinary or unforeseen events will be considered when determining the actual degree of attainment of the performance targets.

Both, the threshold and target level for ROCE are challenging to achieve, depend on value creation and are therefore usually above the weighted average cost of capital.
Dividends relating to the duration of the vesting period will be paid retrospectively on shares retained after the performance targets have been measured, but no dividends will be paid on any part of the PSU that has lapsed.

Members who leave or join General Executive Management during a calendar year receive PSU on a pro rata basis according to the duration of their employment in the year in question. All PSU are usually cancelled in full for bad leavers. The NCC may at its discretion deviate from the rule in specific cases. In case of a change of control, the unvested PSU are subject to an early vesting, prorated for the number of months that have expired in the calendar year in which the PSU have been granted up to date of the change of control and based on company performance. Company performance is measured by means of the latest historical data set and the most recent company forecasts for the remaining performance period.

6.4 SHAREHOLDING OWNERSHIP GUIDELINE

A shareholding ownership guideline will be implemented as of business year 2019. The members of Group Executive Management are required to hold at least the amount of one fixed annual salary in Valora shares within five years of their appointment to Group Management.

In the event of a substantial rise or drop in the share price, the Board of Directors may, at its discretion, amend that time period accordingly. To calculate whether the minimum holding requirement is met, all vested shares are considered regardless of whether they are blocked or not. However, unvested PSU are excluded. The Compensation Committee reviews compliance with the share ownership guideline on an annual basis.

6.5 DILUTION

In total as of December 31, 2018, the equity overhang, defined as the total number of share units (PSU) and blocked shares outstanding divided by the total number of outstanding shares (3 936 385 registered shares) amounts to 19 856 units, 0.50 %.

The company's "burn rate," defined as the number of shares (6 415) and share units (0) granted in 2018 divided by the total number of shares outstanding is 0.16 %.

7 REMUNERATION STRUCTURE FOR THE BOARD OF DIRECTORS IN 2018

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 20 % 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 2018 Ordinary General Meeting to the 2019 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 based on 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.

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

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 because of death, invalidity or comparable circumstances, any blocking periods still in force are removed 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 removed immediately.

In 2018, 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 2018

The maximum remuneration authorised for members of the Board of Directors for the period from the 2018 Ordinary General Meeting to the 2019 Ordinary General Meeting was CHF 1.4 million. The remuneration paid to the Board of Directors in 2018 amounted to TCHF 1 330 (previous year: TCHF 1 443).

Table 3
Board of Directors 2018

in CHF thousand	Fixed fee (cash)	Committee fee	Portion paid in blocked shares [1]	Other remuneration [2]	Total 2018
Franz Julen Chairman	397.0	15.0	128.9	71.9	612.8
Markus Fiechter Vice-Chairman and Chairman of Nomination and Compensation Committee	151.0	41.3	61.4	34.7	288.4
Bernhard Heusler Member (until March 2018)	35.0	3.8	–	–	38.8
Ernst Peter Ditsch Member	–	–	–	–	–
Cornelia Ritz Bossicard Chair of Audit Committee	106.0	30.0	42.8	25.0	203.8
Michael Kliger Member	109.0	15.0	38.8	23.0	185.8
Total remuneration paid to Board of Directors	**798.0**	**105.1**	**271.9**	**154.6**	**1 329.6**

[1] In 2018, 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 2018.

Table 4
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**	**1 443.7**

[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.

8 LOANS AND CREDITS

As of 31 December 2018 and 2017, 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 2018 and 2017, 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:

Valora carefully monitors the dilution of the share capital. As of 31 December 2018, the members of the Board of Directors and Group Executive Management held a total of 665,723 registered shares (previous year 657,126) of Valora Holding AG, which equals 16.68% (previous year 16.47%) of the share capital:

Table 5

	2018 Number of shares	**2018 Share of total voting rights in %**	**2018 of which subject to a blocking period**	2017 Number of shares	2017 Share of total voting rights in %	2017 of which subject to a blocking period
Board of Directors						
Franz Julen Chairman	3067	0.08	958	1672	0.04	766
Markus Fiechter Vice-Chairman and Chairman of Nomination and Compensation Committee	3290	0.08	587	3102	0.08	656
Bernhard Heusler Member	-	-	-	651	0.02	465
Ernst Peter Ditsch Member	635599	15.93	none	635599	15.93	none
Cornelia Ritz Bossicard Chair of Audit Committee	956	0.02	438	825	0.02	510
Michael Kliger Member	257	0.01	234	138	0.00	115
Total Board of Directors	**643169**	**16.12**		**641987**	**16.09**	
Group Executive Management						
Michael Mueller CEO	13028	0.33	11930	9195	0.23	8895
Tobias Knechtle CFO	6821	0.17	5256	4049	0.10	3819
Thomas Eisele Head Food Service	2705	0.07	2400	1895	0.05	1781
Total Group Executive Management	**22554**	**0.57**		**15139**	**0.38**	
Total shares held by Board and GEM	**665723**	**16.68**		**657126**	**16.47**	

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 2018. 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 76, 81 and 82 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 2018 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, 18 February 2019

Financial Report

VALORA FINANCIAL REPORT 2018

REVIEW OF GROUP RESULTS

With an EBIT of CHF 89.8 million, 2018 was a strong financial year for Valora once again confirming the communicated expectations. The convenience and food service provider's EBIT increased by +13.7% year-on-year and the EBIT margin improved by +0.3 percentage points to 4.2%. Owing to the profit contribution by the franchise company BackWerk acquired in autumn 2017, organic growth and positive currency effects, EBITDA improved by +16.7% or CHF +22.3 million to CHF 156.0 million.

External sales increased by +11.3% to CHF 2,731.0 million and net revenues grew by +6.0% to CHF 2,122.1 million, which corresponds to growth in local currency of +9.4% and +4.6% respectively. Net profit from continuing operations increased by +12.2% to CHF 64.1 million and Group net profit grew by +3.2% to CHF 59.0 million. At CHF 49.0 million, the Group's free cash flow was down on the previous year, mainly due to increased investment activity and the one-off proceeds posted in 2017 on the sale of the property in Geneva that was taken over as part of the Naville acquisition. The Group's return on capital employed (ROCE) improved by +0.5 percentage points on the first half of 2018 to 8.2%, which is slightly below the previous year (8.6%) because of the acquisition-related increase in capital employed.

Retail CH maintained profitability at the previous year's high level, with operational improvements making up for the book gain posted in 2017 from the sale of the Naville property. The market unit developed innovative concepts in 2018 and refined all sales formats – avec, k kiosk and Press & Books. These updated formats were also included in the offer submitted to the SBB for the tender of rental spaces. Retail CH also expanded its product range in 2018 with forward-looking ultra-fresh food offers, regional products, alternative nicotine products and services. Retail DE/LU/AT had a challenging financial year with the expected ongoing market-driven decline in high-margin print media. Cost initiatives and projects, such as the further promotion of alternative nicotine products (e.g. e-smoke) were pursued with increased focus and already helped to improve the EBIT margin compared to the one posted for the first half-year, even though these initiatives are still in the start-up phase.

In the Food Service division, the gross expansion of BackWerk is progressing as planned. The BackWerk network was streamlined by closing down less lucrative locations and franchisee efficiency was enhanced further. Focusing on sustainability and profitability, Ditsch made considerable progress in optimising its network. The expansion of capacity for pretzel production for the B2B business and own formats is also progressing well: after doubling the capacity of the current line at Ditsch USA in 2018, projects to expand production capacity in the US by another line and to add two more production lines in a new, separate building at Ditsch Germany in Oranienbaum are planned for 2019.

Valora has also taken important steps to optimise its long-term financing structure. It took advantage of the attractive market conditions to place two Schuldschein issues in 2018, whereby the second transaction was closed on 11 January 2019. In October 2018, the hybrid bond was redeemed and partly refinanced with the second Schuldschein issue. The latter for the first time contained a CHF tranche – a novelty on the market.

With the new organisational structure which entered into force in January 2019, Valora is even better prepared for the future. The organisation is structured into the two market- and customer-focused Retail and Food Service divisions comprising the decentralised sales formats and Group-wide Shared Services, which allows better transfer of cross-divisional and Group-wide know-how and a joint sourcing strategy. The new structure also supports the exploitation of anticipated synergies from the BackWerk acquisition. The Board of Directors and Group Executive Management are convinced that they have positioned Valora Group perfectly for success and further growth in 2019 with this new organisational structure and the initiatives launched in 2018.

A NET REVENUES

Net revenues (NR) in CHF million	2018	2018 share in %	2017 [1]	2017 share in %	Change	Change in local currency
Valora Retail CH	1 187.1	55.9 %	1 189.4	59.4 %	–0.2 %	–0.2 %
Valora Retail DE / LU / AT	566.3	26.7 %	522.3	26.1 %	+8.4 %	+4.4 %
Valora Retail	1 753.4	82.6 %	1 711.7	85.5 %	+2.4 %	+1.2 %
Food Service	362.6	17.1 %	286.4	14.3 %	+26.6 %	+23.5 %
Other	6.0	0.3 %	3.4	0.2 %	n.a.	n.a.
Total Group	**2 122.1**	**100.0 %**	**2 001.6**	**100.0 %**	**+6.0 %**	**+4.6 %**
Switzerland	1 293.5	61.0 %	1 290.1	64.5 %	+0.3 %	+0.3 %
Elsewhere	828.5	39.0 %	711.5	35.5 %	+16.5 %	+12.1 %

[1] restated according to IFRS15.

Valora posted an increase in external sales of +11.3 % to CHF 2,731.0 million. Net revenues rose by +6.0 % to CHF 2,122.1 million, driven by BackWerk's contribution, positive currency effects, growth of Food Service and a higher number of own outlets of Retail DE/LU/AT.

At CHF 1,187.1 million, net revenues for **Retail CH** were on a par with the previous year (CHF 1,189.4 million), with same-store revenues rising for the first time again (+0.4 %) after a multi-year contraction. The closure of a net number of 9 sales outlets since December 2017 resulted in a slight drop in revenues (–0.2 %).

Net revenues for **Retail DE/LU/AT** rose by +8.4 % to CHF 566.3 million in the 2018 financial year, corresponding to +4.4 % in local currency. This growth is primarily due to a higher number of own outlets in Germany, while same-store revenues were more or less the same as the previous year (–0.2 %). In Germany, the market-driven decline in print media (–7.7 %) was compensated by ongoing sales growth, in particular for tobacco and alternative nicotine products but also for food, non-food and services.

The **Food Service** division posted an increase in net revenues of +26.6 % to CHF 362.6 million, corresponding to +23.5 % in local currency. This growth was mainly driven by the contribution by the franchise company BackWerk, which was acquired and consolidated for the first time in November 2017. In 2018, a net number of 8 new BackWerk outlets was opened, bringing the gross number to 26 locations. Revenue growth was also strong for the B2B business (+5.9 % in local currency). While the network of sales outlets excluding BackWerk was reduced by 12 locations, mostly owing to the network streamlining by Ditsch, the same-store retail business continued to do well for the Food Service formats in Switzerland (+2.7 %) and for Ditsch in Germany (+1.4 %).

B GROSS PROFIT

Gross profit in CHF million	**2018**	**2018 share in %**	**2018 % of NR**	2017	2017 share in %	2017 % of NR[1]	Change	Change in local currency
Valora Retail CH	465.6	48.2 %	39.2 %	457.8	52.5 %	38.5 %	+ 1.7 %	+ 1.7 %
Valora Retail DE / LU / AT	201.0	20.8 %	35.5 %	189.0	21.7 %	36.2 %	+ 6.4 %	+ 2.4 %
Valora Retail	666.6	69.0 %	38.0 %	646.8	74.2 %	37.8 %	+ 3.1 %	+ 1.9 %
Food Service	292.8	30.3 %	80.7 %	222.0	25.5 %	77.5 %	+ 31.9 %	+ 28.8 %
Other	6.0	0.6 %	n.a.	3.4	0.4 %	n.a.	n.a.	n.a.
Total Group	**965.4**	**100.0 %**	**45.5 %**	**872.2**	**100.0 %**	**43.6 %**	**+ 10.7 %**	**+ 9.1 %**

[1] restated according to IFRS15.

Gross profit increased by + 10.7 % to CHF 965.4 million. The increase of + 9.1 % in local currency is explained by BackWerk's contribution and the growth posted for all operational areas. The gross profit margin improved by + 1.9 percentage points to 45.5 %.

Gross profit for **Retail CH** rose by + 1.7 % to CHF 465.6 million. Higher promotion income and positive product mix effects resulted in a margin improvement of + 0.7 percentage points to 39.2 %. In addition, fresh logistics costs are no longer charged to the cost of goods, but to the operating costs.

At **Retail DE/LU/AT,** gross profit grew by + 6.4 % or + 2.4 % in local currency to CHF 201.0 million as a result of the rise in revenues mentioned in Section A. Owing to product mix effects, the gross profit margin is 35.5 % compared to 36.2 % in the previous year. The gross profit margin was + 0.3 percentage points better in the second half than in the first half of the year.

The gross profit for **Food Service** improved by + 31.9 % or + 28.8 % in local currency to CHF 292.8 million, driven by the rise in revenues mentioned in Section A. The gross profit margin also rose by + 3.2 percentage points to 80.7 %. The improvement results from the attractive margin profile of BackWerk as well as the organic advancements achieved in spite of persistently high prices for dairy raw materials.

C OPERATING COSTS, NET

Net operating costs in CHF million	2018	2018 share in %	2018 % of NR	2017	2017 share in %	2017 % of NR[1]	Change	Change in local currency
Valora Retail CH	–411.6	47.0 %	–34.7 %	–403.4	50.9 %	–33.9 %	+2.0 %	+2.0 %
Valora Retail DE/LU/AT	–189.2	21.6 %	–33.4 %	–173.3	21.8 %	–33.2 %	+9.2 %	+5.2 %
Valora Retail	–600.9	68.6 %	–34.3 %	–576.7	72.7 %	–33.7 %	+4.2 %	+3.0 %
Food Service	–258.7	29.5 %	–71.3 %	–195.8	24.7 %	–68.3 %	+32.1 %	+29.0 %
Other	–16.0	1.8 %	n.a.	–20.8	2.6 %	n.a.	–22.8 %	–23.5 %
Total Group	**–875.5**	**100.0 %**	**–41.3 %**	**–793.2**	**100.0 %**	**–39.6 %**	**+10.4 %**	**+8.8 %**

[1] restated according to IFRS15.

At CHF –875.5 million, net operating costs are up +8.8 % in local currency on the previous year, mainly because of the operating costs of BackWerk.

The net operating costs of **Retail CH** were CHF –411.6 million compared to CHF –403.4 million the year before. The increase of +2.0 % is essentially due to the non-recurring book profit from the sale of the Naville property in Geneva in 2017. In addition, fresh logistics costs are no longer charged to the cost of goods, but to the operating costs. Positive effects from process improvements had the opposite outcome.

Retail DE/LU/AT incurred costs of CHF –189.2 million. The increase of +5.2 % in local currency is explained on the one hand by the higher number of own outlets, and on the other hand, investments in the network of sales outlets also resulted in higher depreciation. The cost initiatives implemented in the second half of the year had a positive effect, as a result of which the cost ratio was up +1.4 percentage points on the first half-year. The total cost ratio of –33.4 % for 2018 is more or less the same as in the previous year (–33.2 %).

