Financial Report

VALORA FINANCIAL REPORT 2017

REVIEW OF GROUP RESULTS

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

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

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

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

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

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

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

A NET REVENUES

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

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

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

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

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

B GROSS PROFIT

Gross profit in CHF million	**2017**	**2017 share in %**	**2017 % of NR**	2016	2016 share in %	2016 % of NR	Change	in local currency
Retail Switzerland / Austria	463.9	53.2 %	36.7 %	473.5	54.4 %	36.2 %	– 2.0 %	– 2.1 %
Retail Germany / Luxembourg	182.9	21.0 %	35.1 %	171.3	19.7 %	35.2 %	+ 6.8 %	+ 4.7 %
Naville Distribution	–	0.0 %	n.a.	23.1	2.7 %	36.6 %	– 100.0 %	– 100.0 %
Valora Retail	646.8	74.2 %	36.2 %	667.9	76.8 %	36.4 %	– 3.2 %	– 3.7 %
Food Service	222.0	25.5 %	77.4 %	199.8	23.0 %	77.0 %	+ 11.1 %	+ 9.8 %
Other	3.4	0.4 %	n.a.	1.9	0.2 %	n.a.	n.a.	n.a.
Total Group	**872.2**	**100.0 %**	**42.0 %**	**869.7**	**100.0 %**	**41.5 %**	**+ 0.3 %**	**– 0.4 %**

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

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

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

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

C OPERATING COSTS, NET

Net operating costs in CHF million	**2017**	**2017 share in %**	**2017 % of NR**	2016	2016 share in %	2016 % of NR	Change	Change in local currency
Retail Switzerland / Austria	–410.2	51.7 %	–32.4 %	–434.0	54.4 %	–33.2 %	–5.5 %	–5.5 %
Retail Germany / Luxembourg	–166.4	21.0 %	–32.0 %	–154.9	19.4 %	–31.9 %	+7.4 %	+5.4 %
Naville Distribution	-	0.0 %	n.a.	–19.3	2.4 %	–30.5 %	–100.0 %	–100.0 %
Valora Retail	–576.7	72.7 %	–32.3 %	–608.3	76.3 %	–33.2 %	–5.2 %	–5.7 %
Food Service	–195.8	24.7 %	–68.3 %	–173.0	21.7 %	–66.7 %	+13.2 %	+11.8 %
Other	–20.7	2.6 %	n.a.	–16.2	2.0 %	n.a.	+28.1 %	+28.0 %
Total Group	**–793.2**	**100.0 %**	**–38.2 %**	**–797.4**	**100.0 %**	**–38.1 %**	**–0.5 %**	**–1.2 %**

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

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

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

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

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

D OPERATING PROFIT (EBIT)

Operating profit (EBIT) in CHF million	**2017**	**2017 share in %**	**2017 % of NR**	2016	2016 share in %	2016 % of NR	Change	Change in local currency
Retail Switzerland / Austria	53.6	67.9 %	4.2 %	39.4	54.6 %	3.0 %	+ 36.0 %	+ 36.0 %
Retail Germany / Luxembourg	16.5	20.9 %	3.2 %	16.4	22.7 %	3.4 %	+ 0.7 %	– 1.7 %
Naville Distribution	–	0.0 %	n.a.	3.8	5.3 %	6.1 %	– 100.0 %	– 100.0 %
Valora Retail	70.1	88.7 %	3.9 %	59.6	82.5 %	3.3 %	+ 17.5 %	+ 16.8 %
Food Service	26.2	33.1 %	9.1 %	26.9	37.2 %	10.4 %	– 2.5 %	– 3.6 %
Other	– 17.3	– 21.9 %	n.a.	– 14.2	– 19.7 %	n.a.	n.a.	n.a.
Total Group	**79.0**	**100.0 %**	**3.8 %**	**72.3**	**100.0 %**	**3.4 %**	**+ 9.3 %**	**+ 8.3 %**

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

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

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

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

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

E FINANCIAL RESULT, TAXES AND NET RESULT

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

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

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

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

F LIQUIDITY, CASH FLOW AND KEY FINANCIAL DATA

Key financial data

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

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

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

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

G RETURN ON CAPITAL EMPLOYED

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

[1] Capital employed is the average measured over the preceding 13 months. EBIT is the aggregate operating profit for the preceding 12 months.
[2] Consolidated EBIT includes Corporate costs and consolidated capital employed includes operating cash and cash equivalents relating to continuing operations.

The Group's ROCE improved as a result of the increase in EBIT by + 0.3 percentage points to 8.6 %.

