REVIEW OF GROUP RESULTS

With EBIT above its previously announced guidance, at CHF 72.3 million, and a good overall performance, Valora can look back on 2016 as a positive year. Consolidated EBIT was +31.1% ahead of its 2015 level, enabling the Valora Group to raise its EBIT margin by +0.8 percentage points to 3.4%. This brings Valora significantly closer to the goals it has set itself for the medium term. Net revenues increased by +0.8%, to CHF 2095.0 million. Group net profit came in at CHF 63.4 million, compared to CHF –28.8 million in 2015, when results were overshadowed by the goodwill-impairment charges arising from the sale of the Trade division. A +2.1 percentage-point increase in ROCE and free cash flow of CHF 72.6 million complete the picture of what has been a positive year for Valora.

At Retail Switzerland/Austria, the organisational efficiencies achieved and the synergies resulting from the integration of Naville Retail enabled the unit to achieve strong earnings growth in a market environment which remains challenging. Revenues from the record lottery jackpot which accumulated in Switzerland during November and December 2016 lent additional momentum to the business. Retail Germany/Luxembourg continued to grow. Having now largely streamlined its distribution network and operating models, and with its operational processes further enhanced, this unit has created a sound basis for further success in 2017.

Food Service grew through expansion, particularly at its Brezelkönig format in Switzerland, and maintained its excellent floor space productivity. The division also improved its gross-profit margin, especially in its B2B operations. Thanks to the investments made in its format, logistics and operations, Brezelkönig International is well placed to implement its franchise concept in 2017. Caffè Spettacolo has now been reassigned to Food Service Switzerland (for both 2015 and 2016). In the 2015 annual report its results were included in those for Retail Switzerland/Austria.

Bob Finance completed its first year of business with pleasing results. The projected interest income from loans granted exceeded the company’s operating costs, so that it was already able to report positive lifetime value in 2016.

Having sold Naville Distribution in August 2016 and the Naville building in Geneva in February 2017, Valora is now fully focused on its core business. The Group has begun 2017 with plenty of expansion and innovation initiatives in the pipeline. Through its purchase of Pretzel Baron, a young and aspiring pretzel producer in the US state of Ohio, Valora has paved the way for further international expansion of its core business and the enhancement of its position as one of the leading producers in the pretzel market. Furthermore, by replacing one of its production lines in Germany, Ditsch is also set to increase its output capacity.

A NET REVENUES

Net revenues (NR) in CHF million	2016	2016 share in %	2015	2015 share in %	Change	Change in local currency
Retail Switzerland / Austria	1 309.3	62.5 %	1 328.1	63.9 %	−1.4 %	−1.4 %
Retail Germany / Luxembourg	486.4	23.2 %	452.4	21.8 %	+7.5 %	+5.4 %
Naville Distribution	63.2	3.0 %	82.6	4.0 %	−23.4 %	−23.4 %
Elimination of intrasegment revenues	−25.2	−1.2 %	−28.2	−1.4 %	n.a.	n.a.
Valora Retail	1 833.8	87.5 %	1 834.9	88.3 %	−0.1 %	−0.6 %
Food Service	259.4	12.4 %	242.4	11.7 %	+7.0 %	+5.6 %
Other	1.9	0.1 %	0.1	0.0 %	n.a.	n.a.
Total Group	**2 095.0**	**100.0 %**	**2 077.4**	**100.0 %**	**+0.8 %**	**+0.2 %**
Switzerland	1 429.7	68.2 %	1 452.9	69.9 %	−1.6 %	−1.6 %
Elsewhere	665.3	31.8 %	624.6	30.1 %	+6.5 %	+3.8 %

Valora increased its net revenues by +0.8 % in 2016, to CHF 2 095.0 million. While Retail Germany / Luxembourg and Food Service achieved strong growth, the deconsolidation of Naville Distribution reduced revenues in the final months of the year.

