CONSOLIDATED INCOME STATEMENT

1 January to 31 December, in CHF 000 (except per-share amounts)	**Notes**	**2019**	%	2018 revised[1]	%
Net revenues	8	**2 029 668**	**100.0**	**2 074 889**	**100.0**
Cost of goods and materials		– 1 112 467	– 54.8	– 1 156 725	– 55.7
Personnel expenses	9	– 245 850	– 12.1	– 264 620	– 12.8
Other operating expenses	10	– 402 834	– 19.8	– 549 865	– 26.5
Depreciation, amortisation and impairments	20, 21, 23	– 207 161	– 10.2	– 66 222	– 3.2
Other income	11	32 759	1.6	54 536	2.6
Other expenses	11	– 2 659	– 0.1	– 2 176	– 0.1
Operating profit (EBIT)	7	**91 458**	**4.5**	**89 818**	**4.3**
Financial expenses	12	– 23 205	– 1.1	– 10 416	– 0.5
Financial income	13	1 908	0.1	598	0.0
Earnings before income taxes		**70 161**	**3.5**	**80 000**	**3.9**
Tax income / (expense)	14	3 440	0.2	– 15 901	– 0.8
Net profit from continuing operations		**73 601**	**3.6**	**64 099**	**3.1**
Net profit / (loss) from discontinued operations		100	0.0	– 5 120	– 0.2
Net profit		**73 701**	**3.6**	**58 979**	**2.8**
Attributable to shareholders of Valora Holding AG		73 701	3.6	54 979	2.6
Attributable to providers of hybrid capital		0	0.0	4 000	0.2
Attributable to providers of Valora Holding AG equity		**73 701**	**3.6**	**58 979**	**2.8**
Earnings per share					
from continuing operations, diluted and undiluted (in CHF)	15	18.68		15.28	
from discontinued operations, diluted and undiluted (in CHF)	15	0.02		– 1.30	
from continuing and discontinued operations, diluted and undiluted (in CHF)	**15**	**18.70**		**13.98**	

[1] See Note 3 and 11 for change in presentation related to lease income

The accompanying notes from page 119 to page 176 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

1 January to 31 December, in CHF 000	**Notes**	**2019**	2018
Net profit		**73 701**	**58 979**
Remeasurement losses	28	– 2 006	– 1 067
Income taxes	28	401	213
Items that will not be reclassified to profit or loss		**– 1 605**	**– 854**
Cash flow hedge		0	288
Currency translation adjustments		– 10 360	– 11 265
Items that may be reclassified to profit or loss		**– 10 360**	**– 10 976**
Other comprehensive income		**– 11 965**	**– 11 830**
Total comprehensive income		**61 735**	**47 149**
Attributable to shareholders of Valora Holding AG		61 735	43 149
Attributable to providers of hybrid capital		0	4 000
Attributable to providers of Valora Holding AG equity		**61 735**	**47 149**

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	61 635	48 269
Attributable to shareholders of Valora Holding AG from discontinued operations	100	– 5 120
Attributable to shareholders of Valora Holding AG	**61 735**	**43 149**

The accompanying notes from page 119 to page 176 form an integral part of these consolidated financial statements.

CONSOLIDATED BALANCE SHEET

ASSETS

in CHF 000	Notes	**31.12.2019**	%	31.12.2018	%
Current assets					
Cash and cash equivalents	16	122 651		104 776	
Trade accounts receivable	17	77 080		80 235	
Inventories	18	143 393		145 585	
Current income tax receivables		288		1 720	
Current finance lease receivables	22	23 407		0	
Other current receivables	19	65 635		55 938	
Total current assets		**432 455**	**18.1 %**	**388 253**	**29.3 %**
Non-current assets					
Property, plant and equipment	20	267 924		235 398	
Right-of-use assets	21	938 997		0	
Goodwill, software and other intangible assets	23	657 162		681 544	
Investment in associates and joint ventures		25		50	
Financial assets	24	10 229		10 773	
Non-current finance lease receivables	22	68 207		0	
Deferred tax assets	14	17 838		10 212	
Total non-current assets		**1 960 382**	**81.9 %**	**937 976**	**70.7 %**
Total assets		**2 392 837**	**100.0 %**	**1 326 229**	**100.0 %**

LIABILITIES AND EQUITY

in CHF 000	Notes	31.12.2019	%	31.12.2018	%
Current liabilities					
Current financial liabilities	25	153		185 133	
Current lease liabilities	21	160 749		0	
Trade accounts payable	26	145 387		136 546	
Current income tax liabilities		9 997		7 000	
Other current liabilities	27	104 469		84 599	
Total current liabilities		**420 755**	**17.6 %**	**413 278**	**31.2 %**
Non-current liabilities					
Other non-current liabilities	25	447 207		284 402	
Non-current lease liabilities	21	887 491		0	
Non-current pension obligations	28	215		274	
Deferred tax liabilities	14	11 049		14 495	
Total non-current liabilities		**1 345 962**	**56.2 %**	**299 171**	**22.6 %**
Total liabilities		**1 766 718**	**73.8 %**	**712 449**	**53.7 %**
Equity					
Share capital	35	3 990		3 990	
Treasury shares		– 12 849		– 15 108	
Retained earnings		722 300		701 860	
Cumulative translation adjustments		– 87 322		– 76 962	
Equity of Valora Holding AG		**626 119**	**26.2 %**	**613 781**	**46.3 %**
Total equity		**626 119**	**26.2 %**	**613 781**	**46.3 %**
Total liabilities and equity		**2 392 837**	**100.0 %**	**1 326 229**	**100.0 %**

The accompanying notes from page 119 to page 176 form an integral part of these consolidated financial statements.

CONSOLIDATED CASH FLOW STATEMENT

1 January to 31 December, in CHF 000	Notes	2019	2018
Operating profit (EBIT)		**91 458**	**89 818**
Elimination of non-cash transactions in operating profit (EBIT)			
Depreciation and impairments of property, plant, equipment	20	48 330	48 178
Depreciation and impairments of right-of-use assets	21	141 183	0
Amortisation and impairment of intangible assets	23	17 647	18 044
Loss on sales of fixed assets, net	11	939	539
Share-based remuneration	29	2 664	3 187
Release of provisions		0	35
Other non-cash transactions		–1 335	1 112
Decrease in other non-current liabilities		–525	–442
Change in net working capital, excluding the effects of the purchase and sale of business units			
Decrease/(increase) in trade accounts receivable		1 652	–2 936
Decrease in inventories		374	7 214
Increase in other current assets		–10 199	–2 600
Increase/(decrease) in trade accounts payable		10 419	–5 144
Increase/(decrease) in other liabilities		10 483	–25 982
Cash flows from operating activities before interest and tax		**313 090**	**131 023**
Interest paid on financial liabilities		–7 916	–11 776
Interest paid on lease liabilities	21	–15 107	0
Income taxes paid		–2 107	–3 680
Interest received from lease receivables	22	1 685	0
Other interest received		588	298
Dividends received		35	143
Cash flows from operating activities from continuing operations		**290 267**	**116 008**
Cash flows from operating activities from discontinued operations		100	104
Cash flows from operating activities		**290 367**	**116 112**
Cash flow from investing activities			
Investment in property, plant and equipment	20	–81 044	–62 141
Proceeds from the sale of property, plant and equipment	20	700	2 709
Acquisition of subsidiaries, net of cash and cash equivalents acquired	6	–4 030	–5 948
Investment in financial assets		–7 321	–5 163
Proceeds from the sale of financial assets		7 349	5 073
Lease payments received from finance leases	22	14 524	0
Acquisition of other intangible assets	23	–5 828	–7 904
Proceeds from the sale of other intangible assets	23	105	351
Cash flows used in investing activities from continuing operations		**–75 545**	**–73 024**
Cash flows from investing activities from discontinued operations		0	2 822
Cash flows used in investing activities		**–75 545**	**–70 202**

1 January to 31 December, in CHF 000	**Notes**	**2019**	2018
Cash flow from financing activities			
Proceeds from current financial liabilities	25	0	77 709
Repayment of current financial liabilities	25	–184 694	–200 000
Proceeds from non-current financial liabilities	25	179 793	201 263
Repayment of non-current financial liabilities	25	–725	–268
Repayment of lease liabilities	21	–142 688	0
Purchase of treasury shares		–15 007	–15 822
Sale of treasury shares		16 818	18 502
Distributions to providers of hybrid capital		0	–4 800
Repayment of hybrid capital		0	–120 000
Dividends paid to Valora Holding AG shareholders		–49 257	–49 167
Cash flows used in financing activities		**–195 760**	**–92 585**
Net increase / (decrease) in cash and cash equivalents		**19 063**	**–46 675**
Exchange rate effect on cash and cash equivalents		–1 186	–1 064
Cash and cash equivalents at the beginning of year		104 776	152 515
Cash and cash equivalents at year-end	**16**	**122 651**	**104 776**

The accompanying notes from page 119 to page 176 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Equity

in CHF 000	Share capital	Treasury shares	Hybrid capital	Hedge Reserve	Retained earnings	Cumulative translation differences	Total equity
Balance on 31 December 2017	**3 990**	**–17 110**	**119 098**	**–288**	**697 932**	**–65 698**	**737 924**
Net profit					58 979		58 979
Other comprehensive income				288	–854	–11 265	–11 830
Total comprehensive income				**288**	**58 125**	**–11 265**	**47 149**
Share-based remuneration					3 187		3 187
Dividend paid to shareholders					–49 167		–49 167
Purchase of treasury shares		–15 822					–15 822
Sale of treasury shares		17 824			–2 514		15 310
Distributions to providers of hybrid capital					–4 800		–4 800
Repayment hybrid capital			–119 098		–902		–120 000
Increase of share capital							
Balance on 31 December 2018	**3 990**	**–15 108**	**0**	**0**	**701 860**	**–76 962**	**613 781**
Effect of initial application of IFRS 16 [1)]					–1 979		–1 979
Balance on 1 January 2019	**3 990**	**–15 108**	**0**	**0**	**699 882**	**–76 962**	**611 802**
Net profit					73 701		73 701
Other comprehensive income					–1 605	–10 360	–11 965
Total comprehensive income					**72 096**	**–10 360**	**61 735**
Share-based remuneration					2 664		2 664
Dividends paid to shareholders					–49 257		–49 257
Purchase of treasury shares		–15 007					–15 007
Sale of treasury shares		17 266			–3 084		14 182
Balance on 31 December 2019	**3 990**	**–12 849**	**0**	**0**	**722 300**	**–87 322**	**626 119**

[1)] see note 3.

