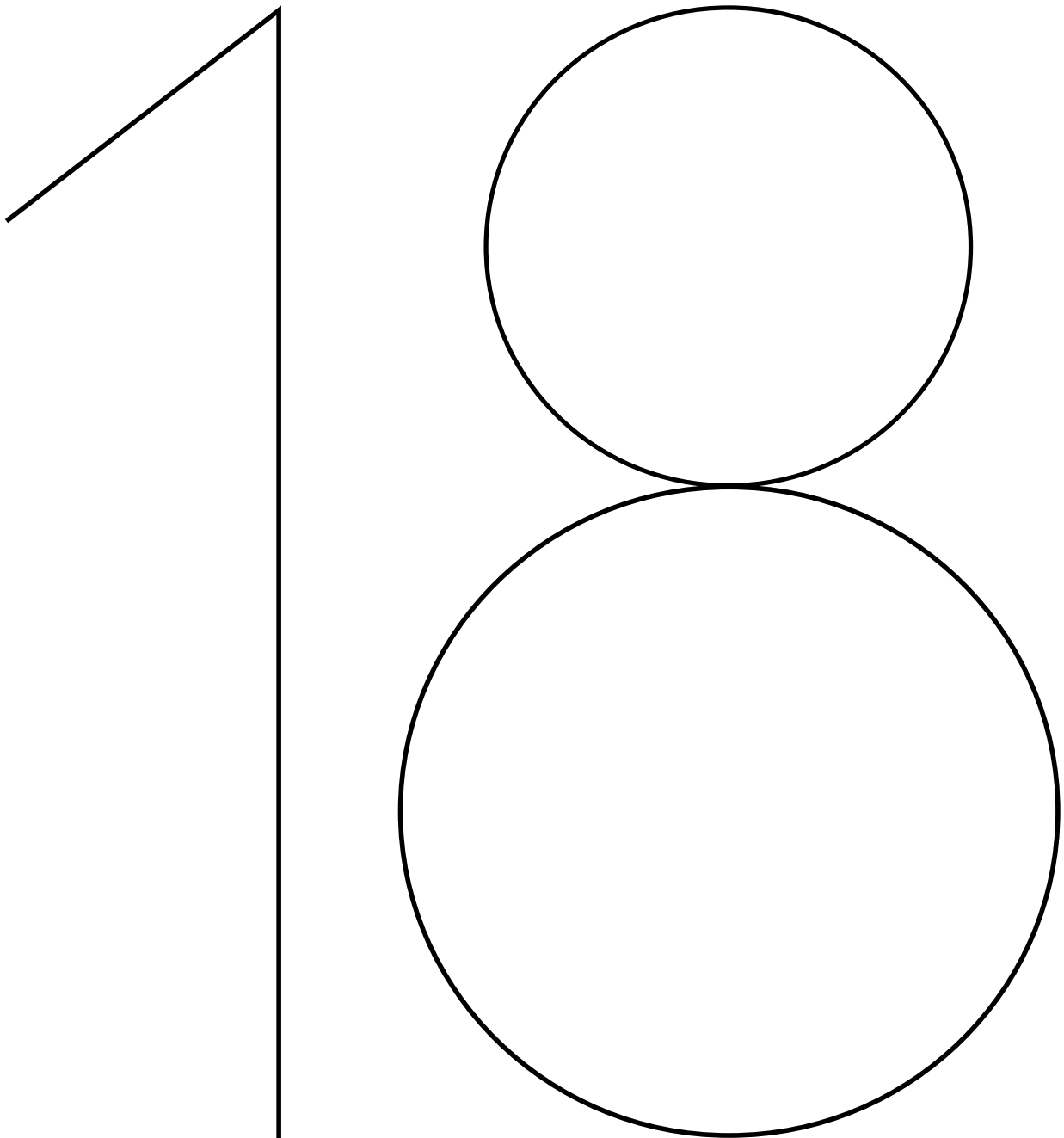


valora

HALF-YEAR
REPORT



GROUP PERFORMANCE

Valora closed the first half of 2018 with +3.8% EBIT growth to CHF 36.0 million and an EBIT margin of 3.5%, thus confirming the expectations announced for the 2018 financial year. EBITDA increased by +11.6% to CHF 67.6 million, stemming from the results contribution of BackWerk, organic growth and positive exchange rate effects. These positive factors far outweigh the one-off book gain from the sale of the Naville property in Geneva in the previous year. Free cash flow rose by +13.0% to CHF 10.0 million.

External sales increased by +15.0% to CHF 1,347.2 million year-on-year while net revenues grew by +7.6% to CHF 1,042.6 million. Growth in local currency was +10.9% and +4.5% respectively. Return on capital employed (ROCE) was 7.7% compared to 8.6% at the end of 2017, due to the higher capital employed after the acquisition. Net profit from continuing operations increased by +3.4% to CHF 24.7 million, while Group net profit at CHF 21.0 million was down on the previous year (CHF 24.1 million) due to a value adjustment for discontinued operations.