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

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

CONSOLIDATED INCOME STATEMENT

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

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

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

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

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

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

CONSOLIDATED BALANCE SHEET

ASSETS

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

LIABILITIES AND EQUITY

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

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

CONSOLIDATED CASH FLOW STATEMENT

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

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

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Equity

	Equity of Valora Holding AG								
in CHF 000	**Share capital**	**Treasury shares**	**Hybrid capital**	**Fair value adjustments of financial instruments**	**Retained earnings**	**Cumulative translation differences**	**Total equity of Valora Holding AG**	**Share of equity attributable to non-controlling interests**	**Total equity**
Balance on 31 December 2015	**3 436**	**–26 849**	**119 098**	**–7 083**	**503 745**	**–86 359**	**505 988**	**27**	**506 015**
Net profit					63 402		63 402		63 402
Other comprehensive income				5 095	–1 022	–5 187	–1 114		–1 114
Total comprehensive income				**5 095**	**62 380**	**–5 187**	**62 288**		**62 288**
Share-based remuneration					1 983		1 983		1 983
Dividend paid to shareholders					–41 636		–41 636		–41 636
Purchase of treasury shares		–9 629					–9 629		–9 629
Sale of treasury shares		18 133			–1 452		16 681		16 681
Distributions to providers of hybrid capital					–4 800		–4 800		–4 800
Disposal of non-controlling interests								–27	–27
Balance on 31 December 2016	**3 436**	**–18 345**	**119 098**	**–1 988**	**520 219**	**–91 545**	**530 875**	**0**	**530 875**
Net profit					57 150		57 150		57 150
Other comprehensive income				1 701	–1 426	25 847	26 121		26 121
Total comprehensive income				**1 701**	**55 723**	**25 847**	**83 271**	**0**	**83 271**
Share-based remuneration					2 758		2 758		2 758
Dividends paid to shareholders					–42 047		–42 047		–42 047
Purchase of treasury shares		–14 787					–14 787		–14 787
Sale of treasury shares		16 022			874		16 896		16 896
Distributions to providers of hybrid capital					–4 800		–4 800		–4 800
Increase of share capital	554				165 206		165 760		165 760
Balance on 31 December 2017	**3 990**	**–17 110**	**119 098**	**–288**	**697 932**	**–65 698**	**737 924**	**0**	**737 924**

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 INFORMATION ABOUT THE GROUP

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

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

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

2 ACCOUNTING POLICIES

Basis of preparation. In preparing its consolidated financial statements, Valora generally applies the historical cost principle. The exceptions to this are derivative financial instruments and financial assets available for sale, both of which are measured at fair value. Consolidation is based on the individual Group companies' financial statements, which are prepared according to a uniform set of accounting principles. The Group presents its accounts in Swiss francs (CHF). Unless otherwise stated, all values are stated in thousands of Swiss francs (CHF 000).

Compliance with IFRS, the Swiss Code of Obligations and Swiss Stock Exchange listing rules. The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and in compliance with the legal provisions of the Swiss Code of Obligations. They also meet the listing rules specified of the SIX Swiss Exchange.

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

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

Consolidation method. All intra-Group assets, liabilities, income and expenses, and all unrealised gains or losses from intra-Group transactions, are eliminated in full. When companies are acquired, all identifiable assets, liabilities and contingent liabilities of the acquired entity are recognised at fair value at the acquisition date, and the difference between the consideration paid and the fair value of the company's net assets at the time of the acquisition is recognised as goodwill. Non-controlling interests are defined as that part of the equity of a subsidiary which is neither directly nor indirectly attributable to the shareholders of Valora Holding AG. Acquisitions of non-controlling interests are treated as equity transactions, with the difference between the consideration paid and the carrying amount of the non-controlling interests acquired recognised in equity attributable to the shareholders of Valora Holding AG.

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

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

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

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

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

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

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

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

3 CHANGES TO ACCOUNTING POLICIES

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

4 GENERAL ACCOUNTING POLICIES

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

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

Translation rates used for Valora's major foreign currencies

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Available for sale financial assets. This category includes equity interests (with a shareholding of less than 20%) and financial assets that have not been assigned to any other category. Available-for-sale financial assets are classified as non-current, with the exception of instruments that are expected to be sold within 12 months of the balance sheet date.
All purchases and sales of financial assets are recognised on the date of purchase or sale. Other than those that are recognised at fair value through profit or loss, financial assets are initially recognised at fair value, including transaction costs.

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

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

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

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

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

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

5 MANAGEMENT ESTIMATES, ASSUMPTIONS AND DISCRETION

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

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

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

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

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

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

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

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

6 ACQUISITIONS AND DISPOSAL OF BUSINESS UNITS

Transactions in 2017.

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

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

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

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

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

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

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

Goodwill has not yet been allocated.

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

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

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

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

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

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

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

Transactions in 2016.

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

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

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

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

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

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

Net assets disposed of, net sale price, cash inflow

in CHF 000	30.08.2016
Current assets	37 760
Intangible assets	38 259
Other non-current assets	3 511
Current liabilities	–37 087
Non-current liabilities	–12 460
= Sold net assets	**29 983**
Gain on disposal	2 138
= Net sale price	**32 121**
Cash and cash equivalents disposed	–11 754
= Cash inflow from sales of subsidiaries	**20 367**

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

7 DISCONTINUED OPERATIONS

Transactions in 2016.

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

Income statement for discontinued operations

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

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

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

8 SEGMENT REPORTING

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

Valora Retail: Valora Retail operates small retail outlets at heavily frequented locations in Switzerland, Germany, Luxembourg and Austria. The division operates country-wide marketing and distribution systems for press products, tobacco and consumer products for everyday needs as well as impulse purchases. Valora Retail's brands include the k kiosk, k presse + buch, avec, P & B, ServiceStore DB and CIGO formats, among other brands.

