CONSOLIDATED INCOME STATEMENT

January 1 to December 31, in CHF 000 (except per-share amounts)	Note	2016	%	2015	%
Net revenues	8	**2 094 956**	**100.0**	**2 077 425**	**100.0**
Cost of goods and materials		–1 225 298	–58.5	–1 232 146	–59.3
Personnel expenses	9	–261 091	–12.5	–277 061	–13.3
Other operating expenses	10	–487 688	–23.3	–457 553	–22.0
Depreciation, amortisation and impairments	20, 21, 22	–55 358	–2.6	–62 468	–3.0
Other income	11	10 977	0.5	8 176	0.4
Other expenses	11	–4 235	–0.2	–1 259	–0.1
Operating profit (EBIT)	8	**72 263**	**3.4**	**55 114**	**2.7**
Financial expenses	12	–16 733	–0.8	–18 853	–0.9
Financial income	13	1 509	0.1	1 619	0.1
Earnings before taxes		**57 040**	**2.7**	**37 880**	**1.8**
Income taxes	14	5 439	0.3	8 922	0.4
Net profit from continuing operations		**62 479**	**3.0**	**46 802**	**2.3**
Net profit/(loss) from discontinued operations	7	924	0.0	–75 597	–3.6
Net profit/(loss)		**63 402**	**3.0**	**–28 795**	**–1.4**
Attributable to shareholders of Valora Holding AG		58 602	2.8	–34 394	–1.7
Attributable to providers of hybrid capital		4 800	0.2	4 800	0.2
Attributable to providers of Valora Holding AG equity		**63 402**	**3.0**	**–29 594**	**–1.4**
Attributable to non-controlling interests		**0**	**0.0**	**799**	**0.0**
Earnings/(loss) per share					
from continuing operations, diluted and undiluted (in CHF)	15	17.27		12.51	
from discontinued operations, diluted and undiluted (in CHF)	15	0.28		–22.75	
from continuing and discontinued operations, diluted and undiluted (in CHF)	**15**	**17.55**		**–10.24**	

The accompanying notes from page 77 to page 138 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

January 1 to December 31, in CHF 000	**Note**	**2016**	2015
Net profit/(loss)		**63 402**	**–28 795**
Actuarial losses before taxes	29	–687	–21 125
Income taxes	29	–334	4 232
Positions not subject to reclassification affecting the income statement		**–1 021**	**–16 893**
Cash flow hedge		5 095	2 261
Currency translation adjustments		–5 187	–19 297
Fair value changes on available for sale investments before income taxes		0	–7
Income taxes		0	2
Positions whose reclassification potentially affects the income statement		**–92**	**–17 041**
Other comprehensive income		**–1 114**	**–33 934**
Total comprehensive income		**62 288**	**–62 729**
Attributable to shareholders of Valora Holding AG		57 488	–68 214
Attributable to providers of hybrid capital		4 800	4 800
Attributable to providers of Valora Holding AG equity		**62 288**	**–63 414**
Attributable to non-controlling interests		**0**	**685**

The total comprehensive income attributable to shareholders of Valora Holding AG comprises the following elements:

Attributable to shareholders of Valora Holding AG from continuing operations	58 460	–7 098
Attributable to shareholders of Valora Holding AG from discontinued operations	–972	–61 116
Attributable to shareholders of Valora Holding AG	**57 488**	**–68 214**

The accompanying notes from page 77 to page 138 form an integral part of these consolidated financial statements.

CONSOLIDATED BALANCE SHEET

ASSETS

in CHF 000	Note	31.12.2016	%	31.12.2015	%
Current assets					
Cash and cash equivalents	16	159 381		116 308	
Derivative financial assets	32	0		61	
Trade accounts receivable	17	45 256		56 278	
Inventories	18	146 698		147 772	
Current income tax receivables		2 131		1 718	
Other current receivables	19	52 764		48 420	
Current assets		**406 230**	**34.8 %**	**370 557**	**30.4 %**
Assets held for sale	7	0	0.0 %	5 655	0.4 %
Total current assets		**406 230**	**34.8 %**	**376 212**	**30.8 %**
Non-current assets					
Property, plant and equipment	20	221 514		233 373	
Goodwill, software and other intangible assets	22	469 010		513 172	
Investment property	21	0		622	
Investment in associates and joint ventures		50		50	
Financial assets	24	31 809		42 259	
Pension asset	29	0		13 633	
Deferred income tax assets	14	38 624		40 855	
Total non-current assets		**761 008**	**65.2 %**	**843 964**	**69.2 %**
		1 167 238	**100.0 %**	**1 220 176**	**100.0 %**

LIABILITIES AND EQUITY

in CHF 000	Note	31.12.2016	%	31.12.2015	%
Current liabilities					
Short-term financial debt	25	726		1 651	
Derivative financial liabilities	32	0		3 394	
Trade accounts payable	26	136 557		143 962	
Current income tax liabilities		9 854		10 532	
Other current liabilities	27	87 737		116 189	
Current liabilities		**234 874**	**20.1 %**	**275 728**	**22.6 %**
Liabilities held for sale	7	0	0.0 %	5 603	0.4 %
Total current liabilities		**234 874**	**20.1 %**	**281 331**	**23.0 %**
Non-current liabilities					
Other non-current liabilities	25	363 927		368 992	
Long-term accrued pension cost	29	310		18 288	
Long-term provisions	28	10 562		11 412	
Deferred income tax liabilities	14	26 689		34 138	
Total non-current liabilities		**401 488**	**34.4 %**	**432 830**	**35.5 %**
Total liabilities		**636 362**	**54.5 %**	**714 161**	**58.5 %**
Equity					
Share capital	36	3 436		3 436	
Treasury stock		– 18 345		– 26 849	
Hybrid capital		119 098		119 098	
Fair-value changes on financial instruments		– 1 988		– 7 083	
Retained earnings		520 220		503 745	
Cumulative translation adjustments		– 91 546		– 86 359	
Equity of Valora Holding AG		**530 875**	**45.5 %**	**505 988**	**41.5 %**
Non-controlling interests		0		27	
Total equity		**530 875**	**45.5 %**	**506 015**	**41.5 %**
Total liabilities and equity		**1 167 238**	**100.0 %**	**1 220 176**	**100.0 %**

The accompanying notes from page 77 to page 138 form an integral part of these consolidated financial statements.

CONSOLIDATED CASH FLOW STATEMENT

January 1 to December 31, in CHF 000	**Note**	**2016**	2015
Operating profit (EBIT)		**72 263**	**55 114**
Elimination of non-cash transactions in operating profit (EBIT)			
Depreciation and impairments on property, plant, equipment and investment properties	20, 21	42 950	45 428
Amortisation of intangible assets	22	12 407	17 040
(Gains)/losses on sales of fixed assets, net	11	–447	961
Share-based remuneration	30	1 983	883
Release of provisions	28	–361	0
Increase in pension liability		3 427	2 221
Other non-cash transactions		2 767	1 953
Increase/(decrease) in other non-current liabilities		58	–289
Changes in net working capital, without the effects arising from acquisitions and disposals of business units			
Increase in trade accounts receivable		–4 132	–7 457
(Increase)/decrease in inventories		–3 151	7 324
Decrease in other current assets		764	10 919
Increase/(decrease) in trade accounts payable		624	–3 597
(Decrease)/increase in other liabilities		–556	13 297
Net cash provided by operating activities		**128 596**	**143 797**
Interest paid		–14 877	–14 903
Income taxes paid		–2 391	–4 126
Interest received		1 607	673
Dividends received		55	33
Total net cash provided by operating activities from continuing operations		**112 990**	**125 474**
Total net cash used in operating activities from discontinued operations		–459	–4 369
Total net cash provided by operating activities		**112 531**	**121 105**
Cash flow from investing activities			
Investment in property, plant and equipment	20	–39 306	–40 339
Proceeds from sale of property, plant and equipment	20	5 807	2 224
Proceeds from sale of investment property	21	525	2 963
Acquisition of subsidiaries, net of cash acquired	6	–948	–86 020
Proceeds from subsidiaries, net of cash disposed	6, 7	12 597	–3 616
Sales of financial investments		1 502	1 498
Purchases of other intangible assets	22	–7 447	–8 171
Proceeds from sale of other intangible assets	22	24	193
Net cash used in investing activities from continuing operations		**–27 247**	**–131 268**
Net cash used in investing activities from discontinued operations		0	–384
Net cash used in investing activities		**–27 247**	**–131 652**