Retail CH – now excluding Austria, which has been allocated to Retail DE/LU, including for the previous year – maintained profitability at last year's high level, whereby last year's figures also included a book gain from the property sale in Geneva. At the same time, Retail CH under the new management is working full steam on the further development of the concepts for its store formats. On 13 July 2018, the first realigned avec convenience store opened in Bern, in which Valora adopts the latest foodvenience trends and focuses on hand-made, fresh products. The profitability of Retail DE/LU/AT remained below expectations following a challenging first half-year. Lagging behind Switzerland, Germany is now also experiencing a pronounced market-driven decline in sales of high-margin press products. Moreover, the first four months saw a lower frequency of customer visits due to significantly lower temperatures relative to the previous year. Positive earnings effects from cost-cutting initiatives and projects, such as the accelerated promotion of alternative tobacco products (e-smoke), food and services are anticipated in the second half of 2018.

In the Food Service division, the integration of BackWerk is proceeding well. Moreover, initial steps were taken in the further expansion of pretzel production capacity: in the first half of 2018, Pretzel Baron, now operating as Ditsch USA, doubled the capacity of its current line. At the same time, the project to expand production capacity at Ditsch in Oranienbaum (Germany) by adding two more production lines in a new, separate building has started. It is scheduled for completion in 2019.

A NET REVENUES

<i>Net revenues (NR)</i>	2018	2018 share in %	2017 ¹⁾	2017 share in %		Change
in CHF million						in local currency
Valora Retail CH	585.4	56.2%	592.7	61.1%	-1.2%	-1.2%
Valora Retail DE/LU/AT	279.4	26.8%	245.0	25.3%	+14.1%	+5.0%
Valora Retail	864.8	83.0%	837.7	86.4%	+3.2%	+0.7%
Food Service	175.2	16.8%	130.3	13.4%	+34.4%	+27.6%
Other	2.5	0.2%	1.4	0.1%	n.a.	n.a.
Total Group	1 042.6	100.0%	969.4	100.0%	+7.6%	+4.5%
Switzerland	637.3	61.1%	641.7	66.2%	-0.7%	-0.7%
Elsewhere	405.3	38.9%	327.7	33.8%	+23.7%	+13.9%

¹⁾ restated according to IFRS 15.

In the first half of 2018, Valora posted an increase in net revenues of +7.6% to CHF 1 042.6 million due to the contribution of BackWerk, positive exchange rate effects, higher Food Service sales and more own stores in Retail DE/LU/AT.

Retail CH earned net revenues of CHF 585.4 million compared to CHF 592.7 million in the prior-year period. While sales were on a par with the previous year on a same-store basis (-0.1%), the closure of net 23 points of sale since half-year 2017 led to a slight contraction in sales (-1.2%).

Retail DE/LU/AT increased net revenues in the first half of 2018 by +14.1% to CHF 279.4 million. In local currency, net revenues increased by +5.0%, primarily due to more own stores in Germany, while revenues remained on a par with the previous year on a same-store basis (-0.1%). In spite of the weather-induced lower frequency of customer visits during the first four months of the year, ongoing sales growth in food, non-food, tobacco and alternative tobacco products compensated for the market-driven decline in press products in Germany (-7.6%).

Net revenues for the **Food Service** division improved by +34.4% in the first half of 2018 to CHF 175.2 million. Growth in local currency was +27.6%, mainly as a result of the contribution of the acquired franchise business Backwerk which was first consolidated in November 2017. Nine BackWerk locations (net) have been opened since the acquisition. In addition, Retail business continued to grow on a same-store basis in the Food Service formats in Switzerland (+4.1%) and for Ditsch in Germany (+1.9%). Ditsch business-to-business (B2B) also achieved solid growth (+1.9%).

B GROSS PROFIT

<i>Gross profit</i>	2018	2018 share in %	2018 % of NR	2017	2017 share in %	2017 % of NR ¹⁾	Change	
in CHF million							in local currency	
Valora Retail CH	229.8	48.5%	39.3%	226.0	54.3%	38.1%	+ 1.7%	+ 1.7%
Valora Retail DE/LU/AT	98.8	20.8%	35.3%	88.4	21.2%	36.1%	+ 11.7%	+ 2.8%
Valora Retail	328.6	69.3%	38.0%	314.4	75.5%	37.5%	+ 4.5%	+ 2.0%
Food Service	142.9	30.1%	81.6%	100.6	24.2%	77.2%	+ 42.0%	+ 35.1%
Other	2.5	0.5%	n.a.	1.4	0.3%	n.a.	n.a.	n.a.
Total Group	474.0	100.0%	45.5%	416.4	100.0%	43.0%	+ 13.8%	+ 10.4%

¹⁾ restated according to IFRS 15.

