

Financial Report

VALORA FINANCIAL REPORT 2019

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REVIEW OF GROUP RESULTS

For reasons of comparability, 2018 figures in this report are referred to on a pro-forma adjusted basis, allowing for IFRS 16 and at constant currency rates, unless otherwise stated. See section H for details.

Valora achieved EBIT above its communicated guidance for the 2019 financial year, at CHF 91.5 million and 4.5% margin, driven by the stronger than expected development of Retail DE/LU/AT and Food Service as well as phasing effects from the rollout of the Retail CH SBB project. The Group thus successfully concluded its first transition year after the award of the SBB tender. Group net profit grew by +35.0% to CHF 73.7 million (+25.0% vs. 2018 revised figures), supported by extraordinary positive tax effects in 2019 and a value adjustment for discontinued operations in 2018. This corresponds to an EPS increase of +45.3% to CHF 18.70 (+33.8% vs. 2018 revised figures) also benefitting from the hybrid bond replacement in 2018. Free cash flow rose by +55.1% to CHF 76.0 million with improved net working capital more than compensating for increased investment activities, while the increase in cash flow from operating activities vs. 2018 revised figures from CHF 116.1 million to CHF 290.4 million is largely affected by accounting changes related to IFRS 16 and thus only limited comparable.

Overall, external sales of CHF 2,680.6 million (–0.0%) and net revenues of CHF 2,029.7 million (–0.8%) remained stable, while foodvenience categories – i.e. Group sales excluding press, books and tobacco – grew by +2.2% and +2.9% respectively, mainly driven by higher food sales. These improvements in the product mix were the main contributor to the increase in gross profit of +1.3% to CHF 917.2 million and gross profit margin of +1.0 percentage point to 45.2%. EBIT amounted to CHF 91.5 million versus CHF 96.3 million in 2018. Adjusted for special costs related to the SBB project of CHF –9.0 million, EBIT growth would be +4.4% with a strong contribution from Retail DE/LU/AT (+32.5%) and Food Service (+18.0%). Return on capital employed (ROCE) amounted to 8.4% as a result of the EBIT development (2018: 8.9%).

In 2019, Valora achieved a major success with Retail CH being awarded all the locations put out to tender by the SBB. This underscored Valora's position as the leading kiosk operator in Switzerland while at the same time significantly expanding the convenience share of its total business. The Group also achieved a milestone in the execution of its digital strategy with the opening of the first cashier-free convenience stores avec box and the avec X future store in April 2019 at Zurich main station.

Financially, the Retail division had a mixed 2019. At Retail CH, IFRS 16 effects and project costs related to the SBB tender impacted the unit's profitability. In addition, lower same-store sales and increased expenses related to new concepts burdened performance after an outstanding 2018 financial year. Retail DE/LU/AT on the other hand achieved strong development through sound same-store growth with lower press decline than in recent years and savings from the unit's cost initiatives and divisional synergies. Moreover, Retail DE made good progress in the conversion of its own stores to franchise outlets.

Food Service had an entirely successful year with attractive same-store growth, especially at Food Service CH, and record B2B sales. The integration of Ditsch B2C and BackWerk under the Food Service DE umbrella was completed including the first synergy effects from the combined platform. In addition, Food Service DE continued its strategy of network optimisation focusing on sustainably profitable locations. The B2B business achieved record sales as most production lines were fully utilised. The unit's pretzel production capacity expansion was successfully completed: Two of three new production lines were put into operation in the USA and in Germany in the fourth quarter 2019 and the third line is expected to follow at the beginning of the second quarter 2020 in Germany.

A NET REVENUES

<i>Net revenues (NR)</i>	2019	2019 share in %	2018 ¹⁾	2018 share in %	Change	2018 revised ²⁾ pro Memoria
in CHF million						
Valora Retail CH	1 160.9	57.2 %	1 187.1	58.0 %	-2.2 %	1 187.1
Valora Retail DE/LU/AT	508.2	25.0 %	525.3	25.7 %	-3.3 %	545.2
Valora Retail	1 669.1	82.2 %	1 712.5	83.7 %	-2.5 %	1 732.4
Food Service	353.2	17.4 %	328.3	16.0 %	+7.6 %	336.5
Other	7.4	0.4 %	6.0	0.3 %	+21.9 %	6.0
Total Group	2 029.7	100.0 %	2 046.8	100.0 %	-0.8 %	2 074.9
Switzerland	1 277.0	62.9 %	1 293.3	63.2 %	-1.3 %	1 293.3
Elsewhere	752.7	37.1 %	753.5	36.8 %	-0.1 %	781.6

¹⁾ Pro-forma adjusted according to IFRS16 and at constant currency exchange rates.

²⁾ See note 3 and 11 in the financial report.

In the 2019 financial year, Valora achieved net revenues of CHF 2,029.7 million compared to CHF 2,046.8 million in the previous year. Foodvenience categories (Group sales excluding press, books and tobacco) grew by +2.9%, particularly thanks to higher food sales (+4.2%), while the conversion of own stores to the franchise operating model reduced net revenue.

Retail CH recorded net revenues of CHF 1,160.9 million compared to CHF 1,187.1 million in the previous year. As the store network showed an increase of a net +8 points of sale since year-end 2018, same-store sales remained below their previous year's levels (-1.8%), particularly due to lower press and tobacco sales. In addition, the sales development was negatively impacted by the closure times of the first SBB refurbishments and the figures for 2018 included sales of Panini collectibles related to the FIFA World Cup.

Retail DE/LU/AT reported net revenues of CHF 508.2 million compared to CHF 525.3 million in the prior year. Same-store sales grew by +2.0% showing lower press decline than in previous years and growth in all other categories, not least due to the continuous migration to increased food offerings. A higher number of franchise outlets (+56) and a reduced number of own stores (-83) led to a contraction in net revenues.

Net revenues for Food Service grew by +7.6% to CHF 353.2 million. Ditsch B2B achieved a significant sales increase of +15.5% thanks to accelerated market growth and market share gains. Both Food Service CH and Food Service DE recorded considerable same-store growth of +3.0% and +1.6% respectively, driven by high-traffic locations.

Net revenues in the Other segment increased by +21.9% thanks to bob Finance.

B GROSS PROFIT

<i>Gross profit</i>	2019	2019 share in %	2019 % of NR	2018 ¹⁾	2018 share in %	2018 % of NR ¹⁾	Change	2018 revised ²⁾ pro Memoria
in CHF million								
Valora Retail CH	460.7	50.2 %	39.7 %	465.6	51.4 %	39.2 %	-1.0 %	465.6
Valora Retail DE/LU/AT	171.0	18.6 %	33.7 %	173.3	19.1 %	33.0 %	-1.3 %	179.9
Valora Retail	631.7	68.9 %	37.8 %	638.9	70.6 %	37.3 %	-1.1 %	645.5
Food Service	278.1	30.3 %	78.7 %	260.3	28.8 %	79.3 %	+6.8 %	266.7
Other	7.4	0.8 %	100.0 %	6.0	0.7 %	99.6 %	+22.3 %	6.0
Total Group	917.2	100.0 %	45.2 %	905.2	100.0 %	44.2 %	+1.3 %	918.2

¹⁾ Pro-forma adjusted according to IFRS16 and at constant currency exchange rates.

²⁾ See note 3 and 11 in the financial report.

Gross profit grew by +1.3% to CHF 917.2 million driven by Food Service, mainly B2B. The gross profit margin rose by +1.0 percentage point to 45.2%, particularly due to a higher share of food sales.

Retail CH earned gross profit of CHF 460.7 million, remaining slightly below its 2018 figure (CHF 465.6 million) as a result of lower sales. Margin improvements of +0.5 percentage points to 39.7% thanks to higher promotional income and favourable product-mix effects from a higher food share had a mitigating effect.

Retail DE/LU/AT recorded gross profit of CHF 171.0 million compared to CHF 173.3 million in the previous year. The slight decrease results from the reduced number of own stores while the margin improved by +0.7 percentage points to 33.7% thanks to higher volume-related compensation and promotional income as well as a higher share of franchise fees.

Food Service realised gross profit growth of +6.8% to CHF 278.1 million driven by the strong sales development. The margin amounted to 78.7%, slightly below the previous year's figure due to portfolio-mix effects within the division, particularly the higher share of B2B sales.

Gross profit in the **Other** segment increased by +22.3% to CHF 7.4 million thanks to higher income from bob Finance.

C OPERATING COSTS, NET

<i>Net operating costs</i>	2019	2019 share in %	2019 % of NR	2018 ¹⁾	2018 share in %	2018 % of NR ¹⁾	Change	2018 revised ²⁾ pro Memoria
in CHF million								
Valora Retail CH	-425.0	51.5 %	-36.6 %	-409.7	50.6 %	-34.5 %	+3.7 %	-411.6
Valora Retail DE/LU/AT	-152.6	18.5 %	-30.0 %	-159.5	19.7 %	-30.4 %	-4.3 %	-168.2
Valora Retail	-577.6	70.0 %	-34.6 %	-569.2	70.4 %	-33.2 %	+1.5 %	-579.8
Food Service	-235.0	28.5 %	-66.5 %	-223.8	27.7 %	-68.2 %	+5.0 %	-232.5
Other	-13.1	1.6 %	n.a.	-16.0	2.0 %	n.a.	-18.3 %	-16.0
Total Group	-825.7	100.0 %	-40.7 %	-808.9	100.0 %	-39.5 %	+2.1 %	-828.3

¹⁾ Pro-forma adjusted according to IFRS16 and at constant currency exchange rates.

²⁾ See note 3 and 11 in the financial report.