The accompanying notes from page 119 to page 176 form an integral part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 INFORMATION ABOUT THE GROUP

Valora Holding AG is a publicly listed company with headquarters in Muttenz, Switzerland. Valora is a leading small-scale retailer in the convenience and food service sector. 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 lye bread production to wholesaling (B2B) and the operation of takeaway concepts (B2C).

The consolidated financial statements for Valora for the 2019 financial year were approved by the Board of Directors on 18 February 2020. They are subject to approval by the Ordinary General Meeting on 24 March 2020.

2 ACCOUNTING POLICIES

Basis of preparation. The consolidated financial statements have been prepared on the historical cost basis, except for derivative financial instruments, equity instruments measured at fair value and contingent considerations. 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. 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.

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 fully eliminated. 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.

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. On 31 January 2019 Valora acquired Super Guud, based in Zurich, in an asset deal.

On 1 April 2018 Valora acquired Presse + Buch Grauert based in Düsseldorf, Germany in an asset deal.

3 CHANGES TO ACCOUNTING POLICIES

Implementation of new International Financial Reporting Standards (IFRS) and Interpretations thereof.

IFRS 16. Valora has applied IFRS 16 Leases with effect from 1 January 2019. The modified retrospective method was used for initial application. The prior year figures were not restated.

The new standard replaces IAS 17 leases and sets out the principles for the recognition, measurement, presentation and disclosure of lease arrangements. IFRS 16 introduces a single lessee accounting model with a requirement to recognise the majority of leases on the balance sheet in the form of a right-of-use asset and a corresponding lease liability.

As at 1 January 2019 right-of-use assets were capitalised at a value equivalent to the lease liability, adjusted by the amount of any prepaid or accrued lease payments. Extension and termination options were reflected in the calculation of the lease term when their exercise was reasonably certain at transition date. The right-of-use assets are depreciated over their useful life, leases with a remaining life of less than 12 months, or leases of low-value assets were not capitalised at 1 January 2019.

The lease liability represents the present value of fixed or in-substance fixed lease payments over the lease term. Depreciation of the right-of-use assets and interest expense on the lease liabilities as well as expenses related to variable lease payments and leases of low-value assets and short term leases are recognised in the income statement instead of rental expense.

Lessor accounting continues to be accounted for differently for operating and finance leases. Where Valora acts as an intermediate lessor, i.e. enters into a head lease and subleases the right-of-use asset to a third party, the sublease is classified as either a finance or operating lease. The classification is primarily based on whether the sublease term covers the majority of the remaining useful life of the right-of-use asset under the head lease as at the transition date and therefore Valora has transferred substantially all of the risk and rewards of the right-of-use assets. As a lessee, Valora holds around 2 800 lease contracts, mainly for sales outlets, comprising both fixed and variable sales-based lease payments. As an intermediate lessor, Valora subleases around 900 sales outlets to franchisees. For those subleases qualifying as a finance lease, the right-of-use asset from the head lease is derecognised and a lease receivable is recognised. For subleases classified as an operating lease rental income is recognised in the income statement, generally on a straight line basis.

As at transition, practical expedients were applied as follows:

- Lease contracts formerly classified as operating leases in accordance with IAS 17 Leases were not reassessed to see whether they also meet the definition of a lease in IFRS 16.
- Initial direct costs were not included in the measurement of the right-of-use asset.
- The right-of-use asset at the initial date of application was adjusted by the amount of the provisions for onerous contracts (CHF 2.1 million) recognised in the balance sheet under other non-current liabilities at 31 December 2018.
- Hindsight was used in determining the lease term if the contracts contain options to extend or terminate the lease.

As of the date of initial application of IFRS 16, lease liabilities, right-of-use assets and lease receivables from subleases (for those subleases classified as finance leases) were recognised in separate line items on the balance sheet. The depreciation charge for right-of-use assets is presented within depreciation, amortisation and impairments. The application of IFRS 16 has resulted in a reduction of rental expenses presented in other operating expenses, an increase in interest expenses and interest income from lease receivables.

Lease payments are presented as financing cash flows, and interest paid on lease liabilities as operating cash outflows. Lease payments received from finance leases are reported as investing cash flows and interest payments received as operating cash flows. The cumulative effect of the initial application of IFRS 16 as at 1 January 2019 resulting from valuation losses from the initial recognition of sublease arrangements was recognised in retained earnings.

The impact of the initial application of IFRS 16 on the balance sheet as at 1 January 2019 was as follows:

in CHF million	1 January 2019
Assets	
Right-of-use assets	542 777
Finance lease receivables	71 598
Deferred tax assets	895
Total	615 270
Liabilities and equity	
Lease liabilities	619 406
Other reclassifications	–2 157
Equity	–1 979
Total	615 270

The reconciliation from the off-balance sheet lease obligation pursuant to IAS 17 as of 31 December 2018 and the lease liability recognised on the balance sheet pursuant to IFRS 16 as of 1 January 2019 is as follows:

in CHF 000	1 January 2019
Obligations from operating leases as at 31.12.2018	**716 284**
Recognition exemption for short term leases	– 46 400
Recognition exemption for low value leases	– 2 409
Variable lease payments not included in the lease liability	– 2 706
Additional termination options recognised	– 3 388
Gross obligations from leases as at 31.12.2018	**661 381**
Currency translation difference	– 8 278
Effect of discounting	– 33 697
Lease liability as at 01.01.2019	**619 406**

The lease liability was discounted using a weighted average incremental borrowing rate of 1.8 % as at 1 January 2019.

IAS 19. Since 1 January 2019 if a plan amendment, curtailment or settlement occurs, it is now mandatory that the current service cost and the net interest for the period after the remeasurement are determined using the assumptions used for the remeasurement. In addition, amendments have been included to clarify the effect of a plan amendment, curtailment or settlement on the requirements regarding the asset ceiling.

Change in presentation. Since 1 January 2019 Valora presents rental income from franchisees (e. g. rental income from operating leases under IFRS 16) within other income, the comparative period has been revised accordingly, and rental income determined in accordance with IAS 17 of CHF 47.2 million has been reclassified from net revenues to other income, refer to note 11. Until 31 December 2018 rental income from franchise contracts was reported as part of revenue.

Other standards and interpretations (IFRIC 23, Annual Improvements 2015 – 2017 Cycle). Effective 1 January 2019, Valora adopted IFRIC Interpretation 23, Uncertainty over Income Tax Treatments (IFRIC 23), which addresses recognition and measurement of uncertain income tax positions. Valora reassessed the tax provision for income taxes attributable to periods, which have not yet been finally assessed by the local tax authorities. The adoption of IFRIC 23 and other changes in IFRS adopted on 1 January 2019 had no material impact on these financial statements.

Future implementation of International Financial Reporting Standards (IFRS) The Annual Improvements 2018-2020 and other changes in IFRS will become effective in future accounting periods. These amendments are not expected to have a material effect on the Group’s financial statements.

In December 2019 the IFRS Interpretations Committee issued an agenda decision related to “Lease term and useful life of leasehold improvements”. Due to the timing of this decision and the large number of leases, the Group has not finally assessed the impact, if any, on its lease portfolio at the time these financial statements are issued.

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 2019	**Closing rate on 31.12.2019**	Average rate for 2018	Closing rate on 31.12.2018
Euro, EUR 1	1.113	1.086	1.155	1.126
US dollar, USD 1	0.994	0.967	0.978	0.982

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

Net revenues and revenue recognition. Valora sells goods and services in sales outlets, operates franchise concepts and produces goods for wholesale customers. Net revenue presented in the income statement comprises both revenue from contracts with customers (IFRS 15) and other sources of revenue.

Net revenues from contracts with customers (IFRS 15) include all proceeds from the sale of goods (including goods produced by Valora) and services, net of any deductions.

Revenue from products and services sold in sales outlets represents the cash payments received and is recognised when the payment is made in cash or charged to a credit card. Customer loyalty programmes are estimated on the basis of empirical values.

Revenue from goods produced and sold by Valora is recognised when the goods are transferred to the customer according to the terms of the contract. The revenue that is recognised is the consideration that Valora expects to be entitled to in exchange for these goods and falls within the scope of IFRS 15.

Valora provides franchisees with access to the Valora network including access to the relevant formats and brands and know-how. Valora recognises the related franchise fees over time as the franchisees receive the benefits of the services performed. Franchisees generally purchase goods on their own behalf and these are therefore not reported within revenues and costs of goods and materials of Valora. In cases franchisees purchase goods via Valora those are reported within revenues and cost of goods and materials. Revenue is recognised when franchisees obtain control of the goods at the sales outlet. Franchise fees are recognised as revenues and qualify as net revenues according to IFRS 15.

Commissions that Valora receives from its suppliers when acting as an agent are also reported as net revenue, as is income from the rendering of services from franchise outlets. These do not, however, fall within the scope of IFRS 15 Revenue from Contracts with Customers.

Cost of goods and materials. The cost of goods and materials includes the acquisition or production costs of the goods and the materials. It includes valuation allowances for non or slow moving goods, but also reimbursements from suppliers for the achievement of certain purchase quantities or reference values, which are recognised as a reduction in expenses. Payments received from suppliers for advertising services and promotional activities that do not qualify as distinct services under IFRS 15 are recognised as a reduction of the cost of goods and materials.

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 expected to vest 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 liability. 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 against which the deductible differences can be utilised. The assessment relates to the period for which planning data is available.

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, except when the underlying transaction is recognised outside profit or loss 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.