Gross profit rose from CHF 416.4 million to CHF 474.0 million. The + 10.4% increase in local currency is due to the results contribution of BackWerk plus growth in all operating units. The gross profit margin improved by + 2.5 percentage points to 45.5%.

Retail CH increased its gross profit by + 1.7% in the first half of 2018 to CHF 229.8 million. Higher promotional revenues were the main factor in the margin improvement of + 1.1 percentage points to 39.3%.

Retail DE/LU/AT posted an increase in gross profit of + 2.8% in local currency to CHF 98.8 million due to the sales growth mentioned in Chapter A. Because of the contraction in sales of high-margin press products, the gross profit margin is 35.3% compared to 36.1% in the previous year.

Food Service achieved gross profit growth of + 35.1% in local currency to CHF 142.9 million, mainly as a result of the sales effects outlined in Chapter A. The gross profit margin also improved by + 4.4 percentage points to 81.6%. This growth is driven by the attractive margin profile of BackWerk as well as by the organic improvements that were achieved in spite of the fact that raw material prices for dairy products remained high at the previous year's level.

C OPERATING COSTS, NET

<i>Net operating costs</i>	2018	2018 share in %	2018 % of NR	2017	2017 share in %	2017 % of NR ¹⁾	Change	
in CHF million							in local currency	
Valora Retail CH	-206.2	47.1%	-35.2%	-202.4	53.0%	-34.1%	+1.9%	+1.9%
Valora Retail DE/LU/AT	-95.4	21.8%	-34.1%	-82.1	21.5%	-33.5%	+16.3%	+7.2%
Valora Retail	-301.6	68.9%	-34.9%	-284.4	74.5%	-34.0%	+6.0%	+3.5%
Food Service	-128.0	29.2%	-73.0%	-90.1	23.6%	-69.2%	+42.0%	+35.0%
Other	-8.4	1.9%	n.a.	-7.2	1.9%	n.a.	+17.6%	+17.3%
Total Group	-438.0	100.0%	-42.0%	-381.7	100.0%	-39.4%	+14.7%	+11.4%

¹⁾ restated according to IFRS 15.

At CHF –438.0 million, net operating costs are up +11.4% in local currency on the prior-year period, mainly because of BackWerk’s operating costs.

Retail CH posted net operating costs of CHF –206.2 million for the first half of 2018, compared to CHF –202.4 million in the previous year. This minor increase of +1.9% mainly results from the non-recurring book gain from the sale of the Neville property in Geneva in 2017.

Retail DE/LU/AT incurred costs of CHF –95.4 million. The +7.2% increase in local currency is due in part to the higher number of own stores. Depreciation was also higher due to investments in the sales outlet network, while additional costs were incurred for the further development of the IT platform and the introduction of an efficient ERP system adopting the Group standard.

Food Service costs came to CHF –128.0 million, compared to CHF –90.1 million in the previous year. This +35.0% increase in local currency mainly stems from BackWerk, plus higher volume-related costs. At –73.0%, the cost ratio was higher than in the previous year (–69.2%) due to the cost and revenue structure of BackWerk.

D OPERATING PROFIT (EBIT)

<i>Operating profit (EBIT)</i>	2018	2018 share in %	2018 % of NR	2017	2017 share in %	2017 % of NR ¹⁾	Change	
in CHF million							in local currency	
Valora Retail CH	23.6	65.6%	4.0%	23.6	68.1%	4.0%	+0.1%	+0.1%
Valora Retail DE/LU/AT	3.4	9.3%	1.2%	6.4	18.4%	2.6%	-47.3%	-52.7%
Valora Retail	27.0	75.0%	3.1%	30.0	86.4%	3.6%	-10.0%	-12.1%
Food Service	14.9	41.4%	8.5%	10.5	30.2%	8.0%	+42.4%	+35.8%
Other	-5.9	-16.3%	n.a.	-5.8	-16.6%	n.a.	n.a.	n.a.
Total Group	36.0	100.0%	3.5%	34.7	100.0%	3.6%	+3.8%	+0.3%

¹⁾ restated according to IFRS 15.

Group EBIT rose by +3.8% or CHF +1.3 million to CHF 36.0 million. BackWerk's EBIT contribution as well as operating growth in Food Service and Retail CH more than offset the decline incurred by Retail DE/LU/AT and the non-recurring book gain from the property sale in the previous year.