The **Food Service** division posted net operating costs of CHF -258.7 million, compared to CHF –195.8 million the year before. The rise of +29.0 % in local currency is primarily driven by the operating costs incurred by BackWerk, while volume-driven higher costs and reorganisation expenses also contributed to the increase. Because of the cost and revenue structure of BackWerk, the cost ratio of –71.3 % is higher than the year before (–68.3 %); without BackWerk, the operating cost ratio would have improved by +0.4 percentage points.

Other business cut its net operating costs by –22.8 % to CHF –16.0 million. The reduction in costs mainly derives from the project costs for the BackWerk acquisition included in the previous year's statements.

D OPERATING PROFIT (EBIT)

Operating profit (EBIT) in CHF million	2018	2018 share in %	2018 % of NR	2017	2017 share in %	2017 % of NR[1]	Change	Change in local currency
Valora Retail CH	54.0	60.1 %	4.5 %	54.4	68.9 %	4.6 %	–0.9 %	–0.9 %
Valora Retail DE/LU/AT	11.7	13.1 %	2.1 %	15.7	19.8 %	3.0 %	–25.1 %	–28.6 %
Valora Retail	65.7	73.2 %	3.7 %	70.1	88.7 %	4.1 %	–6.3 %	–7.3 %
Food Service	34.1	38.0 %	9.4 %	26.2	33.2 %	9.2 %	+30.1 %	+27.3 %
Other	–10.0	–11.1 %	n.a.	–17.3	–21.9 %	n.a.	n.a.	n.a.
Total Group	**89.8**	**100.0 %**	**4.2 %**	**79.0**	**100.0 %**	**3.9 %**	**+13.7 %**	**+12.0 %**

[1] restated according to IFRS15.

Valora raised EBIT by +13.7 % to CHF 89.8 million. BackWerk's EBIT contribution and the operating growth posted by Food Service and Retail CH more than compensated for the challenging financial year faced by Retail DE/LU/AT.

Retail CH generated EBIT of CHF 54.0 million, which is more or less on a par with the high level of the previous year. After adjusting the 2017 result by the book profit on the Naville property in Geneva (CHF 2.9 million), operating growth amounts to CHF +2.4 million or +4.6 %. The EBIT margin of 4.5 % is also in line with the previous year (4.6 %), and in operational terms equals an increase of +0.2 percentage points.

Retail DE/LU/AT posted EBIT of CHF 11.7 million compared to CHF 15.7 million in the previous year. Persistently negative revenues on printed media and the related product mix developments burdened the result. Sales outlets that are still in the start-up phase also affected the result. Implemented cost initiatives and projects partly cushioned developments in the second half of the year. The EBIT margin recovered in the second half-year by +1.7 percentage points compared to the first half of the year, which translates into 2.1 % profitability for 2018 (previous year: 3.0 %).

The **Food Service** division saw EBIT increase by +30.1 % to CHF 34.1 million; in local currency terms, growth was +27.3 %. This stems from organic growth as well as from BackWerk, the latter including amortisation of CHF –5.8 million on the acquired intangible assets. The division's EBIT margin also improved by +0.3 percentage points to 9.4 %.

Other business improved its result by CHF +7.3 million to CHF –10.0 million. The previous year included project costs for the BackWerk acquisition, in addition the positive performance of bob Finance helped to improve the result.

E FINANCIAL RESULT, TAXES AND NET RESULT

In the 2018 financial year, net profit from continuing operations increased by +12.2% to CHF 64.1 million and group profit grew by +3.2% to CHF 59.0 million.

At CHF –9.9 million, the financial result is up CHF +0.6 million year-on-year (2017: CHF –10.6 million). Lower interest and other financial expenses (CHF +3.5 million) more than made up for higher currency losses caused by the development of the EUR/CHF exchange rate (CHF –2.9 million).

Tax expenses increased because of higher EBT and revaluations of deferred taxes from CHF –11.3 million in the previous year to CHF –15.9 million in the 2018 financial year, resulting in a tax rate of 19.9% (previous year: 16.6%).

Together with the EBIT development described in chapter D, these effects resulted in an increase in net profit from continuing operations of +12.2% or CHF +7.0 million to CHF 64.1 million.

The loss from discontinued operations of CHF –5.1 million includes the full value adjustment for the earn-out components pertaining to the sale of the former Trade division and the reversal of a warranty provision. As a result, Group profit rose by +3.2% or CHF +1.8 million to CHF 59.0 million.

F LIQUIDITY, CASH FLOW AND KEY FINANCIAL DATA

Key financial data in CHF million	2018	2017
EBITDA	**156.0**	**133.7**
Cash flow from operations	116.0	114.2
Free cash flow / before purchase / sale of subsidiaries	**49**	**82**
Free cash flow per share in CHF	**12.47**	**23.93**
Group net profit	**59.0**	**57.1**
Earnings per share in CHF	**13.98**	**15.27**
Shareholder's equity	613.8	737.9
Total equity in % of total assets	46.3 %	52.4 %
Net debt	358.6	246.1

At CHF 49.0 million, Valora's free cash flow was down on the previous year, mainly due to increased investment activity and the one-off proceeds posted in 2017 on the sale of the Naville property. Both the equity ratio (46.3 %) and the debt ratio (2.3x EBITDA) improved after adjusting the prior-year ratios for the effects of the redeemed hybrid bond.

Valora generated free cash flow of CHF 49.0 million compared to CHF 82.0 million in the previous year. Earnings before interest, taxes, depreciation and amortisation (EBITDA) rose by CHF +22.3 million or +16.7 % to CHF 156.0 million. Net working capital normalised compared to its low levels reported on 31 December 2017. In addition, because of the non-recurring proceeds earned on the sale of the Naville property in 2017 and increased investment activity, in particular for the expansion of pretzel production capacity, net investment expenses are higher than in the previous year.

At 46.3 %, the equity ratio as at 31 December 2018 is down on the previous year (52.4 %) owing to the refinancing of the hybrid bond recognised in equity. As a result, net debt amounts to CHF 358.6 million (previous year: CHF 246.1 million). After adjusting the prior-year ratios for the effects of the redeemed hybrid bond, the equity ratio increased by +2.4 percentage points and the adjusted debt ratio improved by –0.2x EBITDA to 2.3x EBITDA in the 2018 financial year.

G RETURN ON CAPITAL EMPLOYED

ROCE [1] in %	**31.12.2018**	31.12.2017	Percentage-point change
Valora Retail CH	29.5 %	28.1 %	+ 1.3 %
Valora Retail DE / LU / AT	6.7 %	9.8 %	– 3.1 %
Valora Retail	18.3 %	19.8 %	– 1.5 %
Food Service	5.2 %	5.9 %	– 0.6 %
Total Group [2]	**8.2 %**	**8.6 %**	**– 0.4 %**

[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 by + 0.5 percentage points on the first half of 2018 to 8.2 %, which is slightly below the previous year (8.6 %) because of the acquisition-related increase in capital employed.

The return on capital employed (ROCE) is the ratio of the EBIT generated over the past 12 months to the average capital invested. Valora's ROCE was 8.2 % on 31 December 2018, down slightly by – 0.4 percentage points on the figure for 31 December 2017 because of the acquisition-related increase in capital employed. The ROCE improved by + 0.5 percentage points compared to 30 June 2018.

Retail CH improved its ROCE by + 1.3 percentage points to 29.5 % by reducing the capital employed by 5.4 % and maintaining EBIT profitability at the previous year's high level.

Retail DE/LU/AT reported ROCE of 6.7 % as at 31 December 2018. This is lower than the year before (9.8 %) owing to the decline in EBIT development and the higher capital employed for investments in the sales outlet network.

The **Food Service** division's ROCE is 5.2 % compared to 5.9 % for the 2017 financial year. The division's ROCE is currently lower due to the increase in capital employed for the BackWerk acquisition and the start of the expansion of capacity for pretzel production. The potential of these strategic investments will be exploited further in the coming years with the realisation of the BackWerk synergies, further expansion and the putting into operation of the expanded production capacities.

CONSOLIDATED INCOME STATEMENT

1 January to 31 December, in CHF 000 (except per-share amounts)	Notes	2018	%	2017 restated [1]	%
Net revenues	9	**2 122 093**	**100.0**	**2 001 605**	**100.0**
Cost of goods and materials		–1 156 725	–54.5	–1 129 408	–56.4
Personnel expenses	10	–264 620	–12.5	–246 376	–12.3
Other operating expenses	11	–549 865	–25.9	–496 717	–24.8
Depreciation, amortisation and impairments	21, 22	–66 222	–3.1	–54 698	–2.7
Other income	12	7 332	0.3	7 623	0.4
Other expenses	12	–2 176	–0.1	–3 017	–0.2
Operating profit (EBIT)	8	**89 818**	**4.2**	**79 014**	**3.9**
Financial expenses	13	–10 416	–0.5	–13 484	–0.7
Financial income	14	598	0.0	2 931	0.1
Earnings before income taxes		**80 000**	**3.8**	**68 462**	**3.4**
Income taxes	15	–15 901	–0.7	–11 343	–0.6
Net profit from continuing operations		**64 099**	**3.0**	**57 118**	**2.9**
Net (loss)/profit from discontinued operations	7	–5 120	–0.2	31	0.0
Net profit		**58 979**	**2.8**	**57 150**	**2.9**
Attributable to shareholders of Valora Holding AG		54 979	2.6	52 350	2.6
Attributable to providers of hybrid capital		4 000	0.2	4 800	0.2
Attributable to providers of Valora Holding AG equity		**58 979**	**2.8**	**57 150**	**2.9**
Earnings per share					
from continuing operations, diluted and undiluted (in CHF)	16	15.28		15.26	
from discontinued operations, diluted and undiluted (in CHF)	16	–1.30		0.01	
from continuing and discontinued operations, diluted and undiluted (in CHF)	**16**	**13.98**		**15.27**	

[1] See Note 3.

The accompanying notes from page 103 to page 162 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

1 January to 31 December, in CHF 000	Notes	2018	2017 restated
Net profit		**58 979**	**57 150**
Remeasurement losses	29	– 1 067	– 1 783
Income taxes	29	213	357
Items that will not be reclassified to profit or loss		**– 854**	**– 1 426**
Cash flow hedge		288	1 701
Currency translation adjustments		– 11 265	25 847
Items that may be reclassified to profit or loss		**– 10 976**	**27 548**
Other comprehensive income		**– 11 830**	**26 122**
Total comprehensive income		**47 149**	**83 272**
Attributable to shareholders of Valora Holding AG		43 149	78 472
Attributable to providers of hybrid capital		4 000	4 800
Attributable to providers of Valora Holding AG equity		**47 149**	**83 272**

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	48 269	78 441
Attributable to shareholders of Valora Holding AG from discontinued operations	– 5 120	31
Attributable to shareholders of Valora Holding AG	**43 149**	**78 472**

The accompanying notes from page 103 to page 162 form an integral part of these consolidated financial statements.

CONSOLIDATED BALANCE SHEET

ASSETS

in CHF 000	Notes	31.12.2018	%	31.12.2017	%
Current assets					
Cash and cash equivalents	17	104 776		152 515	
Trade accounts receivable	18	80 235		71 268	
Inventories	19	145 585		154 537	
Current income tax receivables		1 720		1 557	
Other current receivables	20	55 938		54 567	
Total current assets		**388 253**	**29.3 %**	**434 443**	**30.8 %**
Non-current assets					
Property, plant and equipment	21	235 398		227 894	
Goodwill, software and other intangible assets	22	681 544		707 849	
Investment in associates and joint ventures		50		50	
Financial assets	24	10 773		23 197	
Deferred tax assets	15	10 212		15 474	
Total non-current assets		**937 976**	**70.7 %**	**974 465**	**69.2 %**
Total assets		**1 326 229**	**100.0 %**	**1 408 908**	**100.0 %**

LIABILITIES AND EQUITY

in CHF 000	Notes	31.12.2018	%	31.12.2017	%
Current liabilities					
Current financial liabilities	25	185 133		216 660	
Derivative financial liabilities	32	0		1 035	
Trade accounts payable	26	136 546		143 339	
Current income tax liabilities		7 000		7 102	
Other current liabilities	27	84 599		101 257	
Total current liabilities		**413 278**	**31.2 %**	**469 394**	**33.3 %**
Non-current liabilities					
Other non-current liabilities	25	284 402		190 554	
Long-term pension obligations	29	274		307	
Non-current provisions	28	0		3 562	
Deferred tax liabilities	15	14 495		7 166	
Total non-current liabilities		**299 171**	**22.6 %**	**201 589**	**14.3 %**
Total liabilities		**712 449**	**53.7 %**	**670 983**	**47.6 %**
Equity					
Share capital	36	3 990		3 990	
Treasury shares		–15 108		–17 110	
Hybrid capital		0		119 098	
Hedge reserve		0		–288	
Retained earnings		701 860		697 932	
Cumulative translation adjustments		–76 962		–65 698	
Equity of Valora Holding AG		**613 781**	**46.3 %**	**737 924**	**52.4 %**
Total equity		**613 781**	**46.3 %**	**737 924**	**52.4 %**
Total liabilities and equity		**1 326 229**	**100.0 %**	**1 408 908**	**100.0 %**

The accompanying notes from page 103 to page 162 form an integral part of these consolidated financial statements.