January 1 to December 31, in CHF 000	**Note**	**2016**	2015
Cash flow from financing activities			
Change in short-term financial liabilities, net		–3 244	582
Proceeds from long-term financial liabilities	25	79 001	274
Repayment of long-term financial liabilities	25	–79 287	–326
Purchase of treasury stock		–9 629	–23 202
Proceeds from sale of treasury stock		16 681	9 449
Distributions to providers of hybrid capital		–4 800	–4 800
Dividends paid to Valora Holding AG shareholders		–41 636	–42 184
Net cash used in financing activities from continuing operations		**–42 914**	**–60 207**
Net cash provided by/(used in) financing activities from discontinued operations		459	–4 599
Net cash used in financing activities		**–42 455**	**–64 806**
Net increase/(decrease) in cash and cash equivalents		**42 829**	**–75 353**
Exchange differences on cash and cash equivalents		–434	–8 766
Cash and cash equivalents at beginning of year		116 985	201 104
Cash and cash equivalents at year end per balance sheet	**16**	**159 381**	**116 308**
Cash and cash equivalents at year end included in disposal group	7	0	677
Cash and cash equivalents at year end		**159 381**	**116 985**

The accompanying notes from page 77 to page 138 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Equity

	Equity of Valora Holding AG								
in CHF 000	**Share capital**	**Treasury stock**	**Hybrid capital**	**Fair value changes on financial instru-ments**	**Retained earnings**	**Cumulative translation adjustments**	**Total equity of Valora Holding AG**	**Non-controlling interests**	**Total equity**
Balance at December 31, 2014	**3 436**	**– 15 701**	**119 098**	**– 9 339**	**599 272**	**– 67 176**	**629 590**	**1 011**	**630 601**
Net loss					– 29 594		– 29 594	799	– 28 795
Other comprehensive income				2 256	– 16 893	– 19 183	– 33 820	– 114	– 33 934
Total comprehensive income				**2 256**	**– 46 487**	**– 19 183**	**– 63 414**	**685**	**– 62 729**
Share-based remuneration					883		883		883
Dividend paid to shareholders					– 42 184		– 42 184	– 529	– 42 713
Increase in treasury stock		– 23 202					– 23 202		– 23 202
Decrease in treasury stock		12 054			– 2 939		9 115		9 115
Distributions to providers of hybrid capital					– 4 800		– 4 800		– 4 800
Disposal of non-controlling interests								– 1 140	– 1 140
Balance at December 31, 2015	**3 436**	**– 26 849**	**119 098**	**– 7 083**	**503 745**	**– 86 359**	**505 988**	**27**	**506 015**
Net profit					63 402		63 402	0	63 402
Other comprehensive income				5 095	– 1 022	– 5 187	– 1 114	0	– 1 114
Total comprehensive income				**5 095**	**62 380**	**– 5 187**	**62 288**	**0**	**62 288**
Share-based remuneration					1 983		1 983		1 983
Dividend paid to shareholders					– 41 636		– 41 636		– 41 636
Increase in treasury stock		– 9 629					– 9 629		– 9 629
Decrease in treasury stock		18 133			– 1 452		16 681		16 681
Distributions to providers of hybrid capital					– 4 800		– 4 800		– 4 800
Disposal of non-controlling interests								– 27	– 27
Balance at December 31, 2016	**3 436**	**– 18 345**	**119 098**	**– 1 988**	**520 220**	**– 91 546**	**530 875**	**0**	**530 875**

The accompanying notes from page 77 to page 138 form an integral part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 INFORMATION REGARDING THE GROUP

Valora is an internationally active retail group. Valora Holding AG is incorporated in Muttenz, Switzerland and its shares are listed on SIX Swiss Exchange. Valora's consolidated financial statements for the 2016 financial year were approved by the Board of Directors on February 27, 2017. These consolidated financial statements are subject to approval by the General Meeting of Shareholders to be held on March 30, 2017.

2 ACCOUNTING POLICIES

Basis of preparation. In preparing its consolidated financial statements Valora generally applies the historical cost principle. The exceptions to this are derivative financial instruments and financial assets available for sale, both of which measured at fair value. 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 thousand Swiss Francs.

Compliance with IFRS, the Swiss Code of Obligations and Swiss Stock Exchange listing rules. 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. They also meet all the listing regulations promulgated by the SIX Swiss Exchange.

Key accounting principles. In addition to the accounts of Valora Holding AG, Muttenz, Switzerland, the Valora Group's financial statements also comprise those of its subsidiaries and non-consolidated investments as follows:

Consolidated companies. Subsidiaries controlled by Valora Holding AG are fully consolidated. In determining whether control exists, the contractual provisions governing Valora's interest in such companies are considered as are Valora's other rights. Subsidiaries acquired are consolidated from the day Valora assumes control and deconsolidated from the day Valora ceases to exercise such control.

Consolidation method. All intra-Group assets, liabilities, income and expenses, and all unrealised gains or losses in intra-Group transactions, are fully eliminated. Whenever 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 purchase price paid and the fair value of the company's net assets at the time of the acquisition is recognised as goodwill. Non-controlling interests are defined as that part of the equity of a subsidiary which is not directly or indirectly attributable to the shareholders of Valora Holding AG. Non-controlling interests are presented separately in the consolidated income statement, consolidated statement of comprehensive income and the balance sheet. In the Group balance sheet, non-controlling interests are shown in the equity section, but are reported separately from the equity attributable to shareholders of Valora Holding AG. Acquisitions of non-controlling interests are treated as equity transactions, with the difference between the consideration paid and the carrying amount of the net assets acquired being allocated to the equity attributable to the shareholders of Valora Holding AG.

Non-consolidated investments (associated companies and joint ventures). Associated companies and joint ventures are accounted using the equity method. Associated companies are companies over which Valora has significant influence, but does not control. Significant influence is assumed to exist when Valora holds between 20 % and 50 % of the voting shares.

Scope of consolidation. Note 38 provides an overview of the Valora Group's significant subsidiaries.

Changes in consolidation scope. On December 31, 2015, Valora completed the sale of its Trade division to the Aurelius Group. The purchase agreement encompassed all Valora Trade companies in Switzerland, Austria, Denmark, Sweden, Norway and Finland. The sale of Trade Germany was completed in January 2016. Further details of this transaction are set out in Note 7.

On June 30, 2016, Valora acquired 100% of the shares of CDM Buffet SA, which had its registered offices in Lausanne. Further details of this transaction are set out in Note 6.

On August 30, 2016, Valora completed the sale of Naville's logistics and distribution business. Note 6 provides further details.

3 CHANGES TO ACCOUNTING POLICIES

Implementation of new International Financial Reporting Standards (IFRS) and Interpretations thereof. The Annual Improvements 2012–14 Cycle (annual improvement process) became effective on January 1, 2016. This did not have any material effect on the financial statements of the Valora Group.

Future implementation of International Financial Reporting Standards (IFRS) and Interpretations thereof. The following changes arising from new standards and interpretations which the Valora Group will be required to adopt with effect from January 1, 2018 have not yet been applied and are currently being analysed. IFRS 15 Revenue from Contracts with Customers and IFRS 9 Financial Instruments will come into effect on January 1, 2018.

IFRS 15 defines new rules for the treatment of revenue from contracts with customers. The Valora Group generates a significant proportion of its revenues in cash. The Group also has a small number of multi-component and service agreements in place, which are currently being analysed in greater detail. An initial assessment indicates that the adoption of IFRS 15 will not have any material effects on the Group's financial statements other than the fulfilment of additional reporting requirements.

IFRS 9 redefines the accounting treatment of financial instruments. The standard will introduce a new classification model for financial instruments. The Valora Group does not anticipate that application of these new classification requirements will have any significant effect on its balance sheet or shareholders' equity. IFRS 9 also introduces a new impairment model for certain financial instruments that are either valued at amortised cost or whose changes in market value are recognised in shareholders' equity. The Valora Group will be required to apply the new impairment model to these types of financial instruments, with the result that any anticipated loss on these positions will have to be recorded as an impairment when the instruments are first recognised. This change is currently being analysed and its effects assessed. Because IFRS 9 will not alter the general principles governing the application of hedge accounting, Valora does not anticipate that the adoption of this new standard will have any material impact.

IFRS 16 replaces IAS 17 and sets out the principles applying to the recognition, measurement, presentation and disclosure of lease contracts. For Valora, the main impact of IFRS 16 is that it requires the lessee to recognise the liabilities and assets arising from nearly all its lease contracts. This will increase Valora's overall assets and liabilities. Valora draws a distinction between rental leases and other leasing contracts. In the case of rental leases, only the present value of the fixed rental payments are recognised as liabilities, while variable rental payments are not recognised. Valora is currently evaluating the precise effects of this new standard, whose implementation will first be required for the reporting period commencing on January 1, 2019.

4 GENERAL ACCOUNTING POLICIES

Translation of foreign currencies. Transactions in foreign currencies are converted into Swiss francs at the exchange rate applicable on the transaction date. At the balance sheet date, amounts receivable and payable in foreign currencies are converted into Swiss francs at the exchange rate applicable on that date, and any exchange rate differences are recorded in the income statement.

Upon consolidation, the assets and liabilities of subsidiaries whose functional currency is not the Swiss franc are converted into Swiss francs at the exchange rate prevailing on the balance sheet date. Income statement, cash flow statement and other movement items are converted into Swiss francs at average exchange rates for the period, provided they approximate the figures which would result from the application of transaction date rates. If not, transactions are converted at effective transaction rates. Exchange gains and losses arising from the translation of foreign operations are recognised in other comprehensive income and reported separately as currency translation adjustments.