Retail Switzerland / Austria generated net revenues of CHF 1 309.3 million in 2016, compared to CHF 1 328.1 million a year earlier. This modest decline reflects the closure of a net 39 outlets, primarily at sites with low footfall. In the last six months of 2016, same-store performance improved by +0.8 percentage points, but continues to be impeded by the ongoing challenges facing the Swiss market, where same-store revenues for 2016 as a whole were −2.2 % lower than in 2015. These two effects were partially offset by the January and February 2016 revenue contribution from the Naville Retail business, which was not consolidated into the 2015 results until March.

Retail Germany / Luxembourg grew its net revenues by +7.5 %, or +5.4 % in local currency, to CHF 486.4 million. This improvement principally reflects the greater number of outlets operated by the company itself and an increase in same-store net revenues of +2.0 %. Press sales in Germany remained comparatively stable for the year as a whole, while the second six months did not quite match the strong performance seen in the second half of 2015. On a same-store basis, sales of tobacco (+5.9 %) and food (+9.5 %) performed best, with food sales also benefiting from concerted efforts to promote Valora's private-label ok.- brand.

Until it was sold at the end of August, Naville Distribution generated 2016 net revenues of CHF 63.2 million, compared to CHF 82.6 million for 2015, the decline between the two years being attributable to the shorter 2016 reporting period. The net revenues shown here include intercompany sales of CHF 25.2 million.

Food Service increased its net revenues by +7.0 %, or +5.6 % in local currency, to CHF 259.4 million. All business areas contributed to this positive performance, with Ditsch in Germany raising its same-store net revenues by +0.4 %, while those at the Swiss formats advanced +1.9 %. In Switzerland, Brezelkönig also expanded its network considerably, adding +11 new outlets (net) during 2016, a +24 % increase on year-end 2015. In Ditsch's wholesale (B2B) business, net revenues rose a further +1.6 % on the impressive levels reached in 2015, despite a streamlining of the sales portfolio and preparations for the production-line upgrade at the Oranienbaum facility.

B GROSS PROFIT

Gross profit in CHF million	**2016**	**2016 share in %**	**2016 % of NR**	2015	2015 share in %	2015 % of NR	Change	Change in local currency
Retail Switzerland / Austria	473.5	54.4 %	36.2 %	473.3	56.0 %	35.6 %	+0.0 %	+0.0 %
Retail Germany / Luxembourg	171.3	19.7 %	35.2 %	156.9	18.6 %	34.7 %	+9.2 %	+7.0 %
Naville Distribution	23.1	2.7 %	36.6 %	29.8	3.5 %	36.1 %	–22.4 %	–22.4 %
Valora Retail	667.9	76.8 %	36.4 %	660.0	78.1 %	36.0 %	+1.2 %	+0.7 %
Food Service	199.8	23.0 %	77.0 %	185.1	21.9 %	76.4 %	+7.9 %	+6.6 %
Other	1.9	0.2 %	n.a.	0.1	0.0 %	n.a.	n.a.	n.a.
Total Group	**869.7**	**100.0 %**	**41.5 %**	**845.3**	**100.0 %**	**40.7 %**	**+2.9 %**	**+2.2 %**

Valora raised its gross profit by +2.9 % in 2016, to CHF 869.7 million, thus enhancing its gross-profit margin by +0.8 percentage points to 41.5 %.

Retail Switzerland / Austria generated a gross profit of CHF 473.5 million in 2016, matching its 2015 performance despite the revenue constraints outlined in section A above. This reflects the unit's +0.5 percentage-point improvement in its gross-profit margin, to 36.2 %, achieved thanks to increased promotional activities and more advantageous purchasing terms. The record lottery jackpot which accumulated in late 2016 also had a positive effect.

Gross profit at Retail Germany / Luxembourg advanced +9.2 %, or +7.0 % local currency, to reach CHF 171.3 million. The gross-profit margin was 35.2 %, +0.5 % higher than in 2015.