CONSOLIDATED CASH FLOW STATEMENT

1 January to 31 December, in CHF 000	**Notes**	**2018**	2017
Operating profit (EBIT)		**89 818**	**79 014**
Elimination of non-cash transactions in operating profit (EBIT)			
Depreciation and impairments on property, plant, equipment	21	48 178	42 436
Amortisation and impairment of intangible assets	22	18 044	12 262
Loss / (gains) on sales of fixed assets, net	12	539	– 1 929
Share-based remuneration	30	3 187	2 758
Release of provisions	28	35	0
Decrease in pension obligations		– 1 088	– 1 813
Other non-cash transactions		2 200	2 215
Decrease in other non-current liabilities		– 442	– 411
Change in net working capital, excluding the effects of the purchase and sale of business units			
Increase in trade accounts receivable		– 2 936	– 13 784
Decrease / (Increase) in inventories		7 214	– 2 303
(Increase) / decrease in other current assets		– 2 600	7 945
(Decrease) / increase in trade accounts payable		– 5 144	2 502
Decrease in other liabilities		– 25 982	– 2 786
Cash flows from operating activities		**131 023**	**126 105**
Interest paid		– 11 776	– 9 573
Income taxes paid		– 3 680	– 5 340
Interest received		298	2 983
Dividends received		143	34
Cash flows from operating activities from continuing operations		**116 008**	**114 209**
Cash flows from operating activities from discontinued operations	7	104	355
Cash flows from operating activities		**116 112**	**114 564**
Cash flow from investing activities			
Investment in property, plant and equipment	21	– 62 141	– 47 033
Proceeds from the sale of property, plant and equipment	21	2 709	21 011
Acquisition of subsidiaries, net of cash and cash equivalents acquired	6	– 5 948	– 233 145
Investment in financial assets		– 5 163	– 4 690
Proceeds from the sale of financial assets		5 073	1 861
Acquisition of other intangible assets	22	– 7 904	– 6 421
Proceeds from the sale of other intangible assets	22	351	296
Cash flows used in investing activities from continuing operations		**– 73 024**	**– 268 122**
Cash flows from investing activities from discontinued operations	24	2 822	0
Cash flows used in investing activities		**– 70 202**	**– 268 122**

1 January to 31 December, in CHF 000	**Notes**	**2018**	2017
Cash flow from financing activities			
Proceeds from current financial liabilities	25	77 709	138 234
Repayment of current financial liabilities	25	– 200 000	– 118 439
Proceeds from non-current financial liabilities	25	201 263	110
Repayment of non-current financial liabilities	25	– 268	– 142
Purchase from treasury shares		– 15 822	– 14 787
Sale of treasury shares		18 502	19 654
Distributions to providers of hybrid capital		– 4 800	– 4 800
Repayment of hybrid capital		– 120 000	0
Dividends paid to Valora Holding AG shareholders		– 49 167	– 42 047
Share-capital increase of Valora Holding AG		0	165 760
Cash flows (used in) / from financing activities		**– 92 585**	**143 541**
Net decrease in cash and cash equivalents		**– 46 675**	**– 10 017**
Exchange rate effect on cash and cash equivalents		– 1 064	3 150
Cash and cash equivalents at the beginning of year		152 515	159 381
Cash and cash equivalents at year-end	17	**104 776**	**152 515**

The accompanying notes from page 103 to page 162 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Equity

	Equity of Valora Holding AG						
in CHF 000	**Share capital**	**Treasury shares**	**Hybrid capital**	**Hedge Reserve**	**Retained earnings**	**Cumulative translation differences**	**Total equity**
Balance on 31 December 2016	**3 436**	**– 18 345**	**119 098**	**– 1 988**	**520 219**	**– 91 545**	**530 875**
Net profit					57 150		57 150
Other comprehensive income				1 701	– 1 426	25 847	26 121
Total comprehensive income				**1 701**	**55 723**	**25 847**	**83 271**
Share-based remuneration					2 758		2 758
Dividend paid to shareholders					– 42 047		– 42 047
Purchase of treasury shares		– 14 787					– 14 787
Sale of treasury shares		16 022			874		16 896
Distributions to providers of hybrid capital					– 4 800		– 4 800
Increase of share capital	554				165 206		165 760
Balance on 31 December 2017	**3 990**	**– 17 110**	**119 098**	**– 288**	**697 932**	**– 65 698**	**737 924**
Net profit					58 979		58 979
Other comprehensive income				288	– 854	– 11 265	– 11 830
Total comprehensive income				**288**	**58 125**	**– 11 265**	**47 149**
Share-based remuneration					3 187		3 187
Dividends paid to shareholders					– 49 167		– 49 167
Purchase of treasury shares		– 15 822					– 15 822
Sale of treasury shares		17 824			– 2 514		15 310
Distributions to providers of hybrid capital					– 4 800		– 4 800
Repayment hybrid capital			– 119 098		– 902		– 120 000
Balance on 31 December 2018	**3 990**	**– 15 108**	**0**	**0**	**701 860**	**– 76 962**	**613 781**

The accompanying notes from page 103 to page 162 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 2018 financial year were approved by the Board of Directors on 18 February 2019. They are subject to approval by the Ordinary General Meeting on 29 March 2019.

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, equity instruments measured at fair value and contingent considerations. 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. 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.

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 fully eliminated. 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.

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 38 provides an overview of Valora's significant Group companies.

Changes in consolidation scope. Valora acquired Presse + Buch Grauert based in Düsseldorf, Germany in an asset deal on 1 April 2018.

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 producer of high quality frozen pretzels with own production facilities.

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.

IFRS 9. Financial instruments is applied since 1 January 2018. Comparative numbers for the prior year have not been restated and are presented according to IAS 39/IFRS 7 and the accounting policies described in the annual report 2017.

IFRS 9 replaces IAS 39 and changes classification and measurement of financial instruments, particularly financial assets and hedge accounting. Under IFRS 9 the classification of financial assets depends on the instrument's contractual cash flow characteristics and the Group's business model for managing them. The Group classifies its financial instruments, at initital recognition, as subsequently measured at amortised cost or at fair value through profit and loss.

Valora initially measures its financial assets at fair value and, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables, however, are initially measured at the transaction price determined under IFRS 15. Financial assets at amortised cost are subsequently accounted for using the effective interest rate method and are subject to impairment using the expected credit loss model. All the Group's financial assets previously classified as loans and receivables under IAS 39 continue to be measured at amortised cost as they are held to collect contractual cash flows which comprise principal and interest payments only.

Financial instruments available for sale were reclassified to financial instruments at fair value through profit and loss on January 1, 2018. This reclassification had no material effects on the consolidated financial statements. There was no change with respect to financial assets at fair value through profit and loss and financial liabilities.

Valora has changed the method for measuring impairments of financial assets from the "incurred loss model" (under IAS 39) to the "expected credit loss model" (under IFRS 9). For trade accounts receivable and lease receivables Valora uses the simplified approach and recognises lifetime expected credit losses. This change did not have a material impact and retained earnings were not affected on 1 January 2018. The application of the new hedge accounting rules did not have an impact either. Additional disclosures are made in these financial statements.

IFRS 15. Revenue from Contracts with Customers became mandatory from 1 January 2018 and has been applied by Valora retrospectively as of 1 January 2017 by restating comparative information (full retrospective method). The standard replaces IAS 18 Revenue and IAS 11 Construction

Contracts and affects the definition, scope and timing of revenue recognition. Revenue is recognised when control of goods or services is transferred to the customer in an amount that reflects the consideration to which Valora expects to be entitled in exchange for the goods and services transferred.

Valora sells goods and provides services in sales outlets, operates franchise concepts and produces goods for wholesale customers. Revenue recognition from the sale of goods (including goods produced by Valora) has not changed as a result of IFRS 15.

Valora provides franchisees with access to the Valora network including access to the relevant formats and brands and know-how. Valora recognises the related franchise fees over time as the franchisees receive the benefits of the services performed. Franchisees generally purchase goods on their own behalf and these are therefore not reported within revenues and costs of goods and materials of Valora. In cases franchisees purchase goods via Valora those are reported within revenues and cost of goods and materials. Revenue is recognised when franchisees obtain control of the goods at the sales outlet.

Valora provides suppliers with certain advertising services and promotional activities in exchange for consideration. These arrangements have been analysed using the new revenue guidance and definitions in IFRS 15. Where it has been concluded that consideration received from suppliers does not represent payment for a distinct service rendered by Valora to a customer but is more closely related to the products purchased from these suppliers for sale in the Group's own sales outlets, such payments are now accounted for as a reduction of the acquisition cost of goods and materials. This change in accounting policy has impacted revenue and cost of goods and materials 2018 by CHF 78.7 million. Revenue 2017 previously reported as CHF 2,075 million was reduced by CHF 73.6 million to CHF 2,002 million and there has been a corresponding decrease in the cost of goods and materials of CHF 73.6 million. Details are provided in note 8.

The adoption of IFRS 15 had no impact on the net results reported but has led to additional disclosures, refer to Note 9.

Other standards and interpretations (IFRIC 22). IFRIC 22 is in force since 1 January 2018, but has not had a material impact on financial reporting.

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

IFRS 16. IFRS 16 Leases replaces IAS 17 and becomes effective from 1 January 2019. Under the new lease accounting model lessees will recognise a right-of-use asset and a lease liability for most leases. Exceptions apply to low-value assets and short-term leases with terms of less than twelve months. At Valora these primarily include IT equipment, but also equipment for the sales outlets. Lease payments for these types of contracts will continue to be recognised as operating expenses. Lessor accounting will essentially remain unchanged and operating and finance leases will continue to be accounted for differently. The classification of subleases will be determined by reference to the right-of-use asset arising from the head lease.

Valora as a lessee has a large number of lease contracts mainly related to sales outlets which include both fixed and variable sales-based lease payments. In the course of 2018 Valora analysed its more than 2,800 head leases (Valora as lessee) and around 900 subleases (Valora as lessor) for sales outlets and related franchise contracts. Due to the new guidance for sub-leases many of them represent finance leases under IFRS 16 and the corresponding right-of-use asset from the head lease will be replaced by a lease receivable. Valora will measure the right-of-use assets initially at the amount of the lease liability adjusted for any prepaid or accrued lease payments. At initial application on 1 January 2019 an estimated lease liability of approximately CHF 600 million will be recognised for the present value of fixed lease payments. For sub-lease contracts that will be classified as finance leases the right of use assets will be derecognised and a lease receivable recognised, resulting in estimated total right-of-use assets of CHF 527 million and lease receivables of CHF 71 million at 1 January 2019. Rental income from these subleases is currently reported within revenue (CHF 25 million in 2018) and therefore revenue will decrease following the application of IFRS 16. Rental expense will decrease and be replaced by depreciation of the right-of-use assets and interest expenses on the lease liabilities.

Cash flows related to the repayment of lease liabilities will be presented as financing and interest payments as operating cash outflows. Cash inflows against sublease receivables will be investing and interest received operating cash flows.

Valora will apply the modified retrospective method, which involves the recognition of the cumulative effect of initially applying IFRS 16 as at 1 January 2019 in retained earnings with no restatement of prior years. In addition to the above changes the new accounting standard will lead to new disclosures.

Other standards and interpretations (IFRIC 23, Annual Improvements 2015–2017 Cycle). IFRIC 23 and the Annual Improvements 2015-17 Cycle will become effective on 1 January 2019. These changes will not have a material impact on the Group’s financial statements.

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 2018	**Closing rate on 31.12.2018**	Average rate for 2017	Closing rate on 31.12.2017
Euro, EUR 1	1.155	1.126	1.112	1.170
US dollar, USD 1	0.978	0.982	0.985	0.974

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

Net revenues and revenue recognition. Valora sells goods and services in sales outlets, operates franchise concepts and produces goods for wholesale customers. Net revenue presented in the income statement comprises both revenue from contracts with customers (IFRS 15) and other sources of revenue.

Net revenues from contracts with customers (IFRS 15) include all proceeds from the sale of goods (including goods produced by Valora) and services, net of any deductions including rebates, discounts and other agreed deductions.

Revenue from products and services sold in sales outlets represents the cash payments received and is recognised when the payment is made in cash or charged to a credit card. Customer loyalty programmes are estimated on the basis of empirical values.

Revenue from goods produced and sold by Valora is recognised when the goods are transferred to the customer according to the terms of the contract. The revenue that is recognised is the consideration that Valora expects to be entitled to in exchange for these goods and falls within the scope of IFRS 15.

Valora provides franchisees with access to the Valora network including access to the relevant formats and brands and know-how. Valora recognises the related franchise fees over time as the franchisees receive the benefits of the services performed. Franchisees generally purchase goods on their own behalf and these are therefore not reported within revenues and costs of goods and materials of Valora. In cases franchisees purchase goods via Valora those are reported within revenues and cost of goods and materials. Revenue is recognised when franchisees obtain control of the goods at the sales outlet. Franchise fees are recognised as revenues and qualify as net revenues according to IFRS 15.

Commissions that Valora receives from its suppliers when acting as an agent are also reported as net revenue, as is income from the rendering of services from franchise outlets. These do not, however, fall within the scope of IFRS 15 Revenue from Contracts with Customers.

Net revenue also includes income from rental agreements concluded with franchisees which falls outside the scope of IFRS 15.

Cost of goods and materials. The cost of goods and materials includes the acquisition or production costs of the goods and the materials. It includes valuation allowances for non or slow moving goods, but also reimbursements from suppliers for the achievement of certain purchase quantities or reference values, which are recognised as a reduction in expenses. Payments received from suppliers for advertising services and promotional activities that do not qualify as distinct services under IFRS 15 are recognised as a reduction of the cost of goods and materials.

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 expected to vest 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 liability. 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 14). The introduction of IFRS 9 had no material impact on the financial result.

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. The assessment relates to the period for which planning data is available.

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.

Financial Assets. Financial assets are classified at initial recognition at amortised cost or fair value through profit and loss. The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and Valora's business model for managing them. With the exception of trade receivables Valora measures a financial asset at its fair value and, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables are measured at the transaction price determined under IFRS 15. In order for a financial asset to be classified and measured at amortised cost, it needs to give rise to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding. Purchases or sales on financial assets that require delivery of assets within a time frame established by regulation or convention in the market place are recognised on the trade date, i.e. the date that the Group commits to purchase or sell the asset.

For subsequent measurement, financial assets are classified in the following categories:

- Financial assets at amortised cost (debt instruments) They are subsequently measured using the effective interest rate method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired. Valora's financial assets at amortised cost include cash and cash equivalents, trade accounts receivable, receivables from finance leases and other financial receivables.
- Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value such as contigent consideration arrangements entered into as part of business combinations. Financial assets are classified as held for trading if they are acquired for the purpose of selling and repurchasing in the near term. Derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model. Valora's financial assets at fair value through profit or loss include receivables from contingent consideration arrangements, derivatives and equity investments (unlisted equity interests with a shareholding of less than 20%).

Financial assets are classified as current unless the due date is more than 12 months after the balance sheet date.

Valora uses the simplified approach when measuring the expected credit loss allowance of trade accounts receivable and finance lease receivables that fall within the scope of IFRS 15 and do not contain any significant financing components. Under this approach, an impairment loss is recognised at each balance sheet date in the amount of the expected credit losses over the entire term (lifetime expected loss), rather than the change in the default risk. The impairment is determined by using historically observable data as well as forward-looking information. Depending on the credit rating of the customer cluster, the ageing structure of the receivables and historic default rates the expected credit losses are determined.

For all other financial assets measured at amortised costs impairments on expected losses are determined according to the three-bucket model.

Cash and cash equivalents. Cash and cash equivalents include cash on hand, demand deposits with banks and short-term money market investments with a maximum term of three months from their date of acquisition which are readily convertible to cash and cash equivalents and are subject to insignificant fluctuations in value.

Trade accounts receivable. Trade accounts receivable are largely attributable to the franchise business, the wholesale business and other deliveries of goods, as well as the provision of services.

Loans, receivables from finance leases and other receivables. Loans, receivables from finance leases and other receivables are classified as current unless the due date is more than 12 months after the balance sheet date.

One Valora Group company sells its accounts receivables to a bank. As all material risks from the receivables are transferred to the bank upon sale, the corresponding assets and liabilities are derecognised. In certain defined cases – if non-compliant loan agreements were entered into with borrowers – the bank would be entitled to reverse the transaction. In this case, the risk is limited to the value of the receivable.

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 hedge. 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 hedge must meet strict conditions related to documentation, the likelihood of occurrence, the effectiveness of the hedging instrument and the reliability of measurement. When entering into 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. The group has entered into cash flow hedges such as interest swaps.

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. If the underlying transaction is no longer expected to take place, the cumulative gains and losses are immediately transferred to the income statement.

Financial liabilities. Financial liabilities are classified, at initial recognition, as subsequently measured at amortised cost or fair value through profit and loss.