Financial Assets. Financial assets are classified at initial recognition at amortised cost or fair value through profit and loss. The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and Valora's business model for managing them. With the exception of trade receivables Valora measures a financial asset at its fair value and, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables are measured at the transaction price determined under IFRS 15. In order

for a financial asset to be classified and measured at amortised cost, it needs to give rise to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding. Purchases or sales on financial assets that require delivery of assets within a time frame established by regulation or convention in the market place are recognised on the trade date, i.e. the date that the Group commits to purchase or sell the asset.
For subsequent measurement, financial assets are classified in the following categories:

- Financial assets at amortised cost (debt instruments) They are subsequently measured using the effective interest rate method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired. Valora's financial assets at amortised cost include cash and cash equivalents, trade accounts receivable, receivables from finance leases and other financial receivables.
- Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value such as contingent consideration arrangements entered into as part of business combinations. Financial assets are classified as held for trading if they are acquired for the purpose of selling and repurchasing in the near term. Derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model. Valora's financial assets at fair value through profit or loss include from time to time receivables from contingent consideration arrangements, derivatives and equity investments (unlisted equity interests with a shareholding of less than 20%).

Financial assets are classified as current unless the due date is more than 12 months after the balance sheet date.

Valora uses the simplified approach when measuring the expected credit loss allowance of trade accounts receivable that do not contain any significant financing components. Under this approach, an impairment loss is recognised at each balance sheet date in the amount of the expected credit losses over the entire term (lifetime expected loss), rather than the change in the default risk. The impairment is determined by using historically observable data as well as forward-looking information. Depending on the credit rating of the customer cluster, the ageing structure of the receivables and historic default rates the expected credit losses are determined.

For lease receivables the expected credit loss allowance is determined by using the general approach so that the 12 month expected credit loss will be recognised, unless a significant change is observable which requires the recognition of the lifetime expected credit loss allowance.

For all other financial assets measured at amortised costs impairments on expected losses are determined according to the general approach.

Cash and cash equivalents. Cash and cash equivalents include cash on hand, demand deposits with banks and short-term money market investments with a maximum term of three months from their date of acquisition which are readily convertible to cash and cash equivalents and are subject to insignificant fluctuations in value.

Trade accounts receivable. Trade accounts receivable are largely attributable to the franchise business, the wholesale business and other deliveries of goods, as well as the provision of services.

Loans, receivables from finance leases and other receivables. Loans, receivables from finance leases and other receivables are classified as current unless the due date is more than 12 months after the balance sheet date.

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

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 hedge. 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 hedge must meet strict conditions related to documentation, the likelihood of occurrence, the effectiveness of the hedging instrument and the reliability of measurement. When entering into 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. The Group has entered from time to time into cash flow hedges such as interest swaps.

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. If the underlying transaction is no longer expected to take place, the cumulative gains and losses are immediately transferred to the income statement.

Financial liabilities. Financial liabilities are classified, at initial recognition, as subsequently measured at amortised cost or fair value through profit and loss.

Financial liabilities at amortised costs are initially measured at fair value net of transaction costs and subsequently measured at amortised cost using the effective interest rate method. Valora’s financial liabilities at amortised cost include current financial liabilities, trade accounts payable, other financial payables and interest bearing debt (non-current financial liabilities). Valora classifies financial liabilities as non-current if it has the unconditional right at the balance sheet date to defer their repayment until at least twelve months after the balance sheet date.

Financial liabilities at fair value through profit or loss include financial liabilities designated upon initial recognition at fair value through profit or loss, or financial liabilities mandatorily required to be measured at fair value. Derivatives fall under this category unless they are designated as effective hedging instruments. Valora’s financial liabilities at fair value through profit or loss include financial liabilities from contingent consideration arrangements agreed as part of business combination and derivatives with a negative fair value.

Inventories. Inventories are measured at the lower of acquisition/production cost and net realisable value. At Ditsch/Brezelkönig, semi-finished and finished goods are initially valued at production cost. The other inventories of Ditsch/Brezelkönig and the inventories of all other business units are initially measured at 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 the value of the asset. Other repair and maintenance expense is charged directly to the income statement.

Capitalised leasehold improvements of rented premises are depreciated over their estimated useful lives or shorter lease term.

Depreciation is calculated using the straight-line method based on the estimated useful lives:

	Years
Land	no depreciation
Buildings and building components	20–40
Machines, equipment, installations and furniture	6–10
Production facilities	15–20
Vehicles	5
IT hardware	3–5

Leases – Valora as a lessee. Valora assesses whether a contract is or contains a lease at inception of the contract.

The Group recognises a right-of-use asset and a lease liability at the lease commencement date, except for short-term leases up to 12 months or leases of low value assets, which are expensed in the income statement on a straight-line basis over the lease term.

The lease liability is initially measured at the present value of the lease payments to be made over the lease term, discounted by using the incremental borrowing rate specific to the country, term and currency of the contract. The Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is generally not readily determinable. Lease payments include fixed payments, variable lease payments that depend on an index or a rate known at the commencement date and extension option payments, if the Group is reasonably certain to exercise. The lease liability is subsequently measured at amortized cost using the effective interest rate method and remeasured with a corresponding adjustment to the related right-of-use asset when there is a change in future lease payments in the event of renegotiation, changes of an index or rate or in the event of reassessment of options (lease modification relating to an existing rental area).

At inception, the right-of-use asset comprises the initial lease liability and initial direct costs, less any incentives granted by the lessors. The right-of-use asset is depreciated over the shorter of the lease term or the useful life of the underlying asset.

Variable lease payments that do not depend on an index or rate are not included in the measurement of the lease liability and the right-of-use asset. The related payments are recognised as an expense when incurred and are included in ‘other operating expenses’ (see note 10) in the income statement.

Leases – Valora as a lessor. Where Valora acts as an intermediate lessor, i.e. enters into a head lease and subleases the right-of-use asset to a third party, the sublease is classified as either a finance or operating lease. A finance lease transfers substantially all the risks and rewards of the right-of-use asset to the sub-lessee, which is deemed to be the case when the lease term and present value of the lease payments are substantially the same as those of the head lease agreement. For those subleases qualifying as a finance lease, the right-of-use asset from the head lease is derecognised and a lease receivable is recognised. A difference between the carrying amount of the right-of-use assets and the lease receivable is shown as other income or other expense. As required by IFRS 9, an expected credit loss allowance for lease receivables is recognised. For those subleases classified as operating leases the rental income is recognised in other income.

Intangible assets (excluding goodwill). Intangible assets are classified as software, intangible assets with finite useful lives and intangible assets with indefinite useful lives.

Software and intangible assets with finite useful lives are recognised at acquisition or production cost, less accumulated amortisation. Amortisation is calculated using the straight-line method over the estimated useful lives of the assets.

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

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

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

Goodwill. Goodwill is the amount the Group pays in excess of the fair value of the identifiable net assets of an acquired business. Goodwill is capitalised and allocated to the cash-generating unit ("CGU") that it expects to benefit from the business combination. Goodwill is subject to an annual impairment test, or whenever there are indications of a possible impairment. For this purpose, the carrying amount of the cash-generating unit to which the goodwill was allocated is compared to 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 loss is recognised. Reversals of goodwill impairment are prohibited.

Impairment of property, plant and equiptment, right-of-use assets and intangibles with finite lives. The recoverability of property, plant and equipment, right-of-use assets and intangible assets with finite lives is reviewed whenever there are indications that the carrying amounts may be overstated. The impairment test is carried out at the level of the cash generating unit to which the asset belongs. 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 or amortisation) had no impairment loss been recognised in previous years. A reversal is immediately recognised through profit or loss.

Valora's impairment losses largely relate to equipment (and right-of-use assets) for its sales outlets. The earnings situation of sales outlets is analysed as part of the multi-year planning process. In the case of sales outlets that continue to generate negative results, property, plant and equipment and right-of-use assets, if any, are impaired.

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 embodying economic benefits. Provisions are recognised at the present value of the estimated cash outflows 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 JUDGEMENTS

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.

Significant 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 lives of property, plant and equipment are determined on historical evidence, taking account of current technical conditions. The actual useful lives may differ from the originally determined useful lives as a result of technological changes and changed market conditions. In the event of such deviations, the remaining useful lives are 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).

Goodwill, trademark rights and other intangible assets (Franchises). Intangible assets with infinite useful lives like 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 valuation method) 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.

Intangible assets with infinite useful lives are tested for impairment when there are indications for impairment.

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.

Leases. The application of IFRS 16 requires the Group to make judgments that affect the valuation of the right-of-use assets and the lease liabilities. These include determining contracts in scope of IFRS 16, determining the contract term and determining the interest rate used for discounting of future cash flows.

The Group has a large number of lease contracts that include extension and termination options. Evaluating at commencement date whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease requires a certain degree of judgement.

6 ACQUISITIONS AND DISPOSAL OF BUSINESS UNITS

Transactions in 2019.

Acquisition of SuperGuud. Valora acquired SuperGuud, based in Zurich, in an asset deal on 31 January 2019. The acquisition was conducted by BackWerk Switzerland AG and comprised three sales outlets.

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

The purchase price amounted to CHF 3.7 million and was paid in cash. The consideration was paid for the acquired retail equipment, inventory and goodwill of CHF 2.7 million. At the acquisition date the right-of-use asset and the lease liability amounted to CHF 1.2 million.

From the acquisition date, SuperGuud contributed net revenues of CHF 3.7 million with an immaterial impact on net profit. If the acquisition had been made on 1 January 2019 net revenues for the financial year 2019 would have been CHF 4.1 million with an immaterial impact on net profit.

Transactions in 2018.

Acquisition of Presse + Buch Grauert. Valora acquired Presse + Buch Grauert based in Düsseldorf, Germany, in the context of an asset deal on 1 April 2018. The acquisition was conducted by Retail Germany and comprised two sales outlets.

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

The purchase price was CHF 4.4 million, of which CHF 4.0 million was paid in cash in 2018 and CHF 0.4 million was outstanding under a contingent consideration arrangement. This contingent consideration was due and paid in March 2019.

