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Investors‘ presentation, UBS Best of Switzerland Conference

Ermatingen, September 18, 2014 | Tobias Knechtle (CFO), Mladen Tomic (IR)

Agenda

Valora – past and present

Changeful history starting more than hundred years ago

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1905 – 1985 | 1990 – 1996 | 1997 – 2007 | 2008 – 2012 | 2012 - today

Foundation

- A group of innovative entrepreneurs in Olten establish the «Schweizer Chocoladen & Colonialhaus», the parent company of Merkur AG and the precursor of today's Valora.

Merkur: Expansion and growth phase

- **1919** Merkur AG expands its network to 130 outlets and acquires «Schweizerische Kafferöstereien», a coffee roasting company.
- **1934** Founding of Kiosk AG
- **1985** Merkur acquires the Selecta Group, whose activities attain a European dimension over the next 4 years.

Becoming Valora

- **1990** The Group acquires both Schmidt Agence and Kiosk AG, whose combined Swiss outlets number 1 500.
- **1991** The Swiss firm Alimarca AG is acquired, with further trading company purchases thereafter. Acquisition of the Consiva group in 2001 makes Valora Europe's leading distributor of fast moving consumer goods (FMCG.)
- **1996** Merkur Holding AG becomes Valora Holding AG.

Streamlining

- **1997** Divisions cut to 3 and Selecta sold.
- **2004** New "k kiosk" brand introduced
- **2006** Business model based on 3 core activities:

  1) small-outlet retail
  2) press wholesale
  3) distribution FMCG

Efficiency and growth

- **2008 – 2010** Efficiency strategy "Valora 4 Success"
- **2010 – 2012** Growth strategy "Valora 4 Growth"

Focus on core activities

- **Strategic focus on "Retail"**

  Acquisition: "Convenience Concept" (1'300 POS in Germany)

  Acquisition: "Ditsch/Brezelkönig"

  Divestment: press distribution

Core business with attractive portfolio of store formats

Overview Valora businesses

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Small-outlet retailer operating at heavily frequented sites

Core business: Retail & Ditsch/BK

kkiosk CIGO avec. ServiceStore DB Press & Books Ditsch

- DE, CH, Lux and AT
- Heavily frequented sites
- 4 attractive formats
- Significant partnerships
- Attractive business models
- Expanding food, services

- Switzerland and Germany
- Major growth potential
- Specialist lye-bread baker
- Focus on snack-market niche
- Quality and freshness
- Retail/wholesale channels

Trade

- CH, AT, DE, DK, NO, SE and FI
- FMCG and cosmetics market enabler / distributor

Services

- CH and Lux
- Specialised logistics
- Press distributor in CH/Lux
- 3rd party logistics
- Strong market position

Valora core business

Most important 6 formats

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„Treat yourself“

Instant satisfaction

k kiosk

CIGO

„365 days a year; from early till late“

Shopping enjoyment

avec.

ServiceStore DB

„Thought for the journey“

Reading enjoyment

Press P&B Books

„Caffè e Passione“

Coffee to enjoy

SPETTACOLO caffè e passione

„Tradition since 1919“

Always crispy, always fresh, always Ditsch

Ditsch

„In pretzel territory“

Constant freshness

BREZELKÖNIG

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1	Valora at a glance
2	**Review H1 2014 and key financials**
3	Strategic initiatives
4	Q & A

Core business doing well | Trade executing transformation

Advances achieved in core business offset adverse results at Trade

Retail Strategic progress at Retail division

- New product lines and modernised Swiss kiosk network offset reduced press sales and effect of implementing retail-margin model
- Profitability stable despite need for further development of Convenience Concept network

Ditsch/Brezelkönig Ambitious and profitable growth in line with plan

- Network growth and expansion on track
- Strong wholesale growth and good retail-network performance

Trade Comprehensive transformation process

- Impairment charges to goodwill and intangible assets (CHF -17 million)
- Cosmetics achieving stable profitability
- Classics‘ turnaround progress varies by market, with stabilisation now foreseeable in individual territories