Financial liabilities at amortised costs are initially measured at fair value net of transaction costs and subsequently measured at amortised cost using the effective interest rate method. Valora's financial liabilities at amortised cost include current financial liabilities, trade accounts payable, other financial payables and interest bearing debt (non-current financial liabilities). Valora classifies financial liabilities as non-current if it has the unconditional right at the balance sheet date to defer their repayment until at least twelve months after the balance sheet date.

Financial liabilities at fair value through profit or loss include financial liabilities designated upon initial recognition at fair value through profit or loss, or financial liabilities mandatorily required to be measured at fair value. Derivatives fall under this category unless they are designated as effective hedging instruments. Valora's financial liabilities at fair value through profit or loss include financial liabilities from contingent consideration arrangements agreed as part of business combination and derivatives with a negative fair value.

Inventories. Inventories are measured at the lower of acquisition/production cost and net realisable value. At Ditsch/Brezelkönig, semi-finished and finished goods are initially valued at production cost. The other inventories of Ditsch/Brezelkönig and the inventories of all other business units are initially measured at 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 the value of the asset. Other repair and maintenance expense is charged directly to the income statement.

Capitalised leasehold improvements of rented premises are depreciated over their estimated useful lives or shorter lease term.

Depreciation is calculated using the straight-line method based on the estimated useful lives:

	Years
Land	no depreciation
Buildings and building components	20–40
Machines, equipment, installations and furniture	6–10
Production facilities	15–20
Vehicles	5
IT hardware	3–5

Impairment of property, plant and equipment. The recoverability of property, plant and equipment is reviewed whenever 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.

Valora's impairment losses largely relate to equipment for the sales outlets. The earnings situation of sales outlets is analysed as part of the multi-year planning process. In the case of sales outlets that continue to generate negative results, property, plant and equipment is impaired.

Leases. Assets acquired under lease agreements and where the significant risks and rewards of ownership are transferred to Valora as lessee are recognised as fixed or intangible assets in accordance with the nature of the leased asset. 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 assets are depreciated over their useful lives 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 substantially transferred to the lessee. Expenses from operating leases and rental income from sublease contracts that are accounted for as 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 useful lives and intangible assets with indefinite useful lives.

Software and intangible assets with finite useful lives are recognised at acquisition or production cost, less accumulated amortisation. Amortisation is calculated using the straight-line method over the estimated useful lives of the assets.

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

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

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

Impairment of intangible assets. The recoverability of intangible assets is reviewed whenever 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 been 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 annual impairment test, or whenever there are indications of a possible impairment. For this purpose, the carrying amount of the cash-generating unit to which the goodwill was allocated is compared to 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 loss is recognised. Reversals of goodwill impairment are prohibited.

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 outflows as of the balance sheet date. Provisions for onerous lease contracts are recognised at the lower of the penalties to exit from the contract and the unavoidable costs (net of any expected sublease income) of meeting the obligations under the contract over the remaining lease term.

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 JUDGEMENTS

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.

Significant 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 lives of property, plant and equipment are determined on historical evidence, taking account of current technical conditions. The actual useful lives may differ from the originally determined useful lives as a result of technological changes and changed market conditions. In the event of such deviations, the remaining useful lives are 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 21). 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). Intangible assets with infinite useful lives like 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 valuation method) 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. The recoverable amount is determined using a discounted cash flow model. Optional renewals are assumed to be exercised and fully considered in the model.

Intangible assets with infinite useful lives are impaired when there are indications for impairment.

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 29). 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 15). 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 2018.

Acquisition of Presse + Buch Grauert. Valora acquired Presse + Buch Grauert based in Düsseldorf, Germany, in the context of an asset deal on 1 April 2018. The acquisition included two sales outlets, which were allocated to Retail Germany.

The purchase price for the acquisition was CHF 4.4 million, of which CHF 4.0 million was paid in cash in April 2018 and CHF 0.4 million was outstanding in a contingent consideration arrangement. The payment will be due in April 2019 and represents a security deposit that Valora claimed as part of the purchase agreement.

The purchase price mainly covered payment for the acquired inventory, the furnishings and fittings for the sales outlets, and other intangible assets.

Since the acquisition date, Presse + Buch Grauert has contributed net revenue of CHF 6.4 million with no material impact on net profit. If the acquisition had been made on 1 January 2018, net revenue for 2018 would have been CHF 8.5 million with no material impact on net profit.

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 company, which was allocated to the Food Service segment, operates a franchise network of over 340 outlets in locations mainly in Germany, Austria and the Netherlands. This transaction will enable Valora to benefit from 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
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**
Cash and cash equivalents acquired	10 360
= Total Cash outflow from the acquisition of subsidiaries	**224 258**
Thereof paid in 2017	223 096
Thereof paid in 2018	1 162

The fair value of the intangible assets in the amount of CHF 58 million relates to franchise agreements and was determined using the multi-period excess earnings method. The intangible assets are amortised on straight-line basis over the estimated useful lives (10 years).

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 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 was allocated to the cash generating unit Food Service Europe.

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

The purchase price for the acquisition was CHF 234.6 million, of which CHF 233.4 million was paid in 2017 and CHF 1.2 million was paid in November 2018. The contingent consideration paid in 2018 was depending on the signing of specific rental agreements.

Acquisition of Pretzel Baron (Ditsch USA). On 26 January 2017, Valora acquired the 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.

During 2018 Pretzel Baron was renamed to Ditsch USA LLC.

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**
= Total Cash outflow from the acquisition of subsidiaries	**10 964**
Thereof paid in 2017	10 049
Thereof paid in 2018	915

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. Thereof CHF 10.1 million was paid in 2017 and CHF 0.9 million in June 2018.

7 DISCONTINUED OPERATIONS

Valora sold the Trade division to the Aurelius Group on 31 December 2015. The purchase price included a conditional earn-out in the amount of CHF 20 million distributed to the financial years 2016 to 2018. The earn-out is calculated as a percentage of the relevant consolidated EBITDA for these years exceeding contractually defined thresholds. At the time of the sale, based on the planning at that stage, the earn-out receivable was measured at a fair value of CHF 16.3 million. The fair value of the earn-out was reduced by CHF 8.7 million in 2017 on receipt of initial information from the buyer. At the same time, a total of CHF 7.7 million was released from guarantee provisions and purchase price accruals due to the expiration of limitation period. After recognition of further income in the amount of CHF 1.0 million discontinued operation resulted in a net profit of CHF 31 thousand in 2017.

According to further information from the buyer, it appeared at 31 December 2018 that the consolidated EBITDA of the disposed Trade division in 2018 was likely to fall below the relevant threshold, so that no payment could be expected anymore. The fair value of the receivable was reduced from CHF 7.6 million to zero in 2018. At the same time, an additional release of the guarantee provision in the amount of CHF 2.6 million was possible, as the conditions for claiming no longer applied (see Note 27). As a result, the loss on discontinued operations in 2018 amounted to CHF 5.1 million.

8 SEGMENT REPORTING

The Valora Group is an international retail group whose business activities are divided into the following reportable segments:

Valora Retail: Valora Retail operates small sales 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 (Ditsch USA). They are sold both at the division's own sales outlets (agencies) in Germany, France, Austria and Switzerland, and via the wholesale distribution channel. Another component of the segment is the acquired sales channel BackWerk, which has sales 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 25.

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 comprise 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

2018

in CHF 000	Valora Retail	Food Service	Other	Elimination	Group total
Net revenues					
Total	**1 753 435**	**362 622**	**6 035**	**0**	**2 122 093**
From third parties	1 753 435	362 622	6 035	0	2 122 093
Operating profit (EBIT)					
Total	**65 703**	**34 123**	**–10 007**	**0**	**89 818**
Depreciation, amortisation and impairments	36 317	26 994	2 911	0	66 222
Additions to non-current assets					
Total	**33 949**	**34 968**	**1 920**	**0**	**70 838**
Segment assets					
Total	**611 775**	**729 020**	**514 848**	**–529 413**	**1 326 230**
Segment liabilities					
Total	**178 179**	**347 725**	**715 957**	**–529 413**	**712 449**

Depreciation, amortisation and impairments include impairments of CHF 2.2 million in the Valora Retail segment and impairments in the segment Food Service of CHF 1.9 million and represent mainly impairments on point-of-sale equipment.

2017

in CHF 000	Valora Retail	Food Service	Others	Elimination	Group total
Net revenues [1] *(restated)*					
Total	**1 711 732**	**286 443**	**3 430**	**0**	**2 001 605**
From third parties	1 711 732	286 443	3 430	0	2 001 605
Operating profit (EBIT)					
Total	**70 109**	**26 233**	**– 17 328**	**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**	**724 438**	**575 293**	**– 554 516**	**1 408 908**
Segment liabilities					
Total	**270 340**	**341 208**	**613 951**	**– 554 516**	**670 983**

[1] As described in Note 3, net revenue was reduced by CHF 73,645 thousand as part of the implementation of IFRS 15 with a simultaneous reduction by the same amount in the cost of goods and materials. The adjustment mainly affected Valora Retail.

Depreciation, amortisation and impairments include impairments of CHF 1.3 million in the Valora Retail segment and impairments in the segment Food Service of CHF 0.4 million and represent mainly impairments on point-of-sale equipment.

Segment information by region

2018

in CHF 000	Switzerland	Germany	Other countries	Group total
Total revenue from contracts with customers (according to IFRS 15)	1 293 318	619 953	119 092	2 032 363
Other revenues	230	84 447	5 053	89 731
Net revenues from third parties	**1 293 548**	**704 400**	**124 145**	**2 122 093**
Non-current assets	304 798	592 627	19 517	916 942

2017

in CHF 000	Switzerland	Germany	Other countries	Group total
Total revenue from contracts with customers (according to IFRS 15)	1 290 138	557 823	105 301	1 953 263
Other revenues	1	48 090	252	48 342
Net revenues from third parties	**1 290 139**	**605 913**	**105 553**	**2 001 605**
Non-current assets	310 162	605 806	19 774	935 743

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 revenues from third parties.

9 REVENUE FROM CONTRACTS WITH CUSTOMERS

Disaggregation of sales

2018

in CHF 000	Valora Retail	Food Service	Others	Group total
Revenue from sale of goods [1]	1 596 841	297 610	2	1 894 453
Services [2]	111 831	20 046	6 033	137 910
Total revenue from contracts with customers (according to IFRS 15)	**1 708 672**	**317 656**	**6 035**	**2 032 363**
Commission and other income from franchise outlets	23 679	18 848	0	42 526
Rental income	21 085	26 119	0	47 204
Total net revenues	**1 753 435**	**362 622**	**6 035**	**2 122 093**

[1] Includes wholesale sales of CHF 112,673 thousand, which can be attributed to the segment Food Service.

[2] Includes franchise fees. Income from services represents mainly commission income.

2017

in CHF 000	Valora Retail	Food Service	Others	Group total
Revenue from sale of goods [1]	1 563 949	278 870	3	1 842 823
Services [2]	104 023	2 991	3 426	110 440
Total revenue from contracts with customers (according to IFRS 15)	**1 667 973**	**281 861**	**3 430**	**1 953 263**
Commission and other income from franchise outlets	24 127	0	0	24 127
Rental income	19 633	4 583	0	24 216
Total net revenues [3]	**1 711 732**	**286 443**	**3 430**	**2 001 605**

[1] Includes wholesale sales of CHF 99,067 thousand, which can attributed to the segment Food Service.
[2] Includes franchise fees. Income from services represents mainly commission income.
[3] Net revenue was restated as a result of the introduction of IFRS 15; see Note 8.

10 PERSONNEL EXPENSES

in CHF 000	**2018**	2017
Wages and salaries	212 453	198 850
Social security expenses	35 814	32 992
Share-based remuneration	3 187	2 758
Other personnel expenses	13 165	11 776
Total personnel expenses	**264 620**	**246 376**
Headcount in full-time equivalents as at 31 December	4 230	4 265

Social security expenses include expenses for defined contribution plans of TCHF 170 (2017: TCHF 181). Other personnel expenses include, in particular, compensation paid to recruiters or temporary staff and expenses for training and staff recruitment. Compared with the same period of the previous year, the higher personnel expenses are mainly attributable to the acquisition of BackWerk at the end of October 2017.

11 OTHER OPERATING EXPENSES

in CHF 000	**2018**	2017
Rent	200 935	168 879
Property expenses	8 309	8 900
Ancillary rental costs	31 498	26 452
Agency fees	163 521	156 692
Insurance	1 886	1 657
Communication and IT	24 180	26 167
Advertising and sales	17 172	15 511
Shipping	37 592	32 710
Management and administration	29 848	28 337
Capital and other taxes	971	843
Other operating leases	3 419	2 416
Impairment losses on accounts receivables	959	908
Other operating expenses	29 575	27 245
Total other operating expenses	**549 865**	**496 717**

The increase in total other operating expenses is mainly due to the acquisition of BackWerk.

12 OTHER INCOME AND OTHER EXPENSES

in CHF 000	**2018**	2017
Gain from disposal of non-current assets	962	3 593
Other income	6 371	4 031
Total other income	**7 332**	**7 623**

Other income includes contributions to building costs, contributions from insurances and reimbursements received. The profit from the sale of assets in 2017 is primarily due to the disposal of the building “La Praille” in Geneva.

in CHF 000	**2018**	2017
Loss from the disposal of non-current assets	–1 501	–1 663
Other expenses	–675	–1 353
Total other expenses	**–2 176**	**–3 017**

13 FINANCIAL EXPENSE

in CHF 000	**2018**	2017
Interest expenses on bank loans and liabilities	7 639	5 813
Interest on bond	1 146	6 779
Interest on financial leases	0	9
Net loss on derivative financial instruments	0	883
Foreign exchange losses, net	1 630	0
Total financial expense	**10 416**	**13 484**

14 FINANCIAL INCOME

in CHF 000	**2018**	2017
Interest income from cash and cash equivalents, loans and receivables	329	570
Interest income from financial leases	127	195
Dividend income from other non-current financial assets	35	34
Dividend income from at equity investment	107	0
Foreign exchange gains, net	0	2 132
Total financial income	**598**	**2 931**

15 INCOME TAXES

Income tax is broken down as follows:

in CHF 000	**2018**	2017
Current income tax expenses	3 388	2 884
Deferred income tax expenses	12 513	8 459
Total income tax	**15 901**	**11 343**

The reconciliation of income taxes at the expected Group tax rate with the reported income tax can be reconciled as follows:

in CHF 000	**2018**	2017
Earnings before income taxes	80 000	68 462
Expected average Group tax rate	18.8 %	19.8 %
Income taxes at the expected Group tax rate	**15 040**	**13 573**
Expenses not recognised for tax purposes / non-taxable income	2 201	1 539
Utilisation of previously unrecognised tax loss carryforwards	– 2 701	– 2 644
Effects on current income taxes from prior periods	– 163	– 337
Recognition of valuation allowances for deferred income taxes	2 232	980
Reversal of valuation allowances for deferred tax assets	– 1 273	– 1 550
Changes in tax rates	115	412
Other effects	450	– 630
Total reported income taxes	**15 901**	**11 343**
Effective tax rate	19.9 %	16.6 %

In calculating the expected 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 decreased 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 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
Currency translation differences	1 888	– 1 429	458
Offsetting	– 16 286	16 286	0
Balance on 31 December 2017	**15 474**	**– 7 166**	**8 309**
Deferred taxes recognised in the income statement	– 7 042	– 5 471	– 12 513
Deferred taxes recognised in other comprehensive income	0	213	213
Currency translation differences	– 858	567	– 291
Offsetting	2 637	– 2 637	0
Balance on 31 December 2018	**10 212**	**– 14 495**	**– 4 282**

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	**2018**	2017
Current assets	1 180	149
Property, plant and equipment	422	767
Goodwill, software and other intangible assets	4 573	9 909
Liabilities and provisions	1 635	1 194
Tax loss carryforwards	17 411	21 075
Total	**25 221**	**33 094**
Deferred tax liabilities by origin of the difference		
Current assets	–5 239	–15
Property, plant and equipment	–2 858	–3 117
Goodwill, software and other intangible assets	–20 215	–19 976
Liabilities and provisions	–1 192	–1 677
Total	**–29 504**	**–24 785**
Reported in the balance sheet		
Deferred tax assets	10 212	15 474
Deferred tax liabilities	–14 495	–7 166
Total deferred tax assets, net	**–4 282**	**8 309**

Tax loss carryforwards total to an amount of CHF 431.0 million (2017: CHF 472.9 million). Utilisation of CHF 313.1 million (2017: CHF 311.1 million) of these tax losses is not considered probable and therefore no deferred taxes have been recognised. The predominant part of these tax loss carry forwards does not expire or has its expiration date in more than 5 years.