Retail CH achieved EBIT of CHF 23.6 million in the first half of 2018, which was exactly on a par with the previous year. After adjusting the 2017 result for the book gain from the Naville property in Geneva (CHF 2.9 million), operating growth was CHF +2.9 million or +13.9%. The EBIT margin also maintains the prior-year level of 4.0%, increasing by +0.5 percentage points in operating terms.

EBIT for **Retail DE/LU/AT** is CHF 3.4 million compared to CHF 6.4 million in the prior-year period. The result was affected by the negative development in press product sales and of the product mix. Moreover, sales outlets in the start-up phase also impacted the result. Positive earnings effects from the current cost-cutting initiatives and projects are anticipated in the second half of the year.

EBIT for **Food Service** rose by +42.4% or CHF +4.4 million, or by +35.8% in in local currency, stemming from organic growth and BackWerk, the latter including amortisation of CHF -3.0 million on the acquired intangible assets. The EBIT margin improved by +0.5 percentage points to 8.5%.

E FINANCIAL RESULT, TAXES AND NET PROFIT

Net profit from continuing operations increased by +3.4% to CHF 24.7 million in the first half of 2018. Group net profit at CHF 21.0 million was down on the previous year (CHF 24.1 million) due to a value adjustment for discontinued operations.

The financial result of CHF –5.1 million was down slightly on the previous year (CHF –4.7 million). Higher exchange rate losses arising from the EUR/CHF exchange rate development were partially offset by lower interest expenses.

Tax expense for the first half was CHF –6.1 million, same as in the previous year, while the tax rate fell slightly from 20.2% to 19.8%.

In conjunction with the EBIT growth mentioned in Chapter D, these effects led to an increase in net profit from continuing operations from CHF 23.9 million to CHF 24.7 million.

The result from discontinued operations contains a value adjustment of CHF –3.7 million in the earn-out component related to the sale of the former Trade Division. Hence, Group net profit was CHF 21.0 million, compared to CHF 24.1 million in the first half of 2017.

F LIQUIDITY, CASH FLOW AND KEY FINANCIAL DATA

Free cash flow rose by +13.0% to CHF 10.0 million on the back of +11.6% EBITDA growth and a low level of net working capital. Both effects compensate for the non-recurring proceeds from the sale of the Geneva property in 2017. The equity ratio has risen by +0.5 percentage points to 52.9% since the start of the year. The debt ratio is at 2.0x EBITDA.

The Group increased free cash flow by CHF +1.2 million or +13.0% to CHF 10.0 million. Earnings before interest, taxes, depreciation and amortisation (EBITDA) improved by CHF +7.0 million or +11.6% to CHF 67.6 million. While net working capital rose by less than in the previous year, it remained at a low level due to normal business fluctuations. Net investment expenditure, on the other hand, was up on the previous year due to the non-recurring proceeds from the sale of the Geneva property in the first half of 2017 and increased investment activity, especially in the expansion of pretzel production capacity.

The equity ratio was 52.9% on 30 June 2018, up from 52.4% on 31 December 2017. At CHF 285.0 million, net debt as at 30 June 2018 was up on 31 December 2017 (CHF 246.1 million) following the payout of the dividend for the 2017 financial year. The debt ratio is 2.0x EBITDA, compared to 1.7x EBITDA as at 31 December 2017.

G RETURN ON CAPITAL EMPLOYED

<i>ROCE</i> ¹⁾	30.06.2018	31.12.2017	Percent- age-point change
in %			
Valora Retail CH	28.9%	28.1%	+0.8%
Valora Retail DE/LU/AT	7.3%	9.8%	-2.5%
Valora Retail	18.5%	19.8%	-1.3%
Food Service	5.4%	5.9%	-0.4%
Total Group ²⁾	7.7%	8.6%	-0.9%

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.

Group ROCE is 7.7% compared to 8.6% in the 2017 financial year. The higher ROCE profitability of Retail CH partially compensates for 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. The ROCE of Valora was 7.7% as at 30 June 2018, -0.9 percentage points below its level on 31 December 2017.

Already at a high level, **Retail CH's** ROCE rose by +0.8 percentage points to 28.9% thanks to the confirmation of previous year's EBIT profitability and the reduction of 2.6% in capital employed.

Retail DE/LU/AT reported a ROCE of 7.3% on 30 June 2018. The division lagged behind the previous year (9.8%) due to the contraction in EBIT in the first half of the year and a higher level of capital employed, partly caused by currency effects.

ROCE of **Food Service** is 5.4% compared to 5.9% in the 2017 financial year. The division's ROCE is temporarily lower as a result of the higher capital employed due to the BackWerk acquisition and the ongoing expansion of pretzel production capacity. The potential of these strategic investments has not yet been fully realised in EBIT.