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

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

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

Segment data

2017 in CHF 000	Valora Retail	Food Service	Other	Elimination	Group total
Net revenues					
Total	**1 785 118**	**286 703**	**3 430**	**0**	**2 075 251**
From third parties	1 785 118	286 703	3 430	0	2 075 251
Operating profit (EBIT)					
Total	**70 109**	**26 184**	**–17 279**	**0**	**79 014**
Depreciation, amortisation and impairments	32 775	18 495	3 428	0	54 698
Additions to non-current assets					
Total	**31 284**	**20 456**	**982**	**0**	**52 723**
Segment assets					
Total	**663 693**	**724 554**	**575 176**	**–554 516**	**1 408 908**
Segment liabilities					
Total	**270 340**	**341 506**	**613 653**	**–554 516**	**670 983**

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

2016

in CHF 000	Valora Retail	Food Service	Others	Elimination	Group total
Net revenues					
Total	**1 833 763**	**259 279**	**1 914**	**0**	**2 094 956**
From third parties	1 833 763	259 279	1 914	0	2 094 956
Operating profit (EBIT)					
Total	**59 646**	**26 854**	**– 14 237**	**0**	**72 263**
Depreciation, amortisation and impairments	34 793	15 604	4 960	0	55 358
Additions to non-current assets					
Total	**24 804**	**19 582**	**4 566**	**0**	**48 952**
Segment assets					
Total	**659 105**	**431 306**	**421 091**	**– 344 264**	**1 167 238**
Segment liabilities					
Total	**317 961**	**165 619**	**497 047**	**– 344 264**	**636 362**

Third-party net revenues include CHF 1 753 million from the sale of goods, CHF 128 million from the provision of services and CHF 213 million from the sale of products produced by Valora itself. Depreciation, amortisation and impairments include impairments of CHF 2.4 million in the Valora Retail segment and impairments in the Food Services segment of CHF 0.5 million.

Segment information by region

2017

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

2016

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

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

9 PERSONNEL EXPENSES

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

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

10 OTHER OPERATING EXPENSES

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

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

11 OTHER INCOME AND OTHER EXPENSES

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

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

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

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

12 FINANCIAL EXPENSE

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

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

13 FINANCIAL INCOME

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

14 INCOME TAXES

Income tax is broken down as follows:

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

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

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

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

The change in deferred income taxes is as follows:

Change in deferred tax assets / liabilities

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

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

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

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

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

15 EARNINGS PER SHARE

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

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

In 2017 and 2016 there were no dilutive effects.

16 CASH AND CASH EQUIVALENTS

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

17 TRADE ACCOUNTS RECEIVABLE

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

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

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

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

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

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

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

18 INVENTORIES

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

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

19 OTHER CURRENT RECEIVABLES

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

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

20 PROPERTY, PLANT AND EQUIPMENT

in CHF 000	Land	Building	Machinery and equipment	Projects in progress	Total
Acquisition costs					
Balance on 31 December 2015	**7 031**	**48 256**	**428 518**	**7 106**	**490 910**
Disposals from the scope of consolidation	0	–541	–2 824	0	–3 365
Additions	1 151	347	22 206	17 719	41 423
Disposals	–440	–392	–46 125	0	–46 957
Reclassifications	0	18	10 932	–10 950	0
Currency translation differences	–45	–139	–1 481	–173	–1 838
Balance on 31 December 2016	**7 697**	**47 549**	**411 225**	**13 701**	**480 173**
Consolidation scope additions	492	2 462	8 818	0	11 773
Additions	1	1 520	33 602	11 137	46 260
Disposals	0	–17 536	–21 306	0	–38 841
Reclassifications	0	67	16 921	–16 987	0
Currency translation differences	324	1 235	13 874	582	16 014
Balance on 31 December 2017	**8 514**	**35 297**	**463 135**	**8 433**	**515 379**
Accumulated depreciation / impairments					
Balance on 31 December 2015	**0**	**–6 898**	**–250 639**	**0**	**–257 537**
Disposals from the scope of consolidation	0	492	1 055	0	1 547
Additions	0	–2 156	–38 090	0	–40 245
Impairments	0	0	–2 702	0	–2 702
Disposals	0	204	39 388	0	39 592
Currency translation differences	0	28	659	0	687
Balance on 31 December 2016	**0**	**–8 330**	**–250 328**	**0**	**–258 658**
Additions	0	–1 724	–39 093	0	–40 818
Impairments	0	0	–1 619	0	–1 619
Disposals	0	611	19 216	0	19 828
Currency translation differences	0	–245	–5 973	0	–6 218
Balance on 31 December 2017	**0**	**–9 689**	**–277 796**	**0**	**–287 485**
Carrying amount					
On 31 December 2016	7 697	39 219	160 898	13 701	221 514
On 31 December 2017	**8 514**	**25 608**	**185 338**	**8 433**	**227 894**

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

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

21 GOODWILL, SOFTWARE AND OTHER INTANGIBLE ASSETS

in CHF 000	Goodwill	Intangible assets with indefinite useful lives	Software and intangible assets with finite useful lives	Projects in progress	Total
Acquisition costs					
Balance on 31 December 2015	**418 330**	**46 207**	**155 800**	**3 488**	**623 825**
Additions to the scope of consolidation	0	0	1 669	0	1 669
Disposals from the scope of consolidation	–37 562	0	–1 100	–91	–38 753
Additions	0	0	4 519	3 010	7 530
Disposals	0	0	–21 443	0	–21 443
Reclassifications	0	0	3 089	–3 089	0
Currency translation differences	–2 171	–234	–411	–18	–2 834
Balance on 31 December 2016	**378 597**	**45 973**	**142 125**	**3 300**	**569 994**
Additions to the scope of consolidation	162 484	0	55 469	135	218 088
Additions	0	0	2 656	3 806	6 462
Disposals	0	0	–689	0	–689
Reclassifications	0	0	2 677	–2 677	0
Currency translation differences	19 743	2 013	7 428	181	29 365
Balance on 31 December 2017	**560 824**	**47 986**	**209 666**	**4 744**	**823 220**
Accumulated depreciation / impairments					
Balance at December 31, 2015	**–1 189**	**0**	**–109 464**	**0**	**–110 653**
Disposals from the scope of consolidation	0	0	494	0	494
Additions	0	0	–11 219	0	–11 219
Impairments	0	0	–1 188	0	–1 188
Disposals	0	0	21 415	0	21 415
Currency translation differences	13	0	155	0	168
Balance on 31 December 2016	**–1 177**	**0**	**–99 807**	**0**	**–100 984**
Additions	0	0	–12 215	0	–12 215
Impairments	0	0	–47	0	–47
Disposals	0	0	338	0	338
Currency translation differences	–108	0	–2 356	0	–2 464
Balance on 31 December 2017	**–1 285**	**0**	**–114 086**	**0**	**–115 371**
Carrying amount					
On 31 December 2016	377 420	45 973	42 317	3 300	469 010
On 31 December 2017	**559 539**	**47 986**	**95 579**	**4 744**	**707 849**