16 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	**2018**	2017
Net profit from continuing operations	64 099	57 118
Coupon attributable to providers of hybrid capital	–4 000	–4 800
Net profit from continuing operations attributable to Valora Holding AG shareholders	60 099	52 318
Net (loss)/profit from discontinued operations	–5 120	31
Net profit from continuing and discontinued operations attributable to Valora Holding AG shareholders	**54 979**	**52 350**
Average number of outstanding shares	3 932 706	3 427 949
Earnings per share from continuing operations (in CHF)	15.28	15.26
Earnings per share from continuing operations and discontinued operations (in CHF)	**13.98**	**15.27**

In 2018 and 2017 there were no dilutive effects.

17 CASH AND CASH EQUIVALENTS

in CHF 000	**2018**	2017
Cash on hand and sight deposits	104 776	152 515
Total cash and cash equivalents	**104 776**	**152 515**
of which restricted cash	2 616	8 355

Valora places significant sight deposits with banks that have a good credit rating (Standard & Poor’s rating of A and higher) or with banks that are considered system-relevant. Under IFRS 9, demand deposits are measured at amortised cost.

18 TRADE ACCOUNTS RECEIVABLE

in CHF 000	**31.12.2018**	31.12.2017	01.01.2017
Trade accounts receivable, gross	82 302	74 232	49 235
Impairments	–2 067	–2 964	–3 979
Total trade accounts receivable, net	**80 235**	**71 268**	**45 256**

Trade receivables are non-interest bearing.

In October 2017 the acquisition of BackWerk resulted in an increase of trade accounts receivable of CHF 10.6 million. In December 2017 Retail Germany changed the invoicing process of a part of its services. This change resulted in an increase of trade accounts receivable of around CHF 10.0 million. The remaining increase of trade accounts receivable is mainly explained by the significantly higher closing rate of the Euro compared to the CHF (31.12.2017: CHF/EUR 1.170/01.01.2017: CHF/EUR 1.072).

The increase of trade accounts receivable in 2018 was due to higher net revenues mainly in the wholesale business.

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

in CHF 000	**2018**	2017
Balance on 1 January	**2 964**	**3 979**
Recognition of loss allowances through profit or loss	2 339	2 534
Reversal of loss allowances through profit or loss	–1 410	–1 626
Utilisation of loss allowances	–1 612	–2 387
Currency translation differences	–214	464
Balance on 31 December	**2 067**	**2 964**

The application of the impairment model under IFRS 9 had no material effect on the measurement of trade receivables. In the previous year, impairment losses on trade receivables were determined in accordance with IAS 39 using the “incurred loss model”.

As of the balance sheet date, the ageing structure of trade accounts receivable is as follows:

in CHF 000	**2018**	2017
Not yet due	68 573	58 687
Less than one month overdue	8 059	10 944
More than one month, but less than two months overdue	1 422	112
More than two months, but less than four months overdue	695	338
More than four months overdue	1 485	1 186
Total trade accounts receivable, net	**80 235**	**71 268**

The payment terms for trade receivables are 30 to 90 days. The underlying contracts have no significant financing components and the amount of the consideration is essentially not determined on the basis of variable external factors. No significant components are based on estimates.

Valora considers trade accounts receivable in default when internal or external information indicates that Valora is unlikely to receive the outstanding contractual amount in full. The impairment loss is recognised taking into account any existing collaterals for this contractual amount.

Under IFRS 9 trade accounts receivable were allocated to different clusters. The expected credit losses on trade accounts receivable not yet due and less than one month overdue were derived from the credit rating of these clusters (0.3 % to 1.3 % of the relevant outstanding amount). Additional expected credit losses were recognised depending on the expected default rate of the ageing bucket of the outstanding amount (more than one month but less than two months overdue: 1.3 % to 2.3 %; more than two months but less than four months overdue: 33 %; more than four months overdue: 66 %).

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

in CHF 000	**2018**	2017
CHF	42 082	37 081
EUR	37 172	33 320
USD	982	830
GBP	0	37
Total trade accounts receivable, net	**80 235**	**71 268**

19 INVENTORIES

in CHF 000	**2018**	2017
Merchandise	137 252	147 318
Semi-finished and finished products	5 305	4 690
Other inventories	3 028	2 530
Total inventories	**145 585**	**154 537**

During the financial year, write-downs on inventories of CHF 6.5 million (2017: CHF 6.4 million) were charged to the cost of goods and materials.

20 OTHER CURRENT RECEIVABLES

in CHF 000	**2018**	2017
Value-added taxes and withholding tax receivables	1 195	2 171
Prepaid expenses	30 804	18 912
Current receivables from financial leases	0	621
Other receivables	23 939	32 863
Total other current receivables	**55 938**	**54 567**

In particular, other receivables include claims for reimbursement of costs as well as receivables due from social security and insurances.

All other receivables measured at amortised cost had good credit ratings (stage 1). The default risk, which in this case is derived from the credit rating, is not material. The introduction of IFRS 9 therefore had no material impact on the measurement of other current receivables.

21 PROPERTY, PLANT AND EQUIPMENT

in CHF 000	Land	Building	Machinery and equipment	Projects in progress	Total
Acquisition costs					
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**
Consolidation scope additions	0	0	474	0	474
Additions	239	1 811	26 757	34 627	63 434
Disposals	0	0	–20 077	–416	–20 493
Reclassifications	0	131	19 634	–19 766	0
Currency translation differences	–152	–628	–7 238	–533	–8 551
Balance on 31 December 2018	**8 601**	**36 612**	**482 684**	**22 345**	**550 242**
Accumulated depreciation / impairments					
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**
Additions	0	–1 751	–42 739	0	–44 490
Impairments	0	0	–3 688	0	–3 688
Disposals	0	0	17 300	0	17 300
Currency translation differences	0	137	3 381	0	3 519
Balance on 31 December 2018	**0**	**–11 303**	**–303 541**	**0**	**–314 844**
Carrying amount					
On 31 December 2017	8 514	25 608	185 338	8 433	227 894
On 31 December 2018	**8 601**	**25 309**	**179 143**	**22 345**	**235 398**

The disposed building in 2017 relates to the former headoffice of Naville in Geneva.

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

22 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 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**
Additions to the scope of consolidation	0	0	3 349	0	3 349
Additions	0	0	2 433	4 972	7 404
Disposals	0	0	– 1 253	– 5	– 1 258
Reclassifications	0	0	4 028	– 4 028	0
Currency translation differences	– 14 619	– 918	– 4 473	– 126	– 20 135
Balance on 31 December 2018	**546 205**	**47 068**	**213 750**	**5 557**	**812 580**
Accumulated amortisation / impairments					
Balance at December 31, 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**
Additions	0	0	– 17 607	0	– 17 607
Impairments	0	0	– 437	0	– 437
Disposals	0	0	852	0	852
Currency translation differences	49	0	1 478	0	1 527
Balance on 31 December 2018	**– 1 236**	**0**	**– 129 800**	**0**	**– 131 036**
Carrying amount					
On 31 December 2017	559 539	47 986	95 579	4 744	707 849
On 31 December 2018	**544 969**	**47 068**	**83 950**	**5 557**	**681 544**

The increase in software and intangible assets with finite useful lives in 2017 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 23.1 million) and Brezelkönig (CHF 24.0 million). The trademarks were tested for impairment by calculating the value in use of the cash-generating unit Food Service Europe. The revenues used in this calculation are based on three-year business plans. Revenue growth of 1.0% was assumed (2017: 1.0%). The pre-tax discount rates applied are 6.7% for Ditsch and 5.2% for Brezelkönig (2017: 6.9% and 5.4% respectively).

Software and intangible assets with finite useful lives. Software and intangible assets with finite useful lives include CHF 11.8 million (2017: CHF 12.8 million) for software and CHF 72.2 million (2017: CHF 82.8 million) for intangible assets with finite useful lives, of which CHF 13.6 million (2017: CHF 17.8 million) relate to Ditsch/Brezelkönig customer relationships and CHF 49.6 million (2017: 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	**2018**	2017
Valora Retail Switzerland	53 730	53 730
Valora Retail Germany	91 143	94 768
Food Service Europe [1]	396 733	407 704
Ditsch USA	3 364	3 337
Total carrying amount as at 31 December	**544 969**	**559 539**

[1] As part of the integration of BackWerk and the change of internal reporting structures, the goodwill on the BackWerk and Ditsch / Brezelkönig acquisitions was tested at the level of the cash-generating unit Food Service Europe in 2018. In prior year Goodwill from the BackWerk acquisition had not yet been allocated, but has been included in the CGU Food Service Europe for illustration purposes only.

Goodwill is tested for impairment based on the estimated future free cash flows (DCF method) taken from the respective business plan of the cash-generating units. These business plans were approved by the Board of Directors and reflect the management's assessment. For cash flows arising after this period a terminal value derived from the third planning year is used. For Ditsch USA a planning horizon of five years was used, to take appropriate account of the capital expenditures in additional production capacity. The following key assumptions were used:

Cash-generating units in CHF 000	Planning horizon	long-term growth rate [1]	Net revenues	Margin trend
Valora Retail Switzerland	3 years	0%	stable	falling slightly
Valora Retail Germany	3 years	0%	falling	rising
Food Service Europe	3 years	1%	rising	rising
Ditsch USA	5 years	2%	rising	falling slightly

[1] Beyond the planning horizon

The discount rates are set based on the Group's weighted cost of capital, reflecting country and currency-specific risks affecting the cash flows.

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

in CHF 000	Currency	**2018**	2017
Valora Retail Switzerland	CHF	5.7 %	5.9 %
Valora Retail Germany	EUR	7.0 %	7.1 %
Food Service Europe	EUR	6.1 %	6.2 %
Ditsch USA	USD	11.0 %	n.a.

No impairments were charged to the income statement in 2018 and 2017.

Sensitivities. For all goodwill items, the impairment tests for 2018 show that even in the event of an increase in the discount rate of 1.5 percentage points, which is considered to be feasible, or assuming revenues are 5 % lower, all resulting values in use exceed the carrying amounts with the exception of Valora Retail Germany. Value in use of this cash-generating unit exceeds the carrying amount by CHF 45 million. In the event of an increase in the discount rate of 1.0 percentage point or assuming revenues are 15 % lower, value in use would be equal to the carrying amount of the cash-generating unit.

23 PAYMENTS FROM RENTAL AGREEMENTS AND LEASES

Payments from rental agreements in CHF 000	**2018**	2017
Payments received during the reporting year	45 157	20 267
Due dates of future minimum lease payments under non-cancellable operating lease		
Within one year	31 908	39 298
Within 1 – 2 years	25 126	32 929
Within 2 – 3 years	18 306	27 752
Within 3 – 4 years	13 583	22 855
Within 4 – 5 years	7 882	16 980
After more than 5 years	9 342	32 482
Total future payments from rental agreements and leases	**106 147**	**172 296**

Total future receivables from rental agreements decreased due to the fact that the number of sublease agreements was reduced and larger contracts were not yet prolonged.

Payments from other operating leases in CHF 000	**2018**	2017
Payments received during the reporting year	6 376	4 521
Due dates of future payments		
Within one year	4 810	4 263
Within 1 – 2 years	3 865	3 239
Within 2 – 3 years	3 177	2 849
Within 3 – 4 years	2 600	2 282
Within 4 – 5 years	2 027	1 837
After more than 5 years	3 114	3 399
Total future payments from other operating leases	**19 593**	**17 870**

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

Financial Leases.
In 2017 Valora's financial leases amounted to total future receivables of CHF 3 336 thousand whereof CHF 547 thousand related to future interest income. The current portion of the present value in the amount of CHF 2 789 thousand was CHF 621 thousand. These finance leases were related to leasehold improvements at the former head office in Bern, which was used by other tenants. In the last quarter of 2018 Valora terminated this contract.

24 FINANCIAL ASSETS

in CHF 000	**2018**	2017
Loans	5 080	5 292
Receivables from financial leases	0	2 168
Other non-current receivables	5 044	15 088
Other non-current financial assets	649	649
Total financial assets	**10 773**	**23 197**

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 a mortgage over the next four years until 2022. In 2017 the earn-out from the sale of the Trade Division (see Note 34) and a guarantee claim in the amount of CHF 3.0 million, which was paid in 2018, were included additionally. Other non-current financial assets in the amount of CHF 649 thousand (2017: CHF 649 thousand) include unlisted participation rights measured at fair value through profit or loss.

25 CURRENT FINANCIAL LIABILITIES AND OTHER NON-CURRENT LIABILITIES

Current financial liabilities in CHF 000	**2018**	2017
Current bank debt	185 133	16 670
Current bond liabilities	0	199 990
Total current financial liabilities	**185 133**	**216 660**

Other non-current liabilities in CHF 000	**2018**	2017
Promissory notes	271 976	175 421
Other non-current liabilities	12 426	15 133
Total other non-current liabilities	**284 402**	**190 554**

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

The increase in the promissory notes is attributable to the BackWerk acquisition (EUR 170 million in January 2018) whereof EUR 77.9 million were reclassified to current financial liabilities.

Other non-current liabilities include financial liabilities (mainly deposits) in the amount of TCHF 6 245 (2017: TCHF 6 550) and other liabilities (primarily onerous contracts and jubilee benefits) in the amount of TCHF 6 181 (2017: TCHF 8 583).

Bond in CHF 000	**Nominal value**	**2018 Carrying amount**	2017 Carrying amount
2.50 % bond 2012 – 2018	200 000	0	199 990

The bond of CHF 200 million was repaid in March 2018.