EBIT comparison between H1 2013 and H1 2014

Operating profit stable between periods after adjusting for one-off factors

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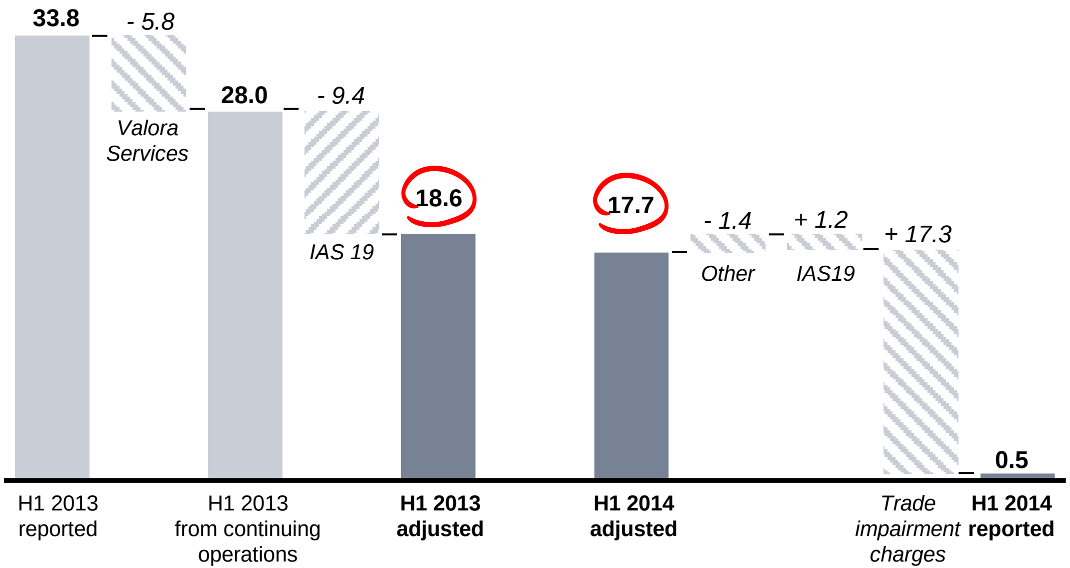
One-off factors affecting H1 2013 and 2014 EBIT (in CHF million)



Comments

- Group EBIT stable between H1 2013 and H1 2014 after adjusting for one-off factors
- Greatest impact from impairment charges at Trade division

Key financial metrics for H1 2014

EBITDA stable (excl. IAS 19 in 2013)

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in CHF million and △ versus 2013 from continuing operations

External sales	**1 541.4**	***-3.4%***
Net revenues	**1 248.9**	***-4.9%***
Gross profit	**458.9**	***-0.6%***
Gross-profit margin	*36.7%*	*+1.6 pct pts*
Operating costs, net	**-458.4**	***+5.8%***
EBITDA	**49.4**	***-14.8%***
EBITDA margin	4.0%	*-0.4% pct pts*
EBIT*	**0.5**	***-98.1%***

Comments

- Lower external sales/net revenues due to adoption of new distribution model and portfolio streamlining at Trade
- Increased gross profits in core business | Lower volumes at Trade impact Group results
- Ditsch/Brezelkönig and greater volume of commission-based business at Trade raised gross-profit margin
- Higher operating costs due to impairment in Trade and IAS 19 effect (2013)
- EBIT and EBITDA in line with H1 2013 after adjusting for one-off factors (impairment charges/IAS 19/other)

* *incl. impairment charges to Valora Trade goodwill and intangible assets of CHF -17.3 million*