7 SEGMENT REPORTING

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

Valora Retail: Valora Retail operates small sales 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 (Ditsch USA). They are sold both at the Ditsch, Brezelkönig and Backwerk's own sales outlets and via the wholesale distribution channel. The segment also includes Caffè Spettacolo, one of Switzerland's leading coffee-bar chains.

Other: The Group support functions Finance, Human Resources, Business Development, Digital Product 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 financial instruments listed in note 25.

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 comprise property, plant and equipment, right-of-use assets, lease receivables 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

2019

in CHF 000	Valora Retail	Food Service	Other	Elimination	Group total
Net revenues					
Total	**1 669 097**	**353 214**	**7 357**	**0**	**2 029 668**
From third parties	1 669 097	353 214	7 357	0	2 029 668
Operating profit (EBIT)					
Total	**54 094**	**43 068**	**– 5 704**	**0**	**91 458**
Depreciation, amortisation and impairments	147 684	56 553	2 923	0	207 161
thereof right-of-use assets	110 361	30 514	309	0	141 183
Additions to non-current assets					
Total	**592 399**	**118 460**	**4 321**	**0**	**715 180**
thereof right-of-use assets	557 661	62 763	215	0	620 638
thereof lease receivables	20 898	35 780	0	0	56 678
Segment assets					
Total	**1 471 247**	**964 393**	**541 396**	**– 584 197**	**2 392 837**
Segment liabilities					
Total	**1 019 327**	**586 938**	**744 649**	**– 584 197**	**1 766 718**
thereof lease liabilities	841 909	205 278	1 053	0	1 048 240

Due to the initial application of IFRS 16 assets, liabilities and depreciation increased significantly. The segments are affected differently due to the respective business models.

Depreciation, amortisation and impairments include impairments of CHF 3.0 million in the Valora Retail segment and impairments in the segment Food Service of CHF 0.4 million and represent mainly impairments on point-of-sale equipment. Impairment on the right-of-use assets amounts to CHF 0.4 million.

2018

in CHF 000	Valora Retail	Food Service	Others	Elimination	Group total
Net revenues (revised)					
Total	**1 732 351**	**336 503**	**6 035**	**0**	**2 074 889**
From third parties	1 732 351	336 503	6 035	0	2 074 889
Operating profit (EBIT)					
Total	**65 703**	**34 123**	**– 10 007**	**0**	**89 818**
Depreciation, amortisation and impairments	36 317	26 994	2 911	0	66 222
Additions to non-current assets					
Total	**33 949**	**34 968**	**1 920**	**0**	**70 838**
Segment assets					
Total	**611 775**	**729 020**	**514 848**	**– 529 413**	**1 326 229**
Segment liabilities					
Total	**178 179**	**347 725**	**715 957**	**– 529 413**	**712 449**

Depreciation, amortisation and impairments include impairments of CHF 2.2 million in the Valora Retail segment and impairments in the segment Food Service of CHF 1.9 million and represent mainly impairments on point-of-sale equipment.

Segment information by countries

2019

in CHF 000	Switzerland	Germany	Other countries	Group total
Total revenue from contracts with customers (according to IFRS 15)	1 277 004	586 353	122 447	1 985 804
Other revenues	0	41 681	2 184	43 865
Net revenues from third parties	**1 277 004**	**628 034**	**124 631**	**2 029 668**
Non-current assets	1 002 167	791 197	70 719	1 864 083

2018 (revised)

in CHF 000	Switzerland	Germany	Other countries	Group total
Total revenue from contracts with customers (according to IFRS 15)	1 293 318	619 953	119 092	2 032 363
Other revenues	18	40 738	1 770	42 526
Net revenues from third parties	**1 293 336**	**660 691**	**120 862**	**2 074 889**
Non-current assets	304 798	592 627	19 517	916 942

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

8 REVENUE FROM CONTRACTS WITH CUSTOMERS

Disaggregation of sales

2019

in CHF 000	Valora Retail	Food Service	Others	Group total
Revenue from sale of goods [1)]	1 529 553	318 926	5	1 848 484
Income from services	114 149	15 818	7 353	137 320
Total revenue from contracts with customers (according to IFRS 15)	**1 643 702**	**334 744**	**7 357**	**1 985 804**
Commission income and franchise fees	25 395	18 470	0	43 865
Total net revenues	**1 669 097**	**353 214**	**7 357**	**2 029 668**

[1)] Includes wholesale revenues of CHF 133.2 million, which can be attributed to the segment Food Service.

2018 (revised)

in CHF 000	Valora Retail	Food Service	Others	Group total
Revenue from sale of goods [1]	1 596 841	297 610	2	1 894 453
Income from services	111 831	20 046	6 033	137 910
Total revenue from contracts with customers (according to IFRS 15)	**1 708 672**	**317 656**	**6 035**	**2 032 363**
Commission income and franchise fees	23 679	18 848	0	42 526
Total net revenues [2]	**1 732 351**	**336 503**	**6 035**	**2 074 889**

[1] Includes wholesale revenues of CHF 112.7 million, which can be attributed to the segment Food Service.
[2] Rental income in the amount of CHF 47.2 million was reclassified to other income.

9 PERSONNEL EXPENSES

in CHF 000	**2019**	2018
Wages and salaries	198 302	212 453
Social security expenses	33 622	35 814
Share-based remuneration	2 664	3 187
Other personnel expenses	11 262	13 165
Total personnel expenses	**245 850**	**264 620**
Headcount in full-time equivalents as at 31 December	3 906	4 230

Social security expenses include expenses for defined contribution plans of TCHF 131 (2018: TCHF 170). Other personnel expenses include, in particular, compensation paid to recruiters or temporary staff and expenses for training and staff recruitment.

10 OTHER OPERATING EXPENSES

in CHF 000	2019	2018
Agency fees	181 335	163 521
Lease expenses IAS 17	0	204 354
Lease expenses IFRS 16	37 675	0
Ancillary rental costs and property expenses	38 605	39 806
Shipping	40 460	37 592
Management and administration	28 975	29 848
Communication and IT	25 017	24 180
Advertising and sales	16 435	17 172
Impairment losses on accounts receivables	2 737	959
Other operating expenses	31 595	32 432
Total other operating expenses	**402 834**	**549 865**

The decrease in lease expenses is due to the application of IFRS 16 (see note 3). Lease expense includes other operating leases of CHF 1.8 million (2018: CHF 3.4 million). Agency fees have increased as a result of the expansion of the agency network.

11 OTHER INCOME AND OTHER EXPENSES

in CHF 000	2019	2018
Lease income	27 442	47 204
Gain on derecognition of right-of-use asset subject to finance lease	434	0
Gain from disposal of non-current assets	279	962
Other income	4 605	6 371
Total other income	**32 759**	**54 536**

Lease income from franchisees, previously reported in revenue is now presented as other income. Lease income in the prior period of CHF 47.2 million was reclassified accordingly. The reduction in lease income is due to the classification of subleases as finance leases under IFRS 16 on 1 January 2019 (see note 3 and 22).

Other income essentially relates to the derecognition of other non-current liabilities, reimbursements and payments received from insurance companies.

in CHF 000	**2019**	2018
Loss on finance lease	–193	0
Selling loss from the disposal of non-current assets	–1 218	–1 501
Other expenses	–1 248	–675
Total other expenses	**–2 659**	**–2 176**

12 FINANCIAL EXPENSE

in CHF 000	**2019**	2018
Interest expenses on bank loans and liabilities	6 919	7 639
Interest on bond	0	1 146
Interest expense on lease liabilities	15 107	0
Foreign exchange losses, net	1 178	1 630
Total financial expense	**23 205**	**10 416**

13 FINANCIAL INCOME

in CHF 000	**2019**	2018
Interest income from cash and cash equivalents, loans and receivables	187	329
Interest income from lease receivables	1 685	0
Interest income from financial leases (IAS 17)	0	127
Dividend income from other non-current financial assets	35	142
Total financial income	**1 908**	**598**

14 INCOME TAXES

Income tax is broken down as follows:

in CHF 000	**2019**	2018
Current income tax	6 629	3 388
Deferred income tax	–10 068	12 513
Total tax (income) / expenses	**–3 440**	**15 901**

The reconciliation of income taxes at the expected Group tax rate with the reported income tax can be reconciled as follows:

in CHF 000	**2019**	2018
Earnings before income taxes	70 161	80 000
Expected average Group tax rate	20.2%	18.8%
Income taxes at the expected Group tax rate	**14 151**	**15 040**
Expenses not recognised for tax purposes / non-taxable income	3 039	2 201
Utilisation of previously unrecognised tax loss carryforwards	– 3 553	– 2 701
Effects on current income taxes from prior periods	– 2 350	– 163
Recognition of valuation allowances for deferred tax assets	2 616	2 232
Reversal of valuation allowances for deferred tax assets	– 286	– 1 273
Intragroup transfer of assets	– 17 382	0
Changes in tax rates	– 571	115
Other effects	896	450
Total reported income taxes	**– 3 440**	**15 901**
Effective tax rate	– 4.9%	19.9%

In calculating the expected 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 increased due to the changed composition of the earnings before income tax of the operational companies.

The effective tax rate decreased significantly due to a one-time effect from an intragroup transfer of assets, which resulted in a change in tax base.