Net operating costs came to CHF –825.7 million in the 2019 financial year compared to CHF –808.9 million in the previous year. The increase of +2.1 % is largely attributable to volume-related higher expenses in production and special costs related to the SBB project (CHF –9 million). Adjusted for the SBB project costs, the increase would be +1.0 % and thus proportionally lower than the Group’s growth in gross profit (+1.3 %).

Retail CH recorded net operating costs of CHF –425.0 million compared to CHF –409.7 million in the previous year. The increased cost level is due in particular to IFRS 16 effects and other costs related to the SBB project of CHF –9 million. In addition, concept development activities and the higher number of stores led to increased costs. The cost ratio in net revenue amounted to –36.6 %.

Retail DE/LU/AT reduced costs by –4.3 % to CHF –152.6 million as a result of cost initiatives and process improvements as well as a decreased number of own stores. The cost ratio improved by +0.3 percentage points to –30.0 %.

Food Service reported net operating costs of CHF –235.0 million, with higher sales and production volumes leading to a cost increase of +5.0 %, proportionally lower than the corresponding gross profit growth (+6.8 %). The division’s cost ratio improved by +1.7 percentage points to –66.5 % thanks to economies of scale, the realisation of synergies at Food Service DE and efficiency gains overcompensating for additional costs after the production capacity extension.

Decreased expenses led to a reduced cost base in the **Other** segment (–18.3 %).

D OPERATING PROFIT (EBIT)

<i>Operating profit (EBIT)</i>	2019	2019 share in %	2019 % of NR	2018 ¹⁾	2018 share in %	2018 % of NR ¹⁾	Change	2018 revised ²⁾ pro Memoria
in CHF million								
Valora Retail CH	35.7	39.0 %	3.1 %	55.9	58.0 %	4.7 %	-36.1 %	54.0
Valora Retail DE/LU/AT	18.4	20.1 %	3.6 %	13.9	14.4 %	2.6 %	+32.5 %	11.7
Valora Retail	54.1	59.1 %	3.2 %	69.7	72.4 %	4.1 %	-22.4 %	65.7
Food Service	43.1	47.1 %	12.2 %	36.5	37.9 %	11.1 %	+18.0 %	34.1
Other	-5.7	-6.2 %	n.a.	-10.0	-10.3 %	n.a.	n.a.	-10.0
Total Group	91.5	100.0 %	4.5 %	96.3	100.0 %	4.7 %	-5.0 %	89.8

¹⁾ Pro-forma adjusted according to IFRS16 and at constant currency exchange rates.

²⁾ See note 3 and 11 in the financial report.

EBIT amounted to CHF 91.5 million compared to CHF 96.3 million in the 2018 financial year. Adjusted for special costs related to the SBB project, EBIT growth would be +4.4% as the positive development of Retail DE/LU/AT, Food Service and bob Finance compensated for the challenging financial year at Retail CH. The Group's EBIT margin came to 4.5%.

Retail CH earned EBIT of CHF 35.7 million compared to CHF 55.9 million in the previous year. Besides special costs related to the SBB tender, the unit's result was impacted after an outstanding 2018 financial year by lower same-store sales, a reduced contribution from Zurich airport locations as a result of a tender process and expenses related to new concepts. The EBIT margin amounted to 3.1%.

Retail DE/LU/AT increased EBIT remarkably by +32.5% benefitting from both positive same-store development and cost reductions. As a result, the EBIT margin improved by +1.0 percentage point to 3.6%.

The EBIT of the **Food Service** division grew by +18.0% to CHF 43.1 million thanks to a strong performance in the B2B business and notable same-store growth in B2C. The EBIT margin increased by +1.1 percentage points to 12.2%, driven by efficiency gains and the realisation of synergies at Food Service DE.

Other business increased EBIT by CHF +4.3 million to CHF -5.7 million, mainly due to the positive development of bob Finance and decreased expenses in corporate functions.

E FINANCIAL RESULT, TAXES AND NET RESULT

Net profit from continuing operations increased by +23.2% to CHF 73.6 million, supported by extraordinary tax effects. Group net profit growth came in at a higher rate of +35.0% to CHF 73.7 million due to a value adjustment for discontinued operations in 2018. EPS increased by +45.3% to CHF 18.70.

The **net financial result** improved by CHF +1.0 million to CHF –21.3 million. Improved financing terms after the 2018 refinancing activities, a reduced syndicated loan notional amount and lower exchange rate losses arising from a decrease in average EUR exposure were the main drivers for the positive development. Due to extraordinary effects, **tax** income of CHF 3.4 million arose for the 2019 financial year compared to tax expenses of CHF –15.9 million in the previous year. These effects plus the EBIT development outlined above, led to an increase in **net profit from continuing operations** of +23.2% to CHF 73.6 million.

Growth in **Group net profit** came in at a higher rate of +35.0% to CHF 73.7 million due to – in addition – a value adjustment for discontinued operations in the previous year. In 2018, the result from discontinued operations contained a value adjustment of CHF –5.1 million for the earn-out components related to the sale of the former Trade division. This corresponds to an EPS increase of +45.3% to CHF 18.70 for the 2019 financial year, also due to the hybrid bond replacement in 2018.

F LIQUIDITY, CASH FLOW AND KEY FINANCIAL DATA

<i>Key financial data</i>	2019	2018 ¹⁾	Change	2018 revised ²⁾ pro Memoria
in CHF million				
EBITDA	157.4	164.1	-4.0%	156.0
Free cash flow before purchase/sale of subsidiaries	76.0	49.0	+55.1%	49.0
Free cash flow per share in CHF	19.30	12.47	+54.8%	12.47
Group net profit	73.7	54.6	+35.0%	59.0
Earnings per share in CHF	18.70	12.87	+45.3%	13.98
Shareholder's equity	626.1	607.7	+3.0%	613.8
Equity Ratio ³⁾	46.0%	45.8%	+0.2 %pts	46.3%
Net debt	320.9	358.6	-10.5%	358.6

¹⁾ Pro-forma adjusted according to IFRS16.

²⁾ See note 3 and 11 in the financial report.

³⁾ Definition of alternative performance measures on page 197.

Free cash flow increased by +55.1 % to CHF 76.0 million thanks in particular to reduced net working capital. The equity ratio before lease liabilities was 46.0% compared to 45.8% at year-end 2018.

Free cash flow increased by +55.1 % or CHF +27.0 million to CHF 76.0 million. EBITDA – defined as earnings before interest, taxes, depreciation (but including depreciation of the right of use) and amortisation – amounted to CHF 157.4 million and remained below its previous year's level (CHF 164.1 million) as a result of exchange-rate effects and special costs related to the SBB project. The main driver for the increase in free cash flow was a reduction in net working capital in 2019 compared to corresponding cash outflows in 2018. This improvement is due in particular to both continuous process improvements and normal business fluctuations. On the other hand, net investment expenditure was higher than in 2018, mainly due to the expansion of pretzel production capacity and initial SBB refurbishments.

At CHF 320.9 million, **net debt** as at 31 December 2019 decreased compared to its level as at 31 December 2018 (CHF 358.6 million). The leverage ratio improved slightly to 2.0x EBITDA (2018: 2.2x EBITDA). Including lease liabilities, net debt amounted to CHF 1,369.1 million compared to CHF 960 million at year-end 2018. The increase is due in particular to the renewal of the SBB lease agreements related to the tender project in 2019.

The **equity ratio** before lease liabilities as at 31 December 2019 increased to 46.0% (45.8% as at 31 December 2018). Including lease liabilities, the equity ratio amounted to 26.2 % (31.6 % as at 31 December 2018).

G RETURN ON CAPITAL EMPLOYED

ROCE ¹⁾	2019		2018 ³⁾	2018 revised ⁴⁾ pro Memoria
		without Goodwill		
in %				
Valora Retail CH	19.3 %	27.3 %	30.5 %	29.5 %
Valora Retail DE/LU/AT	11.0 %	23.7 %	8.3 %	6.7 %
Valora Retail	15.4 %	25.9 %	19.6 %	18.3 %
Food Service	6.5 %	16.3 %	5.7 %	5.2 %
Total Group ²⁾	8.4 %	16.5 %	8.9 %	8.2 %

¹⁾ Capital employed is the average measured over the preceding 13 months. EBIT is the aggregate operating profit for the preceding 12 months.

²⁾ Consolidated EBIT includes Corporate costs and consolidated capital employed includes operating cash and cash equivalents relating to continuing operations.

³⁾ Pro-forma adjusted according to IFRS16.

⁴⁾ See note 3 and 11 in the financial report.

Return on capital employed (ROCE) amounted to 8.4% as a result of the EBIT development (2018: 8.9%).

Return on capital employed (ROCE) is the ratio of the EBIT generated over the past 12 months to the average capital invested including goodwill. The Group's ROCE amounted to 8.4% as of 31 December 2019 compared to 8.9% in the previous year as a result of the EBIT development. After adjusting for the special costs related to the SBB project, ROCE for the Group would be 9.2%.

Retail CH recorded ROCE of 19.3%. The profitability ratio remained at a highly competitive level although it was down on the previous year (30.5%) due to the decline in EBIT. After adjusting for the mostly non-cash special costs related to the SBB project, ROCE including goodwill would be 24.2%.

ROCE for **Retail DE/LU/AT** increased by +2.7 percentage points to 11.0% as a result of both lower capital employed and the higher EBIT.

Food Service improved ROCE by +0.8 percentage points to 6.5% as of 31 December 2019 despite the investments in capacity expansion. Over the coming years, the potential of the unit's ROCE will be exploited further through the ongoing realisation of the BackWerk synergies, further expansion and the operation of the expanded production capacities. Excluding goodwill, ROCE amounted to 16.3%.