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

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

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

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

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

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

Valora Retail Switzerland. Slightly lower revenues and a slightly higher margin are expected for the three plan years.

Valora Retail Germany. Average revenue growth for the plan period is just over 5%, with margins rising.

Ditsch/Brezelkönig. The average revenue growth for the plan period is just under 5%, with stable margins.

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

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

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

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

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

22 RECEIVABLES FROM RENTAL AGREEMENTS AND LEASES

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

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

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

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

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

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

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

23 FINANCIAL ASSETS

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

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

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

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

24 CURRENT FINANCIAL LIABILITIES AND OTHER NON-CURRENT LIABILITIES

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

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

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

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

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

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

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

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

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

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

25 TRADE ACCOUNTS PAYABLE

Trade accounts payable are in the following currencies:

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

26 OTHER CURRENT LIABILITIES

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

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

27 PROVISIONS

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

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

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

28 PENSION OBLIGATIONS

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

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

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

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

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

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

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

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

Balance sheet values in CHF 000	**2017**	2016
Present value of funded pension obligations	–516410	–523814
Fair value of pension assets	577568	530424
Excess/(shortfall) of fund-financed plans	**61158**	**6610**
Asset ceiling effect	–61158	–6610
Present value of unfunded pension obligations	–307	–309
Total net pension obligation	**–307**	**–309**

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

The net pension obligation developed as follows:

in CHF 000	**2017**	2016
1 January	–309	–4655
Disposals from the scope of consolidation	0	9044
Additions to the scope of consolidation	–51	–434
Pension expense, net in profit or loss	–4976	–11606
Employer contributions	6789	7591
Actuarial losses in other comprehensive income	–1732	–254
Currency translation differences	–27	3
31 December	**–307**	**–309**

Income statement in CHF 000	**2017**	2016
Service cost	–6700	–11057
Interest costs	–2851	–4147
Plan amendments, curtailments, settlements	2519	213
Interest on effect of asset ceiling	–36	0
Interest income	2883	4116
Other pension costs	–791	–732
Actuarial net pension expense	**–4976**	**–11606**

Income from plan amendments in the amount of CHF 2519 are due to the reduction in the conversion rate and the conversion of own outlets to agencies.

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

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

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

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

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

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

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

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

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

29 SHARE-BASED REMUNERATION

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

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

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

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

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

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

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

30 CONTINGENT LIABILITIES, OBLIGATIONS FROM LEASES AND OTHER AGREEMENTS

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

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

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

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

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

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

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

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

31 RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

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

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

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

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

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

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

Currency sensitivity analysis in CHF 000	**Hypothetical change (percent) 2017**	**Impact on earnings before income tax 2017**	**Impact on other comprehensive income 2017**	Hypothetical change (percent) 2016	Impact on earnings before income tax 2016	Impact on other comprehensive income 2016
CHF/EUR	+/–5.0%	+/–9570	+/–9694	+/–10.0%	+/–764	+/–16457

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

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

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

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

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

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

in CHF 000	Up to 1 month	From 1 to 3 months	From 3 months to 1 year	From 1 to 5 years	More than 5 years
As at 31 December 2017					
Current financial liabilities	15 772	199 990	901	0	0
Derivative financial liabilities	1 035	0	0	0	0
Trade accounts payable	134 566	8 379	392	0	0
Other current liabilities (financial instruments only)	51 537	14 540	9 741	0	0
Non-current financial liabilities	0	5 020	3 628	201 117	685
Total	**202 911**	**227 929**	**14 662**	**201 117**	**685**
As at 31 December 2016					
Current financial liabilities	45	0	689	0	0
Trade accounts payable	128 848	7 369	339	0	0
Other current liabilities (financial instruments only)	44 430	12 028	8 383	0	0
Non-current financial liabilities	0	5 020	3 323	372 851	741
Total	**173 323**	**24 418**	**12 734**	**372 851**	**741**

In order to optimise its ability to manage liquidity, the Valora Group has several different credit facilities in place, both at fixed and floating rates of interests, which have not been fully drawn down.

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

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

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

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

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

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

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

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

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

The table below shows both the notional amounts of the Group's positions in derivative financial instruments as well as their aggregate replacement values. The information, which is presented by instrument type, relates to valuations at balance sheet dates.

Notional amounts show the volume of the underlying transactions at the balance sheet dates. They do not contain any information about the market risk these positions involve. The replacement value of these positions has been determined by valuations provided by the counterparty, market prices at 31 December 31 2016 and 2017 or through standard pricing model valuations using market data.