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 2017	**15 474**	**– 7 166**	**8 309**
Deferred taxes recognised in the income statement	– 7 042	– 5 471	– 12 513
Deferred taxes recognised in other comprehensive income	0	213	213
Currency translation differences	– 858	567	– 291
Offsetting	2 637	– 2 637	0
Balance on 31 December 2018	**10 212**	**– 14 495**	**– 4 282**
Effect of initial application of IFRS 16	895	0	895
Balance on 1 January 2019	**11 106**	**– 14 495**	**– 3 387**
Deferred taxes recognised in the income statement	4 348	5 641	9 989
Deferred taxes recognised in other comprehensive income	0	401	401
Currency translation differences	– 645	433	– 212
Offsetting	3 029	– 3 029	0
Balance on 31 December 2019	**17 838**	**– 11 049**	**6 791**

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	**2019**	2018
Current assets	922	1 180
Property, plant and equipment	1 078	422
Goodwill, software and other intangible assets	11 122	4 573
Non-current lease receivables	89	0
Current lease liabilities	28 332	0
Non-current lease liabilities	203 371	0
Other liabilities	1 576	1 635
Tax loss carryforwards	14 639	17 411
Total	**261 130**	**25 221**
Deferred tax liabilities by origin of the difference		
Current assets	– 5 208	– 5 239
Current lease receivables	– 3 332	0
Property, plant and equipment	– 34 393	– 2 858
Right-of-use assets	– 168 009	0
Goodwill, software and other intangible assets	– 18 930	– 20 215
Non-current lease receivables	– 8 611	0
Other liabilities	– 15 856	– 1 192
Total	**– 254 340**	**– 29 504**
Reported in the balance sheet		
Deferred tax assets	17 838	10 212
Deferred tax liabilities	– 11 049	– 14 495
Total deferred tax assets, net	**6 791**	**– 4 282**

Tax loss carryforwards total to an amount of CHF 388.8 million (2018: CHF 431.0 million). Utilisation of CHF 304.3 million (2018: CHF 313.1 million) of these tax losses is not considered probable and therefore no deferred taxes have been recognised. The predominant part of these tax loss carryforwards does not expire or has its expiration date in more than 5 years.

Deferred tax liabilities are not recognised to the extent that, Valora Holding AG as the parent company, is able to control the timing of the reversal of temporary differences and it is not probable that these differences will reverse in the foreseeable future (e.g. through the sale of the investment). Since a reversal is not expected at present, no deferred tax liabilities are recognised for the outside basis difference.

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	**2019**	2018
Net profit from continuing operations	73 601	64 099
Coupon attributable to providers of hybrid capital	0	–4 000
Net profit from continuing operations attributable to Valora Holding AG shareholders	73 601	60 099
Net profit/(loss) from discontinued operations	100	–5 120
Net profit from continuing and discontinued operations attributable to Valora Holding AG shareholders	**73 701**	**54 979**
Average number of outstanding shares	3 940 440	3 932 706
Earnings per share from continuing operations (in CHF)	18.68	15.28
Earnings per share from continuing operations and discontinued operations (in CHF)	**18.70**	**13.98**

In 2019 and 2018 there were no dilutive effects.

16 CASH AND CASH EQUIVALENTS

in CHF 000	**2019**	2018
Cash on hand and sight deposits	122 651	104 776
Total cash and cash equivalents	**122 651**	**104 776**
of which restricted cash	6 060	2 616

Valora places significant sight deposits with banks that have a good credit rating (Standard & Poor's rating of A and higher) or with banks that are considered system-relevant. Under IFRS 9, demand deposits are measured at amortised cost.

17 TRADE ACCOUNTS RECEIVABLE

in CHF 000	**2019**	2018
Trade accounts receivable, gross	81 189	83 542
Allowance for expected credit loss	–4 109	–3 308
Total trade accounts receivable, net	**77 080**	**80 235**

Trade receivables are non-interest bearing.

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

in CHF 000	2019	2018
Balance on 1 January	**3 308**	**2 964**
Recognition of loss allowances through profit or loss	2 596	2 339
Reversal of loss allowances through profit or loss	–692	–1 410
Utilisation of loss allowances	–762	–125
Currency translation differences	–341	–460
Balance on 31 December	**4 109**	**3 308**

The trade receivables have been impaired by using a provision matrix. The calculation of the expected credit loss allowance is based on the amount of overdue trade receivables and the relevant percentages for the respective category.

Total impairments (including reversals of impairment losses) determined in accordance with IFRS 9 amounted to CHF 2.7 million. Impairment losses were charged to trade accounts receivables and other current receivables.

As of the balance sheet date, the ageing structure of trade accounts receivable is as follows:

in CHF 000	2019	2018
Not yet due	63 855	68 573
Less than one month overdue	9 644	8 059
More than one month, but less than two months overdue	1 260	1 422
More than two months, but less than four months overdue	1 150	695
More than four months overdue	1 172	1 485
Total trade accounts receivable, net	**77 080**	**80 235**

The payment terms for trade receivables are 30 to 90 days. The underlying contracts have no significant financing components and the amount of the consideration is essentially not determined on the basis of variable external factors. No significant components are based on estimates.

The Group considers trade accounts receivable in default when internal or external information indicates that it is unlikely to receive the outstanding contractual amount in full. The impairment loss is recognised taking into account any existing collaterals for this contractual amount.

Under IFRS 9 trade accounts receivable were allocated to different clusters. The expected credit losses on trade accounts receivable not yet due and less than one month overdue were derived from the credit rating of these clusters (0.3 % to 1.3 % of the relevant outstanding amount). Additional expected credit losses were recognised depending on the expected default rate of the ageing bucket of the outstanding amount (more than one month but less than two months overdue: 1.3 % to 2.3 %; more than two months but less than four months overdue: 33 %; more than four months overdue: 66 %). All rates are unchanged to the prior period.

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

in CHF 000	**2019**	2018
CHF	33 627	42 082
EUR	41 985	37 172
USD	1 468	982
Total trade accounts receivable, net	**77 080**	**80 235**

18 INVENTORIES

in CHF 000	**2019**	2018
Merchandise	134 178	137 252
Semi-finished and finished products	6 169	5 305
Other inventories	3 046	3 028
Total inventories	**143 393**	**145 585**

During the financial year, write-downs on inventories of CHF 9.2 million (2018: CHF 6.5 million) were charged to the cost of goods and materials.

19 OTHER CURRENT RECEIVABLES

in CHF 000	**2019**	2018
Value-added taxes and withholding tax receivables	1 001	1 195
Prepaid expenses and accrued income	35 751	30 804
Other receivables	28 883	23 939
Total other current receivables	**65 635**	**55 938**

In particular, other receivables include claims for reimbursement of costs as well as receivables due from social security and insurance companies.

All other receivables measured at amortised cost had good credit ratings (stage 1). The default risk, which in this case is derived from the credit rating, is not material.

20 PROPERTY, PLANT AND EQUIPMENT

in CHF 000	Land	Building	Machinery and equipment	Projects in progress	Total
Acquisition costs					
Balance on 31 December 2017	**8 514**	**35 297**	**463 135**	**8 433**	**515 379**
Consolidation scope additions	0	0	474	0	474
Additions	239	1 811	26 757	34 627	63 434
Disposals	0	0	–20 077	–416	–20 493
Reclassifications	0	131	19 634	–19 766	–0
Currency translation differences	–152	–628	–7 238	–533	–8 551
Balance on 31 December 2018	**8 601**	**36 612**	**482 684**	**22 345**	**550 242**
Consolidation scope additions	0	0	658	0	658
Additions	0	19 969	49 439	18 079	87 487
Disposals	0	0	–21 934	–92	–22 027
Reclassifications	0	1 675	12 146	–13 820	0
Currency translation differences	–150	–1 125	–7 524	–704	–9 504
Balance on 31 December 2019	**8 451**	**57 129**	**515 468**	**25 808**	**606 857**
Accumulated depreciation / impairments					
Balance on 31 December 2017	**0**	**–9 689**	**–277 796**	**0**	**–287 485**
Additions	0	–1 751	–42 739	0	–44 490
Impairments	0	0	–3 688	0	–3 688
Disposals	0	0	17 300	0	17 300
Currency translation differences	0	137	3 381	0	3 519
Balance on 31 December 2018	**0**	**–11 303**	**–303 541**	**0**	**–314 844**
Additions	0	–2 029	–42 896	0	–44 925
Impairments	0	0	–3 405	0	–3 405
Disposals	0	0	20 470	0	20 470
Currency translation differences	0	156	3 616	0	3 772
Balance on 31 December 2019	**0**	**–13 175**	**–325 757**	**0**	**–338 932**
Carrying amount					
On 31 December 2018	8 601	25 309	179 143	22 345	235 398
On 31 December 2019	**8 451**	**43 954**	**189 711**	**25 808**	**267 924**

Impairments on machinery and equipment mainly relate to point-of-sale equipment in both years.

A small portion of machinery and equipment is subject to operating leasing.

21 VALORA AS A LESSEE

A) LEASE ACTIVITIES

Sales outlets. Valora holds around 2 800 lease contracts, mainly for sales outlets, comprising both fixed and variable sales-based lease payments. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. Leases are typically made for a fixed period of 5–10 years and may include extension and termination options which provide operational flexibility.

Vehicles leases. The Group leases cars for management and sales functions. The average lease term is 3–4 years.

Other leases. The Group does not lease machinery and equipment, furniture or other equipment that combined are significant to the total leased asset portfolio.

B) RIGHT-OF-USE ASSETS

in CHF 000	Right-of-use assets sales outlets	Right-of-use assets vehicles	Total right-of-use assets
At cost			
Balance on 1 January 2019	**541 053**	**1 724**	**542 777**
Additions	619 073	1 565	620 638
Disposals and derecognitions	–75 923	–160	–76 083
Currency translation differences	–12 415	–61	–12 477
Balance on 31 December 2019	**1 071 788**	**3 068**	**1 074 856**
Accumulated depreciation / impairment			
Balance on 31 December 2018	**0**	**0**	**0**
Additions	–139 642	–1 117	–140 759
Impairments	–424	0	–424
Disposals	4 041	15	4 056
Currency translation differences	1 251	18	1 269
Balance on 31 December 2019	**–134 774**	**–1 084**	**–135 858**
Carrying amount			
Balance on 31 December 2019	**937 014**	**1 984**	**938 997**

The significant increase in the right-of-use assets is mainly attributable to the renewal of 231 existing and the conclusion of 31 new rental agreements with the Swiss Federal Railways. The lease term for the sales outlets is 10 years.