H PRO-FORMA ADJUSTMENT 2018

Pro-forma adjustment of 2018 figures | EBIT

	2018 reported (1)	Reclassification (2)	2018 revised ¹⁾ (1+2)	IFRS 16 effect (3)	2018 pro-forma adjusted (1+2+3)	Currency effects (4)	2018 pro-forma adj. at CC ²⁾ (1+2+3+4)	2019
in CHF million								
External Sales	2 731		2 731		2 731	-49	2 682	2 681
Net Revenue	2 122	-47	2 075		2 075	-28	2 047	2 030
Gross Profit	965	-47	918		918	-13	905	917
Net operating costs	-876	47	-828	8	-820	11	-809	-826
thereof affected by IFRS 16:								
Rental expense	-232		-232	170	-62	1	-61	-67
Other revenue/ income	5	47	52	-23	28	-1	27	30
Depreciation and Amortisation	-66		-66	-139	-205	3	-202	-207
Operating profit (EBIT)	90	0	90	8	98	-2	96	91

¹⁾ See note 3 and 11 in the financial report.

²⁾ Pro-forma adjusted at constant currency.

Pro-forma adjustment of 2018 figures | Group Net Profit

	2018 reported (1)	Reclassification (2)	2018 revised ¹⁾ (1+2)	IFRS 16 effect (3)	2018 pro-forma adjusted (1+2+3)	Currency effects (4)	2018 pro-forma adj. at CC ²⁾ (1+2+3+4)	2019
in CHF million								
Operating profit (EBIT)	90		90	8	98			91
Financial expenses	-11		-11	-14	-25			-24
Financial income	1		1	2	3			2
Tax expenses	-16		-16	0	-16			3
Profit from continuing operations	64	0	64	-4	60	n/a	n/a	74
Result from discontinued operations	-5		-5	0	-5			0
Group Net Profit	59	0	59	-4	55	n/a	n/a	74

¹⁾ See note 3 and 11 in the financial report.

²⁾ Pro-forma adjusted at constant currency.

<i>Pro-forma adjustment of 2018 figures Balance Sheet as at 31.12.</i>	2018 reported (1)	Reclassification (2)	2018 revised ¹⁾ (1+2)	IFRS 16 effect (3)	2018 pro-forma adjusted (1+2+3)	Currency effects (4)	2018 pro-forma adj. at CC ³⁾ (1+2+3+4)	2019
in CHF million								
Right-of-use asset	0		0	518	518			939
Sublease net investment	0		0	78	78			92
Other assets	1326		1326	0	1326			1362
Assets	1326	0	1326	595	1922	n/a	n/a	2393
			0					
Lease liabilities	0		0	601	601			1048
Other liabilities	712		712	0	712			718
Equity	614		614	-6 ²⁾	608			626
Liabilities and Equity	1326	0	1326	595	1922	n/a	n/a	2393

¹⁾ See note 3 and 11 in the financial report.

²⁾ Including CHF -2 million cumulative effect of the initial application of IFRS 16 from the initial recognition of sublease arrangements.

³⁾ Pro-forma adjusted at constant currency.

CONSOLIDATED INCOME STATEMENT

	Notes	2019	%	2018 revised ¹⁾	%
1 January to 31 December , in CHF 000 (except per-share amounts)					
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
<i>Earnings per share</i>					
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

	Notes	2019	2018
1 January to 31 December, in CHF 000			
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

	Notes	31.12.2019	%	31.12.2018	%
in CHF 000					
<i>Current assets</i>					
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%
<i>Non-current assets</i>					
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

	Notes	31.12.2019	%	31.12.2018	%
in CHF 000					
<i>Current liabilities</i>					
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%
<i>Non-current liabilities</i>					
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%
<i>Equity</i>					
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

	Notes	2019	2018
1 January to 31 December, in CHF 000			
Operating profit (EBIT)		91 458	89 818
<i>Elimination of non-cash transactions in operating profit (EBIT)</i>			
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
<i>Change in net working capital, excluding the effects of the purchase and sale of business units</i>			
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
<i>Cash flow from investing activities</i>			
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

	Notes	2019	2018
1 January to 31 December, in CHF 000			
<i>Cash flow from financing activities</i>			
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

	Share capital	Treasury shares	Hybrid capital	Hedge Reserve	Retained earnings	Cumulative translation differences	Total equity
in CHF 000							
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.

Lessors 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:

	1 January 2019
in CHF million	
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:

	1 January 2019
in CHF 000	
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 equipment, 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

	Valora Retail	Food Service	Other	Elimination	Group total
in CHF 000					
<i>Net revenues</i>					
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
<i>Operating profit (EBIT)</i>					
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
<i>Additions to non-current assets</i>					
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
<i>Segment assets</i>					
Total	1 471 247	964 393	541 396	-584 197	2 392 837
<i>Segment liabilities</i>					
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

	Valora Retail	Food Service	Others	Elimination	Group total
in CHF 000					
<i>Net revenues (revised)</i>					
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
<i>Operating profit (EBIT)</i>					
Total	65 703	34 123	- 10 007	0	89 818
Depreciation, amortisation and impairments	36 317	26 994	2 911	0	66 222
<i>Additions to non-current assets</i>					
Total	33 949	34 968	1 920	0	70 838
<i>Segment assets</i>					
Total	611 775	729 020	514 848	- 529 413	1 326 229
<i>Segment liabilities</i>					
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

	Switzerland	Germany	Other countries	Group total
in CHF 000				
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)

	Switzerland	Germany	Other countries	Group total
in CHF 000				
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

	Valora Retail	Food Service	Others	Group total
in CHF 000				
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)

	Valora Retail	Food Service	Others	Group total
in CHF 000				
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

	2019	2018
in CHF 000		
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

	2019	2018
in CHF 000		
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

	2019	2018
in CHF 000		
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.

	2019	2018
in CHF 000		
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

	2019	2018
in CHF 000		
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

	2019	2018
in CHF 000		
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:

	2019	2018
in CHF 000		
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:

	2019	2018
in CHF 000		
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:

<i>Change in deferred tax assets/liabilities</i>	Deferred tax assets	Deferred tax liabilities	Net assets/(net liabilities)
in CHF 000			
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:

<i>Deferred tax assets by origin of the difference</i>	2019	2018
in CHF 000		
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
<i>Deferred tax liabilities by origin of the difference</i>		
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
<i>Reported in the balance sheet</i>		
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.

	2019	2018
in CHF 000		
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

	2019	2018
in CHF 000		
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

	2019	2018
in CHF 000		
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:

	2019	2018
in CHF 000		
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:

	2019	2018
in CHF 000		
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:

	2019	2018
in CHF 000		
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

	2019	2018
in CHF 000		
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

	2019	2018
in CHF 000		
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

	Land	Building	Machinery and equipment	Projects in progress	Total
in CHF 000					
<i>Acquisition costs</i>					
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
<i>Accumulated depreciation / impairments</i>					
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
<i>Carrying amount</i>					
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

	Right-of-use assets sales outlets	Right-of-use assets vehicles	Total right-of-use assets
in CHF 000			
<i>At cost</i>			
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
<i>Accumulated depreciation / impairment</i>			
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
<i>Carrying amount</i>			
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

	2019
in CHF 000	
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

	2019
in CHF 000	
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 exercise 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:

	2019
in CHF 000	
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

	2019
in CHF million	
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

	2019
in CHF 000	
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

	2019
in CHF 000	
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:

<i>Payments from operating subleases</i>	2019
in CHF 000	
Income from subleases recognised during the reporting period	16 858
<i>Due dates of future payments</i>	
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.

<i>Payments from other operating leases</i>	2019	2018
in CHF 000		
Income recognised during the reporting period	10 584	6 376
<i>Due dates of future payments</i>		
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

	Goodwill	Intangible assets with indefinite useful lives	Software and intangible assets with finite useful lives	Projects in progress	Total
in CHF 000					
<i>Acquisition costs</i>					
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
<i>Accumulated amortisation / impairments</i>					
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
<i>Carrying amount</i>					
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 trade-marks 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	2019	2018
in CHF 000		
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	Planning horizon ¹⁾	long-term growth rate 2019 ²⁾	long-term growth rate 2018 ²⁾	Net revenues	Margin trend
in CHF 000					
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 planning 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:

	Currency	2019	2018
in CHF 000			
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

	2019	2018
in CHF 000		
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

<i>Current financial liabilities</i>	2019	2018
in CHF 000		
Current bank debt and current portion of long-term debt	153	185 133
Total current financial liabilities	153	185 133
<i>Other non-current liabilities</i>	2019	2018
in CHF 000		
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 9733 (2018: TCHF 6245) and other liabilities (jubilee benefits and others) in the amount of TCHF 3830 (2018: TCHF 6181). 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).

