

BALANCE SHEET

ASSETS

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

LIABILITIES AND EQUITY

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

INCOME STATEMENT

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

NOTES TO THE FINANCIAL STATEMENTS

1. BASIS OF PRESENTATION

1.1 GENERAL. The annual financial statements for Valora Holding AG, based in MuttENZ, have been prepared in accordance with the provisions of Swiss accounting law (Title 32 of the Swiss Code of Obligations).

The material accounting principles which have been applied and which are not required by law are described below.

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

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

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

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

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

2. INFORMATION ON BALANCE SHEET AND INCOME STATEMENT POSITIONS

2.1 INVESTMENTS

	Currency	31.12.2018 Capital in TCHF	31.12.2018 Holding in %	31.12.2017 Capital in TCHF	31.12.2017 Holding in %
<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

Significant direct and indirect investments in Group companies by Valora Holding AG are detailed in Note 38 of the consolidated financial statements. The participation percentage listed in the table also corresponds to the number of shares in these companies with voting rights.

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

2.3 BONDS OUTSTANDING

	Coupon	Maturity	31.12.2018	31.12.2017
in CHF 000				
Bond 2012–2018 ¹⁾	2.50%	02.03.2018	0	200 000
Hybrid bond ²⁾	4.00%	30.10.2018	0	120 000

¹⁾ The bond 2012–2018 reported under current interest-bearing liabilities in 2017 was repaid at the maturity date 2 March 2018.

²⁾ The hybrid bond was recalled at 30 October 2018.

2.4 PROMISSORY NOTES

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

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

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

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

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

Conditional capital: On 11 May 2000, the General Meeting approved the creation of conditional capital in the amount of CHF 84 000. As of 31 December 2018, no corresponding shares had been issued.

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

2.7 TREASURY SHARES

	2018 Number of shares	2018 Carrying amount	2017 Number of shares	2017 Carrying amount
in CHF 000				
Opening balance (1 January)	61 495	17 110	77 078	18 345
Sales	-61 228	-17 824	-61 720	-16 022
Purchases	53 348	15 822	46 137	14 787
Closing balance (31 December)	53 615	15 108	61 495	17 110

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

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

2.8 INVESTMENT INCOME

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

2.9 FINANCIAL INCOME

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

2.10 OTHER INCOME

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

2.11 FINANCIAL EXPENSES

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

2.12 OTHER OPERATING EXPENSES

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

3. OTHER INFORMATION

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

3.2 COLLATERAL PROVIDED FOR THIRD-PARTY LIABILITIES. On 31 December 2018, contingent liabilities – comprised of guarantees, letters of subordination and comfort, as well as warranty and other contingent liabilities – to subsidiaries totalled CHF 115.2 million (2017: CHF 138.1 million), with none to third parties (2017: none).

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

As of 31 December 2018, 5% of registered shares equalled 199 500 registered shares.

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

3.4 PARTICIPATIONS. As of 31 December 2018 and 2017, the individual members of the Board of Directors and the Group Executive Management (including related parties) held the following number of shares of Valora Holding AG:

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

3.5 LOANS. As of 31 December 2018 and 2017, there were no loans to members of the Board of Directors or Group Executive Management or to related parties.

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

3.7 NET RELEASE OF HIDDEN RESERVES. In financial year 2018, CHF 15.0 million in hidden reserves were released (2017: CHF 13.0 million).

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

APPROPRIATION OF NET INCOME AND CAPITAL DISTRIBUTION

Proposed appropriation of net income

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

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

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

REPORT OF THE STATUTORY AUDITOR ON THE FINANCIAL STATEMENTS

As statutory auditor, we have audited the accompanying financial statements of Valora Holding AG, which comprise the balance sheet, income statement and notes (pages 166 to 174), for the year ended 31 December 2018.

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

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

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

Opinion. In our opinion, the financial statements for the year ended 31 December 2018 comply with Swiss law and the company's articles of incorporation.

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

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

VALUATION OF INVESTMENTS IN AND LOANS TO SUBSIDIARIES

Area of focus. As of 31 December 2018, investments in and loans to Group companies represented 90.4% of the Company's total assets and amounted to CHF 1,012 million. Valora generally assesses the valuation of its investments and loans on an individual basis in accordance with the Swiss Code of Obligations. Under specific circumstances, certain investments in and loans to Group companies are combined for this assessment to the extent deemed appropriate.

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

Our audit response. We examined the Company's valuation model and analyzed the underlying key assumptions, including future revenues and margins, long-term growth and discount rates. We also assessed the historical accuracy of the Company's estimates and considered its ability to produce accurate long-term forecasts. Further, we evaluated the sensitivity in the valuation resulting from changes to the key assumptions applied and compared these assumptions to corroborating information, including expected inflation rates and market growth. Our audit procedures did not lead to any reservation concerning the valuation of investments in and loans to subsidiaries.

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

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

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

Ernst & Young AG

André Schaub
Licensed audit expert
(Auditor in charge)

Ina Braun
Licensed audit expert

Basle, 18 February 2019