C) LEASE LIABILITIES

in CHF 000	2019
Balance on 1 January 2019	**619 406**
Additions	602 781
Interest on lease liabilities	15 107
Lease payments (including interest payments)	– 157 795
Early termination of contracts	– 16 533
Currency translation differences	– 14 727
Balance on 31 December 2019	**1 048 240**
Thereof current portion	160 749
Thereof non-current portion	887 491

Maturity analysis - contractual undiscounted cash flows

in CHF 000	2019
Within one year	179 292
Within 1 – 5 years	568 233
More than 5 years	384 893
Total undiscounted lease liabilities	**1 132 418**
Effect of discounting	– 84 178
Total lease liabilities included in the balance sheet	**1 048 240**

Variable lease payments based on sales. Some leases of sales outlets contain variable lease payments that are based on sales generated from the store. Variable payment terms are used to link rental payments to store cash flows and minimise fixed costs. Fixed and variable lease payments by segment for the period ended 31 December 2019 are summarised below.

Segment	No. of Leases	Fixed lease payments	Variable lease payments	Total	Estimated impact on total rent of a 3% increase in sales
Retail	2 222	119 599	13 731	133 330	6 446
Food Service	652	50 772	9 651	60 423	1 469
Other	2	2 704	0	2 704	0
Total	**2 876**	**173 075**	**23 382**	**196 457**	**7 915**

The Group expects the relative proportions of fixed and variable lease payments to remain broadly consistent in future years.

A 3% increase in sales across all stores in the Group would be expected to increase total lease payments by approximately CHF 7.9 million.

Extension options. Some leases of sales outlets contain extension options exercisable by the Group up to one year before the end of the non-cancellable contract period. Where practicable, Valora seeks to include extension options in new leases to provide operational flexibility. The extension options held are exercisable only by Valora and not by the lessors. The Group assesses at lease commencement whether it is reasonably certain to exercise the extension options.

The impact of exercised extension options in 2019 amounted to CHF 22.6 million. The table below shows the potential future lease payments due to exercised extension options.

Segment	Number of leases with options due to excercise in the current year	Total lease liability due to extension options in the current year	Number of extension options recognised in the current year	Total lease liability recognised due to extension options in the current year (NPV)	Number of leases with extension options due in future periods	Total lease liability due to extension options in future periods (NPV)
Retail	104	17 031	54	10 803	385	83 094
Food Service	57	20 036	32	11 846	430	142 595
Other	0	0	0	0	1	22 621
Total	**161**	**37 067**	**86**	**22 649**	**816**	**248 310**

If Valora exercised all extension options not currently included in the lease liabilities, the additional payments would amount to CHF 248.3 million at 31 December 2019.

D) OTHER DISCLOSURES

Lease expenses not included in lease liabilities:

in CHF 000	**2019**
Variable lease payments	23 382
Lease expenses short term leases	13 738
Lease expenses low value assets	555
Total lease expenses presented within operating expenses	**37 675**

in CHF million	**2019**
Interest expense on lease liabilities	15 107
Total cash outflow for leases	195 470
Lease commitment for short-term leases	6 696

The lease commitments for leases not commenced at year-end amount to CHF 95 million and relate to concluded contracts for new rental spaces with Swiss Federal Railways.

22 VALORA AS A LESSOR

A) LEASE RECEIVABLES

in CHF 000	2019
Balance on 1 January 2019	**71 598**
Additions	56 678
Interest on lease receivables	1 685
Repayments (including interest payments)	– 16 209
Impairment charge	0
Early termination of contracts	– 18 795
Currency translation differences	– 3 343
Balance on 31 December 2019	**91 613**
Thereof current portion	23 407
Thereof non-current portion	68 207

Additions and early termination of contracts are mainly due to changes from own outlets to franchisees during the year. The increase in lease receivables is the result of the increased number of franchisees.

Maturity analysis of lease payment receivable

in CHF 000	2019
Within one year	25 024
Within 1 – 2 years	20 781
Within 2 – 3 years	17 502
Within 3 – 4 years	13 579
Within 4 – 5 years	9 583
After more than 5 years	10 154
Total undiscounted lease payments to be received	**96 624**
Unearned finance income	– 5 011
Total lease receivables	**91 613**

B) OPERATING LEASES

Subleases not qualifying as finance lease. Subleases are classified as operating lease when not substantially all of the risks and rewards of ownership are transferred.

The following table shows the future minimum lease payments under non-cancellable operating subleases as at 31 December:

Payments from operating subleases in CHF 000	**2019**
Income from subleases recognised during the reporting period	16 858
Due dates of future payments	
Within one year	6 539
Within 1 – 2 years	4 349
Within 2 – 3 years	3 137
Within 3 – 4 years	2 387
Within 4 – 5 years	1 141
After more than 5 years	1 128
Total undiscounted payments to be received	**18 682**

Other operating leases. The Group leases out some facilities, machinery and equipment to franchisees predominantly in Germany. These leases have been classified as operating leases, because they do not transfer substantially all of the risks and rewards incidental to the ownership of the assets.

The following table shows the undiscounted lease payments to be received after the reporting date.

Payments from other operating leases in CHF 000	**2019**	2018
Income recognised during the reporting period	10 584	6 376
Due dates of future payments		
Within one year	8 274	4 810
Within 1 – 2 years	6 638	3 865
Within 2 – 3 years	5 781	3 177
Within 3 – 4 years	4 887	2 600
Within 4 – 5 years	3 829	2 027
After more than 5 years	5 158	3 114
Total undiscounted future payments from other operating leases	**34 567**	**19 593**

C) OTHER DISCLOSURES

The Group has a finance income on lease receivables of CHF 1.7 million.
Selling profit or loss resulting from sublease arrangements is disclosed in other income or expense.

23 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 2017	**560 824**	**47 986**	**209 666**	**4 744**	**823 220**
Additions to the scope of consolidation	0	0	3 349	0	3 349
Additions	0	0	2 433	4 972	7 404
Disposals	0	0	–1 253	–5	–1 258
Reclassifications	0	0	4 028	–4 028	0
Currency translation differences	–14 619	–918	–4 473	–126	–20 135
Balance on 31 December 2018	**546 205**	**47 068**	**213 750**	**5 557**	**812 580**
Additions to the scope of consolidation	2 677	0	0	0	2 677
Additions	0	0	2 997	4 058	7 054
Disposals	0	0	–405	–7	–412
Reclassifications	0	0	1 910	–1 910	0
Currency translation differences	–13 121	–819	–4 083	–138	–18 162
Balance on 31 December 2019	**535 761**	**46 249**	**214 169**	**7 560**	**803 738**
Accumulated amortisation / impairments					
Balance on 31 December 2017	**–1 285**	**0**	**–114 086**	**0**	**–115 371**
Additions	0	0	–17 607	0	–17 607
Impairments	0	0	–437	0	–437
Disposals	0	0	852	0	852
Currency translation differences	49	0	1 478	0	1 527
Balance on 31 December 2018	**–1 236**	**0**	**–129 800**	**0**	**–131 036**
Additions	0	0	–17 595	0	–17 595
Impairments	0	0	–52	0	–52
Disposals	0	0	306	0	306
Currency translation differences	44	0	1 756	0	1 800
Balance on 31 December 2019	**–1 192**	**0**	**–145 385**	**0**	**–146 577**
Carrying amount					
On 31 December 2018	544 969	47 068	83 950	5 557	681 544
On 31 December 2019	**534 569**	**46 249**	**68 784**	**7 560**	**657 162**

Intangible assets with indefinite useful lives. The intangible assets with indefinite useful lives include the brands Ditsch (CHF 22.2 million) and Brezelkönig (CHF 24.0 million). The trademarks were tested for impairment by calculating the value in use of the cash-generating unit Food Service Europe. The revenues used in this calculation are based on three-year business plans. A long term growth rate of 0.2 % was assumed (2018: 1.0 %). The pre-tax discount rates applied are 7.4 % for Ditsch and 5.7 % for Brezelkönig (2018: 6.7 % and 5.2 % respectively).

Software and intangible assets with finite useful lives. Software and intangible assets with finite useful lives include CHF 9.7 million (2018: CHF 11.8 million) for software and CHF 59.1 million (2018: CHF 72.2 million) for intangible assets with finite useful lives, of which CHF 9.6 million (2018: CHF 13.6 million) relate to Ditsch / Brezelkönig customer relationships and CHF 43.1 million (2018: CHF 49.6 million) to BackWerk franchise contracts.

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

Cash-generating units in CHF 000	**2019**	2018
Valora Retail Switzerland	53 730	53 730
Valora Retail Germany	87 909	91 143
Food Service Europe	389 620	396 733
Ditsch USA	3 311	3 364
Total carrying amount as at 31 December	**534 569**	**544 969**

Goodwill is tested for impairment based on the estimated future free cash flows (DCF method) taken from the respective business plan of the cash-generating units. These business plans were approved by the Board of Directors and reflect the management's assumptions. For cash flows arising after this period a terminal value derived from the third planning year is used. The following key assumptions were used:

Cash-generating units in CHF 000	Planning horizon 1)	long-term growth rate 2019 2)	long-term growth rate 2018 2)	Net revenues	Margin trend
Valora Retail Switzerland	3 years	0 %	0 %	rising slightly	falling slightly
Valora Retail Germany	3 years	0 %	0 %	falling	rising
Food Service Europe	3 years	0.35 %	1 %	rising	rising
Ditsch USA	3 years	2 %	2 %	rising	stable

1) Except for Ditsch USA with a planing horizon of 3 years (prior period 5 years), planning horizon is unchanged.
2) Beyond the planning horizon

The discount rates are set based on the Group's weighted cost of capital, reflecting country and currency-specific risks affecting the cash flows.

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

in CHF 000	Currency	2019	2018
Valora Retail Switzerland	CHF	6.0 %	5.7 %
Valora Retail Germany	EUR	7.6 %	7.0 %
Food Service Europe	EUR	6.7 %	6.1 %
Ditsch USA	USD	10.4 %	11.0 %

No impairments were charged to the income statement in 2019 and 2018.

Sensitivities. For all goodwill items, the impairment tests for 2019 show that even in the event of an increase in the discount rate of 1.5 percentage points, which is considered to be reasonably possible, or assuming revenues are 5% lower, all resulting values in use exceed the carrying amounts.

24 FINANCIAL ASSETS

in CHF 000	2019	2018
Loans	4 112	5 080
Other non-current receivables	5 468	5 044
Other non-current financial assets	649	649
Total financial assets	**10 229**	**10 773**

The comparative period included in other non-current receivables a usage right from the sale of the property in Muttenz in the year 2012, which was sold in 2019. Other non-current financial assets comprise unlisted equity securities measured at fair value through profit or loss.