<i>Maturities at year end are as follows</i>	2019	2018
in CHF 000		
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:

	2019	2018
in CHF 000		
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

<i>Financing activities</i>	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
in CHF 000									
Balance on 31 December 2017	15769	901	199990	0	216660	175421	6550	0	181971
Financing cash inflow	77709	0	0	0	77709	201078	185	0	201263
Financing cash outflow	0	0	-200000	0	-200000	0	-268	0	-268
Reclass	0	87667	0	0	87667	-87766	0	0	-87766
Non-cash transactions	0	-503	10	0	-493	221	0	0	221
Currency translation differences	3615	-26	0	0	3589	-16978	-222	0	-17200
Balance on 31 December 2018	97093	88040	0	0	185133	271976	6245	0	278221
Effect of initial application of IFRS 16	0	0	0	0	0	0	0	619406	619406
IFRS 16 additions					0			617888	617888
Financing cash inflow	0	0	0	0	0	175279	4514	0	179793
Financing cash outflow	-94439	-90255	0	-157795	-342490	0	-725	0	-725
Reclass	0	0	0	320363	320363	0	0	-320363	-320363
Non-cash transactions	0	124	0	0	124	240	0	-16533	-16293
Currency translation differences	-2501	2092	0	-1818	-2227	-13851	-301	-12909	-27061
Balance on 31 December 2019	153	0	0	160749	160903	433644	9733	887491	1330868

26 TRADE ACCOUNTS PAYABLE

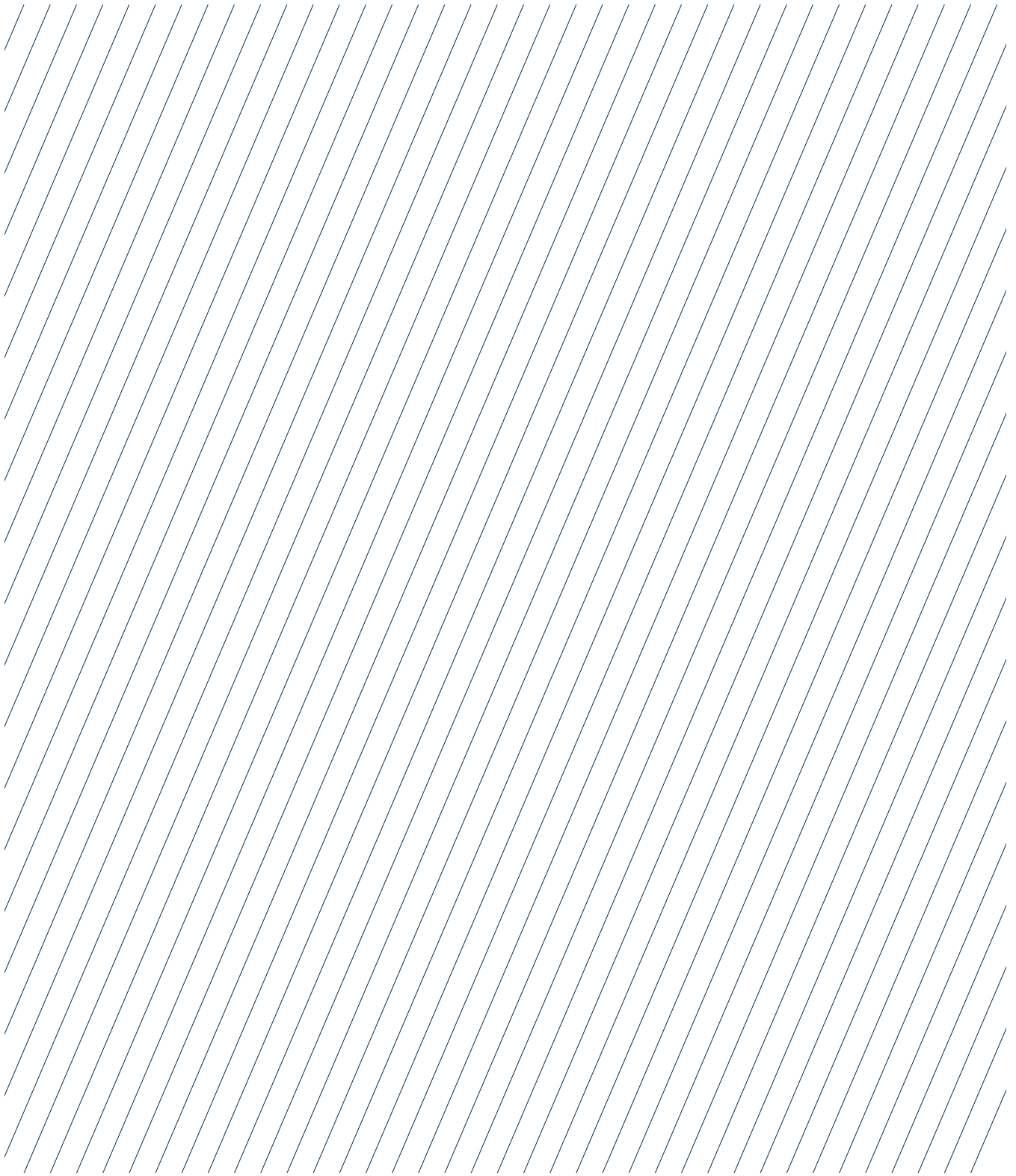
Trade accounts payable are denominated in the following currencies:

	2019	2018
in CHF 000		
CHF	99872	92398
EUR	43771	43786
Other	1744	362
Total trade accounts payable	145387	136546

27 OTHER CURRENT LIABILITIES

	2019	2018
in CHF 000		
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.

<i>Change in liabilities and assets</i>	2019	2018
in CHF 000		
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.

<i>Balance sheet values</i>	2019	2018
in CHF 000		
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:

	2019	2018
in CHF 000		
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

<i>Income statement</i>	2019	2018
in CHF 000		
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.

<i>Actuarial gains/losses</i>	2019	2018
in CHF 000		
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

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

<i>Significant actuarial assumptions</i>	2019	2018
in CHF 000		
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).

<i>Sensitivity analysis</i>	2019	2018
in CHF 000		
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.

<i>Asset allocation</i>	2019	2018
in CHF 000		
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.

<i>Recognised personnel expense for share-based remuneration for personnel and the Board of Directors</i>	2019	2018
in CHF 000		
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

<i>Contingent liabilities</i>	2019	2018
in CHF 000		
Guarantees	4 786	6 255
Total contingent liabilities	4 786	6 255

Future obligations from other agreements

	2019	2018
in CHF 000		
<i>Due dates of future obligations from other agreements</i>		
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.

<i>Currency sensitivity analysis</i>	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
in CHF 000						
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.

<i>Interest rate sensitivity analysis</i>	Hypothetical change (basis points) 2019	Impact on earnings before income tax 2019	Hypothetical change (basis points) 2018	Impact on earnings before income tax 2018
in CHF 000				
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.

	Up to 1 month	From 1 to 3 months	From 3 months to 1 year	From 1 to 5 years	More than 5 years
in CHF 000					
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.

<i>Demand deposits and fixed term deposits with maturities of less than three months</i>	2019	2018
in CHF 000		
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:

	2019	2018
in CHF 000		
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

	Measurement category IFRS 9	Carrying amount 2019	Fair Value 2019	Carrying amount 2018	Fair Value 2018
in CHF 000					
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:

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

	2019	2018
in CHF 000		
<i>Other non-current financial assets - Asset</i>		
Balance on 1 January	649	649
Balance on 31 December	649	649

	2019	2018
in CHF 000		
<i>Contingent consideration - Liability</i>		
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:

<i>Goods and services sold to related parties</i>	2019	2018
in CHF 000		
<i>Services sold to</i>		
Associates and joint ventures	0	43
Other related parties	152	158
Total goods and services sold	152	201

<i>Goods and services purchased from related parties</i>	2019	2018
in CHF 000		
<i>Services purchased from</i>		
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.

<i>Remuneration to management and the Board of Directors</i>	2019	2018
in CHF 000		
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.

<i>Receivables from related parties</i>	2019	2018
in CHF 000		
Receivables from associates	964	964
Receivables from other related parties	0	28
Total receivables	964	992

<i>Liabilities to related parties</i>	2019	2018
in CHF 000		
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

<i>Outstanding shares</i>	2019	2018
in number of shares		
Total registered shares	3 990 000	3 990 000
<i>Of which treasury shares</i>		
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
<i>Switzerland</i>						
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			•
<i>Germany</i>						
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			•
<i>Luxembourg</i>						
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
<i>Austria</i>						
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			•
<i>The Netherlands</i>						
BackWerk NL B.V., Huizen	EUR	0.1	100.0			•
<i>USA</i>						
Valora Holding USA Inc., Wilmington, Delaware	USD	0.1	100.0	•		
Ditsch USA LLC, Cincinnati, Ohio	USD	–	100.0			•

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

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

Opinion. We have audited the consolidated financial statements of Valora Holding AG and its subsidiaries (the Group), which comprise the consolidated balance sheet as of 31 December 2019 and the consolidated income statement, consolidated statement of comprehensive income, consolidated cash flow statement and consolidated statement of changes in equity for the year then ended, and notes to the consolidated financial statements (pages 112–176), including a summary of significant accounting policies.

In our opinion the accompanying consolidated financial statements give a true and fair view of the consolidated financial position of the Group as of 31 December 2019, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) and comply with Swiss law.

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

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

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

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

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

VALUATION OF GOODWILL AND OTHER INTANGIBLES WITH INDEFINITE USEFUL LIVES

Area of focus. As of the balance sheet date, goodwill and other intangibles with indefinite useful lives represent 24% of Valora Group's total assets and 93% of equity.

Key assumptions for the impairment test and identified cash generating units are disclosed in the notes (notes 5 and 23). Due to the significance of the carrying amounts and the judgment involved in performing the impairment test, this matter was considered significant to our audit.

Our audit response. We examined Valora's valuation model and analyzed the underlying key assumptions, including future revenues and margins, long-term growth and discount rates. We also assessed the historical accuracy of the Group's estimates and considered its ability to produce accurate long-term forecasts. Further, we evaluated the sensitivity in the valuation resulting from changes to the key assumptions applied and compared these assumptions to corroborating information, including expected inflation rates and market growth. We compared identified cash generating units to how management reviews the company's operations. Our audit procedures did not lead to any reservation concerning the valuation of goodwill and other intangibles with indefinite useful lives.