Key financial metrics per division in H1 2014

in CHF million

Retail

Net revenues	846
External sales	1 138
EBITDA	35.6
# POS	~ 3 000
Countries	

Ditsch/Brezelkönig

Net revenues	105
EBITDA	21.6
# POS	~ 240
Countries	

Trade

Net revenues	300
EBITDA	-4.5
Countries	

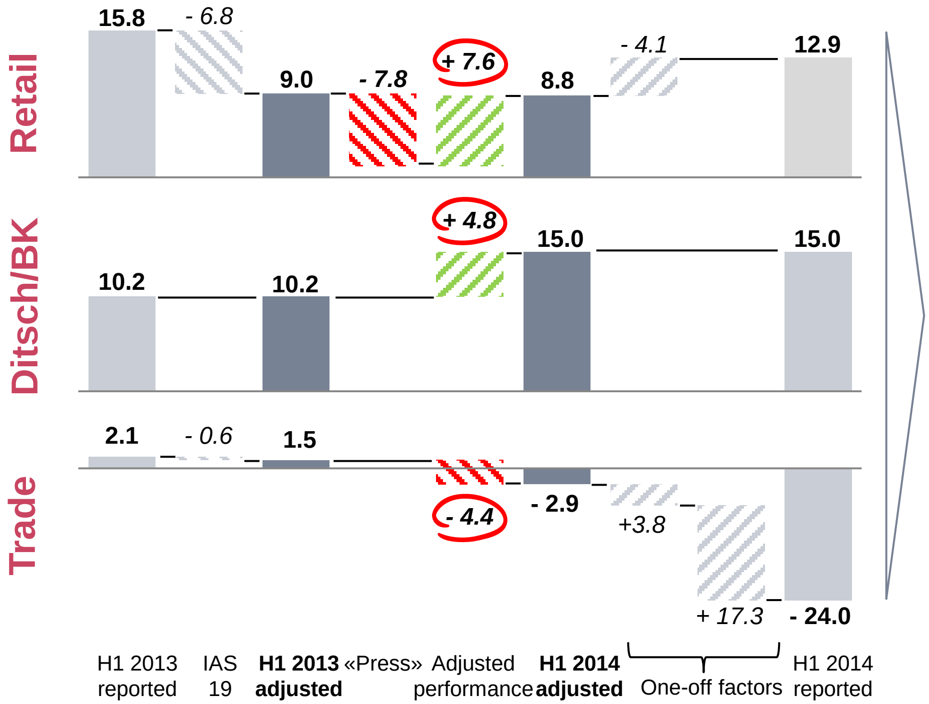
Services

Net revenues	295
EBITDA	7.6
Countries	

Adjusted EBIT results by division

Performance achieved by Ditsch/Brezelkönig and Retail Switzerland offsets Trade and press effects

(in CHF million)



- 2014 one-off factors: IAS 19 CHF +1.0 million, release of provisions CHF -2.5 million, Panini CHF -2.6 million
- Adjusted performance offsets effect of lower press volumes (CHF -4.4 million) and lower press margins (CHF -3.5 million)
- **Strong adjusted performance at Retail Switzerland**

- Increased profitability thanks to strong sales performance in Germany and Switzerland
- **Rapid growth, especially in wholesale activities**

- 2014 one-off factors: impairment charges (CHF -17.3 million), restructuring costs (CHF -3.7 million) and IAS 19 (CHF 0.1 million)
- **Adverse adjusted performance due to volume effects, portfolio streamlining and market factors**

Key Balance-sheet metrics

Sound balance sheet with equity cover of 42.8%

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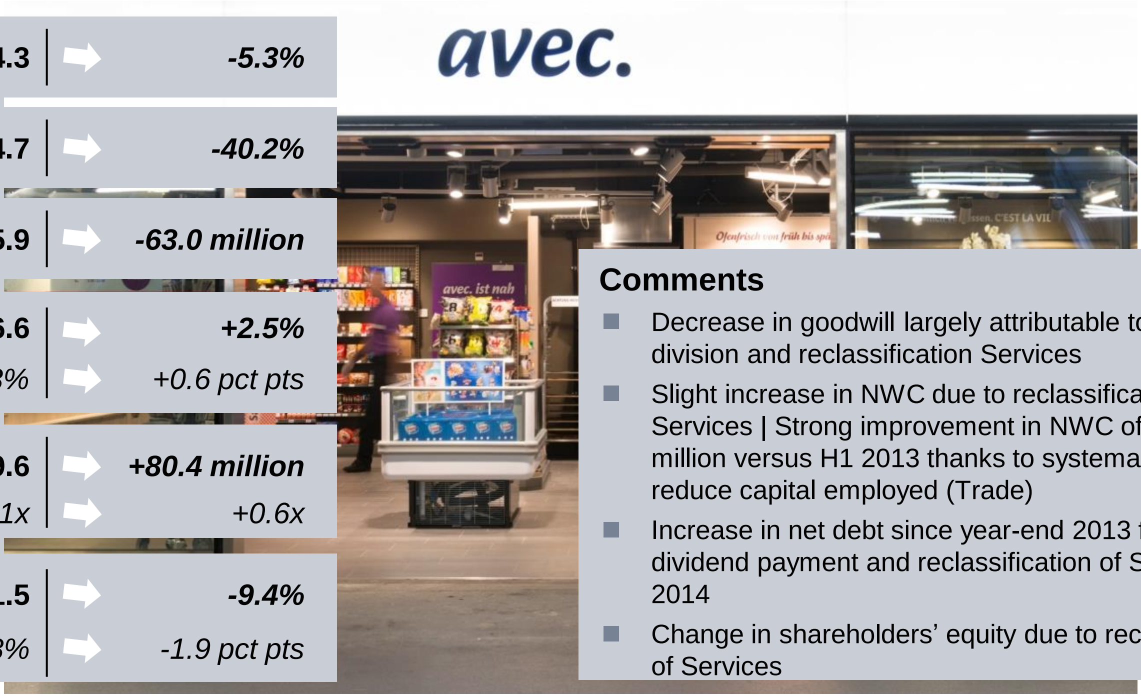
in CHF million and
△ versus 31.12.2013