Exchange rates applied to key foreign currencies

	Average rate for 2016	**Rate at 31.12.2016**	Average rate for 2015	Rate at 31.12.2015
Euro, 1 EUR	1.090	1.072	1.068	1.084

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

Net revenues and revenue recognition. Net revenues include proceeds from the sale of goods, services and products manufactured by Valora itself, net of any deductions including rebates, discounts and other agreed concessions. Retail sales by the Valora Retail division are recognised upon sale to the customer. Payment is made in cash or by credit card. The sales value recorded is the amount received net of credit card fees. Wholesale revenues are recognised when the goods have been delivered, the customer has accepted them and there is sufficient certainty of the amount being received. Goods sold in the wholesale business may be sold on a return basis. In this case, net revenues will be reduced by estimated return rates based on experience and other appropriate assumptions. The commission Valora received from the sale to third parties is recognised in net revenues. Revenues generated from the granting and intermediation of credit are also recognised in net revenues.

Share-based remuneration. The Valora Group pays some of the remuneration it grants in the form of Valora shares. The expense from this is recorded in the income statement and is calculated by multiplying the number of shares granted by the applicable market price (minus any amount payable by the recipients). The expense arising from schemes which will definitely be paid out in shares (equity settled schemes) is accrued against equity. The expense from schemes where payment in shares is not foreseen is accrued as a liability. If the conditions for the allocation of shares extend over several years, the relevant expenses are accrued in appropriate proportions to the years concerned, based on the degree to which the targets are expected to be achieved. Equity settled share-based remunerations are credited to retained earnings. For cash-settled share-based payments a liability is recognised and remeasured at fair value at each reporting date until settlement.

Net financial results. Net gains and losses on the valuation of financial instruments at balance sheet dates which are credited or debited to the income statement do not include any dividend or interest payments. Dividend and interest income is reported separately (see note 13).

Income tax. Income tax is calculated based on the tax laws of each applicable jurisdiction and is charged to the income statement for the accounting period in which the net income arises. The applicable effective tax rates are applied to net income.

Deferred taxes which arise as a result of temporary differences between the values of assets and liabilities reported on the balance sheet and their applicable tax values are shown as deferred tax assets or deferred tax liabilities. Deferred tax assets are recognised when it is probable that future taxable income will be available to offset against them. Deferred income taxes are calculated based on the tax rates which are expected to apply in the period in which the deferred tax asset or liability is expected to be realised or settled. Deferred tax liabilities on temporary differences are generally recorded. Taxes receivable are offset against taxes payable if they relate to the same taxable entity and there is an enforceable legal basis for them to be offset against each other. Changes to deferred tax liabilities or assets are reported as tax expense or income in the income statement. This does not apply to deferred taxes relating to positions which are either shown under other comprehensive income or are accrued directly to equity.

Disposals of business units. When control over business units included in continuing operations ceases because they are sold, the operating results until that date are included under the appropriate line items in the income statement and cash flow statement.

Net profit/loss from discontinued operations. When business segments or significant business areas are sold, all the income statement items relating to these units are aggregated and shown in a separate income statement line as results from discontinued operations. The cash flow statement shows detailed cash flows from continuing operations only. The net cash flows from discontinued operations generated by operating, investing and financing activities are disclosed separately in one line each.

Earnings per share. Earnings per share are calculated by dividing the net profit (or loss) of Valora Holding AG attributable to its shareholders (which, in this report, have been subdivided into the portions attributable to continuing and discontinued operations as required by IAS 33) by the average number of outstanding shares of the Valora Holding AG parent company. Diluted earnings per share take account of the dilutive effects of potential changes to the number of outstanding shares and adjust earnings per share accordingly.

Cash and cash equivalents. Cash and cash equivalents comprise cash balances, demand deposits with banks and short-term money market investments with a maturity not exceeding 3 months.

Trade accounts receivable. Trade accounts receivable are recorded at amortised costs minus any necessary adjustments for doubtful accounts. Adjustments are made if there is objective evidence that the amount may not be received in full.

Inventory. Inventory is carried at the lower of purchase or manufacturing cost and their net realisable value. For Valora's Retail division, inventory is valued at average purchase cost, based on a moving average method. Ditsch/Brezelkönig values both its finished and unfinished products at their production cost, while all other inventory items are valued at average purchase cost based on a moving average method. Slow-moving or obsolete inventory items are valued according to standard business practices, with the items in question being partially or wholly written off.

Property, plant and equipment. Property plant and equipment is recorded at cost minus accumulated depreciation. Subsequent expenditure for renovation is capitalised only if the costs can be reliably determined and an economic benefit results from them. If these conditions are met, the renovation costs so capitalised are depreciated over the useful life of the property. All other repair and maintenance costs are expensed directly to the income statement. Capitalised extensions and installations in rented premises are depreciated over their estimated economically useful life or the remaining rental lease term, if this is shorter.

Depreciation is charged on a linear basis over the estimated useful life as follows:

	Years
Land for operational use	no depreciation
Buildings and building components, operational	20–40
Machinery, equipment, fixtures and fittings	6–10
Vehicles	5
IT hardware	3–5

Investment property. Investment property is recorded at purchase or construction cost less accumulated depreciation. The fair values reported in these notes are based on current estimates of their income-generating capacity. Subsequent expenditure for renovation is capitalised only if the costs can be reliably determined and an economic benefit results from them. If these conditions are met, the renovation costs so capitalised are depreciated over their useful economic life. All other repair and maintenance costs are expensed directly to the income statement.

Depreciation is calculated and charged on a linear basis over the estimated useful life as follows:

	Years
Land	no depreciation
Buildings	20–60

Impairments of property, plant and equipment. The carrying amount of property, plant and equipment are reviewed whenever changing circumstances or specific events suggest that their carrying amounts might be too high. If the carrying amount of an asset exceeds its recoverable fair value, which is defined as the higher of fair value less costs of disposal and value in use, the asset will be written down to its recoverable value. An impairment may be reversed only if the assumptions previously used in determining the recoverable value of the asset concerned have been subject to change. If such a change has occurred, the carrying amount of the asset in question will be raised to its current recoverable value. This new recoverable value may not, however, exceed the value at which the asset would have been carried if no previous impairments had occurred and it had simply been subject to regular straight-line depreciation. Any increase in value resulting from such a reversal is recorded in the income statement immediately.

Government grants. Government grants are recognised at their fair value provided the Group meets the conditions for receiving them. Grants which do not relate to investments are recognised in the income statement under other income in the period in which the expense to which the grant relates was incurred. Investment grants are recognised as reductions in the purchase or production cost of the asset concerned and result in a corresponding reduction of the scheduled depreciation charges applied to it in subsequent periods.

Leases. Assets acquired under lease agreements which substantially transfer the benefits and risk of ownership from the lessor to the lessee are classified as non-current assets of the relevant category. Assets acquired under finance leases are initially capitalised at the lower of fair value or the net present value of all binding future lease payments contracted at the beginning of the lease. On the liabilities side this same amount is recognised as a finance lease liability. Leased assets are depreciated over their anticipated economically useful lives or the life of the lease if this is shorter and transfer of ownership at the end of the lease is not certain.

Similarly, non-current assets leased to third parties under agreements transferring substantially all the benefits and risks of ownership to the lessee are classified not as property, plant and equipment but as financial assets, recorded at the present value of the future lease payments to be received. Expense and income arising from operating leases is recognised in the income statement in a linear fashion over the life of the leases.

Intangible assets, excluding goodwill. Intangible assets are classified into one of the following three categories: software, intangible assets with finite useful life or intangible assets with indefinite useful life. All intangible assets, excluding goodwill, are carried at historical costs less accumulated amortisation. Amortisation is applied using the straight line method over the estimated useful life of the intangible asset concerned.

Software. The purchase or production costs of software are recognised on the balance sheet if Valora expects to derive future economic benefit from the software concerned.

Intangible assets with indefinite useful life. Intangible assets with indefinite useful life are not subject to scheduled amortisation charges. They are subject to an impairment test at least once a year, with impairment charges being recorded against them as required.

Amortisation is charged on a linear basis over the estimated useful life as follows:

	Years
Software	3 – 5
Intangible assets with finite useful life	3 – 20
Intangible assets with indefinite useful life	no amortisation

Impairments to intangible assets. The carrying amounts of intangible assets excluding goodwill are reviewed whenever changing circumstances or specific events suggest that their carrying amounts might be too high. If the current carrying amount of an asset exceeds its recoverable value, which is defined as the higher of its current fair value minus costs of disposal or its value in use, the asset will be written down to its recoverable value. An impairment (other than one made to goodwill) may be reversed only if the assumptions previously used in determining the recoverable value of the asset concerned have been subject to change. If such a change has occurred, the carrying amount of the asset in question will be raised to its current recoverable value. This new recoverable value may not, however, exceed the value at which the asset would have been carried after regular amortisation and if no previous impairments had occurred. Any increase in value resulting from such a reversal is recorded in the income statement immediately.