25 CURRENT FINANCIAL LIABILITIES AND OTHER NON-CURRENT LIABILITIES

Current financial liabilities in CHF 000	**2019**	2018
Current bank debt and current portion of long-term debt	153	185 133
Total current financial liabilities	**153**	**185 133**

Other non-current liabilities in CHF 000	**2019**	2018
Promissory notes	433 644	271 976
Other non-current liabilities	13 563	12 426
Total other non-current liabilities	**447 207**	**284 402**

The syndicated loan facility of CHF 50 million is currently not being utilised.

On 11 January 2019 Valora refinanced a maturing EUR promissory note and the CHF hybrid bond with a five-year term EUR 100 million promissory note and an additional tranche of CHF 63 million.

Other non-current liabilities include financial liabilities (mainly deposits) in the amount of TCHF 9 733 (2018: TCHF 6 245) and other liabilities (jubilee benefits and others) in the amount of TCHF 3 830 (2018: TCHF 6 181). As at the initial application of IFRS 16, a provision for onerous contracts presented under other non-current liabilities in the amount of CHF 2.1 million was offset against right-of-use assets (Note 3).

Maturities at year end are as follows in CHF 000	**2019**	2018
Within one year	153	185 133
Within 1 – 2 years	78 147	1 398
Within 2 – 3 years	1 121	82 345
Within 3 – 4 years	185 680	1 172
Within 4 – 5 years	172 429	192 128
After more than 5 years	6 000	1 178
Total financial liabilities	**443 530**	**463 354**
Current portion of financial liabilities	– 153	– 185 133
Total non-current portion of financial liabilities	**443 377**	**278 221**

The interest rates on financial liabilities ranged between 0.0 % and 3.0 % (2018: between 0.1 % and 3.0 %). The weighted average interest rate on financial liabilities was 1.4 % (2018: 1.9 %). Non-current financial liabilities are denominated in the following currencies:

in CHF 000	**2019**	2018
CHF	63 698	691
EUR	375 874	277 530
USD	3 806	0
Total non-current financial liabilities	**443 377**	**278 221**
Other non-current liabilities	3 830	6 181
Total other non-current liabilities	**447 207**	**284 402**

Financing activities in CHF 000	Current bank debt	Current portion of long-term debt	Current bonds	Current portion of lease liabilities	**Total current financial liabilities**	Promissory notes	Other non-current financial liabilities	Non-current portion of lease liabilities	**Total non-current financial liabilities**
Balance on 31 December 2017	**15 769**	**901**	**199 990**	**0**	**216 660**	**175 421**	**6 550**	**0**	**181 971**
Financing cash inflow	77 709	0	0	0	77 709	201 078	185	0	201 263
Financing cash outflow	0	0	– 200 000	0	– 200 000	0	– 268	0	– 268
Reclass	0	87 667	0	0	87 667	– 87 766	0	0	– 87 766
Non-cash transactions	0	– 503	10	0	– 493	221	0	0	221
Currency translation differences	3 615	– 26	0	0	3 589	– 16 978	– 222	0	– 17 200
Balance on 31 December 2018	**97 093**	**88 040**	**0**	**0**	**185 133**	**271 976**	**6 245**	**0**	**278 221**
Effect of initial application of IFRS 16	0	0	0	0	0	0	0	619 406	619 406
IFRS 16 additions					0			617 888	617 888
Financing cash inflow	0	0	0	0	0	175 279	4 514	0	179 793
Financing cash outflow	– 94 439	– 90 255	0	– 157 795	– 342 490	0	– 725	0	– 725
Reclass	0	0	0	320 363	320 363	0	0	– 320 363	– 320 363
Non-cash transactions	0	124	0	0	124	240	0	– 16 533	– 16 293
Currency translation differences	– 2 501	2 092	0	– 1 818	– 2 227	– 13 851	– 301	– 12 909	– 27 061
Balance on 31 December 2019	**153**	**0**	**0**	**160 749**	**160 903**	**433 644**	**9 733**	**887 491**	**1 330 868**

26 TRADE ACCOUNTS PAYABLE

Trade accounts payable are denominated in the following currencies:

in CHF 000	**2019**	2018
CHF	99 872	92 398
EUR	43 771	43 786
Other	1 744	362
Total trade accounts payable	**145 387**	**136 546**

27 OTHER CURRENT LIABILITIES

in CHF 000	**2019**	2018
Value-added tax and other taxes	3 852	3 985
Personnel and social security	1 892	1 302
Accruals for overtime, vacation and variable salary components	7 838	6 162
Liabilities to pension funds	1 021	1 021
Accrued expenses and prepaid income	49 288	44 748
Liabilities for investments in property, plant and equipment	13 815	5 860
Other current liabilities	26 762	21 521
Total other current liabilities	**104 469**	**84 599**

Accrued expenses primarily include accruals for agency fees, goods and services purchased as well as accrued interest. Other current liabilities mainly comprise liabilities in regard to variable lease payments and ancillary lease costs.

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 6.00% (2018: 6.20%). The conversion rate will be reduced by 0.30% to 5.70% in 2020. 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 2019. 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	**2019**	2018
Present value of defined benefit obligation at the beginning of the year	487 870	516 717
Service cost	6 463	6 738
Employee contributions	4 680	4 903
Interest costs	2 559	2 799
Plan amendments, curtailments, settlements	– 9 998	– 8 839
Additions to the scope of consolidation	2 136	4 236
Benefits paid	– 31 590	– 29 029
Actuarial losses / (gains) from obligations	30 214	– 9 644
Currency translation differences	– 8	– 11
Present value of defined benefit obligation at year-end	**492 325**	**487 870**
Market value of pension assets at the beginning of the year	558 878	577 568
Interest income	2 929	3 130
Employer contributions	6 363	6 963
Employee contributions	4 680	4 903
Plan amendments, curtailments, settlements	– 7 177	– 7 210
Additions to the scope of consolidation	2 060	4 141
Benefits paid	– 31 538	– 29 001
Actuarial (losses) / gains from assets	37 477	– 828
Other pension costs	– 715	– 788
Market value of pension assets at year-end	**572 957**	**558 878**

The pension assets calculated at fair value all relate to the Swiss pension schemes. The Group expects to pay employer contributions of CHF 6.9 million in 2020.

Balance sheet values in CHF 000	**2019**	2018
Present value of funded pension obligations	–492 110	–487 596
Fair value of pension assets	572 957	558 878
Excess/(shortfall) of fund-financed plans	**80 847**	**71 282**
Asset ceiling effect	–80 847	–71 282
Present value of unfunded pension obligations	–215	–274
Total net pension obligation	**–215**	**–274**

The weighted average duration of the defined benefit obligation is 12.7 years (2018: 12.4 years).

The net pension obligation developed as follows:

in CHF 000	**2019**	2018
1 January	–274	–307
Additions to the scope of consolidation	–76	–95
Pension expense, net in profit or loss	–4 359	–5 902
Employer contributions	6 415	6 991
Actuarial losses in other comprehensive income	–1 930	–972
Currency translation differences	8	11
31 December	**–215**	**–274**

Income statement in CHF 000	**2019**	2018
Service cost	–6 463	–6 738
Interest costs	–2 559	–2 799
Plan amendments, curtailments, settlements	2 821	1 629
Interest on effect of asset ceiling	–372	–336
Interest income	2 929	3 130
Other pension costs	–715	–788
Actuarial net pension expense	**–4 359**	**–5 902**

Income from plan amendments in the amount of CHF 2.8 million are primarily due to the reduction in the conversion rate.

Actuarial gains / losses in CHF 000	**2019**	2018
Changes in financial assumptions	–30 033	16 463
Experience adjustment on defined benefit obligation	–257	–6 914
Gain on pension assets (excluding interest based on the discount rate)	37 477	–828
Asset ceiling effect	–9 193	–9 788
Actuarial losses of the period	**–2 006**	**–1 067**

Total actuarial gains / losses recognised in other comprehensive income in CHF 000	**2019**	2018
1 January	–91 758	–90 904
Actuarial losses	–2 006	–1 067
Deferred taxes	401	213
31 December	**–93 363**	**–91 758**

Significant actuarial assumptions in CHF 000	**2019**	2018
Discount rate (Switzerland only)	0.20 %	0.75 %
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	**2019**	2018
Discount rate (+0.25 %)	–15 027	–13 622
Discount rate (–0.25 %)	13 954	12 915
Change in salaries (+0.50 %)	648	631
Change in salaries (–0.50 %)	–674	–630

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

Asset allocation in CHF 000	**2019**	2018
Cash and cash equivalents	5.30 %	5.70 %
Bonds	31.80 %	32.90 %
Equities	29.00 %	27.10 %
Real estate	30.50 %	31.30 %
Other	3.40 %	3.00 %
Total	**100.00 %**	**100.00 %**

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

The effective income from plan assets is CHF 39.7 million (2018: CHF 1.5 million). The effective return for 2019 was 7.1 % (2018: 0.3 %). 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. Generally, 20 % of the individual total compensation of members of the Board of Directors is 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. The share participation programme (SPP) for members of Group Executive Management and selected members of Extended Group Executive Management ended on 31 December 2018.

Under the SPP, shares were granted as a component of compensation in accordance with the relevant employment contract. Participants received shares of Valora Holding AG with all shareholder rights but subject to a three-year lock-up period (post-vesting transfer restriction). The allocation of shares was not subject to any service conditions. The fair value of the compensation was the share price on the grant date multiplied by the number of allocated shares.

An amount of CHF 2.1 million was recognised as expense in the prior year.