Total assets	**1 544.3**	***-5.3%***
Cash & cash equivalents	**104.7**	***-40.2%***
Goodwill	**415.9**	***-63.0 million***
Net working capital	**106.6**	***+2.5%***
NWC in % net revenues	*4.3%*	*+0.6 pct pts*
Net debt	**299.6**	***+80.4 million***
Leverage ratio	*2.1x*	*+0.6x*
Shareholders‘ equity	**661.5**	***-9.4%***
Equity cover	*42.8%*	*-1.9 pct pts*



Comments

- Decrease in goodwill largely attributable to Trade division and reclassification Services
- Slight increase in NWC due to reclassification Services | Strong improvement in NWC of CHF -56 million versus H1 2013 thanks to systematic efforts to reduce capital employed (Trade)
- Increase in net debt since year-end 2013 following dividend payment and reclassification of Services in H1 2014
- Change in shareholders’ equity due to reclassification of Services

Cash flow H1 2014

Reduction in capital employed generates further positive effects

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Half-year* (in CHF million)	**2013**	**2014**
EBIT	28.0	0.5
Depreciation and amortisation	30.0	48.9
EBITDA	**58.0**	**49.4**
Elimination of non-cash items	-8.6	-0.1
NWC and current assets	-19.7	-13.5
Interest and taxes (net)	-18.2	-9.3
Cash flow from operations	**11.5**	**26.5**
Capital expenditure	-19.6	-29.4
Proceeds from asset disposals	2.7	1.2
Cash flow from ordinary investing activities	**-16.9**	**-28.2**
Free cash flow	**-5.4**	**-1.7**

Comments

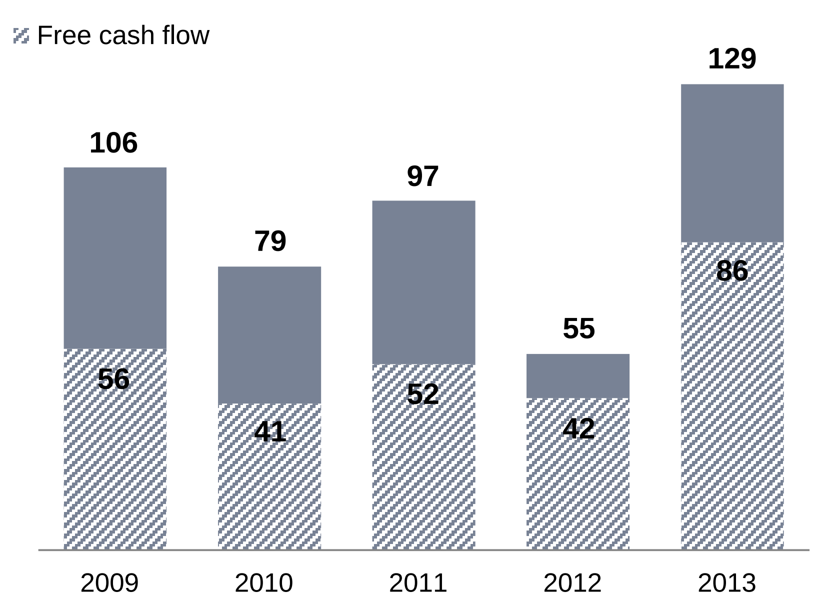
- Sound cash-flow from operations
- Reduction in capital employed (especially at Trade) and lower interest expense due to new financing strategy both have positive impact on results
- Higher capital expenditure due to carry overs from 2013

* *from continuing operations*

Cash flow development 2009 to 2013

Sound historical cash generation

Overview cash flow from operations and free cash flow



Comments

- Sound historical cash flow generation
- Significant improvement in 2013 due to better business performance and optimizations in net working capital (NWC)
- Strong free cash flow generation despite substantial investment programme througout the group