ACCOUNTING FOR LEASE CONTRACTS UNDER IFRS 16

Area of focus. As of the balance sheet date, right-of use assets, finance lease receivables (current and non-current) and lease liabilities (current and non-current) represent 39, 4 and 44 percent of Valora Group's total assets, respectively. Valora Group applies IFRS 16 leases as of 1 January 2019, implementation considerations are disclosed in the notes (note 3).

Key assumptions concerning lease accounting are disclosed in the notes (notes 5, 21 and 22). Due to the initial application as well as the significance of the amounts and judgments involved in accounting for leases, especially regarding termination and extension options, this matter was considered significant to our audit.

Our audit response. We obtained an understanding of Valora Group's accounting policies and processes for leases. We examined Valora Group's calculation methodology for right-of use assets, finance lease receivables and lease liabilities and reperformed the calculation on a sample basis. We agreed the following input parameters to supporting documents on a sample basis: monthly lease payments, lease terms, discount rates and extension or termination options. For extension or termination options, we analyzed Valora Group's exercise assessment. Procedures were carried out as of 1 January 2019 (date of initial application of IFRS 16) and for 2019 movements in the lease population. For agreements signed in 2019, we analyzed Valora Group's assessment whether these represent lease modifications or should be accounted for as separate leases. Further, we evaluated the sensitivity analysis related to extension options and increases in variable lease payments disclosed in note 21. Our audit procedures did not lead to any reservation concerning the accounting for leases under IFRS 16.

OTHER INFORMATION IN THE ANNUAL REPORT

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

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other

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

RESPONSIBILITY OF THE BOARD OF DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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

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

Ernst & Young AG

André Schaub
Licensed audit expert
(Auditor in charge)

Ina Braun
Licensed audit expert

Basle, 18 February 2020

BALANCE SHEET

ASSETS

	Note	2019	2018
<i>As at 31 December, in CHF 000</i>			
<i>Current assets</i>			
Cash and cash equivalents		59 860	52 133
Securities		18	18
Other current receivables			
Third parties		193	289
Group companies	2.2	86 962	55 266
Accruals			
Third parties		47	19
Total current assets		147 080	107 725
<i>Non-current assets</i>			
Loans to Group companies		765 245	787 219
Investments	2.1	224 882	224 882
Discount / issuance costs for syndicated loans / bonds		743	642
Total non-current assets		990 870	1 012 743
Total assets		1 137 950	1 120 468

LIABILITIES AND EQUITY

	Note	2019	2018
As at 31 December, in CHF 000			
<i>Liabilities</i>			
Current interest-bearing liabilities			
Bank debts		–	96 700
Promissory notes	2.3	–	92 077
Other current liabilities			
Third parties		502	378
Group companies	2.2	154 131	101 640
Accruals			
Third parties		3 982	3 318
Total current liabilities		158 615	294 113
Non-current interest-bearing liabilities			
Promissory notes	2.3	454 182	280 277
Provisions		–	22 000
Total non-current liabilities		454 182	302 277
Total liabilities		612 797	596 390
<i>Equity</i>			
Share capital	2.4	3 990	3 990
Statutory capital reserves			
General statutory reserves		798	798
Reserves from capital contributions	2.5	68 723	117 980
Unrestricted reserves		206 821	207 269
Retained earnings available for distribution			
Retained earnings carried forward		209 149	160 984
Net profit for the year		48 521	48 165
Treasury shares	2.6	–12 849	–15 108
Total equity		525 153	524 078
Total liabilities and equity		1 137 950	1 120 468

INCOME STATEMENT

	Note	2019	2018
1 January to 31 December, in CHF 000			
<i>Income</i>			
Investment income	2.7	30 964	30 995
Financial income	2.8	18 290	21 975
Other income	2.9	22 000	15 001
Total income		71 254	67 971
<i>Expenses</i>			
Financial expenses	2.10	-18 544	-14 190
Remuneration of the Board of Directors		-1 484	-1 326
Other operating expenses	2.11	-2 544	-4 129
Direct taxes		-161	-161
Total expenses		-22 733	-19 806
Net profit for the year		48 521	48 165

NOTES TO THE FINANCIAL STATEMENTS

1. BASIS OF PRESENTATION

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

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

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

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

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

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

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

2. INFORMATION ON BALANCE SHEET AND INCOME STATEMENT POSITIONS

2.1 INVESTMENTS

	Currency	31.12.2019 Capital in TCHF	31.12.2019 Holding in %	31.12.2018 Capital in TCHF	31.12.2018 Holding in %
<i>Switzerland</i>					
Valora International AG, MuttENZ	CHF	20 000	100.0	20 000	100.0
Valora Management AG, MuttENZ	CHF	500	100.0	500	100.0
Brezelkönig AG, Emmen	CHF	1 000	100.0	1 000	100.0
Alimarca AG, MuttENZ	CHF	100	100.0	100	100.0
k Kiosk AG, MuttENZ	CHF	50	100.0	50	100.0
Valora Lab AG, MuttENZ	CHF	100	100.0	100	100.0
<i>Germany</i>					
Valora Holding Germany GmbH, Hamburg	EUR	400	5.1	400	5.1
<i>Luxembourg</i>					
Valora Europe Holding S.A., Luxembourg	EUR	31	100.0	31	100.0

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

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

2.3 PROMISSORY NOTES

	Coupon	Maturity	31.12.2019	31.12.2018
in CHF 000				
EUR 78 million ¹⁾	fixed	30.04.2019	0	92 077
EUR 72 million	fixed/variable	29.04.2021	79 200	81 038
EUR 170 million	fixed/variable	11.01.2023	199 238	199 238
EUR 100 million	fixed/variable	11.01.2024	112 744	0
CHF 63 million	fixed/variable	11.01.2024	63 000	0

¹⁾ The promissory note with maturity date 30 April 2019 is reported in 2018 under current interest-bearing liabilities.

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

Authorised capital: At the General Meeting held on 13 April 2018, an increase in the share capital of no more than CHF 400 000 by no later than 13 April 2020 through the issuance of 400 000 registered shares with a par value of CHF 1.00 each was approved. As of 31 December 2019, no corresponding shares had been issued.

Conditional capital: On 11 May 2000, the General Meeting approved the creation of conditional capital in the amount of CHF 84 000. As of 31 December 2019, no corresponding shares had been issued.

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

2.6 TREASURY SHARES

	2019 Number of shares	2019 Carrying amount in CHF 000	2018 Number of shares	2018 Carrying amount in CHF 000
Opening balance (1 January)	53 615	15 108	61 495	17 110
Sales	-63 252	-17 266	-61 228	-17 824
Purchases	57 099	15 007	53 348	15 822
Closing balance (31 December)	47 462	12 849	53 615	15 108

In 2019, Valora Holding AG purchased 57 099 shares at CHF 262.82 and sold 63 252 shares at 272.97 (average prices).

As of 31 December 2019, the number of treasury shares as a percentage of total share capital was 1.2% (2018: 1.3%).

2.7 INVESTMENT INCOME

	2019	2018
1 January to 31 December, in CHF 000		
Valora International AG	30 000	30 000
Valora Management AG	100	100
Valora Holding Germany GmbH	864	895
Total investment income	30 964	30 995

2.8 FINANCIAL INCOME

	2019	2018
1 January to 31 December, in CHF 000		
Interest income on loans to Group companies	14 041	17 001
Other financial income	936	1 179
Currency translation gains	3 313	3 795
Total financial income	18 290	21 975

2.9 OTHER INCOME

	2019	2018
1 January to 31 December, in CHF 000		
Adjustment to impairment charge on investments	22 000	15 000
Other income	-	1
Total other income	22 000	15 001

2.10 FINANCIAL EXPENSES

	2019	2018
1 January to 31 December, in CHF 000		
Interest expense on bonds and syndicated loans	5 427	10 657
Discount (bond, hybrid, syndicated loan)	364	567
Bank interest and fees	918	1 029
Currency translation losses	11 835	1 937
Total financial expenses	18 544	14 190

2.11 OTHER OPERATING EXPENSES

	2019	2018
1 January to 31 December , in CHF 000		
Audit expenses	194	305
Other advisory fees	266	1 814
Management fees	1 000	1 000
Other administrative costs	1 085	1 010
Total other operating expenses	2 544	4 129

3. OTHER INFORMATION

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

3.2 COLLATERAL PROVIDED FOR THIRD-PARTY LIABILITIES. On 31 December 2019, contingent liabilities—comprised of guarantees, letters of subordination and comfort, as well as warranty and other contingent liabilities—to subsidiaries totalled CHF 104.3 million (2018: CHF 115.2 million), with none to third parties (2018: none).

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

As of 31 December 2019, 5% of registered shares equalled 199 500 registered shares.

According to the share register, as of 31 December 2019, Ernst Peter Ditsch held 635 599 registered shares, which represented 15.93% (2018: 15.93%) of the shares issued.