Long term incentive plan (LTIP) for Group Executive Management. With effect from 1 January 2019 a long-term incentive plan was introduced which is a performance share unit plan. PSUs granted in 2019 were subject to a service period ending on 31 December 2019 and are converted into Valora shares after a two year period ending 2021, which is then followed by a further two year blocking period during which transfer restrictions apply. The number of shares that the plan participants will eventually receive is determined by multiplying the PSUs that vested on 31 December 2019 with a conversion multiple. This multiple is based on the achievement of performance targets related to the Group's return on capital employed ("ROCE") and earnings per Share ("EPS"), equally weighted at 50%, over the performance period 2019 to 2021. The fair value per PSU reflects Valora's share price at the grant date and the probability of goal achievement. In the current year for the Group Executive Management 4,815 PSUs were granted at a fair value of CHF 270.45. In 2019, CHF 1.4 million personnel expense was recognised in the income statement.

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 following 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 subject to a blocking period of 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	**2019**	2018
Expenses for Valora Group employees and management share participation plans (equity settled)	2 664	3 187
Total expense recognised for share-based remuneration	**2 664**	**3 187**

30 CONTINGENT LIABILITIES AND OTHER OBLIGATIONS

Contingent liabilities in CHF 000	**2019**	2018
Guarantees	4 786	6 255
Total contingent liabilities	**4 786**	**6 255**

Future obligations from other agreements

in CHF 000	**2019**	2018
Due dates of future obligations from other agreements		
Within one year	34 033	23 780
Within 1 – 2 years	5 313	7 374
Within 2 – 3 years	4 769	5 608
Within 3 – 4 years	3 596	5 350
Within 4 – 5 years	2 700	4 428
After more than 5 years	984	3 321
Total future obligations from other agreements	**51 395**	**49 861**

The future obligations from other agreements relate to commodity contracts and IT outsourcing agreements.

31 RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

By virtue of the 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 risks, 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 their 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 the transactions in their 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 risks arise 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 from time to time analysed and the risks are measured using the volatilities of the corresponding currencies. These analyses show that the translation risks are 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) 2019**	**Impact on earnings before income tax 2019**	**Impact on other comprehensive income 2019**	Hypothetical change (percent) 2018	Impact on earnings before income tax 2018	Impact on other comprehensive income 2018
CHF / EUR	+/– 4.0%	+/– 1 815	+/– 7 603	+/– 5.1%	+/– 1 347	+/– 9 549

Interest rate risks. The Group's interest-bearing assets mainly comprise 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. In order to achieve the desired balance of fixed and variable interest rates, the Group enters from time to time into interest rate hedges where needed. Interest-bearing liabilities consist mainly of a promissory note (see Note 25).

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) 2019**	**Impact on earnings before income tax 2019**	Hypothetical change (basis points) 2018	Impact on earnings before income tax 2018
CHF	+/– 6	+/– 417	+/– 27	+/– 86
EUR	+/– 6	+/– 194	+/– 21	+/– 132

Liquidity risks. Liquidity risk management refers to the Group's ability to meet its payment obligations in full and in a timely manner at all times. 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 are designed to 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 closing interest rates 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 2019					
Current financial liabilities	150	0	0	0	0
Current lease liabilities	11 741	44 155	123 395	0	0
Trade accounts payable	138 639	3 113	3 635	0	0
Other current liabilities (financial instruments only)	33 690	30 442	17 985	0	0
Non-current lease liabilities	0	0	0	568 233	384 893
Non-current financial liabilities	2 868	0	1 605	446 250	9 406
Total	**187 088**	**77 710**	**146 620**	**1 014 483**	**394 299**
As at 31 December 2018					
Current financial liabilities	97 494	0	88 966	0	0
Trade accounts payable	129 560	6 947	38	0	0
Other current liabilities (financial instruments only)	43 600	8 828	9 793	0	0
Non-current financial liabilities	1 778	0	1 276	282 270	5 906
Total	**272 432**	**15 775**	**100 073**	**282 270**	**5 906**

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.

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 2019 and 2018, the Valora Group had no receivables from individual customers representing more than 6 % of total trade accounts receivable.

The Group works with a selected 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 353 million (2018: CHF 241 million) corresponds to the carrying amounts (see Note 32).

In addition, there is a default risk in connection with accounts receivables sold to a bank (Note 4), the maximum default risk corresponds to the entire amount derecognized.

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	**2019**	2018
AAA and / or state guarantee (AAA countries)	137	54
AA	3 349	4 372
A	78 816	56 033
BBB	5 571	3 750
No Rating	2 703	1 952
Total demand deposits and fixed term deposits with maturities of less than three months [1)]	**90 576**	**66 161**

[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.

As at 31 December 2019 and 2018 no derivative financial instruments were held.

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	**2019**	2018
Total assets	2 392 837	1 326 229
Total equity	**626 119**	**613 781**
Equity ratio	**26.2 %**	**46.3 %**

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.

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 under IFRS 9 in CHF 000	Measurement category IFRS 9	**Carrying amount 2019**	**Fair Value 2019**	Carrying amount 2018	Fair Value 2018
Assets					
Cash and cash equivalents	At amortised cost	122 651	122 651	104 776	104 776
Trade accounts receivable	At amortised cost	77 080	77 080	80 235	80 235
Current lease receivables	At amortised cost	23 407	n.a.	0	0
Other current receivables (financial instruments only)	At amortised cost	51 852	51 852	44 947	44 947
Non-current lease receivables	At amortised cost	68 207	n.a.	0	0
Non-current interest-bearing financial assets	At amortised cost	4 112	4 112	5 080	5 080
Other non-current receivables	At amortised cost	5 468	5 468	5 044	5 044
Total at amortised cost		**352 777**	**n.a.**	**240 081**	**240 081**
Other non-current financial assets (hierarchy level 3)	**At fair value through profit or loss**	**649**	**649**	**649**	**649**
Liabilities					
Current financial liabilities	At amortised cost	153	153	185 133	185 133
Current lease liabilities	At amortised cost	160 749	n.a.	0	0
Trade accounts payable	At amortised cost	145 387	145 387	136 546	136 546
Other current liabilities (financial instruments only)	At amortised cost	82 097	82 097	61 822	61 822
Non-current financial liabilities	At amortised cost	443 377	443 377	278 221	278 221
Non-current lease liabilities	At amortised cost	887 491	n.a.	0	0
Total at amortised cost		**1 719 256**	**n.a.**	**661 722**	**661 722**
Other current liabilities (financial instruments only)	**At fair value through profit or loss**	**0**	**0**	**382**	**382**

For all current financial instruments measured at amortised cost, the carrying amounts represent a reasonable approximation of their fair value. Any discounting effects are immaterial. The bond of CHF 200.0 million was repaid in March 2018. Information on the measurement of other non-current financial assets can be found in Notes 4, 24 and 33. 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.

Level 3. Other non-current financial assets as per 31 December 2019 were CHF 649 thousand (2018: CHF 649 thousand).

The contingent consideration in the amount of CHF 382 thousand reported as per 31 December 2018 related to the acquisition of Presse+Buch Grauert and was paid in March 2019:

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

in CHF 000	**2019**	2018
Contingent consideration - Asset		
Balance on 1 January	**0**	**7 608**
Fair value adjustment recorded in discontinued operations	0	–7 608
Balance on 31 December	**0**	**0**

in CHF 000	**2019**	2018
Other non-current financial assets - Asset		
Balance on 1 January	**649**	**649**
Balance on 31 December	**649**	**649**

in CHF 000	**2019**	2018
Contingent consideration - Liability		
Balance on 1 January	**382**	**2 077**
Addition	0	382
Payments	–382	–2 077
Balance on 31 December	**0**	**382**

Contingent considerations. The contingent consideration in the amount of CHF 382 thousand reported as per 31 December 2018 related to the acquisition of Presse+Buch Grauert and was paid in March 2019.

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	**2019**	2018
Services sold to		
Associates and joint ventures	0	43
Other related parties	152	158
Total goods and services sold	**152**	**201**

Goods and services purchased from related parties in CHF 000	**2019**	2018
Services purchased from		
Associates and Joint Ventures	451	1 495
Other related parties	196	65
Total goods and services purchased	**647**	**1 560**

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	**2019**	2018
Salaries and other short-term benefits	5 515	4 528
Pension plans	490	342
Share participation plans	1 681	1 935
Total remuneration to management and the Board of Directors	**7 686**	**6 805**

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	**2019**	2018
Receivables from associates	964	964
Receivables from other related parties	0	28
Total receivables	**964**	**992**

Liabilities to related parties in CHF 000	**2019**	2018
Liabilities towards other related parties	947	805
Total liabilities	**947**	**805**

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

35 EQUITY

Outstanding shares in number of shares	**2019**	2018
Total registered shares	**3 990 000**	**3 990 000**
Of which treasury shares		
Position as at 1 January	53 615	61 495
Additions	57 099	53 348
Disposals	–63 252	–61 228
Total treasury shares as at 31 December	**47 462**	**53 615**
Total outstanding shares (after deduction of treasury shares) as at 31 December	**3 942 538**	**3 936 385**
Average number of outstanding shares (after deduction of treasury shares)	**3 940 440**	**3 932 706**

In 2019, a dividend of CHF 12.50 per share was paid for the financial year 2018 (2018: CHF 12.50 per share for financial year 2017). The dividend distribution is based on the annual profit and the profit carried forward of Valora Holding AG.

The share capital comprises 3 990 000 shares with a par value of CHF 1.00 each.

At the Ordinary General Meeting of Valora Holding AG on 13 April 2018, shareholders approved the creation of authorised share capital of up to CHF 400 000 by issuing a maximum of 400 000 registered shares with a nominal value of CHF 1 by no later than 13 April 2020.

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 2019, no corresponding shares had been issued.

36 SUBSEQUENT EVENTS

There are no subsequent events after the balance sheet date.

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, Emmen	CHF	1.0	100.0			•
Germany						
Valora Holding Germany GmbH, Hamburg	EUR	0.4	100.0	•	•	
Stilke Buch & Zeitschriftenhandels GmbH, Hamburg	EUR	3.8	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			•
Valora Food Service Deutschland 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			•
The Netherlands						
BackWerk NL B.V., Huizen	EUR	0.1	100.0			•
USA						
Valora Holding USA Inc., Wilmington, Delaware	USD	0.1	100.0	•		
Ditsch USA LLC, Cincinnati, Ohio	USD	–	100.0			•