Agenda

Strategic focus on Valora's core business

Lean, agile small-outlet retailer operating at heavily frequented locations

- **Strengthening product range** with food, beverage and service lines

- **Leveraging excellent international outlet network and strong location footfall** through successful formats

- **Building on market leadership** in lye-bread products through expansion

- **Optimising processes and raising efficiency levels** across the Group

Valora Group benefits from attractive sites and product range

Focus on food and services at heavily frequented sites

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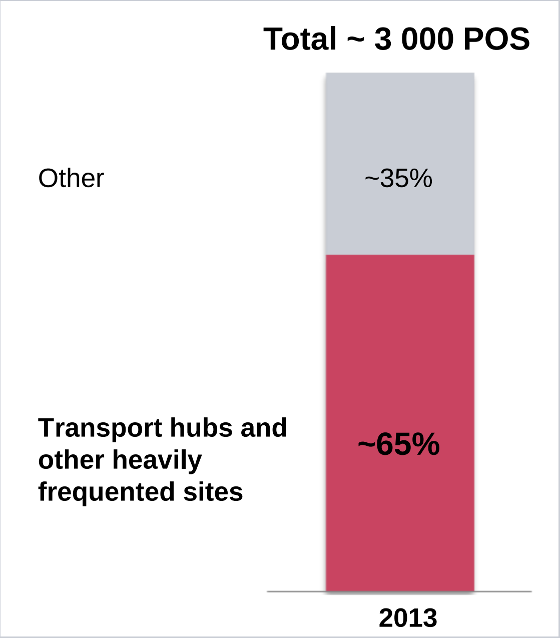
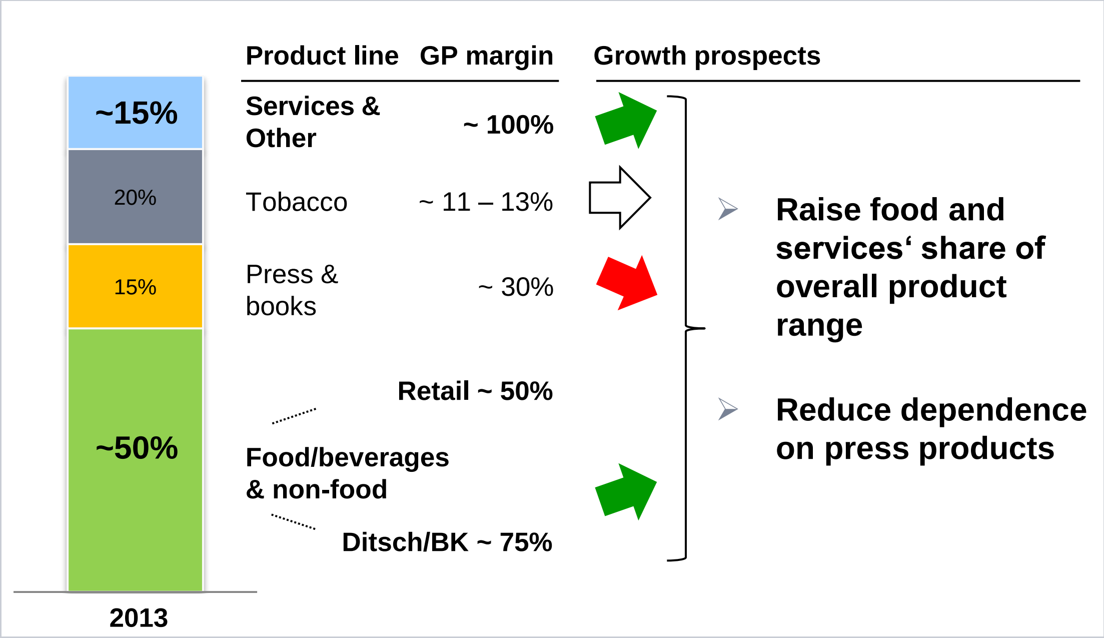
Gross profit by site cluster