3.4 PARTICIPATIONS. As of 31 December 2019 and 2018, the individual members of the Board of Directors and the Group Executive Management (including related parties) held the following number of shares of Valora Holding AG:

	2019 Number of shares	2019 Share of total voting rights in %	2019 of which subject to a lock-up period	2018 Number of shares	2018 Share of total voting rights in %	2018 of which subject to a lock-up period
Board of Directors						
Franz Julen Chairman	3 462	0.09	1 172	3 067	0.08	958
Markus Fiechter Vice-Chairman and Chairman of Nomination and Compensation Committee	2 500	0.06	541	3 290	0.08	587
Ernst Peter Ditsch Member	635 599	15.93	none	635 599	15.93	none
Cornelia Ritz Bossicard Chair of Audit Committee	1 090	0.03	391	956	0.02	438
Michael Kliger Member	380	0.01	357	257	0.01	234
Sascha Zahnd Member	123	0.00	123			
Insa Klasing Member	123	0.00	123			
Total Board of Directors	643 277	16.12		643 169	16.12	
Group Executive Management						
Michael Mueller CEO	11 826	0.30	8 872	13 028	0.33	11 930
Tobias Knechtle CFO until November 2019	n/a	n/a	n/a	6 821	0.17	5 256
Thomas Eisele Head Food Service	1 570	0.04	1 456	2 705	0.07	2 400
Roger Vogt Head Retail from January 2019	685	0.02	685			
Total Group Executive Management	14 081	0.36		22 554	0.57	
Total Board of Directors and Group Executive Management	657 358	16.48		665 723	16.68	

3.5 LOANS. As of 31 December 2019 and 2018, there were no loans to members of the Board of Directors or Group Executive Management or to related parties.

3.6 PARTICIPATION RIGHTS FOR MEMBERS OF THE BOARD OF DIRECTORS. 20% of the individual total compensation of the members of the Board of Directors, is generally paid out in the form of blocked registered shares. The number of registered shares allocated to the members of the Board of Directors is calculated on the basis of the volume-weighted average price of Valora registered shares for the 20 trading days prior to the allocation. No discount is granted for blocked shares.

3.7 NET RELEASE OF HIDDEN RESERVES. In financial year 2019, CHF 22.0 million in hidden reserves were released (2018: CHF 15.0 million).

3.8 SUBSEQUENT EVENTS. There are no subsequent events after the balance sheet date.

APPROPRIATION OF NET INCOME AND CAPITAL DISTRIBUTION

Proposed appropriation of net income

	2019	2018
in CHF 000		
Net profit for the year	48 521	48 165
Retained earnings carried forward from the previous year	209 149	160 984
Retained earnings available for distribution by the Annual General Meeting	257 670	209 149
<i>The Board of Directors proposes the following appropriation</i>		
Allocation to the general statutory reserves	–	–
Dividend payable on shares entitled to dividend	–24 938	–
Balance to be carried forward	232 732	209 149
<i>Proposal to make a distribution out of the reserve from capital contributions</i>		
Reserve from capital contributions (before distribution) ¹⁾	68 723	117 980
Distribution	–24 938	–49 875
Reserve from capital contributions (after distribution)	43 785	68 105
<i>Distribution per share (in CHF)</i>		
Distribution out of the reserve from capital contributions (exempt from withholding tax)	6.25	12.50
Dividend (gross)	6.25	–
–35 % withholding tax	–2.19	–
Net distribution (in CHF)	10.31	12.50

¹⁾ No dividend was paid for the 49'461 shares held by the company as of the distribution date. As a result, the amount of the reserve from capital contributions increased by TCHF 618.

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

REPORT OF THE STATUTORY AUDITOR ON THE FINANCIAL STATEMENTS

As statutory auditor, we have audited the accompanying financial statements of Valora Holding AG, which comprise the balance sheet, income statement and notes (pages 180 to 188), for the year ended 31 December 2019.

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

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

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

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

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

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

VALUATION OF INVESTMENTS IN AND LOANS TO SUBSIDIARIES

Area of focus. As of 31 December 2019, investments in and loans to Group companies represented 87% of the Company's total assets and amounted to CHF 990 million. Valora generally assesses the valuation of its investments and loans on an individual basis in accordance with the Swiss Code of Obligations. Under specific circumstances, certain investments in and loans to Group companies are combined for this assessment to the extent deemed appropriate.

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

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

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

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

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

Ernst & Young AG

André Schaub
Licensed audit expert
(Auditor in charge)

Ina Braun
Licensed audit expert

Basle, 18 February 2020

VALORA SHARES

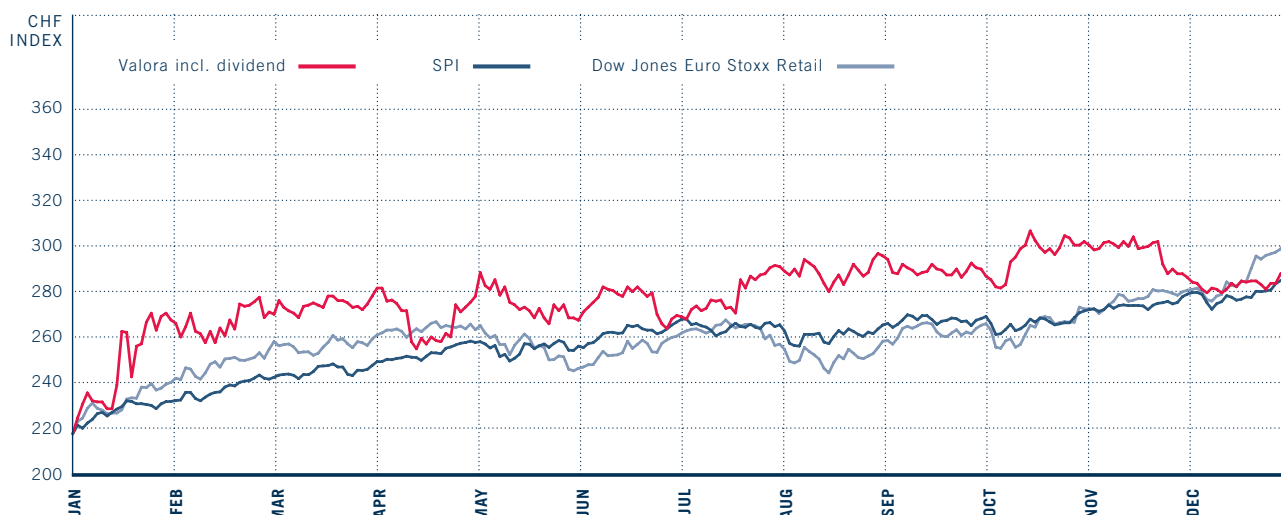
1 SHARE PRICE TRENDS

General Swiss stock market performance. 2019 was an excellent year for the stock market. After the disappointing stock market year 2018, investors around the world were able to record very positive returns in 2019. The broad-based Swiss SPI Index, recorded a total return of 30.6% over the course of the year. The Dow Jones Euro Stoxx Retail sector index also recorded a very encouraging increase of 34.4%. By comparison, the Euro-Stoxx-50 Index in the euro zone rose by +28.2% and the S&P 500 Index in the USA recorded a total return of 31.5%. In view of the trade conflict between the US and China, last year's stock market development was also liquidity-driven, due to the expansive monetary policy worldwide. A further driver for the good stock market performance in Switzerland was not only the growth in corporate profits, but also the generally good dividend yield of Swiss stocks, which supported the demand for shares. Towards the end of the year, a year-end rally could be observed, which was reinforced by a reconciliation in the trade dispute between China and the US and an upcoming end to the Brexit discussion.

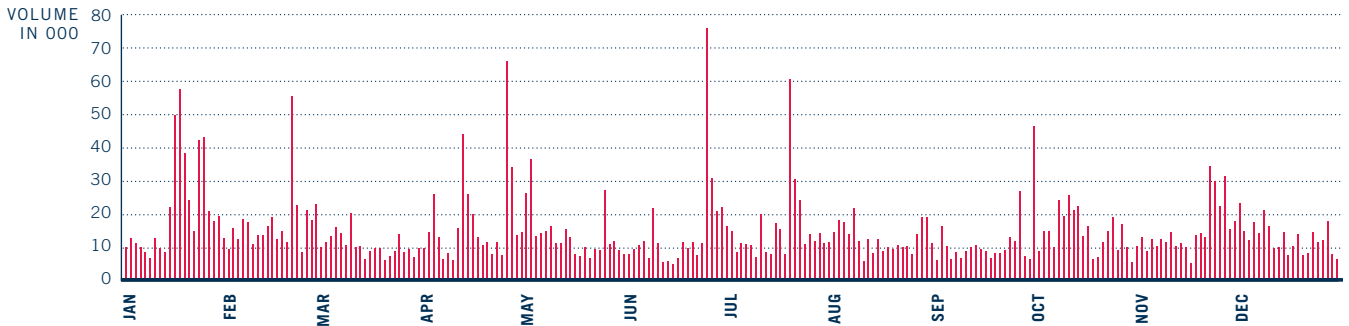
Valora share performance. After having outperformed the market as a whole in 2016 (+44.4%) and 2017 (+16.6%), the 2018 stock market year was generally very disappointing, not only for Valora shareholders (-31.3%). The Valora share started the year 2019 at a low level and reached its lowest closing price of CHF 214 on January 3. After takeover rumours – which were not substantiated – the Valora share increased. On April 25, Valora's shares gained further traction on the announcement that Valora had successfully won the SBB's tender for all 262 k kiosk and convenience store locations, thus securing the network until 2030. Following the publication of its good half-year results on July 19, the Valora shares moved slightly sideways, closing at a high of CHF 289.50 on November 10. After the publication of the changes in the Group Executive Management (CFO departure) on November 19, a slight decrease of the share price was noted. The Valora share closed the year at CHF 270.

In 2019, Valora's shareholders recorded a total return of 31.5% (including dividend).