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

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

The Valora Group manages its capital structure and makes adjustments in response to changes in the economic circumstances. The Valora Group can undertake various measures to maintain or adjust its capital structure, such as modifying dividend payments to shareholders, repaying capital to shareholders or issuing new shares.
Capital is monitored with the help of the equity ratio, which is calculated as the percentage of equity to total assets. The Group's capital and equity ratio are listed in the following table:

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

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

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

32 FINANCIAL INSTRUMENTS

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

LaR Loans and receivables
FAHfT Financial assets held for trading
AfS Financial assets available for sale
FLAC Financial liabilities at amortised cost
FLHfT Financial liabilities held for trading
FLtPL Financial liabilities measured at fair value through profit or loss

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

33 FAIR VALUES

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

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

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

2017

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

2016

in CHF 000	Level 1	Level 2	Level 3	Total
Measured at fair value				
Assets				
Contingent consideration	0	0	16 295	16 295
Disclosed at fair value				
Liabilities				
Bonds	204 820	0	0	204 820

Level 2 fair values are determined using measurement models that are based on observable market data, such as interest rates, yield curves and exchange rates on the measurement date.

In reporting years 2017 and 2016, there were no transfers between hierarchy levels 1 and 2.

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

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

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

Contingent considerations. The opening balance in 2017 of the contingent consideration in hierarchy level 3 relates to the sale of the Trade division and forms part of the purchase price receivable.

In the course of the re-evaluation of the earn-out from the sale of the Trade division, the probabilities of occurrence of the various parameters were re-assessed and the discounted cash flows recalculated based on the most recent available data. As a result of this revaluation the fair value was reduced by CHF 8.7 million.

As part of the purchase price agreement concerning the acquisition of the lye pretzel manufacturer Pretzel Baron a contingent consideration was set. The consideration in the amount of USD 0.9 million is calculated based on sales achieved within one year after closing and due in February 2018.

As part of the purchase price agreement concerning the acquisition of BackWerk a contingent consideration was set. The consideration in the amount of EUR 1.0 million is triggered by the signing of specific rental contracts (see note 6).

34 TRANSACTIONS AND BALANCES OUTSTANDING WITH RELATED PARTIES

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

Transactions. The following transactions were conducted with related parties:

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

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

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

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

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

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

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

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

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

35 EQUITY

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

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

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

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

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

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

36 SUBSEQUENT EVENTS

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

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

37 KEY COMPANIES OF THE VALORA GROUP

	Currency	Share capital in million	Share-holding in %	Corporate	Valora Retail	Food Service
Switzerland						
Valora Management AG, Muttenz	CHF	0.5	100.0	•		
Valora International AG, Muttenz	CHF	20.0	100.0	•	•	
Valora Schweiz AG, Muttenz	CHF	5.2	100.0	•	•	•
Brezelkönig AG, Emmen	CHF	1.0	100.0			•
Alimarca AG, Muttenz	CHF	0.1	100.0			•
bob Finance AG, Zürich	CHF	9.1	100.0	•		
Valora Lab AG, Muttenz	CHF	0.1	100.0	•		
Brezelkönig International AG, Muttenz	CHF	0.1	100.0			•
BackWerk CH AG, Freienbach	CHF	0.1	100.0			•
Germany						
Valora Holding Germany GmbH, Hamburg	EUR	0.4	100.0	•	•	
Stilke Buch & Zeitschriftenhandels GmbH, Hamburg	EUR	3.8	100.0		•	
BHG Bahnhofs-Handels-Vertriebs GmbH, Hamburg	EUR	0.5	100.0		•	
Valora Retail Kiosk GmbH, Hamburg	EUR	0.1	100.0		•	
Convenience Concept GmbH, Hamburg	EUR	0.1	100.0		•	
Brezelbäckerei Ditsch GmbH, Mainz	EUR	0.1	100.0			•
Prisma Backwaren GmbH, Oranienbaum-Wörlitz	EUR	0.1	100.0			•
BackWerk Management GmbH, Essen	EUR	0.1	100.0			•
Luxembourg						
Valora Europe Holding S.A., Luxembourg	EUR	0.1	100.0	•		
Valora Luxembourg S.à r.l., Luxembourg	EUR	7.0	100.0		•	

	Currency	Share capital in million	Share-holding in %	Corporate	Valora Retail	Food Service
Austria						
Valora Holding Austria AG, Linz	EUR	1.1	100.0	•		
Brezelkönig GmbH, St. Pölten	EUR	0.1	100.0			•
Valora Retail Austria GmbH + Co. KG, St. Pölten	EUR	0.1	100.0		•	
BackWerk AT GmbH, Baden	EUR	0.1	100.0			•
France						
Brezelkönig S.à r.l., Paris	EUR	0.1	100.0			•
The Netherlands						
BackWerk NL B.V., Huizen	EUR	0.1	100.0			•
USA						
Valora Holding USA Inc., Wilmington, Delaware	USD	0.1	100.0			•
Pretzel Baron Properties LLC, Cincinnati, Ohio	USD	–	100.0			•

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

STATUTORY AUDITOR'S REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Opinion. We have audited the consolidated financial statements of Valora Holding AG and its subsidiaries (the Group), which comprise the consolidated statement of financial position as of 31 December 2017 and the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements (pages 68 – 134), including a summary of significant accounting policies.

In our opinion the accompanying consolidated financial statements give a true and fair view of the consolidated financial position of the Group as of 31 December 2017 and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) and comply with Swiss law.

Basis for opinion. We conducted our audit in accordance with Swiss law, International Standards on Auditing (ISAs) and Swiss Auditing Standards. Our responsibilities under those provisions and standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report.