Valora Holding AG



Franz Julen
Chairman



Michael Mueller
CEO

KEY FINANCIAL DATA

		30.06.2018	30.06.2017	Change
External sales ¹⁾	CHF million	1 347.2	1 171.8	+15.0 %
Net revenues ¹⁾	CHF million	1 042.6	969.4	+7.6 %
EBITDA ²⁾	CHF million	67.6	60.6	+11.6 %
in % of net revenues		6.5	6.3	
Operating profit (EBIT) ²⁾	CHF million	36.0	34.7	+3.8 %
in % of net revenues		3.5	3.6	
Net profit Group ²⁾	CHF million	24.7	23.9	+3.4 %
in % of net revenues		2.4	2.5	
in % of equity ³⁾		6.9	9.1	
Net cash provided by (used in) ²⁾				
Operating activities	CHF million	33.9	11.6	+191.4 %
Investment in property, plant, equipment and intangible assets	CHF million	-25.1	-23.7	+6.3 %
Proceeds from sales of property, plant, equipment and intangible assets	CHF million	1.3	20.9	-93.7 %
Free cash flow ²⁾	CHF million	10.0	8.9	+13.0 %
Earnings per share ²⁾	CHF	5.68	6.40	-11.3 %
Number of outlets operated by Valora		1 886	1 886	+0.0 %
of which agencies		1 010	1 028	-1.8 %
Number of franchise outlets		875	532	+64.5 %
		30.06.2018	31.12.2017	
Share price	CHF	324.00	325.00	-0.3 %
Market capitalisation	CHF million	1 275.0	1 276.8	-0.1 %
Cash and cash equivalents	CHF million	95.0	152.5	-37.7 %
Interest-bearing debt	CHF million	380.0	398.6	-4.7 %
Equity	CHF million	706.5	737.9	-4.3 %
Total liabilities and equity	CHF million	1 336.5	1 408.9	-5.1 %
Number of employees	FTE	4 366	4 265	+2.4 %

All totals and percentages are based on unrounded figures from the consolidated financial statements.

¹⁾ Restated

²⁾ From continuing operations

³⁾ Annualised net profit as % of the average equity

VALORA HALF-YEAR FINANCIAL STATEMENTS 2018

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CONSOLIDATED INCOME STATEMENT

	2018	%	2017 restated	%
1 January to 30 June, in CHF 000 (except per-share amounts)				
Net revenues	1 042 559	100.0%	969 365	100.0%
Cost of goods and materials	-568 579	-54.5%	-552 991	-57.0%
Personnel expenses	-134 997	-12.9%	-123 993	-12.8%
Other operating expenses	-273 125	-26.2%	-236 529	-24.4%
Depreciation, amortisation and impairments	-31 632	-3.0%	-25 915	-2.7%
Other income	2 431	0.2%	4 992	0.5%
Other expenses	-653	-0.1%	-249	-0.0%
Operating profit (EBIT)	36 005	3.5%	34 680	3.6%
Financial expenses	-5 745	-0.6%	-5 976	-0.6%
Financial income	596	0.1%	1 276	0.1%
Earnings before income taxes	30 856	3.0%	29 981	3.1%
Income taxes	-6 108	-0.6%	-6 057	-0.6%
Net profit from continuing operations	24 747	2.4%	23 923	2.5%
Net (loss)/profit from discontinued operations	-3 742	-0.4%	146	0.0%
Net profit	21 005	2.0%	24 069	2.5%
Attributable to shareholders of Valora Holding AG	18 605	1.8%	21 669	2.2%
Attributable to providers of hybrid capital	2 400	0.2%	2 400	0.2%
Attributable to providers of Valora Holding AG equity	21 005	2.0%	24 069	2.5%
Earnings per share ¹⁾				
from continuing operations, diluted and undiluted (in CHF)	5.68		6.40	
from discontinued operations, diluted and undiluted (in CHF)	-0.95		0.04	
from continuing and discontinued operations, diluted and undiluted (in CHF)	4.73		6.44	

¹⁾ Average number of shares outstanding in the reporting period 2018: 3 930 708 (2017: 3 363 966)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	2018	2017 restated
1 January to 30 June, in CHF 000		
Net profit	21 005	24 069
Remeasurement gains / (losses)	594	-95
Income taxes	-119	19
Items that will not be reclassified to profit or loss	475	-76
Cash flow hedge	285	851
Currency translation adjustments	-3 057	5 294
Items that may be reclassified to profit or loss	-2 772	6 145
Other comprehensive income	-2 297	6 069
Total comprehensive income	18 708	30 139
Attributable to shareholders of Valora Holding AG	16 308	27 739
Attributable to providers of hybrid capital	2 400	2 400
Attributable to providers of Valora Holding AG equity	18 708	30 139