Maturities at year end are as follows in CHF 000	**2018**	2017
Within one year	185 133	216 660
Within 1 – 2 years	1 398	92 813
Within 2 – 3 years	82 345	1 499
Within 3 – 4 years	1 172	85 668
Within 4 – 5 years	192 128	819
After more than 5 years	1 178	1 172
Total financial liabilities	**463 354**	**398 632**
Current portion of financial liabilities	– 185 133	– 216 660
Total non-current portion of financial liabilities	**278 221**	**181 971**

The interest rates on financial liabilities ranged between 0.1 % and 3.0 % (2017: between 0.1 % and 4.0 %). The weighted average interest rate on financial liabilities was 1.9 % (2017: 3.0 %). Non-current financial liabilities are denominated in the following currencies:

in CHF 000	**2018**	2017
CHF	691	148
EUR	277 530	181 823
Total non-current financial liabilities	**278 221**	**181 971**
Other non-current liabilities	6 181	8 583
Total other non-current liabilities	**284 402**	**190 554**

Financing activities in CHF 000	Current bank debt	Current portion of long-term debt	Current bonds	Current portion of liabilities from finan-cial leases	**Total current financial liabilities**	Promissory notes	Other non-current financial liabilities	Bond	**Total non-cur-rent financial liabilities**
Opening Balance on 1 January 2017	**37**	**0**	**0**	**689**	**726**	**160 459**	**741**	**199 932**	**361 132**
Additions to scope of conso-lidation	0	0	0	0	0	0	6 459	0	6 459
Financing cash inflow	15 565	122 669	0	0	138 234	0	110	0	110
Financing cash outflow	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 diffe-rences	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**
Additions to scope of conso-lidation	0	0	0	0	0	0	0	0	0
Financing cash inflow	77 709	0	0	0	77 709	201 078	185	0	201 263
Financing cash outflow	0	– 0	– 200 000	0	– 200 000	0	– 268	0	– 268
Reclass	0	87 667	0	0	87 667	– 87 766	0	0	– 87 766
Non-cash transactions	0	– 503	10	0	– 493	221	0	0	221
Currency translation diffe-rences	3 615	– 26	0	0	3 589	– 16 978	– 222	0	– 17 200
Closing Balance on 31 December 2018	**97 093**	**88 040**	**0**	**0**	**185 133**	**271 976**	**6 245**	**0**	**278 221**

26 TRADE ACCOUNTS PAYABLE

Trade accounts payable are denominated in the following currencies:

in CHF 000	**2018**	2017
CHF	92 398	101 037
EUR	43 786	41 917
Other	362	384
Total trade accounts payable	**136 546**	**143 339**

27 OTHER CURRENT LIABILITIES

in CHF 000	**2018**	2017
Value-added tax and other taxes	3 985	4 887
Personnel and social security	1 302	1 597
Accruals for overtime, vacation and variable salary components	6 162	5 625
Liabilities to pension funds	1 021	1 729
Accrued expenses	44 748	53 407
Other current liabilities	27 381	34 012
Total other current liabilities	**84 599**	**101 257**

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.

28 PROVISIONS

Guarantees: Warranty provisions of CHF 10.6 million were recognised based on contractual arrangements for the sale of the Trade division in 2015. Following the expiry of contractual obligations, a portion amounting to CHF 7 million was released in 2017.

In 2018 the remaining provision of CHF 3.6 million was released to net profit from discontinued operations in the amount of CHF 2.6 million because the warranty period has expired or a claim is no longer expected. CHF 1.0 Million was offset against the deferred purchase price.

29 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 6.20% (2017: 6.40%). The conversion rate will be reduced 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 2018. 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	**2018**	2017
Present value of defined benefit obligation at the beginning of the year	516 717	524 125
Service cost	6 738	6 700
Employee contributions	4 903	4 896
Interest costs	2 799	2 851
Plan amendments, curtailments, settlements	– 8 839	– 9 877
Additions to the scope of consolidation	4 236	1 321
Benefits paid	– 29 029	– 24 096
Actuarial losses / (gains) from obligations	– 9 644	10 771
Currency translation differences	– 11	27
Present value of defined benefit obligation at year-end	**487 870**	**516 717**
Market value of pension assets at the beginning of the year	577 568	530 424
Interest income	3 130	2 883
Employer contributions	6 963	6 755
Employee contributions	4 903	4 896
Plan amendments, curtailments, settlements	– 7 210	– 7 358
Additions to the scope of consolidation	4 141	1 270
Benefits paid	– 29 001	– 24 062
Actuarial (losses) / gains from assets	– 828	63 551
Other pension costs	– 788	– 791
Market value of pension assets at year-end	**558 878**	**577 568**

The pension assets calculated at fair value all relate to the Swiss pension schemes.
The Group expects to pay employer contributions of CHF 6.6 million in 2019.

Balance sheet values in CHF 000	**2018**	2017
Present value of funded pension obligations	–487 596	–516 410
Fair value of pension assets	558 878	577 568
Excess/(shortfall) of fund-financed plans	**71 282**	**61 158**
Asset ceiling effect	–71 282	–61 158
Present value of unfunded pension obligations	–274	–307
Total net pension obligation	**–274**	**–307**

The weighted average duration of the defined benefit obligation is 12.4 years (2017: 12.9 years).

The net pension obligation developed as follows:

in CHF 000	**2018**	2017
1 January	–307	–309
Additions to the scope of consolidation	–95	–51
Pension expense, net in profit or loss	–5 902	–4 976
Employer contributions	6 991	6 789
Actuarial losses in other comprehensive income	–972	–1 732
Currency translation differences	11	–27
31 December	**–274**	**–307**

Income statement in CHF 000	**2018**	2017
Service cost	–6 738	–6 700
Interest costs	–2 799	–2 851
Plan amendments, curtailments, settlements	1 629	2 519
Interest on effect of asset ceiling	–336	–36
Interest income	3 130	2 883
Other pension costs	–788	–791
Actuarial net pension expense	**–5 902**	**–4 976**

Income from plan amendments in the amount of CHF 1.6 million are due to the reduction in the conversion rate and the conversion of own outlets to agencies.

Actuarial gains / losses in CHF 000	**2018**	2017
Changes in financial assumptions	16 463	– 51
Experience adjustment on defined benefit obligation	– 6 914	– 10 771
Gain on pension assets (excluding interest based on the discount rate)	– 828	63 551
Asset ceiling effect	– 9 788	– 54 512
Actuarial losses of the period	**– 1 067**	**– 1 783**

Total actuarial gains / losses recognised in other comprehensive income in CHF 000	**2018**	2017
1 January	– 90 904	– 89 477
Actuarial losses	– 1 067	– 1 783
Deferred taxes	213	356
31 December	**– 91 758**	**– 90 904**

Significant actuarial assumptions in CHF 000	**2018**	2017
Discount rate (Switzerland only)	0.75 %	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	**2018**	2017
Discount rate (+ 0.25 %)	– 13 622	– 15 281
Discount rate (– 0.25 %)	12 915	14 470
Change in salaries (+ 0.50 %)	631	743
Change in salaries (– 0.50 %)	– 630	– 777

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

Asset allocation in CHF 000	**2018**	2017
Cash and cash equivalents	5.70 %	6.80 %
Bonds	32.90 %	26.70 %
Equities	27.10 %	31.10 %
Real estate	31.30 %	30.00 %
Other	3.00 %	5.40 %
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 1.5 million (2017: CHF 65.6 million). The effective return for 2018 was 0.3 % (2017: 12.4 %). 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.

30 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 following 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	**2018**	2017
Expenses for Valora Group employees and management share participation plans (equity settled)	3 187	2 758
Total expense recognised for share-based remuneration	**3 187**	**2 758**

31 CONTINGENT LIABILITIES, OBLIGATIONS FROM LEASES AND OTHER AGREEMENTS

Contingent liabilities in CHF 000	**2018**	2017
Guarantees	6 255	7 361
Total contingent liabilities	**6 255**	**7 361**

Future obligations from operating leases and other agreements in CHF 000	**2018**	2017
Future rent obligations	711 373	746 266
Future obligations from other operating leases	4 911	4 483
Future obligations from other agreements	49 861	39 797
Total future obligations	**766 145**	**790 546**

Rental agreements in CHF 000	**2018**	2017
Minimum rental expense	181 777	142 441
Variable rental expense	19 158	26 440
Total rental expense	**200 935**	**168 881**
Due dates of future rental obligations		
Within one year	172 894	171 085
Within 1 – 2 years	156 578	154 715
Within 2 – 3 years	111 359	135 911
Within 3 – 4 years	87 989	89 888
Within 4 – 5 years	70 810	66 283
After more than 5 years	111 744	128 384
Total future obligations from rental agreements	**711 373**	**746 266**

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	**2018**	2017
Total expense for other operating leases during the reporting year	3 418	2 407
Due dates of future obligations from other operating leases		
Within one year	2 096	2 052
Within 1 – 2 years	1 519	1 259
Within 2 – 3 years	805	675
Within 3 – 4 years	343	376
Within 4 – 5 years	148	121
Total future obligations from other operating leases	**4 911**	**4 483**

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

Other agreements in CHF 000	**2018**	2017
Due dates of future obligations from other agreements		
Within one year	23 780	28 271
Within 1 – 2 years	7 374	7 953
Within 2 – 3 years	5 608	1 559
Within 3 – 4 years	5 350	1 071
Within 4 – 5 years	4 428	943
After more than 5 years	3 321	0
Total future obligations from other agreements	**49 861**	**39 797**

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

32 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 risks, 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 risks arise 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 risks are measured using the volatilities of the corresponding currencies. These analyses show that the translation risks are 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) 2018**	**Impact on earnings before income tax 2018**	**Impact on other comprehensive income 2018**	Hypothetical change (percent) 2017	Impact on earnings before income tax 2017	Impact on other comprehensive income 2017
CHF / EUR	+/– 5.1%	+/– 1 347	+/– 9 549	+/– 5.0%	+/– 9 570	+/– 9 694

In 2017, the Euro exposure was significantly higher due to the BackWerk acquisition (in EUR), as the promissory note in the amount of EUR 170 million was placed on 11 January 2018 and the transaction was financed in Swiss francs until that date.

Interest rate risks. The Group's interest-bearing assets mainly comprise 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 consist mainly of a promissory note (see Note 25).

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) 2018**	**Impact on earnings before income tax 2018**	Hypothetical change (basis points) 2017	Impact on earnings before income tax 2017
CHF	+/– 27	+/– 86	+/– 27	+/– 205
EUR	+/– 21	+/– 132	+/– 34	+/– 68

Liquidity risks. Liquidity risk management refers to the Group's ability to meet its payment obligations in full and in a timely manner at all times. 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 are designed to 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 closing interest rates 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 2018					
Current financial liabilities	97 494	0	88 966	0	0
Trade accounts payable	129 560	6 947	38	0	0
Other current liabilities (financial instruments only)	43 600	8 828	9 793	0	0
Non-current financial liabilities	1 778	0	1 276	282 270	5 906
Total	**272 432**	**15 775**	**100 073**	**282 270**	**5 906**
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**

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.

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 2018 and 2017, the Valora Group had no receivables from individual customers representing more than 6 % of total trade accounts receivable.

The Valora Group works with a selected 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 241 million (2017: CHF 291 million) corresponds to the carrying amounts (see Note 33).

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	**2018**	2017
AAA and / or state guarantee (AAA countries)	54	76
AA	4 372	12 078
A	56 033	76 158
BBB	3 750	24 611
No Rating	1 952	1 710
Total demand deposits and fixed term deposits with maturities of less than three months [1)]	**66 161**	**114 633**

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 50% of the interest expense of the bond issued on 1 February 2012 (see Note 25), 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 2018, CHF 0.3 million (2017: 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 2017 and 2018 or through standard pricing model valuations using market data.

Derivative financial instruments in CHF 000	**Notional amount 2018**	**Replacement values 2018**	Notional amount 2017	Replacement values 2017
Currency instruments				
Forward contracts/ derivative financial liabilities	0	0	170 000	1 035
Total derivative financial liabilities	**0**	**0**	**170 000**	**1 035**

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	**2018**	2017
Equity of Valora Holding AG	613 781	737 924
Total equity	**613 781**	**737 924**
Equity ratio	**46.3%**	**52.4%**

The decrease in equity is due to the repayment of CHF 120 million of hybrid equity at the end of October 2018.

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 25).

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.

33 FINANCIAL INSTRUMENTS

Carrying amounts, fair value and measurement categories under IAS 39 and IFRS 9 in CHF 000	Measurement category IAS 39	Measurement category IFRS 9	**Carrying amount 2018**	**Fair Value 2018**	Carrying amount 2017	Fair Value 2017
Assets						
Cash and cash equivalents	LaR	At amortised cost	104 776	104 776	152 515	152 515
Trade accounts receivable	LaR	At amortised cost	80 235	80 235	71 268	71 268
Other current receivables (financial instruments only)	LaR	At amortised cost	44 947	44 947	44 604	44 604
Other current receivables (hierarchy level 3)	FAtPL	At fair value through profit or loss	0	0	3 567	3 567
Non-current interest-bearing financial assets	LaR	At amortised cost	5 080	5 080	7 460	7 460
Other non-current receivables	LaR	At amortised cost	5 044	5 044	7 480	7 480
Other non-current receivables (hierarchy level 3)	FAtPL	At fair value through profit or loss	0	0	4 041	4 041
Financial assets available for sale measured at the cost of acquisition [1)]	AfS	n/a	n/a	n/a	649	n/a
Other non-current financial assets [1)]	n/a	At fair value through profit or loss	649	649	n/a	n/a
Liabilities						
Current financial liabilities	FLAC	At amortised cost	185 133	185 133	216 660	217 490
Derivative financial liabilities (hierarchy level 2)	FLHfT	At fair value through profit or loss	0	0	1 035	1 035
Trade accounts payable	FLAC	At amortised cost	136 546	136 546	143 339	143 339
Other current liabilities (financial instruments only)	FLAC	At amortised cost	61 822	61 822	74 492	74 492
Other current liabilities (financial instruments only)	FLtPL	At fair value through profit or loss	382	382	1 162	1 162
Non-current financial liabilities	FLAC	At amortised cost	278 221	278 221	181 056	181 056
Non-current financial liabilities (hierarchy level 3)	FLtPL	At fair value through profit or loss	0	0	915	915

[1)] Due to the change from IAS 39 to IFRS 9, other non-current financial assets as at 1 January 2018 with a carrying amount of CHF 649 thousand were reclassified from "available-for-sale financial assets measured at cost" to "measured at fair value through profit or loss".

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 measured at amortised cost, the carrying amounts represent a reasonable approximation of their fair value. Any discounting effects are immaterial. The bond of CHF 200.0 million was repaid in March 2018. Information on the measurement of derivative financial instruments and other non-current financial assets can be found in Notes 4, 24 and 32. 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.

34 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:

2018

in CHF 000	Level 1	Level 2	Level 3	Total
Measured at fair value				
Assets				
Other non-current financial assets	0	0	649	649
Liabilities				
Contingent consideration	0	0	–382	–382

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

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 2018 and 2017, there were no transfers between hierarchy levels 1 and 2.