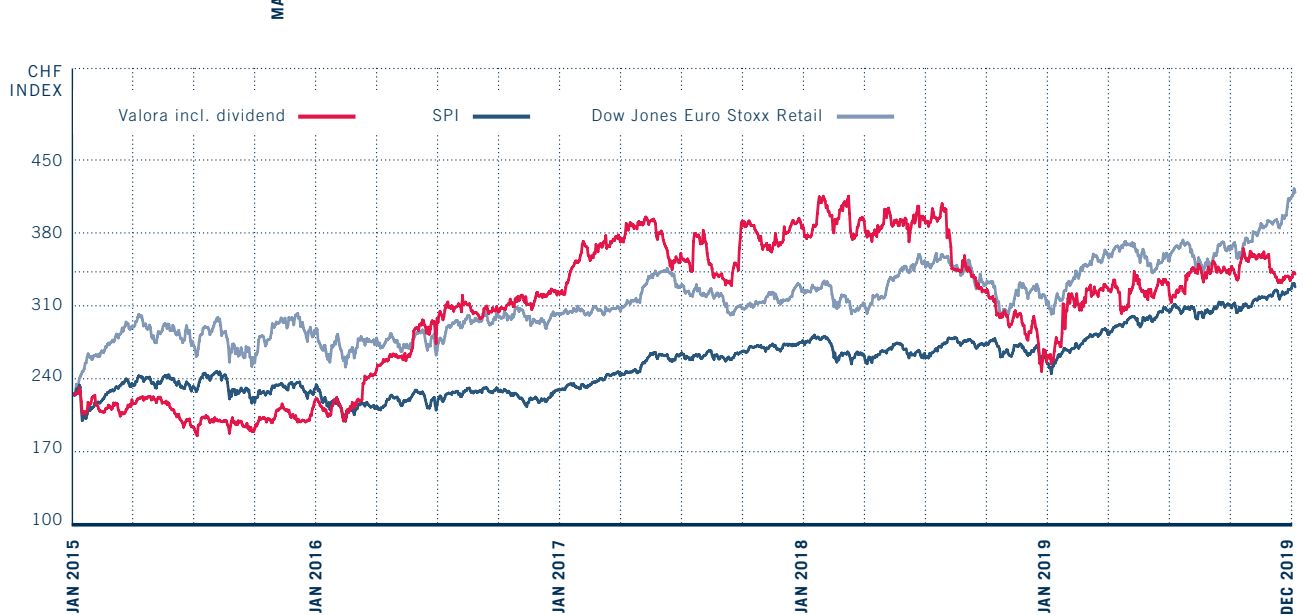
VALORA SHARE PERFORMANCE TREND 2019



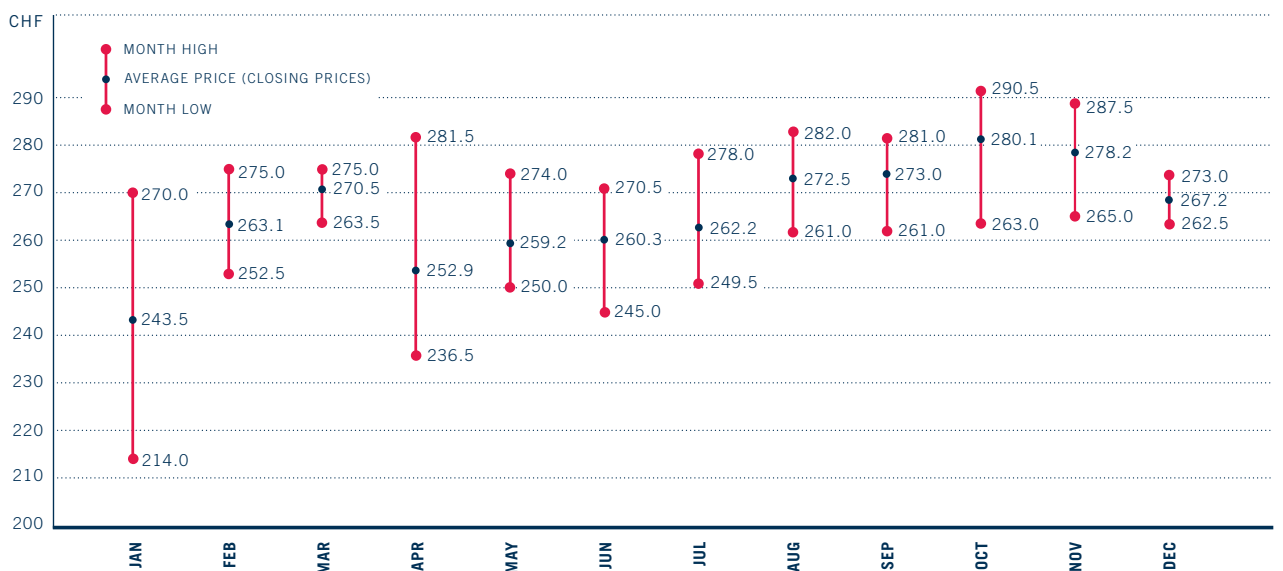
VALORA SHARE VOLUME 2019



VALORA SHARE PERFORMANCE TREND 2015-2019



MONTH HIGHS/LOWS IN 2019



2 SHAREHOLDER RETURNS

		2019	2018	2017	2016	2015
<i>Share price</i>						
Year-end	CHF	270.00	215.00	325.00	289.25	209.00
<i>Distributions to shareholders</i>						
Dividends	CHF	¹⁾ 12.50	12.50	12.50	12.50	12.50
Dividend yield	%	4.6 %	5.8 %	3.8 %	4.3 %	6.0 %
<i>Annual return</i>						
excluding dividend	%	25.6 %	-33.8 %	12.4 %	38.4 %	²⁾ -8.5 %
including dividend	%	31.5 %	-30.0 %	16.7 %	44.4 %	²⁾ -3.0 %
<i>Average return</i>						
		2019 1 year	2018-2019 2 years	2017-2019 3 years	2016-2019 4 years	²⁾ 2015-2019 5 years
excluding dividend	%	25.6 %	-8.5 %	-2.2 %	7.3 %	3.6 %
including dividend	%	31.5 %	-4.8 %	2.0 %	13.6 %	9.9 %

¹⁾ Proposed

²⁾ Based on 2014 price of CHF 228.40

3 KEY SHARE DATA

		2019	2018	2017	2016	2015
Operating profit (EBIT) per share ^{1) 2)}	CHF	23.21	22.84	23.05	21.64	16.41
Free cash flow per share ^{1) 2) 3)}	CHF	19.30	12.47	23.93	21.74	24.52
Earnings per share ^{1) 2)}	CHF	18.68	15.28	15.26	17.27	12.51
Equity per share ¹⁾	CHF	158.90	156.07	215.27	158.97	150.68
P / E Ratio ^{1) 2)}	31.12.	14.46	14.07	21.29	16.75	16.71

¹⁾ Based on average number of shares outstanding

²⁾ Continuing operations

³⁾ Free cash flow: net cash provided by operating activities less net cash used in ordinary investing activities

4 SHAREHOLDER DATA AND CAPITAL STRUCTURE

<i>Registered shareholder data</i>		31.12.2019	31.12.2018
Composition	Significant shareholders > 5 - %	15.9% of shares	15.9% of shares
	10 largest shareholders	32.2% of shares	32.6% of shares
	100 largest shareholders	42.9% of shares	44.2% of shares
Origin	Switzerland	67.5% of shares	60.4% of shares
	Elsewhere	32.5% of shares	39.6% of shares

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

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

The shares can be issued at any time by the Board of Directors to secure existing or future management profit-sharing plans. Existing shareholders have no subscription rights for such shares. No time limit applies. None of this conditional capital had been issued by 31 December 2019.

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.

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

5 SHARE CAPITAL

		2019	2018	2017	2016	2015
Total registered shares ¹⁾	Shares	3 990 000	3 990 000	3 990 000	3 435 599	3 435 599
Number of treasury shares ¹⁾	Shares	47 462	53 615	61 495	77 078	115 915
Number of shares outstanding ¹⁾	Shares	3 942 538	3 936 385	3 928 505	3 358 521	3 319 684
Market capitalisation ^{1) 2)}	CHF million	1 064	846	1 277	972	694
Average number of shares outstanding	Shares	3 940 440	3 932 706	3 427 949	3 339 499	3 358 171
Number of registered shareholders ¹⁾		10 551	8 713	7 470	6 990	8 695

¹⁾ As at 31 December

²⁾ Based on the number of shares outstanding as at 31 December

6 TAX VALUES

	Securities no.	As at 31.12.2019	As at 31.12.2018	As at 31.12.2017	As at 31.12.2016	As at 31.12.2015
Registered shares of CHF 1.00	208 897	270.00	215.00	325.00	289.25	209.00
2.5 % bond 2012–2018	14 903 902	-	-	102.41 %	102.65 %	104.30 %
4.0 % hybrid bond	21 128 255	-	-	102.85 %	105.60 %	104.55 %