CONSOLIDATED BALANCE SHEET

ASSETS	30.06.2018	%	31.12.2017	%
in CHF 000				
<i>Current assets</i>				
Cash and cash equivalents	95 009		152 515	
Trade accounts receivable	64 938		71 268	
Inventories	153 059		154 537	
Current income tax receivables	2 635		1 557	
Other current receivables	69 434		54 567	
Total current assets	385 075	28.8%	434 443	30.8%
<i>Non-current assets</i>				
Property, plant and equipment	223 122		227 894	
Goodwill, software and other intangible assets	698 847		707 849	
Investment in associates and joint ventures	50		50	
Financial assets	14 188		23 197	
Deferred income tax assets	15 200		15 474	
Total non-current assets	951 407	71.2%	974 465	69.2%
Total assets	1 336 482	100.0%	1 408 908	100.0%

LIABILITIES AND EQUITY

	30.06.2018	%	31.12.2017	%
in CHF 000				
<i>Current liabilities</i>				
Current financial liabilities	3 773		216 660	
Derivative financial liabilities	0		1 035	
Trade accounts payable	132 410		143 339	
Current income tax liabilities	6 907		7 102	
Other current liabilities	86 959		101 257	
Total current liabilities	230 049	17.2%	469 394	33.3%
<i>Non-current liabilities</i>				
Other non-current liabilities	384 524		190 554	
Non-current pension obligations	298		307	
Non-current provisions	2 562		3 562	
Deferred income tax liabilities	12 558		7 166	
Total non-current liabilities	399 942	29.9%	201 589	14.3%
Total liabilities	629 991	47.1%	670 983	47.6%
<i>Equity</i>				
Share capital	3 990		3 990	
Treasury shares	-16 230		-17 110	
Hybrid capital	119 098		119 098	
Fair value adjustments of financial instruments	-3		-288	
Retained earnings	668 391		697 932	
Cumulative translation adjustments	-68 755		-65 698	
Total equity	706 491	52.9%	737 924	52.4%
Total liabilities and equity	1 336 482	100.0%	1 408 908	100.0%

CONSOLIDATED CASH FLOW STATEMENT (CONDENSED)

	2018	2017
1 January to 30 June, in CHF 000		
Operating profit (EBIT)	36 005	34 680
Elimination of non-cash transactions	35 374	25 621
Cash flow before changes in net working capital	71 379	60 301
Changes in net working capital	-29 274	-41 632
Cash flows from operating activities	42 105	18 669
Interest and taxes paid	-8 245	-7 047
Cash flows from operating activities from continuing operations	33 860	11 621
Cash flows from operating activities from discontinued operations	2 822	146
Cash flows from operating activities	36 682	11 767
Acquisition of subsidiaries, net of cash acquired	-4 833	-10 049
Investment in property, plant, equipment and intangible assets	-25 137	-23 653
Proceeds from the sale of property, plant, equipment and intangible assets	1 327	20 923
(Investment in)/proceeds from the sale of financial assets	-57	137
Cash flow used in investing activities	-28 700	-12 642
Increase in current financial liabilities	38 500	680
Decrease in current financial liabilities	-257 841	-566
Proceeds from non-current financial liabilities	201 169	0
Repayment of non-current financial liabilities	-92	-19
Purchase of treasury shares	-8 451	-7 740
Sale of treasury shares	10 677	10 633
Dividends paid	-49 167	-42 047
Cash flows from financing activities	-65 204	-39 059
Net decrease in cash and cash equivalents	-57 222	-39 934
Exchange rate differences on cash and cash equivalents	-285	686
Cash and cash equivalents at the beginning of year	152 515	159 381
Cash and cash equivalents at 30 June	95 009	120 134

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Equity

	Share capital	Treasury shares	Hybrid capital	Fair value adjustments of financial instruments	Retained earnings	Cumulative translation adjustments	Total equity
in CHF 000							
Balance on 31 December 2016	3 436	-18 345	119 098	-1 988	520 220	-91 546	530 875
Net profit					24 069		24 069
Other comprehensive income				851	-76	5 294	6 069
Total comprehensive income				851	23 993	5 294	30 139
Share-based remuneration					1 690		1 690
Dividend paid to shareholders					-42 047		-42 047
Purchase of treasury shares		-7 740					-7 740
Sale of treasury shares		8 340			603		8 943
Distributions to providers of hybrid capital					-3 200		-3 200
Balance on 30 June 2017	3 436	-17 745	119 098	-1 138	501 258	-86 251	518 658
Balance on 31 December 2017	3 990	-17 110	119 098	-288	697 932	-65 698	737 924
Net profit					21 005		21 005
Other comprehensive income				285	475	-3 057	-2 297
Total comprehensive income				285	21 481	-3 057	18 708
Share-based remuneration					1 977		1 977
Dividend paid to shareholders					-49 167		-49 167
Purchase of treasury shares		-8 451					-8 451
Sale of treasury shares		9 331			-631		8 700
Distributions to providers of hybrid capital					-3 200		-3 200
Balance on 30 June 2018	3 990	-16 230	119 098	-3	668 391	-68 755	706 491

NOTES TO THE HALF-YEAR FINANCIAL STATEMENTS

1 INFORMATION REGARDING 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 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).