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

in CHF 000	**2018**	2017
Contingent consideration - Asset		
Balance on 1 January	**7 608**	**16 295**
Fair value adjustment recorded in discontinued operations	–7 608	–8 687
Balance on 31 December	**0**	**7 608**

in CHF 000	**2018**	2017
Other non-current financial assets - Asset		
Balance on 1 January	**0**	**0**
Reclassification of other non-current financial assets	649	0
Balance on 31 December	**649**	**0**

in CHF 000	**2018**	2017
Contingent consideration - Liability		
Balance on 1 January	**2 077**	**0**
Addition	382	2 077
Payments	–2 077	0
Balance on 31 December	**382**	**2 077**

Contingent considerations. The conditional earn-out recognised as an asset in hierarchy level 3 arose from the sale of the Trade division in 2015. The amount of the earn-out varies from zero to a maximum of CHF 20 million and is calculated as a percentage of the relevant consolidated EBITDA for the years 2016 to 2018 when exceeding contractually defined thresholds of each year. The fair value is calculated as the net present value of the forecast cash flow. The material unobservable parameter is the estimate of the consolidated EBITDA. Fair value was reduced in 2017 by CHF 8.7 million due to a reassessment of the probability of the operating earnings and forecast cash flows occurring.

The fair value was reduced to zero at 31 December 2018 as information received indicated that the consolidated EBITDA of the disposed Trade division was likely to be well below the relevant threshold for 2018 and as a result no earn-out payments could be expected anymore (see Note 7).

A contingent consideration liability was recognised as part of the purchase price agreement concerning the acquisition of the pretzel manufacturer Pretzel Baron. The consideration is calculated on the basis of the achievement of projected sales figures. The recognised liability was paid in full in June 2018.

A contingent consideration was determined as part of the purchase price agreement concerning the acquisition of BackWerk. The contingent consideration in the amount of EUR 1.0 million was triggered by the signing of specific rental contracts (see Note 6) and was paid in November 2018.

As part of the purchase price agreement concerning the acquisition of Presse + Buch Grauert a contingent consideration in the amount of CHF 0.4 million was set. The payment will be due in April 2019 and represents a security deposit that Valora claimed.

35 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 38.

Transactions. The following transactions were conducted with related parties:

Goods and services sold to related parties in CHF 000	**2018**	2017
Goods sold to		
Related parties	0	2 847
Services sold to		
Associates and joint ventures	43	28
Other related parties	158	151
Total goods and services sold	**201**	**3 026**

Goods and services purchased from related parties in CHF 000	2018	2017
Goods purchased from		
Other related parties	0	8
Services purchased from		
Associates and Joint Ventures	1 495	1 490
Other related parties	65	24
Total goods and services purchased	**1 560**	**1 522**

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	2018	2017
Salaries and other short-term benefits	4 528	4 627
Pension plans	342	338
Share participation plans	1 935	1 884
Total remuneration to management and the Board of Directors	**6 805**	**6 849**

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 statements 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	2018	2017
Receivables from associates	964	747
Receivables from other related parties	28	114
Total receivables	**992**	**861**

Liabilities to related parties in CHF 000	2018	2017
Liabilities to associates	0	10
Liabilities towards other related parties	805	757
Total liabilities	**805**	**767**

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

36 EQUITY

Outstanding shares in number of shares	**2018**	2017
Total registered shares	**3 990 000**	**3 990 000**
Of which treasury shares		
Position as at 1 January	61 495	77 078
Additions	53 348	46 137
Disposals	–61 228	–61 720
Total treasury shares as at 31 December	**53 615**	**61 495**
Total outstanding shares (after deduction of treasury shares) as at 31 December	**3 936 385**	**3 928 505**
Average number of outstanding shares (after deduction of treasury shares)	**3 932 706**	**3 427 949**

In 2018, a dividend of CHF 12.50 per share was paid for the financial year 2017 (2017: CHF 12.50 per share for financial year 2016). The dividend distribution is based on the annual profit and the profit carried forward of Valora Holding AG.

The share capital comprises 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 13 April 2018, shareholders approved the creation of authorised share capital of up to CHF 400,000 by issuing a maximum of 400,000 registered shares with a nominal value of CHF 1 by no later than 13 April 2020.

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 2018, no corresponding shares had been issued.

37 SUBSEQUENT EVENTS

Valora placed a promissory note in the amount of EUR 100 million and CHF 63 million with a five-year term on the banking market. The transaction was closed on 11 January 2019.

These consolidated financial statements were authorised for issue by the Board of Directors of Valora Holding AG on 18 February 2019. The Board of Directors recommends that the Ordinary General Meeting of Shareholders to be held on 29 March 2019 approve these financial statements.

38 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		•	
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	•		
Ditsch USA 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 2018 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 96 - 162), 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 2018, 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 LIVES

Area of focus. As of the balance sheet date, goodwill and other intangibles with indefinite useful lives represent 45 % of Valora Group's total assets and 96 % of equity.

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

Our audit response. We examined Valora's valuation model and analyzed 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. We compared identified cash generating units to how management reviews the company's operations. Our audit procedures did not lead to any reservation concerning the valuation of goodwill and other intangibles with indefinite useful lives.

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

Basle, 18 February 2019

BALANCE SHEET

ASSETS

As at 31 December, in CHF 000	**Note**	**2018**	2017
Current assets			
Cash and cash equivalents		52 133	81 702
Securities		18	18
Other current receivables			
Third parties		289	341
Group companies	2.2	55 266	50 112
Accruals			
Third parties		19	21
Total current assets		**107 725**	**132 194**
Non-current assets			
Loans to Group companies		787 219	839 589
Investments	2.1	224 882	224 882
Discount / issuance costs for syndicated loans / bonds		642	684
Total non-current assets		**1 012 743**	**1 065 155**
Total assets		**1 120 468**	**1 197 349**

LIABILITIES AND EQUITY

As at 31 December, in CHF 000	Note	2018	2017
Liabilities			
Current interest-bearing liabilities			
Bank debts		96 700	15 565
Bond	2.3	–	200 000
Promissory notes	2.4	92 077	–
Other current liabilities			
Third parties		378	1 136
Group companies, members of Board of Directors and auditors	2.2	101 640	117 103
Accruals			
Third parties		3 318	7 800
Total current liabilities		**294 113**	**341 604**
Non-current interest-bearing liabilities			
Bond	2.3	–	120 000
Promissory notes	2.4	280 277	176 338
Provisions		22 000	37 000
Total non-current liabilities		**302 277**	**333 338**
Total liabilities		**596 390**	**674 942**
Equity			
Share capital	2.5	3 990	3 990
Statutory capital reserves			
General statutory reserves		798	687
Reserves from capital contributions	2.6	117 980	165 734
Unrestricted reserves		207 269	208 011
Retained earnings available for distribution			
Retained earnings carried forward		160 984	111 596
Net profit for the year		48 165	49 499
Treasury shares	2.7	–15 108	–17 110
Total equity		**524 078**	**522 407**
Total liabilities and equity		**1 120 468**	**1 197 349**

INCOME STATEMENT

1 January to 31 December, in CHF 000	**Note**	**2018**	2017
Income			
Investment income	2.8	30 995	44 487
Financial income	2.9	21 975	15 604
Other income	2.10	15 001	13 099
Total income		**67 971**	**73 190**
Expenses			
Financial expenses	2.11	–14 190	–20 030
Personnel expenses		–1 326	–1 562
Other operating expenses	2.12	–4 129	–1 970
Direct taxes		–161	–129
Total expenses		**–19 806**	**–23 691**
Net profit for the year		**48 165**	**49 499**

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	**31.12.2018 Capital in TCHF**	**31.12.2018 Holding in %**	31.12.2017 Capital in TCHF	31.12.2017 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

Significant direct and indirect investments in Group companies by Valora Holding AG are detailed in Note 38 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**	**31.12.2018**	31.12.2017
Bond 2012 – 2018 [1]	2.50%	02.03.2018	0	200 000
Hybrid bond [2]	4.00%	30.10.2018	0	120 000

[1] The bond 2012 – 2018 reported under current interest-bearing liabilities in 2017 was repaid at the maturity date 2 March 2018.
[2] The hybrid bond was recalled at 30 October 2018.

2.4 PROMISSORY NOTES

in CHF 000	Coupon	Maturity	**31.12.2018**	31.12.2017
EUR 72 million	fixed/variable	29.04.2021	81 038	84 261
EUR 78 million [1]	fixed	30.04.2019	92 077	92 077
EUR 170 million	fixed/variable	11.01.2023	199 238	0

[1] The promissory note with maturity date 30 April 2019 is reported under current interest-bearing liabilities.

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.

Authorised capital: At the General Meeting held on 13 April 2018, an increase in the share capital of no more than CHF 400 000 by no later than 13 April 2020 through the issuance of 400 000 registered shares with a par value of CHF 1.00 each was approved. As of 31 December 2018, no corresponding shares had been issued.

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 granted 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 2018, 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	**2018 Number of shares**	**2018 Carrying amount**	2017 Number of shares	2017 Carrying amount
Opening balance (1 January)	**61 495**	**17 110**	**77 078**	**18 345**
Sales	– 61 228	– 17 824	– 61 720	– 16 022
Purchases	53 348	15 822	46 137	14 787
Closing balance (31 December)	**53 615**	**15 108**	**61 495**	**17 110**

In 2018, Valora Holding AG purchased 53 348 shares at CHF 296.59 and sold 61 228 shares at 302.15 (average prices).

As of 31 December 2018, the number of treasury shares as a percentage of total share capital was 1.3 % (2017: 1.5 %).

2.8 INVESTMENT INCOME

1 January to 31 December, in CHF 000	**2018**	2017
Valora International AG	30 000	40 000
Valora Management AG	100	100
Alimarca AG	–	3 000
Valora Holding Germany GmbH	895	1 387
Total investment income	**30 995**	**44 487**

2.9 FINANCIAL INCOME

1 January to 31 December, in CHF 000	**2018**	2017
Interest income on loans to Group companies	17 001	13 778
Other financial income	1 179	270
Currency translation gains realised	3 795	1 556
Total financial income	**21 975**	**15 604**

2.10 OTHER INCOME

1 January to 31 December, in CHF 000	**2018**	2017
Adjustment to impairment charge on investments	15 000	13 000
Other income	1	99
Total other income	**15 001**	**13 099**

2.11 FINANCIAL EXPENSES

1 January to 31 December, in CHF 000	**2018**	2017
Interest expense on bonds and syndicated loans	10 657	13 390
Discount (bond, hybrid, syndicated loan)	567	537
Bank interest and fees	1 029	962
Currency translation losses	1 937	5 141
Total financial expenses	**14 190**	**20 030**

2.12 OTHER OPERATING EXPENSES

1 January to 31 December, in CHF 000	**2018**	2017
Audit expenses	305	168
Other advisory fees	1 814	109
Management fees	1 000	1 000
Other administrative costs	1 010	693
Total other operating expenses	**4 129**	**1 970**

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 2018, contingent liabilities – comprised of guarantees, letters of subordination and comfort, as well as warranty and other contingent liabilities – to subsidiaries totalled CHF 115.2 million (2017: CHF 138.1 million), with none to third parties (2017: 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 2018, 5 % of registered shares equalled 199 500 registered shares.

According to the share register, as of 31 December 2018, Ernst Peter Ditsch held 635 599 registered shares, which represents 15.93 % (2017: 15.93 %) of the shares issued.

3.4 PARTICIPATIONS. As of 31 December 2018 and 2017, 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:

	2018 Number of shares	**2018 Share of total voting rights in %**	**2018 of which subject ot a lock-up period**	2017 Number of shares	2017 Share of total voting rights in %	2017 of which subject ot a lock-up period
Board of Directors						
Franz Julen Chairman	3 067	0.08	958	1 672	0.04	766
Markus Fiechter Vice-Chairman and Chairman of Nomination and Compensation Committee	3 290	0.08	587	3 102	0.08	656
Bernhard Heusler Member	–	–	–	651	0.02	465
Ernst Peter Ditsch Member	635 599	15.93	none	635 599	15.93	none
Cornelia Ritz Bossicard Chair of Audit Committee	956	0.02	438	825	0.02	510
Michael Kliger Member	257	0.01	234	138	0.00	115
Total Board of Directors	**643 169**	**16.12**		**641 987**	**16.09**	
Group Executive Management						
Michael Mueller CEO	13 028	0.33	11 930	9 195	0.23	8 895
Tobias Knechtle CFO	6 821	0.17	5 256	4 049	0.10	3 819
Thomas Eisele Head Food Service	2 705	0.07	2 400	1 895	0.05	1 781
Total Group Executive Management	**22 554**	**0.57**		**15 139**	**0.38**	
Total Board of Directors and Group Executive Management	**665 723**	**16.68**		**657 126**	**16.47**	

3.5 LOANS. As of 31 December 2018 and 2017, 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 allocated to the members of the Board of Directors 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 2018, CHF 15.0 million in hidden reserves were released (2017: CHF 13.0 million).

3.8 SUBSEQUENT EVENTS. Valora placed a promissory note worth EUR 100 million and CHF 63 million with a five-year term on the banking market. The transaction was closed on 11 January 2019.

APPROPRIATION OF NET INCOME AND CAPITAL DISTRIBUTION

Proposed appropriation of net income

in CHF 000	**2018**	2017
Net profit for the year	**48 165**	**49 499**
Retained earnings carried forward from the previous year	160 984	111 596
Retained earnings available for distribution by the Annual General Meeting	**209 149**	**161 095**
The Board of Directors proposes the following appropriation		
Allocation to the general statutory reserves	–	– 111
Dividend payable on shares entitled to dividend	–	–
Balance to be carried forward	**209 149**	**160 984**
Proposal to make a distribution out of the reserve from capital contributions		
Reserve from capital contributions (before distribution) [1]	117 980	165 734
Distribution	– 49 875	– 49 167
Reserve from capital contributions (after distribution)	**68 105**	**116 567**
Distribution per share (in CHF)		
Distribution out of the reserve from capital contributions (exempt from withholding tax)	12.50	12.50
Net distribution (in CHF)	**12.50**	**12.50**

[1] No dividend was paid for the 56'604 shares held by the company as of the distribution date. As a result, the amount of the reserve from capital contributions increased by TCHF 708.

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 166 to 174), for the year ended 31 December 2018.

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 2018 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 2018, investments in and loans to Group companies represented 90.4 % of the Company's total assets and amounted to CHF 1,012 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 analyzed 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. Our audit procedures did not lead to any reservation concerning the valuation of investments in and loans to subsidiaries.