Goodwill. Goodwill is the amount paid by the Group when acquiring a company which exceeds the fair value of that company's net assets at the time of purchase. Goodwill is recognised on the balance sheet in accordance with IFRS 3, and is attributed to the appropriate cash generating unit (CGU). The CGU is then subjected to an impairment test, which is carried out at least once a year, and more frequently should there be evidence suggesting possible impairment. This involves comparing the carrying amount of the CGU to which the goodwill was assigned with the CGU's current recoverable value. This recoverable value is defined as the higher of the fair value of the CGU less costs of disposal and its value in use. Fair value less costs of disposal is the price which would be received from the sale of an asset in an orderly transaction between market participants at the measurement date or which would be payable when a liability is transferred. If the carrying amount of the cash-generating unit exceeds this recoverable amount, an impairment of the goodwill will be recorded. Goodwill impairments cannot be reversed.

Financial assets. Financial assets are classified according to one of the following categories:
- at fair value through profit or loss
- loans and receivables
- available for sale

Classification depends on the purpose for which the financial assets were acquired and is determined when the assets are first recognised.

Financial assets at fair value through profit or loss. These include financial assets and derivative financial instruments held for trading purposes, as well as other assets designated to this category on initial recognition. Financial assets are designated to this category if they are acquired with a view to short-term sale. Financial assets in this category are either held for trading purposes or sold within 12 months of purchase.

Loans and receivables. Loans and receivables are financial assets whose payment dates and amounts are either fixed or can be determined and which are not traded in a market. They include the trade accounts receivable and other receivables which are shown separately on the balance sheet. They are classified as current assets unless their maturity is more than 12 months after the balance sheet date.

One Valora Group company sells its loan receivables to a bank. Since these sales transfer all principal risks associated with these loans to the bank, these positions have been derecognised of the balance sheet. Under certain contractually defined circumstances, which would arise in the event of a non-conforming loan agreement been signed with the borrower, the bank is entitled to reverse the sale of the loan concerned. The risk in such an event is limited to the value of the loan receivable.

Financial assets available for sale. This category covers investments in equity securities of less than 20% and financial assets not assigned to any other category. Financial assets available for sale are classified as non-current assets unless they are intended to be sold within 12 months.

All purchases and sales of financial assets are recorded on the trade date. Financial assets, except those held at fair value through profit and loss, are initially recorded at fair value plus transaction costs. Financial assets held for trading purposes are initially recorded at fair value excluding transaction costs and thereafter, like all other "at fair value through profit or loss" assets, at their fair value. Loans and receivables are recorded at amortised costs calculated by the effective interest rate method. Financial assets available for sale are carried at fair value, using market prices where available or model-based valuations where no market exists. Investments in unquoted equity securities which are not traded in a market and for which insufficient data is available to perform a valuation are carried at cost (minus any impairments). Unrealised gains and losses of available for sale instruments are credited or debited to other comprehensive income. A significant or prolonged decrease in fair value below costs represents an impairment loss and is charged to the income statement. When an available for sale financial asset is sold, the valuation adjustments which have been accumulated against equity in respect of it are passed on to the income statement.

Interest-bearing debt. Interest-bearing liabilities are valued at amortised costs, any differences between such cost and the amounts repayable at maturity are recognised as financial expense over the lifetime of the liability according to the effective interest method.

Accounting for derivative financial instruments and hedging transactions. Positions in derivative financial instruments are recorded at their value when established and adjusted thereafter to reflect changes in fair value. Recognition methods for gains or losses depend on whether the instrument was used to hedge an identifiable risk and whether the conditions for hedge accounting are met. The objective of recognising a transaction as a hedge is to ensure that changes in the value of the item being hedged and those in the hedging instrument offset each other during the time the hedge is in place. If a derivative financial instrument is not designated as a hedge or if it does not meet hedge accounting criteria, gains and losses arising from changes in its fair value are recognised in the income statement. To qualify for hedge accounting, a hedging transaction must meet a number of strict criteria relating to transaction documentation, probability, hedge effectiveness and valuation reliability. When engaging in a hedging transaction, the Group documents the relationship between the hedging instrument and the hedged item and the purpose and strategy of the hedge. This process also requires that all derivatives used for hedging purposes be linked to specific assets or liabilities, or to firm commitments and expected future transactions. Both when a hedge is set up and during its life the Group documents the extent to which changes in the fair value of the derivative financial instrument offset changes in the value of the item it hedges.

When the contract governing it is concluded, any derivative financial instrument which qualifies as a hedging transaction will be classified either as a) hedging the fair value of a specific asset or liability (a fair value hedge), b) hedging future cash flows arising from an expected future transaction or a firm commitment (a cash flow hedge), or c) hedging a net investment in a foreign subsidiary.

Any gains or losses from hedging instruments which effectively offset changes in the value of future cash flows, and thus qualify as cash flow hedges, are booked to other comprehensive income. Gains or losses which do not meet this effectiveness requirement are immediately recorded in the income statement. The amounts recorded under other comprehensive income are then transferred to the income statement when the underlying transaction affects profit or loss.

If the requirements for hedge accounting treatment are no longer met, any gains and losses accumulated under other comprehensive income will remain in equity until the underlying transaction for which the hedge was established has occurred. If the underlying transaction is no longer expected to occur, these accumulated gains and losses will immediately be passed to the income statement.

Provisions. Provisions are recorded when, as a result of a past event, an obligation has arisen whose amount can be reliably estimated and for whose settlement an outflow of cash is probable. Provisions are recorded at the net present value, as of the balance-sheet date, of the estimated future cash outflow.

Liabilities from employee pension schemes. Valora pays employer contributions to various pension schemes established according to local legislation. For defined benefit schemes, the present value of the benefit obligation is determined by an annual actuarial assessment under the projected unit credit method. These assessments take account of the contribution years accumulated by employees at the assessment date as well as the expected evolution of their future remuneration. The pension cost to the employer and the net interest cost or net interest income relating to the net pension liability or net pension asset will be recognised in the income statement in the period in which it occurs. Actuarial gains and losses and the effect of any ceiling applied to the net pension fund assets (IFRIC 14) are accumulated under other comprehensive income.

Expenses for defined contribution pension schemes are charged to the income statement in the period in which they are incurred.

5 MANAGEMENT'S ESTIMATIONS, ASSUMPTIONS AND EXERCISE OF DISCRETION

Significant judgements in the application of accounting principles. The application of accounting principles requires judgement by management which – while no estimates are used to this end – may have a significant influence on the figures reported in the consolidated financial statements. Management assessments are needed in the analysis of the substance of complex transactions

Significant estimations. Preparation of the consolidated financial statements under IFRS requires the use of estimations regarding the future and may have an influence on the amount of certain items reported in the income statement, the statement of comprehensive income, the balance sheet and their explanatory notes. Any estimations underlying the figures reported in the consolidated financial statements are based on experience and the information available at the time the statements were prepared. Estimations and assumptions are reviewed regularly and adapted where necessary. Nevertheless, subsequent actual outcomes may differ from earlier estimations. Any changes resulting from revisions of estimated values are recognised in the consolidated financial statements in the year in which such revisions are made. Estimations and assumptions bearing significant risks of substantial future changes to carrying amounts are listed below:

Property, plant and equipment. The useful life of property, plant and equipment is determined based on experience and the current technical characteristics of the assets concerned. The actual useful life of a specific asset may deviate from that initially determined due to changes in technology and market conditions. In the event of such a deviation, the remaining useful life of the asset concerned is adjusted. The value of non-current assets is always re-assessed whenever changes in circumstances indicate that their current carrying amount may exceed their fair value. Fair value is determined on the basis of estimates and management's assumptions about the economic utility of the assets concerned. Values subsequently realised can deviate from these estimates (see note 20).

Goodwill and brand rights. The consolidated balance sheet carries goodwill at CHF 377.4 million (see note 22). This goodwill is subjected to an impairment test whenever there are indications that the recoverable amount of the cash generating unit to which it has been allocated may have diminished and in any event at least once annually.
The impairment tests are based on estimated future free cash flows, using discounted cash flow analysis, for each of the cash generating units concerned. The principal factors affecting these valuations are the estimated net revenues, estimated operating margins and the discount rate applied.

Net pension asset and liability. The Group maintains occupational pension schemes of its own which are classified as defined benefit schemes for IFRS purposes. IFRS requires an annual comparison of the pension plans' assets and liabilities with the dynamically calculated net present value of their benefit obligations. These valuations showed a pension plan surplus for the Swiss schemes which is capitalised in the consolidated balance sheet and which corresponds to that portion of the surplus / deficit which the Group is entitled to offset against its benefit obligations under the plans concerned. These valuations are based on a number of assumptions, most important are the discount rate applied to future benefits and the expected future salaries of the plan participants (see note 29). Actual outcomes may diverge considerably from the assumptions made.