2 SIGNIFICANT ACCOUNTING POLICIES

These half-year financial statements comprise the consolidated financial statements of Valora Holding AG and its subsidiaries for the first six months of 2018. The statements are based on the set of uniformly prepared financial statements of the Valora Group companies. With the exception of the changes to International Financial Reporting Standards (IFRS) and their interpretations detailed in Note 3 below, these statements have been prepared according to the same accounting policies and valuation principles as those used for the Group's 2017 annual report. The reporting currency is the Swiss franc (CHF). These half-year financial statements have been compiled in accordance with SIX Swiss Exchange requirements in line with International Accounting Standard 34 (IAS 34) "Interim Financial Reporting". These statements do not include all the information contained in the consolidated annual report for 2017 and should therefore be read in conjunction with that document.

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

3 CHANGES TO ACCOUNTING POLICIES

Implementation of new International Financial Reporting Standards (IFRS). Since 1 January 2018, Valora applies IFRS 9 (Financial instruments) and IFRS 15 (Revenue from contracts with customers) for the first time.

IFRS 9. The standard introduces new classification and measurement principles for financial instruments. Valora applies the new expected credit loss model to its trade receivables using a simplified approach. This change did not have any significant impact.

As expected, the adoption of the hedge accounting rules also did not have any significant impact.

A few financial instruments were reclassified to new categories and measured at fair value where this was required by the new classification model. The impact of this change was insignificant.

IFRS 15. This standard introduces a binding new five-step model for the recognition of revenue. Revenue is recognised when control of the goods or services is transferred to the customer. The revenue that is recognised is the consideration received net of any deductions including discounts and sales deductions.

For sale of goods and sale of goods produced, the change to IFRS 15 had no impact.

Franchise fees are still recognised on a commission basis. As Valora does not control the goods sold to end customers in franchise outlets it considers itself as an agent.

Revenue from promotion services and listing fees is recognised upon satisfaction of the contractual performance obligation over time. A detailed analysis of the individual contracts and agreements showed that the conditions for recognising this revenue for outlets operated by Valora were not fulfilled according to IFRS 15.22 et seq. The performance obligations do not qualify as distinct services. The figures for the first half of 2017 were adjusted in application of the full retrospective method. In the reporting period this change led to a reduction in net revenue and a simultaneous reduction in the cost of goods and materials of TCHF 39 755 (in 2017: TCHF 35 713). Details are provided in footnote 7.

In addition to the changes described, further disclosures are required.

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

To secure business locations, Valora entered into a large number of lease contracts regarding sales outlets which will include variable sales-based components and fixed rental fees. The fixed rental fee will be capitalised as a right-of-use asset with the corresponding recognition of a lease liability, which will lead to the following:

- An increase in total assets due to an increase in property, plant and equipment and lease liabilities
- An increase in depreciation and a reduction of operating lease expenses

In addition, a considerable number of rental agreements were entered into with franchisees. Rental income from franchise contracts will be recognised as sub-lease. This will have the following consequences:

- A reduction in reported net revenues
- A reduction in right-of-use assets recognised under main rental agreements and simultaneously an increase in finance lease receivables (net investment in subleasing), resulting in lower depreciation

As a result of the above described adjustments in measurement and classification the cash flow statement will also be impacted.

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

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 6 months to 30.06.2018	Closing rate on 30.06.2018	Average rate for 6 months to 30.06.2017	Closing rate on 30.06.2017	Closing rate on 31.12.2017
Euro, EUR 1	1.170	1.157	1.076	1.095	1.170
US dollar, USD 1	0.967	0.991	0.995	0.958	0.974

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

5 ACQUISITIONS OF BUSINESS UNITS

Transactions in 2018.

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

Net assets purchased, purchase price, net cash used

The purchase price was CHF 4.4 million, of which CHF 4 million was paid in cash and CHF 0.4 million is outstanding under a contingent consideration arrangement. The purchase price mainly includes consideration paid for the acquired stock, retail equipment and other intangible assets.

From the acquisition date, Presse + Buch Grauert contributed net revenues of CHF 2.0 million with an immaterial impact on net profit. If the acquisition had been made on 1 January 2018, net revenues for 2018 would have been around CHF 4.0 million with an immaterial impact on net profit.

Transactions in 2017.