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, 18 February 2019

VALORA SHARES

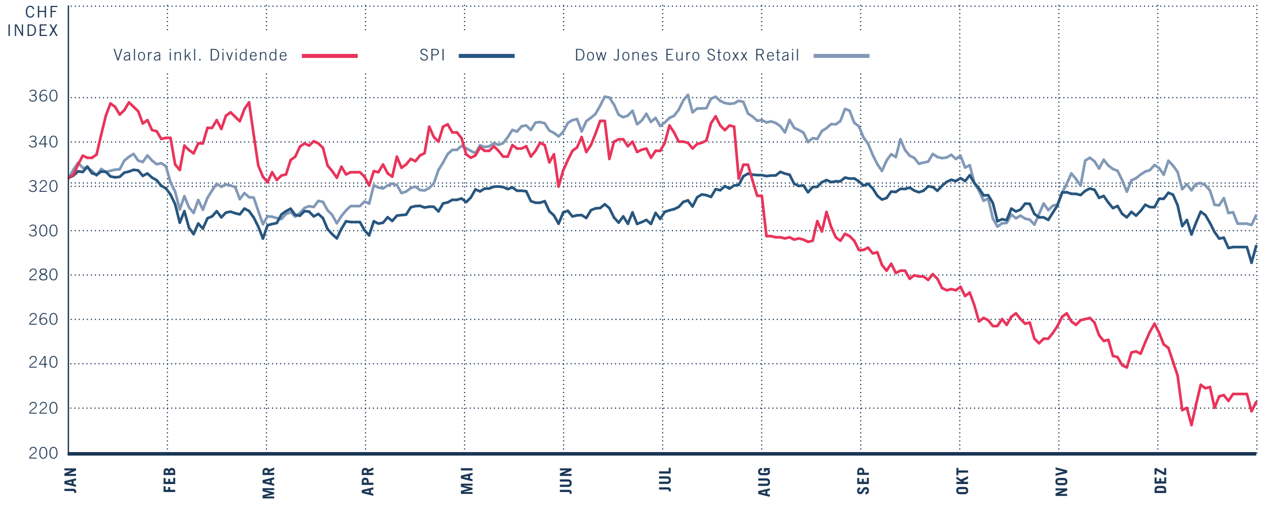
1 SHARE PRICE TRENDS

General Swiss stock market performance. From the perspective of many Swiss investors, the 2018 stock market year was disappointing. The broad-based SPI Index lost – 8.6 % over the course of the year. However, in an international comparison, the local stock market still performed relatively well, even though it is the biggest loss since 2008. In the euro zone, for example, the Euro Stoxx 50 index lost – 12.0 % and the German DAX – 18.3 %. Only in the US, investors got off with a black eye, with the S&P 500 index recording a minus of – 4.4 %. The Dow Jones Euro Stoxx Retail sector index also recorded a relatively low minus of – 5.0 %.

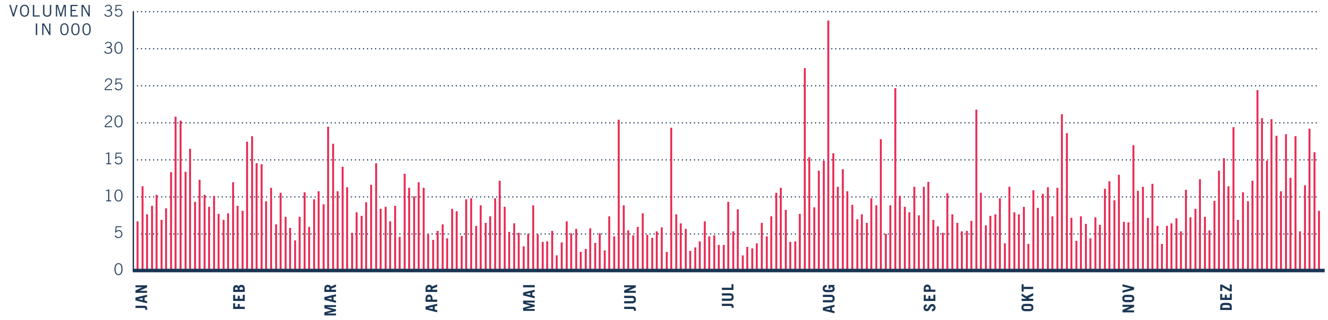
At the beginning of the year, the stock market initially performed well. The economy, which was growing synchronously in all regions, promised positive signals. Particularly in the US, the tax relief brought companies extraordinarily high profit growth. However, the trade dispute between the US and China, which had been smouldering for months, as well as other political issues (e.g. Brexit and Italy) added further negative factors. In autumn, when the International Monetary Fund revised its growth forecasts downwards, investors sentiment was noticeably clouded.

Valora share performance. Trading well above the overall market in 2016 (+ 44.4 %) and 2017 (+ 16.6 %), Valora shares continued to outperform the market in the beginning and then developed sideways until mid 2018,. On January 22 and February 27, the Valora share reached its highest closing price of CHF 358.50 . Since the publication of the half-year results end of July, the Valora share lost momentum. In particular, the uncertainty regarding the tender offer for certain SBB locations as of 2021, had unsettled the investment community. The downward trend in Valora shares that began at the end of August was accompanied by the general weakness of the market, particularly for small and medium-sized companies. On December 10, the Valora share reached its lowest closing price of the year at CHF 205.00. In 2018, the Valora shareholders achieved a total return of – 31.3 % (incl. dividend). Following its low in December, Valora's shares began to move in the opposite direction, and the positive trend continued into the new year.

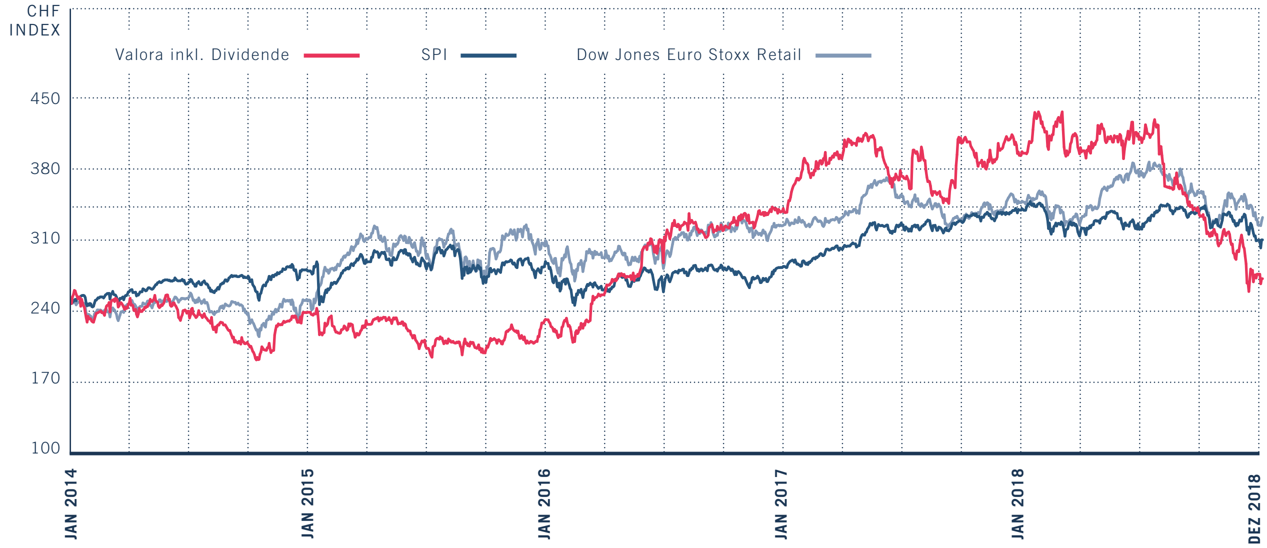
VALORA SHARE PERFORMANCE TREND 2018



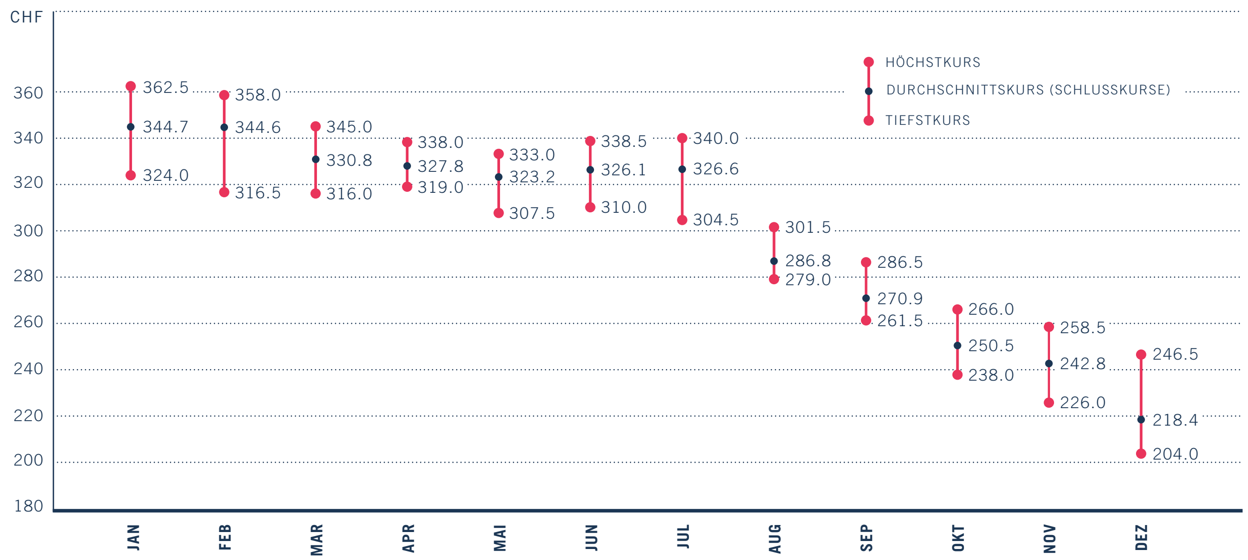
VALORA SHARE VOLUME 2018



VALORA SHARE PERFORMANCE TREND 2014–2018



MONTH HIGHS/LOWS IN 2018



2 SHAREHOLDER RETURNS

		2018	2017	2016	2015	2014
Share price						
Year-end	CHF	215.00	325.00	289.25	209.00	228.40
Distributions to shareholders						
Dividends	CHF	12.50	12.50	12.50	12.50	12.50
Dividend yield	%	5.8%	3.8%	4.3%	6.0%	5.5%
Annual return						
excluding dividend	%	−33.8%	12.4%	38.4%	−8.5%	[2] -8.2%
including dividend	%	−31.3%	16.7%	44.4%	−3.0%	[2] -3.1%
Average return		2018 1 year	2017 - 2018 2 years	2016 - 2018 3 years	2015 - 2018 4 years	[2] 2014 - 2018 5 years
excluding dividend	%	−33.8%	−12.8%	1.0%	−1.5%	−2.7%
including dividend	%	−31.3%	−9.7%	5.8%	3.5%	2.0%

[1] Proposed
[2] Based on 2013 price of CHF 248.70

3 KEY SHARE DATA

		2018	2017	2016	2015	2014
Operating profit (EBIT) per share [1] [2]	CHF	22.84	23.05	21.64	16.41	8.99
Free cash flow per share [1] [2] [3]	CHF	12.47	23.93	21.74	24.52	10.05
Earnings per share [1] [2]	CHF	15.28	15.26	17.27	12.51	3.13
Equity per share [1]	CHF	156.07	215.27	158.97	150.68	186.12
P /E Ratio [1] [2]	31.12.	14.07	21.29	16.75	16.71	72.93

[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		**31.12.2018**	31.12.2017
Composition	Significant shareholders > 5 %	15.9 % of shares	15.9 % of shares
	10 largest shareholders	32.6 % of shares	36.9 % of shares
	100 largest shareholders	44.2 % of shares	48.8 % of shares
Origin	Switzerland	60.4 % of shares	52.0 % of shares
	Elsewhere	39.6 % of shares	48.0 % 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 20178

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 of Valora Holding AG on 13 April 2018, shareholders approved the creation of authorised share capital of up to CHF 400,000 by issuing a maximum of 400000 registered shares with a nominal value of CHF 1 by no later than 13 April 2020.

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

		2018	2017	2016	2015	2014
Total registered shares [1]	Shares	3 990 000	3 990 000	3 435 599	3 435 599	3 435 599
Number of treasury shares [1]	Shares	53 615	61 495	77 078	115 915	61 869
Number of shares outstanding [1]	Shares	3 936 385	3 928 505	3 358 521	3 319 684	3 373 730
Market capitalisation [1])	CHF million	846	1 277	972	694	771
Average number of shares outstanding	Shares	3 932 706	3 427 949	3 339 499	3 358 171	3 388 061
Number of registered shareholders [1]		8 713	7 470	6 990	8 695	7 889

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

6 TAX VALUES

	Securities no.	**As at 31.12.2018**	As at 31.12.2017	As at 31.12.2016	As at 31.12.2015	As at 31.12.2014
Registered shares of CHF 1.00	208 897	215.00	325.00	289.25	209.00	228.40
2.5 % bond 2012 – 2018	14 903 902	-	102.41 %	102.65 %	104.30 %	103.75 %
4.0 % hybrid bond	21 128 255	-	102.85 %	105.60 %	104.55 %	101.05 %

FIVE-YEAR SUMMARY

		31.12.2018	31.12.2017	31.12.2016	31.12.2015	31.12.2014
Net revenues [1) 2)]	CHF million	**2 122.1**	**2 001.6**	**2 095.0**	**2 077.4**	**1 932.6**
Change	%	+6.0	–4.5	+0.8	+7.5	+2.3
EBITDA [1)]	CHF million	**156.0**	**133.7**	**127.6**	**117.6**	**109.3**
Change	%	+16.7	+4.8	+8.5	+7.6	–4.7
in % of net revenues	%	7.4	6.7	6.1	5.7	5.7
Operating profit (EBIT) [1)]	CHF million	**89.8**	**79.0**	**72.3**	**55.1**	**30.5**
in % of net revenues	%	4.2	3.9	3.4	2.7	1.6
Change	%	+13.7	+9.3	+31.1	+81.0	–48.5
Net profit from continuing operations	CHF million	**64.1**	**57.1**	**62.5**	**46.8**	**15.4**
Change	%	+12.2	–8.6	+33.5	+203.7	–47.3
in % of net revenues	%	3.0	2.9	3.0	2.3	0.8
in % of equity	%	10.4	7.7	11.8	9.2	2.4
Net cash provided by (used in) [1)]						
Operating activities	CHF million	116.0	114.2	113.0	125.5	91.9
Ordinary investment activities	CHF million	–67.0	–32.1	–40.4	–43.2	–57.9
Free cash flow [1)]	CHF million	**49.0**	**82.0**	**72.6**	**82.3**	**34.0**
Earnings per share [1)]	CHF	**15.28**	**15.26**	**17.27**	**12.51**	**3.13**
Change	%	+0.1	–11.6	+38.0	+299.7	–59.3
Free cash flow per share [1)]	CHF	**12.47**	**23.93**	**21.74**	**24.52**	**10.05**
Change	%	–47.9	+10.1	–11.3	+144.0	–33.4
Cash and cash equivalents	CHF million	**104.8**	**152.5**	**159.4**	**116.3**	**129.0**
Equity	CHF million	**613.8**	**737.9**	**530.9**	**506.0**	**630.6**
Equity ratio	%	46.3	52.4	45.5	41.5	44.0
Number of employees at December 31	FTE	**4 230**	**4 265**	**4 228**	**4 349**	**4 435**
Change	%	–0.8	+0.9	–2.8	–1.9	–3.9
Net revenues per employee	CHF 000	**502**	**469**	**495**	**478**	**436**
Change	%	+6.9	–5.3	+3.7	+9.6	+6.3
Number of outlets operated by Valora		**1 868**	**1 882**	**1 872**	**1 838**	**1 647**
of which agencies		1 105	1 031	1 014	990	702
Number of franchise outlets		**881**	**872**	**543**	**471**	**459**

All totals and percentages are based on unrounded figures from the consolidated financial statements.
1) From continuing operations
2) 2017 restated according to IFRS 15

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

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