Deferred income tax assets. Under IFRS rules, that portion of any tax loss carry forwards which can be expected to result in future tax savings should be recognised as a deferred tax asset (see note 14). The amount of tax savings which are then actually achieved will depend on the level of income generated before the tax loss carry forwards expire. This means that future net income may be impacted by impairments on deferred tax assets if the taxable income the Group generates during the relevant period are below initial expectations. Conversely, additional net income may be recognised if the profits the Group generates exceed expectations and previously unrecognised tax loss carry forwards can be used.

Provisions. Provisions are established for obligations whose amount and / or due date cannot be determined with certainty and a future cash flow is probable. A further prerequisite for the creation of such provisions is that the amount of the potential loss can be reliably estimated. In assessing whether a provision is appropriate and what its amount should be, the best available estimates and assumptions are made with regard to the situation as of the balance sheet date. Since new evidence and unfolding events can have a significant effect on subsequent outcomes, earlier estimates and assumptions may be revised in the light of later evidence and events, if their effect on these estimates and assumptions is substantial (see note 29).

6 ACQUISITIONS OF BUSINESS UNITS

Transactions completed in 2016.

Acquisition of CDM Buffet SA. On June 30, 2016, Valora completed its purchase of CDM Buffet SA, a company with registered offices in Lausanne. The company operates two retail outlets, which have been absorbed into Valora's Food Service operations.

Net assets purchased, purchase price, net cash used

in CHF 000	CDM Buffet SA Fair Value
Current assets	1 544
Non-current assets	1 669
Current liabilities	– 432
Deferred income tax liabilities	– 369
= Net assets acquired	**2 412**
Goodwill from acquisition	0
= Purchase price	**2 412**
Cash and cash equivalents acquired	– 1 464
= Cash used in acquisition of subsidiaries	**948**

From the time of its acquisition by Valora till December 31, 2016, CDM contributed CHF 1.3 million to Group net revenues and CHF 0.3 million to Group net profit. If the acquisition had taken place on January 1, 2016, CDM's net-revenue contribution would have been CHF 2.6 million and its contribution to Group net profits would have been CHF 0.7 million.

Following the acquisition, CDM Buffet SA was merged with Valora Switzerland AG.

Sale of Naville Distribution. Valora completed its divestment of the Naville logistics and distribution business on August 30, 2016. Valora's transaction partner is 7Days Media Services GmbH.

Net assets sold, net sale price, net cash generated

in CHF 000	**30.08.2016**
Current assets	37 760
Intangible assets	38 259
Other non-current assets	3 511
Current liabilities	–37 087
Non-current liabilities	–12 460
= Net assets sold	**29 983**
Gain on sale of subsidiary	2 138
= Net sale price	**32 121**
Cash and cash equivalents sold	–11 754
= Net cash from sales of subsidiaries	**20 367**

Intangible assets include goodwill of CHF 37 562 thousand attributable to the distribution business.

Transactions completed in 2015.

Acquisition Naville. On February 27, 2015, Valora acquired 100% of the shares of Naville (LS Distribution Suisse SA), a leading small-outlet retailer in French-speaking Switzerland, from Lagardère Services and Tamedia Publications Romandes. Naville, whose registered offices are in Geneva, operates a network of more than 175 outlets. It also has one of the most important logistics platforms in French-speaking Switzerland. Naville is being integrated into Retail Switzerland.

Net assets purchased, purchase price, net cash used

in CHF 000	**Naville Fair Value**
Current assets	69 297
Non-current assets	38 913
Deferred income tax assets	4 820
Current liabilities	–52 071
Deferred income tax liabilities	–7 758
Other non-current liabilities	–19 838
= Net assets acquired	**33 363**
Goodwill from acquisition	78 518
= Purchase price	**111 881**
Cash and cash equivalents acquired	–25 861
= Cash used in acquisition of subsidiaries	**86 020**

The goodwill of CHF 78.5 million reflects the synergies the acquisition is expected to generate. Goodwill is not tax deductible. When Naville Distribution SA was sold, the CHF 37.6 million of goodwill attributed to the distribution business was derecognised.

Current assets include accounts receivable valued at CHF 15.8 million. No allowance has been recorded against this position and the entire contractually agreed amount is expected to be recoverable.

In 2015 Naville contributed CHF 240.0 million to Group net revenues and CHF 10.7 million to Group net profit. If the acquisition had taken place on January 1, 2015, Naville's net-revenue contribution would have been CHF 296.3 million and its contribution to Group net profits would have been CHF 11.6 million.

The goodwill position was fully attributed to the Retail segment. The total transaction costs directly attributable to the acquisition amount to CHF 3.3 million.

7 DISCONTINUED OPERATIONS

Transactions completed in 2016.

Valora Trade. The final purchase price based on the closing balance sheets at 31.12.2015 resulted in CHF 7 146 thousand of the purchase price being reimbursed.

Valora Trade Germany. On December 31, 2015, Valora completed the sale of its Trade division to the Aurelius Group. Aurelius is an exchange-listed group, specialising in the acquisition and strategic realignment of companies. The purchase agreement encompasses all Valora Trade companies in Switzerland, Austria, Germany, Denmark, Sweden, Norway and Finland. The sale of Trade Germany was completed on January 1, 2016.

Disposal of net assets (Trade Germany)

in CHF 000	01.01.2016
Cash and cash equivalents	677
Other current assets	4 866
Other non-current assets	112
Total assets	**5 655**
Trade accounts payable	1 157
Other current liabilities	4 446
Total liabilities	**5 603**
Total net assets	**52**

Profit from disposal (Trade Germany)

in CHF 000	2016
Net revenues	52
Disposal of net assets	– 52
Write-off non-controlling interests	27
Recycling of cumulative translation adjustment	1 896
Profit from disposal	**1 923**

Cash and cash equivalents used (Trade Germany)

in CHF 000	2016
Cash and cash equivalents received	52
Cash and cash equivalents sold	–677
Net cash and cash equivalents	**–625**

Income statement for discontinued operations 2016

January 1 to December 31, in CHF 000	2016
Expenses	–1 488
Other income	489
Operating profit (EBIT)	**–999**
Net loss from operating activities	**–999**
Profit from disposal	1 923
Net profit from discontinued operations	**924**
Attributable to shareholders of Valora Holding AG	924

The expenses recorded above essentially relate to costs from the Trade division sale and to contractual obligations associated with the sale recorded in 2016. Other income includes income resulting from the release of a provision established in connection with a guarantee (see Note 28).

Transactions completed in 2015.

Valora Warenlogistik AG. Valora sold its goods logistics unit (Valora Warenlogistik AG) to 7Days Media Services GmbH on May 30, 2015. The two companies signed a number of contracts in connection with this transaction governing the transfer of warehousing and transport services for Valora Retail to 7Days Media Services GmbH and the sale of the operational infrastructure on which those services are based.

Disposal of net assets of Valora Warenlogistik AG

in CHF 000	30.05.2015
Cash and cash equivalents	2 003
Other current assets	2 784
Intangible assets	144
Other non-current assets	3 301
Total assets	**8 232**
Trade accounts payable	1 212
Other current liabilities	796
Other non-current liabilities	100
Total liabilities	**2 108**
Total net assets	**6 124**

Loss from disposal of Valora Warenlogistik AG

in CHF 000	2015
Consideration received	6 166
Disposal of net assets	– 6 124
Transaction costs	– 237
Loss from disposal	**– 195**

Cash and cash equivalents generated from disposal of Valora Warenlogistik AG

in CHF 000	2015
Cash and cash equivalents received	5 929
Cash and cash equivalents disposed	– 2 003
Net cash inflow from disposal	**3 926**

Valora Trade. On December 31, 2015, Valora completed the sale of its Trade division to the Aurelius Group. Aurelius is an exchange-listed group, specialising in the acquisition and strategic realignment of companies. The purchase agreement encompasses all Valora Trade companies in Switzerland, Austria, Germany, Denmark, Sweden, Norway and Finland. The sale of Trade Germany was expected to be completed during January 2016.