Until its sale at the end of August 2016, Naville Distribution generated a gross profit of CHF 23.1 million, versus CHF 29.8 million for 2015.

Food Service achieved a gross profit of CHF 199.8 million in 2016, which represents a +7.9 % increase on the 2015 figure, or +6.6 % in local currency. In addition to the revenue growth mentioned above, this also reflects a +0.7 percentage-point improvement in this unit's gross-profit margin, which reached 77.0 % in 2016. This positive performance is essentially attributable to optimisations to the B2B sales portfolio and enhanced purchasing terms.

C OPERATING COSTS, NET

Net operating costs in CHF million	**2016**	**2016 share in %**	**2016 % of NR**	2015	2015 share in %	2015 % of NR	Change	Change in local currency
Retail Switzerland / Austria	–434.0	54.4 %	–33.2 %	–445.0	56.3 %	–33.5 %	–2.5 %	–2.5 %
Retail Germany / Luxembourg	–154.9	19.4 %	–31.9 %	–145.4	18.4 %	–32.1 %	+6.6 %	+4.5 %
Naville Distribution	–19.3	2.4 %	–30.5 %	–25.3	3.2 %	–30.7 %	–23.9 %	–23.9 %
Valora Retail	–608.3	76.3 %	–33.2 %	–615.7	77.9 %	–33.6 %	–1.2 %	–1.7 %
Food Service	–173.0	21.7 %	–66.7 %	–159.9	20.2 %	–66.0 %	+8.2 %	+6.9 %
Other	–16.2	2.0 %	n.a.	–14.6	1.9 %	n.a.	+10.5 %	+10.5 %
Total Group	**–797.4**	**100.0 %**	**–38.1 %**	**–790.2**	**100.0 %**	**–38.0 %**	**+0.9 %**	**+0.3 %**

While the Group's total net operating costs rose by +0.9 % in 2016, due to higher output volumes and the expansion in Food Service activities, their share of overall net revenues remained stable, at –38.1 %. The organisational efficiencies achieved in 2016 and the synergies resulting from the integration of Naville Retail into Retail Switzerland / Austria both had a positive impact on net operating costs.

In 2016, Retail Switzerland / Austria cut its net operating costs by CHF –10.9 million or –2.5 %. Expressed as a proportion of net revenues, net operating costs were thus reduced by +0.4 percentage points compared to their 2015 levels. These savings were mainly achieved through increased organisational efficiency and the integration of Naville Retail, while the lower number of outlets also played a part. These factors more than offset the CHF –1.4 million increase in corporate cost allocations resulting from the sale of the Trade division.

Retail Germany / Luxembourg incurred net operating costs of CHF –154.9 million in 2016, a +6.6 % increase on the 2015 figure of CHF –145.4 million. While part of this increase is attributable to exchange rates (these same costs rose by +4.5 % in local currency), the greater number of outlets operated by this unit itself also played their part. Net operating costs as a percentage of net revenues improved by +0.3 percentage points in 2016.

Net operating costs at Naville Distribution amounted to CHF –19.3 million between January and August 2016, compared to CHF –25.3 million for 2015.

At Food Service, net operating costs for 2016 came in at CHF –173.0 million, up from CHF –159.9 million a year earlier. This equates to a +6.9 % increase in local currency terms, which is essentially attributable to expansion initiatives, both at home and internationally, and higher rates of output. These higher costs also reflect increased agency fees following the introduction of a minimum wage, higher maintenance expenses and the costs incurred in preparing for the production-line upgrade at the Oranienbaum site.