We are independent of the Group in accordance with the provisions of Swiss law and the requirements of the Swiss audit profession, as well as the IESBA Code of Ethics for Professional Accountants, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters. Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the consolidated financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

VALUATION OF GOODWILL AND OTHER INTANGIBLES WITH INDEFINITE USEFUL LIFE

Area of focus. As of the balance sheet date, goodwill and other intangibles with indefinite useful life represent 43 % of Valora Group's total assets and 82 % of equity.

Key assumptions for the impairment test are disclosed in the notes (notes 5 and 21). Due to the significance of the carrying amounts and the judgment involved in performing the impairment test, this matter was considered significant to our audit.

Our audit response. We examined Valora's valuation model and analysed the underlying key assumptions, including future revenues and margins, long-term growth and discount rates. We also assessed the historical accuracy of the Group's estimates and considered its ability to produce accurate long-term forecasts. Further, we evaluated the sensitivity in the valuation resulting from changes to the key assumptions applied and compared these assumptions to corroborating information, including expected inflation rates and market growth.

ACQUISITION OF BACKWERK – PURCHASE PRICE ALLOCATION

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

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

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

OTHER INFORMATION IN THE ANNUAL REPORT

The Board of Directors is responsible for the other information in the annual report. The other information comprises all information included in the annual report, but does not include the consolidated financial statements, the stand-alone financial statements and our auditor's reports thereon.

Our opinion on the consolidated financial statements does not cover the other information in the annual report and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information in the annual report and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITY OF THE BOARD OF DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The Board of Directors is responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRS and the provisions of Swiss law, and for such internal control as the Board of Directors determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Board of Directors is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Swiss law, ISAs and Swiss Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

A further description of our responsibilities for the audit of the consolidated financial statements is located at the website of EXPERTsuisse: http://www.expertsuisse.ch/en/audit-report-for-public-companies. This description forms part of our auditor's report.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In accordance with article 728a para. 1 item 3 CO and the Swiss Auditing Standard 890, we confirm that an internal control system exists, which has been designed for the preparation of consolidated financial statements according to the instructions of the Board of Directors.

We recommend that the consolidated financial statements submitted to you be approved.

Ernst & Young AG

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

Basle, 26 February 2018

BALANCE SHEET

ASSETS

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

LIABILITIES AND EQUITY

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

INCOME STATEMENT

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

NOTES TO THE FINANCIAL STATEMENTS

1. BASIS OF PRESENTATION

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

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

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

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

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

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

2. INFORMATION ON BALANCE SHEET AND INCOME STATEMENT POSITIONS

2.1 INVESTMENTS

	Currency	**31.12.2017 Capital in TCHF**	**31.12.2017 Holding in %**	31.12.2016 Capital in TCHF	31.12.2016 Holding in %
Switzerland					
Valora International AG, Muttenz	CHF	20000	100.0	20000	100.0
Valora Management AG, Muttenz	CHF	500	100.0	500	100.0
Brezelkönig AG, Emmen	CHF	1000	100.0	1000	100.0
Alimarca AG, Muttenz	CHF	100	100.0	100	100.0
k Kiosk AG, Muttenz	CHF	50	100.0	50	100.0
Valora Lab AG, Muttenz	CHF	100	100.0	100	100.0
Germany					
Valora Holding Germany GmbH, Hamburg	EUR	400	5.1	400	5.1
Luxembourg					
Valora Europe Holding S.A., Luxembourg	EUR	31	100.0	31	100.0
Guernsey					
Valora Holding Finance Ltd., Guernsey	CHF	-	-	285	100.0

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

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

2.3 BONDS OUTSTANDING

in CHF 000	**Coupon**	**Maturity**	**31.12.2017**	31.12.2016
Bond 2012–2018	2.50%	02.03.2018	200000 [1]	200000
Hybrid bond	4.00%	30.10.2018 [2]	120000	120000

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

2.4 PROMISSORY NOTES

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

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

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

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

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

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

2.7 TREASURY SHARES

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

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

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

2.8 INVESTMENT INCOME

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

2.9 FINANCIAL INCOME

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

2.10 OTHER INCOME

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

2.11 FINANCIAL EXPENSES

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

2.12 OTHER OPERATING EXPENSES

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

3. OTHER INFORMATION

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

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

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

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

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

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

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

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

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

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

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

APPROPRIATION OF NET INCOME AND CAPITAL DISTRIBUTION

Proposed appropriation of net income

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

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

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

REPORT OF THE STATUTORY AUDITOR ON THE FINANCIAL STATEMENTS

As statutory auditor, we have audited the accompanying financial statements of Valora Holding AG, which comprise the balance sheet, income statement and notes (pages 138 to 146), for the year ended 31 December 2017.

Board of Directors' responsibility. The Board of Directors is responsible for the preparation of the financial statements in accordance with the requirements of Swiss law and the company's articles of incorporation. This responsibility includes designing, implementing and maintaining an internal control system relevant to the preparation of financial statements that are free from material misstatement, whether due to fraud or error. The Board of Directors is further responsible for selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility. Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Swiss law and Swiss Auditing Standards. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal control system relevant to the entity's preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control system. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion. In our opinion, the financial statements for the year ended 31 December 2017 comply with Swiss law and the company's articles of incorporation.

Report on key audit matters based on the circular 1 / 2015 of the Federal Audit Oversight Authority. Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditor's responsibilities section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

VALUATION OF INVESTMENTS IN AND LOANS TO SUBSIDIARIES

Area of focus. As of 31 December 2017, investments in and loans to Group companies represented 88.9 % of the Company's total assets and amounted to CHF 1,064 million. Valora generally assesses the valuation of its investments and loans on an individual basis in accordance with the Swiss Code of Obligations. Under specific circumstances, certain investments in and loans to Group companies are combined for this assessment to the extent deemed appropriate.