Disposal of net liabilities of Valora Trade

in CHF 000	31.12.2015
Cash and cash equivalents	4 502
Other current assets	135 456
Intangible assets	2 090
Other non-current assets	9 413
Total assets	**151 461**
Trade accounts payable	81 554
Other current liabilities	30 732
Other non-current liabilities	57 712
Total liabilities	**169 998**
Total net liabilities	**– 18 537**

Loss from disposal of Valora Trade

in CHF 000	2015
Consideration received	20 881
Disposal of net liabilities	18 537
Derecognition of loans, cash pool, receivables and other positions	– 59 145
Derecognition of non-controlling interests	1 140
Provision for guarantees	– 4 000
Transaction costs	– 3 574
Recycling of cumulative translation adjustment	– 18 532
Loss from disposal	**– 44 693**

Cash and cash equivalents generated from disposal of Valora Trade

in CHF 000	2015
Cash and cash equivalents received	534
Transaction costs	– 3 574
Cash and cash equivalents disposed	– 4 502
Net cash outflow from disposal	**– 7 542**

Result from discontinued operations 2015

January 1 to December 31, in CHF 000	**2015 Trade**	**2015 Warenlogistik (01.01. – 30.05.)**	**2015 Total**
Net revenues	463 949	0	463 949
Expenses [1)]	– 464 035	930	– 463 105
Other income	248	378	626
Operating profit (EBIT)	**162**	**1 308**	**1 470**
Financial result	– 1 143	0	– 1 143
Share of result from associates and joint ventures	604	0	604
Earnings before taxes	**– 377**	**1 308**	**931**
Income taxes	1 785	– 294	1 491
Net profit from operating activities	**1 408**	**1 014**	**2 422**
Loss from disposal	– 44 693	– 143	– 44 836
Loss on remeasurement to fair value less transaction costs	– 33 183	0	– 33 183
Net (loss) / profit from discontinued operations	**– 76 468**	**871**	**– 75 597**
Attributable to shareholders of Valora Holding AG	– 77 267	871	– 76 396
Attributable to non-controlling interests	799	0	799

[1)] The expenses of Valora Warenlogistik AG include a profit arising from plan changes under IAS 19 of CHF 1472 thousand.

8 SEGMENT REPORTING

The Valora Group is an internationally active retail group, with business activities carried out in the following reportable business segments:

Valora Retail: Valora Retail operates small retail outlets at heavily frequented locations in Switzerland, Germany, Luxembourg and Austria. The division operates country-wide marketing and distribution systems for press, tobacco and consumer products for daily use and the impulse buyer's market. Valora Retail's market presence comprises the k kiosk, k presse + buch, avec, P&B, ServiceStore DB and CIGO formats, among others.

Food Service: Through its Ditsch/Brezelkönig unit, Food Service produces lyebread and other bakery products in Germany and Switzerland. These are sold at the division's own (agency) outlets in Germany, France, Austria and Switzerland and to the wholesale market. This segment also includes Caffè Spettacolo, one of Switzerland's leading coffee-bar chains.

Other: The Group support functions in the areas of Finance, Human Resources, Business Development, Legal Services and Communications as well as bob Finance are reported under "Other". The assets attributable to these support functions represent principally loans to Group companies, cash and cash equivalents, and short-term receivables. The liabilities attributable to this segment essentially relate to the financing instruments listed in note 25.

At Valora, these segments comprise a variety of retail formats and geographical regions. The net revenues generated by these segments mainly relate to the sale of goods. Their non-current assets comprise property, plant and equipment and intangible assets (additions to which are shown without changes in consolidation scope). Valora's internal reporting is based on the same valuation principles as its external reporting.

Segment data

2016

in CHF 000	Valora Retail	Food Service	Others	Elimination	Total Group continuing operations
Net revenues					
Total	**1 833 763**	**259 279**	**1 914**	**0**	**2 094 956**
From third parties	1 833 763	259 279	1 914	0	2 094 956
Operating profit (EBIT)					
Total	**59 646**	**26 854**	**– 14 237**	**0**	**72 263**
Depreciation, amortisation and impairment charges	34 793	15 604	4 960	0	55 358
Additions to long-term assets					
Total	**24 804**	**19 582**	**4 566**	**0**	**48 952**
Segment assets					
Total	**659 105**	**431 306**	**421 091**	**– 344 265**	**1 167 238**
Investment in associates and joint ventures	50	0	0	0	50
Segment liabilities					
Total	**317 961**	**165 619**	**497 047**	**– 344 265**	**636 362**

Net revenues from third parties comprise CHF 1 753 million from the sale of goods, CHF 128 million from the provision of services and CHF 213 million from the sale of products produced by Valora. Depreciation, amortisation and impairment charges include impairments relating to the Valora Retail segment of CHF 2 417 thousand and impairments relating to the Food Service segment of CHF 542 thousand.

2015 (revised)

in CHF 000	Valora Retail	Food Service	Others	Elimination	Total Group continuing operations
Net revenues					
Total	**1 834 931**	**242 383**	**111**	**0**	**2 077 425**
From third parties	1 834 931	242 383	111	0	2 077 425
Operating profit (EBIT)					
Total	**44 363**	**25 245**	**– 14 493**	**0**	**55 114**
Depreciation, amortisation and impairment charges	36 995	16 707	8 766	0	62 468
Additions to long-term assets					
Total	**23 912**	**14 474**	**7 044**	**0**	**45 430**
Segment assets					
Total	**787 877**	**449 217**	**632 509**	**– 655 082**	**1 214 521**
Investment in associates and joint ventures	50	0	0	0	50
Segment liabilities					
Total	**718 589**	**190 929**	**454 122**	**– 655 082**	**708 558**

Food Service includes now Ditsch/Brezelkönig and Caffè Spettacolo. As part of the adjustments to the Group's segment structure and the assignment of food activities to one dedicated segment, Caffè Spettacolo was reassigned from the Retail to the Food Service segment. These adjustments also resulted in the retail activities of Valora Holding Germany GmbH being reassigned from the Other to the Retail segment.

Net revenues from third parties comprise CHF 1,757 million from the sale of goods, CHF 119 million from the provision of services and CHF 201 million from the sale of products produced by Valora. Depreciation, amortisation and impairment charges include impairments relating to the Valora Retail segment of CHF 3,371 thousand and impairments relating to the Food Service segment of CHF 2,777 thousand.

Segment data by region

2016

in CHF 000	Switzerland	Germany	Other Europe	Total Group
Net revenues from third parties	1 429 682	567 107	98 166	2 094 956
Long-term assets	338 318	347 710	4 496	690 524

2015

in CHF 000	Switzerland	Germany	Other Europe	Total Group
Net revenues from third parties	1 452 860	529 002	95 563	2 077 425
Long-term assets	396 837	345 699	4 631	747 167

The information shown regarding revenues and non-current assets (property, plant and equipment and intangible assets) is based on the location of the subsidiaries concerned. No single customer accounts for more than 10% of net revenues from third parties.

9 PERSONNEL EXPENSES

in CHF 000	**2016**	2015
Salaries and wages	206 445	222 923
Social security expenses	38 748	39 774
Share-based remuneration	1 983	883
Other personnel expenses	13 914	13 481
Total personnel expenses	**261 091**	**277 061**
Number of employees (full-time equivalent basis) at December 31	4 228	4 349

Social security expenses include CHF 184 thousand (CHF 457 thousand in 2015) in respect of defined contribution pension plans. Other personnel expenses essentially comprise remuneration for temporary staff paid to employment agencies, staff training costs and personnel recruitment costs. The sale of Naville Distribution resulted in a reduction in the total number of employees.

10 OTHER OPERATING EXPENSES

in CHF 000	2016	2015
Rental expenses	166 059	165 138
Real-estate expenses	7 933	7 625
Ancillary rental expenses	28 356	27 628
Agency fees	153 438	133 193
Insurance	1 338	1 216
Communications and IT	27 296	25 209
Advertising and sales	15 076	13 296
Shipping and freight	33 398	24 299
General administration	24 157	26 200
Capital and other taxes	1 212	1 229
Other operating leases	2 386	3 100
Other operating expenses	27 038	29 420
Total other operating expenses	**487 688**	**457 553**

The increase in total other operating expenses is partly attributable to outlets adopting the agency model (and the resulting increase in agency-fee costs) and partly to the higher shipping and freight costs arising after the sale of the logistics unit.

11 OTHER INCOME AND OTHER EXPENSES

in CHF 000	2016	2015
Rental income	954	713
Gains from disposal of non-current assets	796	161
Other income	9 227	7 302
Total other income	**10 977**	**8 176**

Other income for 2016 includes service income of CHF 3 360 thousand (2015: CHF 3 967 thousand) generated by Valora for the ongoing provision of administrative services to the successor organisations of its Trade and Services divisions, which have been sold. The remaining items essentially relate to the derecognition of non-current liabilities, reimbursements and payments received from insurance policies.

in CHF 000	2016	2015
Losses from disposal of non-current assets	–2 014	–1 122
Other expenses	–2 221	–137
Total other expenses	**–4 235**	**–1 259**

12 FINANCIAL EXPENSES

in CHF 000	**2016**	2015
Cost of bank loans and liabilities	9 376	6 752
Interest on bonds issued	6 779	6 779
Interest on finance leases	39	84
Foreign exchange losses, net	539	5 238
Total financial expense	**16 733**	**18 853**

On May 3, 2016, the bonded loan issue was refinanced and the interest-rate swap was completely unwound. The negative replacement value of the swap, amounting to CHF 3 497 thousand, was charged to the income statement.