D OPERATING PROFIT (EBIT)

Operating profit (EBIT) in CHF million	**2016**	**2016 share in %**	**2016 % of NR**	2015	2015 share in %	2015 % of NR	Change	Change in local currency
Retail Switzerland / Austria	39.4	54.6 %	3.0 %	28.4	51.5 %	2.1 %	+ 38.9 %	+ 39.1 %
Retail Germany / Luxembourg	16.4	22.7 %	3.4 %	11.5	20.9 %	2.6 %	+ 41.9 %	+ 38.4 %
Naville Distribution	3.8	5.3 %	6.1 %	4.4	8.1 %	5.4 %	– 13.6 %	– 13.6 %
Valora Retail	59.6	82.5 %	3.3 %	44.4	80.5 %	2.4 %	+ 34.5 %	+ 33.7 %
Food Service	26.9	37.2 %	10.4 %	25.2	45.8 %	10.4 %	+ 6.4 %	+ 4.9 %
Other	– 14.2	– 19.7 %	n.a.	– 14.5	– 26.3 %	n.a.	– 1.8 %	– 1.8 %
Total Group	**72.3**	**100.0 %**	**3.4 %**	**55.1**	**100.0 %**	**2.7 %**	**+ 31.1 %**	**+ 29.7 %**

The Valora Group generated EBIT of CHF 72.3 million in 2016. This is CHF + 17.1 million, or + 31.1 %, better than its 2015 result, which was burdened by adverse one-off effects. This improved performance is largely due to the organisational efficiencies and synergies realised at Retail Switzerland / Austria and the operational achievements at Retail Germany / Luxembourg. The Group's EBIT margin for 2016 was 3.4 %, + 0.8 percentage points up on 2015.

EBIT at Retail Switzerland / Austria rose + 38.9 % in 2016, to CHF 39.4 million. This CHF + 11.0 million advance essentially reflects the synergies and organisational efficiencies this unit achieved in 2016. The 2016 EBIT result also benefited from increased promotional activities and the record lottery jackpot that accumulated in November and December 2016. The 2015 EBIT figure includes one-off restructuring costs and an impairment charge in Austria. 2016 also saw an improvement in this unit's EBIT margin, which rose + 0.9 percentage points to 3.0 %.

Thanks to a generally positive business performance, Retail GermanywLuxembourg managed to raise its EBIT by CHF + 4.8 million, or + 41.9 %, to CHF 16.4 million. The 2015 EBIT result included one-off costs arising from press inventory adjustments. The 2016 EBIT margin came in at 3.4 %, + 0.8 percentage points better than in 2015.

Until its sale at the end of August 2016, Naville Distribution contributed CHF 3.8 million to Group EBIT, versus CHF 4.4 million for 2015.

Food Service generated EBIT of CHF 26.9 million in 2016, a CHF + 1.6 million advance on 2015. The 2016 result includes one-off cost reimbursements of CHF 1.0 million. Higher sales and an enhanced gross-profit margin account for the increase. Profitability remains high, with a stable EBIT margin of 10.4 %.

Other EBIT amounted to CHF – 14.2 million. This includes a CHF 0.5 million book-value gain from the sale of Naville Distribution.

E FINANCIAL RESULT, TAXES AND NET RESULT

The net result achieved by the Valora Group in 2016 was CHF 63.4 million. This compares to CHF –28.8 million in 2015, when the net result was impacted by the goodwill-impairment charges arising from the sale of the Trade division.

The Valora Group's net financing result for 2016 came in at CHF –15.2 million, a CHF +2.0 million improvement on the figure for 2015. These lower costs are principally attributable to a CHF +4.7 million reduction in currency losses compared to 2015, when results were adversely affected by the Swiss National Bank's decision to abandon its EUR/CHF floor. The cost of bank loans and other interest-bearing liabilities rose by CHF –2.6 million in 2016. This increase reflects the one-off costs of unwinding the EUR 72 million interest-rate swap in connection with the early refinancing of the floating-rate tranche of the outstanding bonded-loan issue.

In 2016, Valora generated consolidated tax revenues of CHF 5.4 million (CHF 8.9 million in 2015). This reflects an increase in the amount of tax-loss carry forwards recognised on the balance sheet. Current income tax expense for 2016 amounted to CHF –2.2 million.