Due to the significance of the carrying amount of the investments in and loans to Group companies and the judgment involved in the assessment of the valuation, this matter was considered significant to our audit.

Our audit response. We examined the Company's valuation model and analysed the underlying key assumptions, including future revenues and margins, long-term growth and discount rates. We also assessed the historical accuracy of the Company's estimates and considered its ability to produce accurate long-term forecasts. Further, we evaluated the sensitivity in the valuation resulting from changes to the key assumptions applied and compared these assumptions to corroborating information, including expected inflation rates and market growth.

Report on other legal requirements. We confirm that we meet the legal requirements on licensing according to the Auditor Oversight Act (AOA) and independence (article 728 CO and article 11 AOA) and that there are no circumstances incompatible with our independence.

In accordance with article 728a para. 1 item 3 CO and Swiss Auditing Standard 890, we confirm that an internal control system exists, which has been designed for the preparation of financial statements according to the instructions of the Board of Directors.

We further confirm that the proposed appropriation of available earnings complies with Swiss law and the company's articles of incorporation. We recommend that the financial statements submitted to you be approved.

Ernst & Young AG

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

Basle, 26 February 2018

VALORA SHARES

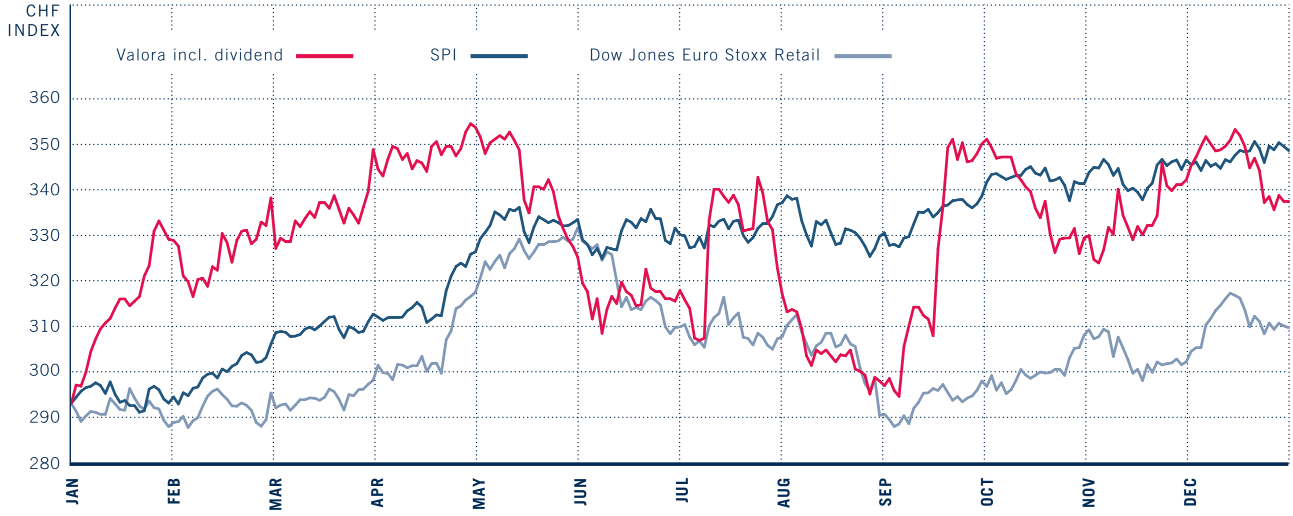
1 SHARE PRICE TRENDS

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

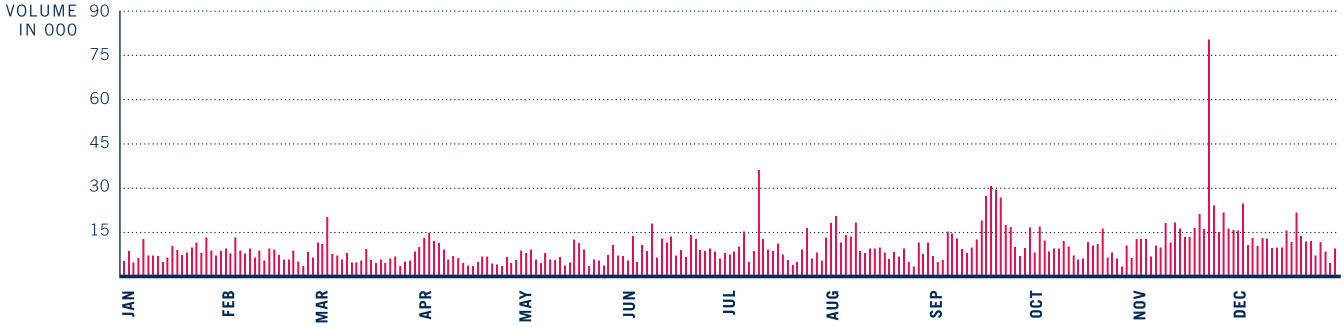
The SPI, as a benchmark that also includes dividends, advanced steadily over practically the entire year and at the end of 2017 posted a gain of around 19.9%. The challenging retail market environment left its mark on the Dow Jones Euro Stoxx Retail index, which in comparison only gained 6.0%.