13 FINANCIAL INCOME

in CHF 000	**2016**	2015
Interest earned on cash, cash equivalents, loans and receivables	731	189
Interest income from finance leases	223	249
Net gains from derivative financial instruments	501	1 148
Dividend income from financial investments available for sale	55	33
Total financial income	**1 509**	**1 619**

14 INCOME TAXES

Income tax expenses were as follows:

in CHF 000	**2016**	2015
Current income tax expenses	2 235	4 904
Deferred income tax income	– 7 674	– 13 826
Total income tax	**– 5 439**	**– 8 922**

The differences between reported Group income tax expense and the expected tax expenses of the individual Group companies based on their applicable tax rates can be reconciled as follows:

in CHF 000	**2016**	2015
Profit before income taxes	57 040	37 880
Expected average Group tax rate	23.4 %	13.5 %
Income taxes at expected Group tax rate	**13 376**	**5 115**
Expenses not recognised for tax purposes / non-taxable revenues	– 4 601	3 044
Use of previously unrecognised tax loss carry forwards	– 3 760	– 19 791
Effects on current income taxes for prior periods	– 1 677	440
Increase of allowances on deferred tax assets	2 392	7 509
Release of previous allowances against deferred income tax assets	– 10 009	– 2 851
Changes in tax rates	– 19	– 588
Other effects	– 1 141	– 1 800
Total reported income taxes	**– 5 439**	**– 8 922**
Effective tax rate	– 9.5 %	– 23.6 %

Expected average Group tax rates take account of the tax rates applying to individual entities on a weighted basis. Compared to 2015, the expected average Group tax rate rose significantly. This is due to the higher proportion of pre-tax profits attributable to the Group's operating companies.

Changes to deferred income taxes were as follows:

Changes to deferred tax assets and liabilities in CHF 000	Deferred tax assets	Deferred tax liabilities	Net assets (+) / Net liabilities (–)
Balance at December 31, 2014	**24 336**	**– 32 387**	**– 8 051**
Deferred taxes recorded in the income statement	13 207	619	13 826
Deferred taxes recorded in other comprehensive income	0	3 262	3 262
Changes in consolidation scope	4 820	– 7 758	– 2 938
Currency translation differences	– 1 508	2 126	618
Balance at December 31, 2015	**40 855**	**– 34 138**	**6 717**
Deferred taxes recorded in the income statement	– 389	8 063	7 674
Deferred taxes recorded in other comprehensive income	0	– 334	– 334
Changes in consolidation scope	– 1 691	– 369	– 2 060
Currency translation differences	– 151	89	– 62
Balance at December 31, 2016	**38 624**	**– 26 689**	**11 935**

The deferred taxes recorded in other comprehensive income relate to continuing operations.

The composition of deferred income tax assets and liabilities is as follows:

Deferred tax assets by source of differences in CHF 000	**2016**	2015
Current assets	0	153
Property, plant and equipment	297	1 356
Goodwill, software and other intangible assets	22 286	18 165
Pension liabilities	0	4 195
Liabilities and provisions	107	737
Tax loss carry forwards	16 435	16 752
Total	**39 125**	**41 358**
Deferred tax liabilities by source of difference		
Current assets	–3 409	–1 556
Property, plant and equipment	–3 580	–8 805
Goodwill, software and other intangible assets	–18 440	–19 304
Other non-current assets	–680	–2 762
Liabilities and provisions	–1 081	–2 214
Total	**–27 190**	**–34 641**
Reported in the balance sheet		
Deferred income tax assets	38 624	40 855
Deferred income tax liabilities	–26 689	–34 138
Total deferred income tax assets, net	**11 935**	**6 717**

Tax loss carry forwards amounted to CHF 492.4 million in 2016, excluding the disposal group (CHF 247.0 million in 2015). In 2016, CHF 87.0 million deferred tax assets on tax loss carry forwards of CHF 440.7 million were not recognized, since it was not probable that they could be utilised. In 2015, CHF 53.9 million of the CHF 188.4 million tax loss carry forwards were not recognised as a deferred tax asset for the same reason. These tax loss carry forwards either cannot expire or have expiration dates more than 5 years in the future. The increase in tax loss carry forwards recognised as deferred tax assets is principally attributable to tax losses at holding companies, for which no future tax benefit will be realisable as participation exemptions are applicable.

15 EARNINGS PER SHARE

Earnings per share are calculated by dividing the net profit attributable to shareholders of Valora Holding AG by the weighted average number of shares outstanding.

in CHF 000	**2016**	2015
Net profit from continuing operations	62 479	46 802
Interest attributable to perpetual hybrid bond holders	– 4 800	– 4 800
Net profit from continuing operations attributable to Valora Holding AG shareholders	57 679	42 002
Net profit / (loss) loss from discontinued operations	924	– 76 396
Net profit / (loss) from continuing and discontinued operations attributable to Valora Holding AG shareholders	**58 604**	**– 34 394**
Average number of shares outstanding	3 339 499	3 358 171
Earnings per share from continuing operations (in CHF)	17.27	12.51
Earnings per share from continuing and discontinued operations (in CHF)	**17.55**	**– 10.24**

There were no dilutive effects in 2016 or 2015.

16 CASH AND CASH EQUIVALENTS

in CHF 000	**2016**	2015
Petty cash and on demand deposits	159 381	116 308
Total cash and cash equivalents	**159 381**	**116 308**
thereof restricted cash	2 986	3 009

17 TRADE ACCOUNTS RECEIVABLE

in CHF 000	**2016**	2015
Trade accounts receivable, gross	49 235	61 934
Allowance for bad and doubtful debts	– 3 979	– 5 656
Total trade accounts receivable, net	**45 256**	**56 278**

Allowances for trade accounts receivable are shown in the table below:

in CHF 000	**2016**	2015
Position at January 1	**5 656**	**7 105**
Increase in allowance charged to income statement	1 069	2 581
Release of allowances credited to income statement	– 1 080	– 2 863
Allowances used	– 1 591	– 778
Foreign exchange differences	– 75	– 389
Position at December 31	**3 979**	**5 656**

The year-end composition, by age, of overdue trade accounts receivable which have not been subjected to allowance is as follows:

in CHF 000	**2016**	2015
Up to 10 days overdue	5 079	2 362
More than 10 days, but less than one month overdue	3 770	1 066
More than one month, but less than two months overdue	565	60
More than two months, but less than four months overdue	682	131
More than four months overdue	919	671

The breakdown of trade accounts receivable by currency is as follows:

in CHF 000	**2016**	2015
CHF	33 141	45 224
EUR	12 115	11 054
Total trade accounts receivable, net	**45 256**	**56 278**

18 INVENTORIES

in CHF 000	**2016**	2015
Merchandise	142 053	142 666
Finished and semi-finished goods	2 627	2 916
Other inventories	2 018	2 190
Total inventories	**146 698**	**147 772**

In 2016, write-downs of CHF 6.2 million were charged to cost of goods (CHF 6.2 million in 2015).

19 OTHER CURRENT RECEIVABLES

in CHF 000	**2016**	2015
Value-added tax and other taxes	2 013	2 843
Prepaid expenses and accrued income	15 207	17 935
Short-term receivables from finance leases	621	621
Miscellaneous receivables	34 924	27 021
Total other current receivables	**52 764**	**48 420**

The miscellaneous receivables above comprise mainly cost reimbursement receivables and payments receivable from social security agencies and insurers. Additional information relating to short-term receivables from finance leases can be found in note 23.

20 PROPERTY, PLANT AND EQUIPMENT

in CHF 000	Land	Buildings	Machinery and equipment	Projects in progress	Total
At cost					
Balance at December 31, 2014	**7 292**	**31 398**	**416 146**	**6 751**	**461 587**
Consolidation scope additions	0	18 007	12 586	0	30 593
Additions	12	240	27 323	9 512	37 087
Disposals	0	–1 389	–22 318	0	–23 707
Transfers	0	1 401	7 484	–8 885	0
Foreign exchange differences	–273	–1 401	–12 704	–272	–14 650
Balance at December 31, 2015	**7 031**	**48 256**	**428 517**	**7 106**	**490 910**
Consolidation scope disposals	0	–541	–2 824	0	–3 365
Additions	1 151	347	22 206	17 719	41 423
Disposals	–440	–392	–46 125	0	–46 957
Transfers	0	18	10 932	–10 950	0
Foreign exchange differences	–45	–139	–1 481	–173	–1 838
Balance at December 31, 2016	**7 697**	**47 549**	**411 225**	**13 701**	**480 173**
Accumulated depreciation / impairment					
Balance at December 31, 2014	**0**	**–5 235**	**–232 090**	**0**	**–237 325**
Additions	0	–2 066	–38 461	0	–40 527
Impairment	0	0	–4 864	0	–4 864
Disposals	0	266	20 227	0	20 493
Foreign exchange differences	0	137	4 549	0	4 686
Balance at December 31, 2015	**0**	**–6 898**	**–250 639**	**0**	**–257 537**
Consolidation scope disposals	0	492	1 055	0	1 547
Additions	0	–2 156	–38 090	0	–40 245
Impairment	0	0	–2 702	0	–2 702
Disposals	0	204	39 388	0	39 592
Transfers	0	0	0	0	0
Foreign exchange differences	0	28	659	0	687
Balance at December 31, 2016	**0**	**–8 330**	**–250 328**	**0**	**–258 658**
Net carrying amount					
at December 31, 2015	7 031	41 358	177 878	7 106	233 373
at December 31, 2016	**7 697**	**39 219**	**160 898**	**13 701**	**221 514**

Property, plant and equipment includes machinery and equipment held on finance leases with a carrying amount of CHF 0.1 million (CHF 1.0 million in 2015). The impairments recorded against machinery and equipment predominantly relate in both years to outlet infrastructure.