Gross profit for aggregate Retail & Ditsch/Brezelkönig by product line



Examples: enhancing product lines, leveraging outlet network

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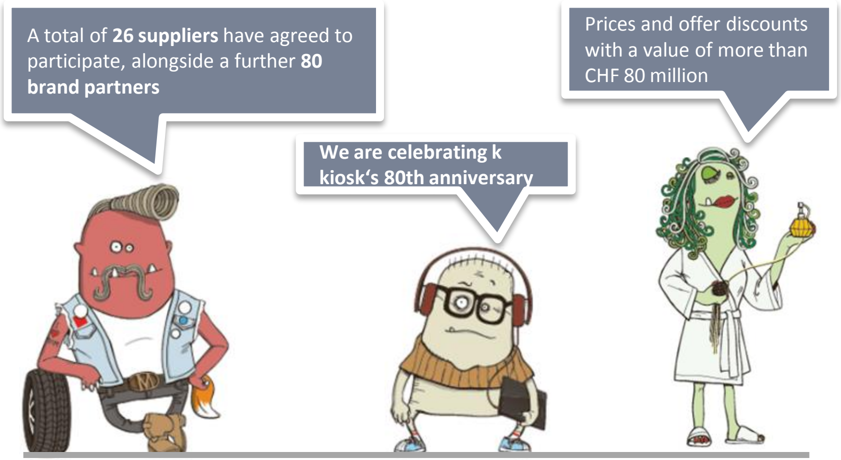
Strong customer footfall and product lines provide basis for success

Product lines

- ➢ Investment in product lines significantly raises turnover and increases customer footfall
- ➢ Resulting improvement in gross-profit margins offsets effects of structural contraction of press sales

Outlet network



- ➢ Attractive partner for innovative social-commerce platform
- ➢ Playful and appealing links to the online and offline world
- ➢ Leveraging substantial, as yet untapped market potential

Special focus on Valora Trade (1/2): market dynamics and challenges

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Increasing pressure on margins

Market dynamics and measures to address them

Market consolidation and margin pressure

- Compensate by winning new business and adapting structures
- Greater focus on smaller and medium-sized brand owners
- Reduce dependence on traditional retail
- Increased transparency, more accurate profitability measurement

Capital costs

- Enhance understanding of NWC
- Improve contract terms (inventories, payment terms)

Parallel imports | e-commerce | private-label brands

- Focus on euro pricing and supply-chain efficiency
- Product and packaging innovations, pricing policies
- Position Valora Trade as an e-commerce supplier

Internal challenges and measures to address them

Portfolio

- Consequent tracking of complexity
- Focus on balanced portfolio structure in order to avoid bulk risks

Brand owners

- Further reduction of brand owners with insufficient profitability
- Systematic category approach and focus on category deepness as objective
- Increase focus on brand owners which enable the exploration of alternative trade channels

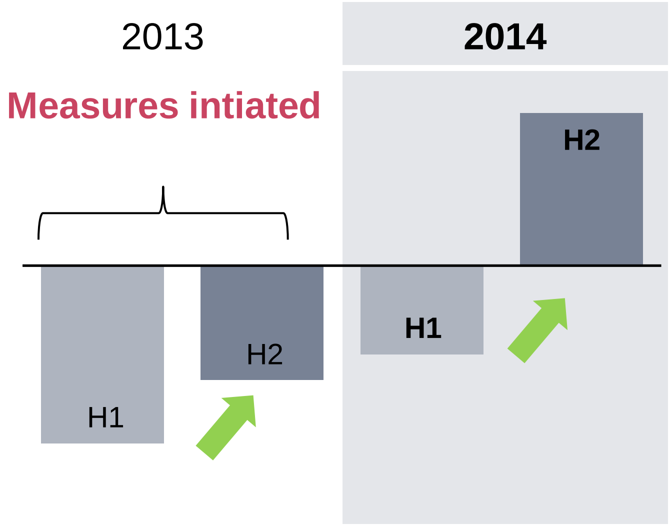
Processes

- Optimize effectiveness of IT platforms
- Improve efficiency in «route-to-market»
- Share of best practice (market oriented / back office)

Special focus on Valora Trade (2/2): example turnaround in Denmark

Securing profitability as the key objective

EBIT performance at Valora Trade Denmark *(for illustrative purposes, excluding one-off factors)*



Measures initiated

- Streamlining the 2015 brand-owner portfolio (from 112 to ~ 60)
- Cost savings (achieved by merging several categories)
- Category leadership as a magnet to attract further strong brands
- Bacardi-Martini and Fernet Branca will strengthen presence in beverage market (effect will be noticeable in H2 2014)
- New management team (CEO, CFO and Commercial Directors)
- Implementing a new route-to-market approach

Positive momentum despite remaining risks and opportunities

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