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

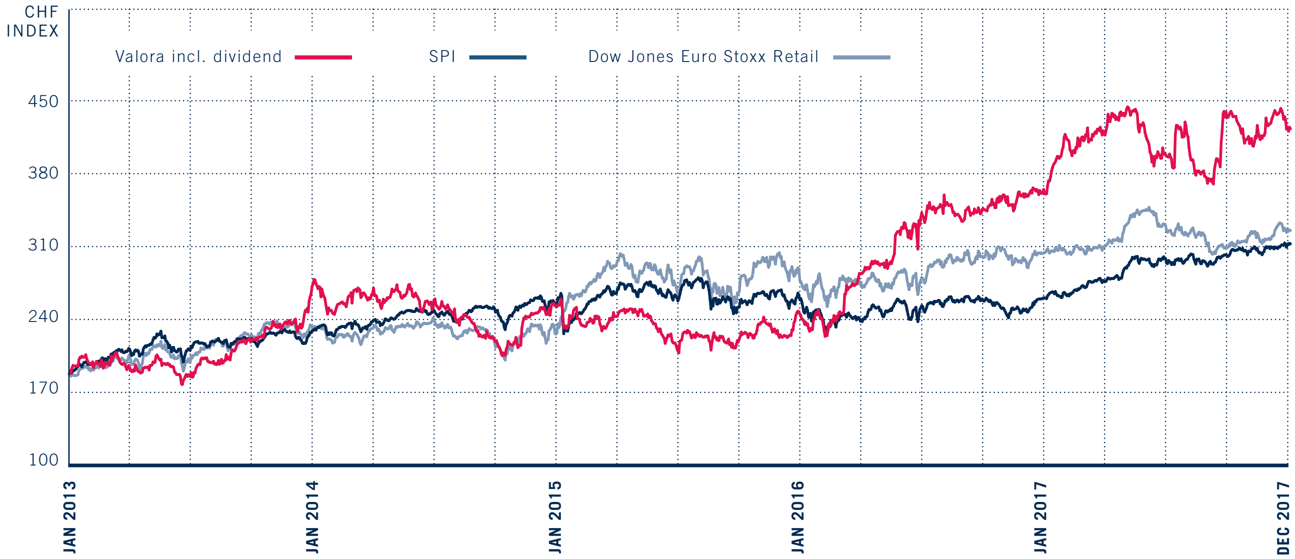
VALORA SHARE PERFORMANCE TREND 2017



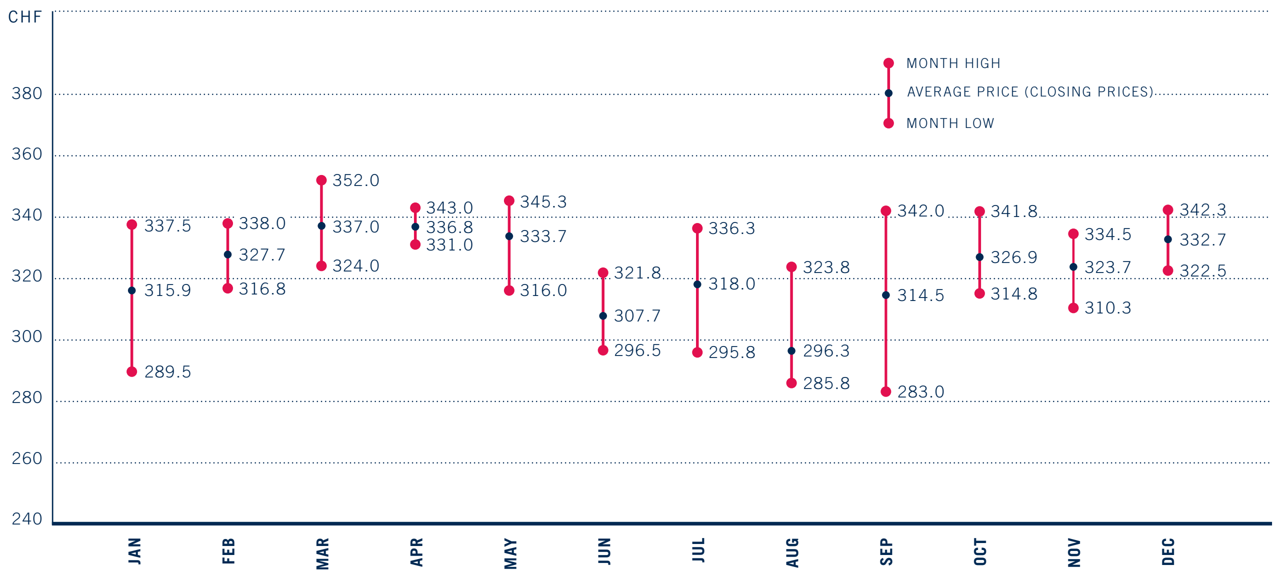
VALORA SHARE VOLUME 2017



VALORA SHARE PERFORMANCE TREND 2013 – 2017



MONTH HIGHS / LOWS IN 2017



2 SHAREHOLDER RETURNS

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

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

3 KEY SHARE DATA

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

[1] Based on average number of shares outstanding
[2] Continuing operations
[3] Free cash flow: net cash provided by operating activities less net cash used in ordinary investing activities

4 SHAREHOLDER DATA AND CAPITAL STRUCTURE

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

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

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

The shares can be issued at any time by the Board of Directors to secure existing or future management profit-sharing plans. Existing shareholders have no subscription rights for such shares. No time limit applies. None of this conditional capital had been issued by 31 December 2017.

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

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

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

5 SHARE CAPITAL

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

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

6 TAX VALUES

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

FIVE-YEAR SUMMARY

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

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