

BALANCE SHEET

ASSETS

	Note	2017	2016
As at 31 December, in CHF 000			
<i>Current assets</i>			
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
<i>Non-current assets</i>			
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

	Note	2017	2016
As at 31 December, in CHF 000			
<i>Liabilities</i>			
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
<i>Equity</i>			
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

	Note	2017	2016
1 January to 31 December, in CHF 000			
<i>Income</i>			
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
<i>Expenses</i>			
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 %
<i>Switzerland</i>					
Valora International AG, MuttENZ	CHF	20 000	100.0	20 000	100.0
Valora Management AG, MuttENZ	CHF	500	100.0	500	100.0
Brezelkönig AG, Emmen	CHF	1 000	100.0	1 000	100.0
Alimarca AG, MuttENZ	CHF	100	100.0	100	100.0
k Kiosk AG, MuttENZ	CHF	50	100.0	50	100.0
Valora Lab AG, MuttENZ	CHF	100	100.0	100	100.0
<i>Germany</i>					
Valora Holding Germany GmbH, Hamburg	EUR	400	5.1	400	5.1
<i>Luxembourg</i>					
Valora Europe Holding S.A., Luxembourg	EUR	31	100.0	31	100.0
<i>Guernsey</i>					
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

	Coupon	Maturity	31.12.2017	31.12.2016
in CHF 000				
Bond 2012–2018	2.50%	02.03.2018	200 000 ¹⁾	200 000
Hybrid bond	4.00%	30.10.2018 ²⁾	120 000	120 000

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

	Coupon	Maturity	31.12.2017	31.12.2016
in CHF 000				
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

	2017 Number of shares	2017 Carrying amount	2016 Number of shares	2016 Carrying amount
in CHF 000				
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

	2017	2016
1 January to 31 December, in CHF 000		
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

	2017	2016
1 January to 31 December, in CHF 000		
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

	2017	2016
1 January to 31 December, in CHF 000		
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

	2017	2016
1 January to 31 December, in CHF 000		
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

	2017	2016
1 January to 31 December, in CHF 000		
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 of a lock-up period	2016 Number of shares	2016 Share of total voting rights in %	2016 of which subject of 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

	2017	2016
in CHF 000		
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
<i>The Board of Directors proposes the following appropriation</i>		
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
<i>Proposal to make a distribution out of the reserve from capital contributions</i>		
Reserve from capital contributions (before distribution)	165 734	527
Distribution	- 49 875	-
Reserve from capital contributions (after distribution)	115 859	527
<i>Distribution per share (in CHF)</i>		
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