FIVE-YEAR SUMMARY

		31.12.2019	31.12.2018	31.12.2017	31.12.2016	31.12.2015
Net revenues ^{1) 2)}	CHF million	2029.7	2074.9	2001.6	2095.0	2077.4
Change	%	-2.2	+3.7	-4.5	+0.8	+7.5
EBITDA ^{1) 3)}	CHF million	157.4	156.0	133.7	127.6	117.6
Change	%	+0.9	+16.7	+4.8	+8.5	+7.6
in % of net revenues	%	7.8	7.5	6.7	6.1	5.7
Operating profit (EBIT) ¹⁾	CHF million	91.5	89.8	79.0	72.3	55.1
in % of net revenues	%	4.5	4.3	3.9	3.4	2.7
Change	%	+1.8	+13.7	+9.3	+31.1	+81.0
Net profit from continuing operations	CHF million	73.6	64.1	57.1	62.5	46.8
Change	%	+14.8	+12.2	-8.6	+33.5	+203.7
in % of net revenues	%	3.6	3.1	2.9	3.0	2.3
in % of equity	%	11.8	10.4	7.7	11.8	9.2
Net cash provided by (used in) ¹⁾						
Operating activities	CHF million	290.3	116.0	114.2	113.0	125.5
Lease payments, net	CHF million	-128.2	n.a.	n.a.	n.a.	n.a.
Ordinary investment activities	CHF million	-86.1	-67.0	-32.1	-40.4	-43.2
Free cash flow ^{1) 3)}	CHF million	76.0	49.0	82.0	72.6	82.3
Earnings per share ¹⁾	CHF	18.68	15.28	15.26	17.27	12.51
Change	%	+22.3	+0.1	-11.6	+38.0	+299.7
Free cash flow per share ^{1) 3)}	CHF	19.30	12.47	23.93	21.74	24.52
Change	%	+54.8	-47.9	+10.1	-11.3	+144.0
Cash and cash equivalents	CHF million	122.7	104.8	152.5	159.4	116.3
Equity	CHF million	626.1	613.8	737.9	530.9	506.0
Equity ratio	%	26.2	46.3	52.4	45.5	41.5
Number of employees at December 31	FTE	3906	4230	4265	4228	4349
Change	%	-7.7	-0.8	+0.9	-2.8	-1.9
Net revenues per employee ²⁾	CHF 000	520	490	469	495	478
Change	%	+5.9	+4.5	-5.3	+3.7	+9.6
Number of outlets operated by Valora		1796	1868	1882	1872	1838
of which agencies		1133	1105	1031	1014	990
Number of franchise outlets		929	881	872	543	471

All totals and percentages are based on unrounded figures from the consolidated financial statements.

¹⁾ From continuing operations

²⁾ 2017 and 2018 revised according to IFRS 15

³⁾ Definition of alternative performance measures on page 197

ALTERNATIVE PERFORMANCE MEASURES

Valora's financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS). In addition to the information and figures required by these standards, Valora publishes alternative performance measures (APMs) that are not defined or specified in these standards and for which there are no generally accepted reporting formats. Valora determines the APMs with the aim of making it possible to compare the performance indicators over time and across sectors. This is achieved by making certain adjustments to the balance sheet, income statement and cash flow statement items prepared in accordance with the applicable accounting standards. Such adjustments may result from different calculation and valuation methods as well as special effects that affect the meaningfulness of these items. The APMs determined in this way apply to all periods and are used both internally for business management purposes and externally to assess the company's performance by analysts, investors and rating agencies.

This document has been prepared in conformity with the Directive on the Use of Alternative Performance Measures issued by SIX Exchange Regulation Ltd. The main alternative performance measures used by the Group are explained in this document.

- External sales
- Change in sales - FX- and POS-adjusted (same store)
- Gross profit (margin)
- EBITDA
- EBIT
- Free Cash Flow
- Net financial debt
- Leverage Ratio
- Return on Capital Employed (ROCE)
- Equity ratio
- Net Working Capital

External sales¹⁾

External sales are defined as Valora's net revenues plus the sales generated by its contracted sales outlets. External sales, on the other hand, do not include deliveries to these points of sale, franchise fees and other income from operating agreements. This indicator ensures that sales can be compared despite changing distribution models.

Change in net revenues – FX- and POS-adjusted (same store)

The currency-adjusted change in net revenues shows the percentage change in net revenues excluding the impact of exchange rate effects. The POS-adjusted change is calculated for the respective business unit on the basis of unchanged POS, i.e. without openings and closings. In the case of exchange rate effects, the functional currency valid in the respective country is used for the calculation.

Gross profit (margin)¹⁾

Gross profit is calculated as net revenues less cost of goods and materials. The gross profit margin is the gross profit as a % of net revenues.

¹⁾ See reconciliations for calculation

EBITDA¹⁾

EBITDA stands for earnings before interest, taxes, depreciation and impairment of property, plant and equipment, impairment of goodwill, and amortization and impairment of other intangible assets. EBITDA is EBIT plus the amortisation of intangible assets and the depreciation of property, plant and equipment, plus impairment losses and minus impairment loss reversals, recognised in profit or loss during the reporting period. Valora uses an EBITDA not considering depreciation on right-of-use assets arising from lease agreements.

Free Cash Flow¹⁾

Valora uses cash flow before acquisitions and dividends as a free cash flow measure. Cash flow before acquisitions and dividends is calculated as cash flow from operating activities less net capital expenditure (investments in property, plant, equipment and intangible assets less proceeds from the sale of property, plant, equipment and intangible assets), less repayments of lease liabilities, adding lease payments received from finance leases.

Net financial debt¹⁾

Net financial debt is used both internally and externally in assessing Valora's liquidity, capital structure and financial flexibility. Cash, cash equivalents and derivate assets, less financial liabilities (current and non-current) and derivative liabilities.

Net debt II¹⁾

Net debt II additionally takes into account the current and non-current lease liabilities but does not include lease receivables.

Leverage Ratio¹⁾

The leverage ratio puts EBITDA in relation to net debt. This ratio indicates how many years the company needs to pay off its current net debt. Valora uses this indicator in connection with financing instruments.

Return on Capital Employed (ROCE)¹⁾

Valora uses ROCE as a key performance indicator. It combines the view on business profitability and capital efficiency. ROCE is the ratio of the EBIT generated by the Group over the last twelve months to its average capital employed during the same period. Capital employed is defined as non-current assets excluding right-of-use assets and lease receivables less deferred tax assets plus net working capital plus operating cash.

Equity Ratio¹⁾

The equity ratio shows the ratio of equity to total assets excluding right-of-use assets and lease receivables.

Net Working Capital¹⁾

Net working capital is capital invested in the Group's operating activities. Net working capital equals trade accounts receivable, other current receivables and inventories less trade accounts payable and other current liabilities.

¹⁾ See reconciliations for calculation

RECONCILIATIONS

External Sales

	2019	2018
in CHF 000		
Net revenues ¹⁾	2 029 668	2 074 889
Sales franchisees and other contractual bounded partners ²⁾	650 957	656 152
External sales	2 680 626	2 731 041

¹⁾ 2018 revised according to IFRS 15

²⁾ Net of deliveries from Valora to franchise points of sale, franchise fees and other income from operating agreements

Gross profit (margin)

	2019	2018
in CHF 000		
Net revenues ¹⁾	2 029 668	2 122 093
Cost of goods and materials	-1 112 467	-1 156 725
Gross Profit	917 201	965 368
Gross Profit Margin	45.2%	45.5%

¹⁾ 2018 revised according to IFRS 15

EBITDA

	2019	2018
in CHF 000		
EBIT	91 458	89 818
Depreciation and impairment of property, plant and equipment	48 330	48 178
Amortisation and impairment of intangible assets	17 647	18 044
EBITDA	157 435	156 040

Free Cash Flow

	2019	2018
in CHF 000		
Cash Flow from operating activities	290 267	116 008
Investments in property, plant and equipment	-81 044	-62 141
Proceeds from the sale of property, plant and equipment	700	2 709
Investments in intangible assets	-5 828	-7 904
Proceeds from the sale of intangible assets	105	351
Repayments of lease liabilities	-142 688	-0
Lease payments received from finance leases	14 524	0
Free Cash Flow	76 036	49 023

Net financial debt

	2019	2018
in CHF 000		
Cash and cash equivalents	122 651	104 776
Current financial and derivative liabilities	-153	-185 133
Non-current financial liabilities	-443 378	-278 221
Net financial debt	-320 879	-358 578

Net debt II

	2019	2018
in CHF 000		
Net financial debt	-320 879	-358 578
Current lease liabilities	-160 749	0
Non-current lease liabilities	-887 491	0
Net debt II	-1 369 120	-358 578

Leverage Ratio

	2019	2018
in CHF 000		
Net financial debt	320 879	358 578
EBITDA	157 435	156 040
Normalisation for acquisitions/divestitures	0	0
Relevant EBITDA for the Group	157 435	156 040
Leverage ratio	2.04x	2.30x

Return on Capital Employed (ROCE)

	2019	2018	2017
in CHF 000			
Non-current assets	1 960 383	937 977	974 464
Right-of-use asset	-938 997	0	0
Non-current lease receivables	-68 207	0	0
Deferred tax assets	-17 838	-10 212	-15 474
Trade accounts receivable	77 080	80 235	71 268
Inventories	143 393	145 585	154 537
Other current receivables	65 635	55 938	54 567
Trade accounts payable	-145 387	-136 546	-143 339
Other current liabilities	-104 469	-84 599	-101 257
Operating cash ¹⁾	85 000	85 000	85 000
Capital Employed	1 056 593	1 073 377	1 079 765
Average on a monthly basis ²⁾	1 093 952	1 098 756	
EBIT	91 458	89 818	
ROCE	8.4%	8.2%	

¹⁾ Operating cash means the least amount of available cash to maintain in cash planning and is only considered on Group level.

²⁾ Capital employed is the average measured over the preceding 13 months.

Equity Ratio

	2019	2018
in CHF 000		
Total Equity	626 119	613 780
Total assets excluding right-of-use assets and lease receivables	1 362 227	1 326 230
Equity Ratio	46.0%	46.3%

Net Working Capital

	2019	2018
in CHF 000		
Trade accounts receivables	77 080	80 235
Inventories	143 393	145 585
Other current receivables	65 635	55 938
Trade accounts payable	-145 387	-136 546
Other current liabilities	-104 469	-84 599
Net Working Capital	36 253	60 612

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