The Group's net result from continuing operations rose to CHF 62.5 million in 2016, up from CHF 46.8 million a year earlier.

The net result from discontinued operations was CHF 0.9 million in 2016. The CHF –75.6 million net result from discontinued operations for 2015 includes goodwill-impairment charges arising from the sale of the Group's former Trade division.

In aggregate, the Group thus achieved a net result of CHF 63.4 million in 2016, compared to CHF –28.8 million in 2015.

F LIQUIDITY, CASH FLOW AND KEY FINANCIAL DATA

Key financial data in CHF million	**2016**	2015
EBITDA[1]	**127.6**	**117.6**
Cash flow from operations[1]	113.0	125.5
Free cash flow/ before purchase/sale of subsidiaries[1]	**72.6**	**82.3**
Shareholder's equity	530.9	506.0
Total equity in % of total assets	45.5 %	41.5 %
Group net profit	**63.4**	**–28.8**
Net debt	202.0	251.1
Earnings per share in CHF[1]	**17.27**	**12.51**
Free cash flow per share in CHF[1]	**21.74**	**24.52**

[1] from continuing operations

Free cash flow was maintained at a substantial CHF 72.6 million. The non-recurrence of the positive one-off net working capital effect which occurred in 2015 was largely offset by the CHF + 10.0 million year-on-year increase in Group EBITDA. Equity cover, at 45.5 %, and consolidated net debt, at 1.6x EBITDA, both improved.

The Valora Group generated free cash flow of CHF 72.6 million in 2016, compared to CHF 82.3 million a year earlier, once again demonstrating its substantial cash-generating capabilities. Earnings before interest, tax, depreciation and amortisation (EBITDA) rose CHF + 10.0 million, or + 8.5 %, to CHF 127.6 million. Net working capital was maintained at a low level, despite the non-recurrence of the one-off positive effect experienced in 2015 and the adverse effect this had on 2016 free cash flow.

Shareholders' equity at year-end 2016 was equivalent to 45.5 % of total assets, a + 4.0 percentage-point increase on its year-end 2015 level. Consolidated net debt fell to CHF 202.0 million, compared to CHF 251.1 million on December 31, 2015. This resulted in an improved debt ratio of 1.6x EBITDA, down from 2.1x EBITDA at year-end 2015.

G RETURN ON CAPITAL EMPLOYED

ROCE [1] in %	**31.12.2016**	31.12.2015	Percentage-point change
Retail Switzerland / Austria	17.5 %	11.7 %	+5.8 %
Retail Germany / Luxembourg	11.5 %	7.7 %	+3.8 %
Valora Retail	15.4 %	10.3 %	+5.2 %
Food Service	6.9 %	6.6 %	+0.4 %
Total Group [2]	**8.2 %**	**6.1 %**	**+2.1 %**

[1] Capital employed is the average measured over the preceding five quarters. EBIT is the aggregate operating profit for the preceding twelve months.
[2] Consolidated EBIT includes Corporate costs and consolidated capital employed includes operating cash and cash equivalents relating to continuing operations.

The Group's ROCE for 2016 reflects the positive performance achieved by all Valora's operating businesses. As projected in 2015, it is now over 8 %, having increased by +2.1 percentage points to 8.2 %.

Return On Capital Employed (ROCE) is the key internal profitability metric used by the Valora Group. It is the ratio of the EBIT generated by the Group over the last 12 months to its average invested capital during the same period.

In 2016, the ROCE generated by Valora rose to 8.2 %, thus exceeding its weighted average cost of capital (WACC). The +2.1 percentage-point improvement in ROCE recorded in 2016 was essentially attributable to the improved EBIT performance of all business areas. The most notable advances were those achieved at Retail Switzerland / Austria (+5.8 percentage points) and Retail Germany / Luxembourg (+3.8 percentage points).