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

Net assets purchased, purchase price, net cash used

	Pretzel Baron Fair Value
in CHF 000	
Current assets	157
Non-current assets	7 419
= Acquired net assets	7 576
Goodwill	3 388
= Purchase price	10 964
= Cash outflow from the acquisition of subsidiaries	10 964

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

The purchase price for the acquisition was CHF 11.0 million, of which a conditional amount of CHF 0.9 million was paid in June 2018.

6 DISCONTINUED OPERATIONS

The net loss from discontinued operations in the first half of 2018 was TCHF 3 742; this related to the revaluation of the outstanding contingent consideration for the sale of the Trade Division.

The net profit in the first half-year 2017 includes a dividend received from an associated company.

7 SEGMENT REPORTING

Segment data by division

	Valora Retail	Food Service	Others	Elimination	Total Group
in CHF 000					
<i>Segment information for the six months to 30.06.2018</i>					
<i>Net revenues ^{1) 2)}</i>					
Total	864 837	175 176	2 546	0	1 042 559
From third parties	864 837	175 176	2 546	0	1 042 559
<i>Operating profit (EBIT)</i>					
Total	26 989	14 900	- 5 884	0	36 005
Operating profit (EBIT) in % of net revenues	3.1	8.5			3.5
<i>Segment assets</i>					
Total	650 091	716 600	520 020	- 550 229	1 336 482
<i>Segment liabilities</i>					
Total	244 137	342 268	593 813	- 550 229	629 990
<i>Segment information for the six months to 30.06.2017 (restated)</i>					
<i>Net revenues ^{1) 2)}</i>					
Total	837 667	130 307	1 390	0	969 365
From third parties	837 667	130 307	1 390	0	969 365
<i>Operating profit (EBIT)</i>					
Total	29 977	10 465	- 5 762	0	34 680
Operating profit (EBIT) in % of net revenues	3.6	8.0			3.6
<i>Segment assets</i>					
Total	655 145	450 111	387 722	- 380 174	1 112 803
<i>Segment liabilities</i>					
Total	270 700	196 201	507 419	- 380 174	594 145

¹⁾ As described in footnote 3, net revenues were reduced by TCHF 39 755 as a result of the IFRS 15 adoption (previous year TCHF 35 713) with a corresponding reduction by the same amount in the cost of goods and materials. The adjustment mostly affected Valora Retail.

²⁾ With the exception of the rental revenues from franchise outlets, net revenues represent revenues from external customers. They are free of inter-segment eliminations.

Segment information by region

2018

	Switzerland	Germany	Other countries	Group total
in CHF 000				
Net revenues with external parties ¹⁾	637 253	345 247	60 059	1 042 559

2017

	Switzerland	Germany	Other countries	Group total
in CHF 000				
Net revenues with external parties ¹⁾	641 650	278 612	49 103	969 365

¹⁾ 94 % (previous year: 97 %) of net revenues for the period comprise sales of goods. The remaining 6 % (previous year: 3 %) comprise franchise fees, commissions and other revenue from franchise outlets. Revenue is mostly recognised at a point in time.

8 SEASONAL EFFECTS

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

9 FINANCIAL INSTRUMENTS AND FAIR VALUES

The carrying amounts of the financial assets and liabilities in the scope of IFRS 7 and IFRS 13 generally correspond to their fair values. The only differences were under current financial liabilities at 31 December 2017, as a result of the bond. The market value of the bond was determined using the closing price on SIX Swiss Exchange on the relevant balance sheet date (Swiss securities ID: 14903902, ISIN: CH0149039023). This bond was repaid when it fell due in early 2018. There was therefore no longer a difference at 30 June 2018.

	Carrying amount 30.06.2018	Fair value 30.06.2018	Carrying amount 31.12.2017	Fair value 31.12.2017
in CHF 000				
Short-term financial liabilities	3 769	3 769	216 660	217 490

Valora placed a bonded loan in the amount of EUR 170 million with a five-year term on 11 January 2018. The fair value and carrying amount of this bonded loan are identical.

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:

30.06.2018

	Level 1	Level 2	Level 3	Total
in CHF 000				
<i>Measured at fair value</i>				
Assets				
Contingent consideration	0	0	4 044	4 044
Liabilities				
Contingent consideration	0	0	1 544	1 544

31.12.2017

	Level 1	Level 2	Level 3	Total
in CHF 000				
<i>Measured at fair value</i>				
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

10 DIVIDENDS PAID

On 19 April 2018 a dividend of CHF 12.50 per registered share was paid in respect of 2017 (CHF 12.50 per registered share for the previous year).

11 SUBSEQUENT EVENTS

This half-year report was authorised for issue by the Board of Directors of Valora Holding AG on 24 July 2018.

Muttenz, 25 July 2018

The next Ordinary General Meeting of shareholders of Valora Holding AG will be held on Friday, 29 March 2019.

This half-year report is published online in German and English. The original version is in English.

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