21 INVESTMENT PROPERTY

The acquisition costs and carrying amounts for the investment property portfolio were as follows:

Investment property in CHF 000	**2016**	2015
At cost		
Balance at January 1	**823**	**4 156**
Disposals	–823	–3 333
Balance at December 31	**0**	**823**
Accumulated depreciation		
Balance at January 1	**–201**	**–576**
Additions	–3	–37
Disposals	204	412
Balance at December 31	**0**	**–201**
Total net carrying amount	**0**	**622**

In June 2016, an investment property in Fribourg was sold for CHF 525 thousand, generating a book-value loss of CHF 94 thousand.

On July 1, 2015, an investment property in Interlaken was sold for CHF 2 963 thousand, generating a book gain of CHF 42 thousand.

22 GOODWILL, SOFTWARE AND OTHER INTANGIBLE ASSETS

in CHF 000	Goodwill	Intangible assets with indefinite useful life	Software and intangible assets with finite useful life	Projects in progress	Total
At cost					
Balance at December 31, 2014	**362 554**	**48 657**	**153 162**	**8 889**	**573 262**
Consolidation scope additions	78 517	0	824	5	79 346
Additions	0	0	5 718	2 625	8 343
Disposals	0	0	– 4 516	0	– 4 516
Transfers	0	0	8 033	– 8 033	0
Foreign exchange differences	– 22 741	– 2 450	– 7 420	2	– 32 610
Balance at December 31, 2015	**418 330**	**46 207**	**155 800**	**3 488**	**623 825**
Consolidation scope additions	0	0	1 669	0	1 669
Consolidation scope disposals	– 37 562	0	– 1 100	– 91	– 38 753
Additions	0	0	4 519	3 010	7 530
Disposals	0	0	– 21 443	0	– 21 443
Transfers	0	0	3 089	– 3 089	0
Foreign exchange differences	– 2 171	– 234	– 411	– 18	– 2 834
Balance at December 31, 2016	**378 597**	**45 973**	**142 125**	**3 300**	**569 994**
Accumulated amortisation / impairment					
Balance at December 31, 2014	**0**	**0**	**– 101 507**	**0**	**– 101 507**
Additions	0	0	– 14 737	0	– 14 737
Impairment	– 1 173	0	– 1 130	0	– 2 303
Disposals	0	0	4 309	0	4 309
Foreign exchange differences	– 16	0	3 601	0	3 585
Balance at December 31, 2015	**– 1 189**	**0**	**– 109 464**	**0**	**– 110 653**
Consolidation scope disposals	0	0	494	0	494
Additions	0	0	– 11 219	0	– 11 219
Impairment	0	0	– 1 188	0	– 1 188
Disposals	0	0	21 415	0	21 415
Transfers	0	0	0	0	0
Foreign exchange differences	13	0	155	0	168
Balance at December 31, 2016	**– 1 177**	**0**	**– 99 807**	**0**	**– 100 984**
Net carrying amount					
at December 31, 2015	417 141	46 207	46 337	3 488	513 172
at December 31, 2016	**377 420**	**45 973**	**42 317**	**3 300**	**469 010**

Intangible assets at December 31, 2015 include leased software with a book value CHF 0.5 million, for which an impairment charge was recorded in 2016.

Intangible assets with indefinite useful life. The intangible assets with indefinite useful life are the Ditsch brand (CHF 22.0 million) and the Brezelkönig brand (CHF 24.0 million). Valora's brand rights were tested as part of the impairment tests for the cash generating unit Ditsch/Brezelkönig. These are based on the revenues projected in the relevant three-year business plans. Thereafter an annual revenue growth of 1.0% (1.0% in 2015) has been assumed. The pre-tax discount rates applied are 7.9% for Ditsch and 5.9% for Brezelkönig (7.7% and 5.6%, respectively, in 2015).

Software and intangible assets with finite useful life. Software and intangible assets with finite useful life include CHF 14.3 million (CHF 15.1 million in 2015) for software and CHF 28.1 million (CHF 31.2 million in 2015) for intangible assets with finite useful life, of which CHF 19.7 million (CHF 23.3 million in 2015) relate to customer relationships of Ditsch/Brezelkönig.

Goodwill impairment test. Goodwill is assigned to the Group's cash-generating units. It is initially allocated to business segments and then, within these, to geographically related markets. The composition of the goodwill positions is as follows:

in CHF 000	**Segment**	**Year acquired**	**2016**	2015
Valora Retail Switzerland	Retail	2002–2015	53 730	91 292
Valora Retail Germany	Retail	2008–2012	86 816	87 740
Ditsch Germany and Brezelkönig Switzerland	Food Service	2012	236 874	238 109
Total carrying amount at December 31			**377 420**	**417 141**

Impairment tests are carried out at least once a year or in case of evidence of a possible impairment. Each unit's recoverable amount is determined on the basis of its value in use and then compared to its carrying amount. An impairment adjustment will be made only if the carrying amount of the cash-generating unit exceeds its value in use. Valuation is carried out on the basis of projected future free cash flows from cash-generating units to which goodwill has been allocated, using the discounted cash flow (DCF) method. These projected cash flows are discounted at a rate equal to the pre-tax weighted average cost of capital.

These projected future cash flows are taken from the business plans of the companies concerned for the next three years based on management projections. The following key assumptions are applied:

Valora Retail Switzerland. For the three years covered by the business plan, revenues are expected to decrease slightly and margins are expected to increase slightly.

Valora Retail Germany. Revenue growth over the planning period is expected to average just under 7.0% and margins are expected to increase.

Ditsch/Brezelkönig. Revenue growth over the planning period is expected to average 6.0% and margins are expected to remain stable.

Cash flows after this three-year period are modelled by using a residual value based on projections for the third planning year and assume zero growth thereafter, except in the case of Ditsch/Brezelkönig, whose subsequent growth rates are assumed to be 1.0% (1.0% in 2015). The discount rates applied are based on data observed in Swiss financial markets which are then adjusted to reflect currency and country-specific risks.

The discount rates used (pre tax) are as follows:

in CHF 000	Currency	**2016**	2015
Valora Retail Switzerland	CHF	6.5%	5.5%
Valora Retail Germany	EUR	8.0%	7.2%
Ditsch/Brezelkönig (Germany/Switzerland)	EUR	7.0%	5.9%

No impairment charges relating to continuing operations were recorded in 2016.

In 2015, because the sales and revenues projected for Valora Retail Austria failed to meet their expected targets, the goodwill for this business area was written down to zero, resulting in an impairment charge of CHF 1189 thousand.

Sensitivities. The impairment tests carried out on all goodwill positions for 2016 show that even in the event of a possible increase in the discount rate of 1.5 percentage points or of sales growth rates being zero, all values in use would exceed the relevant book values.

23 RECEIVABLES FROM RENTAL LEASES AND LEASE AGREEMENTS

Receivables from rental leases in CHF 000	**2016**	2015
Rental payments received during period	17 101	18 437
Future rental receivables		
Within one year	16 487	14 891
Within 1 – 2 years	12 973	11 110
Within 2 – 3 years	9 896	8 192
Within 3 – 4 years	8 640	5 719
Within 4 – 5 years	6 770	4 256
After more than 5 years	16 768	4 705
Total future receivables from current rental leases	**71 533**	**48 873**

Receivables from other operating leases in CHF 000	**2016**	2015
Payments received during period	3 998	4 067
Future rental receivables		
Within one year	1 645	2 023
Within 1 – 2 years	1 245	1 544
Within 2 – 3 years	1 186	1 149
Within 3 – 4 years	1 135	860
Within 4 – 5 years	1 023	730
After more than 5 years	939	926
Total future receivables from other operating leases	**7 172**	**7 232**

Other operating leases concern retail shop equipment rented to franchisees in Germany.

Receivables from finance leases in CHF 000	**2016**	2015
Payments received during period	643	643
Maturity of receivables		
Within one year	643	643
Within 1 – 2 years	624	642
Within 2 – 3 years	571	625
Within 3 – 4 years	571	571
Within 4 – 5 years	570	570
After more than 5 years	999	1 569
Total future receivables from finance leases	**3 978**	**4 620**
Less future interest charges	– 741	– 964
Total future receivables from finance leases (present value)	**3 237**	**3 656**
Less current portion (see note 19)	– 621	– 621
Non-current receivables from finance leases (see note 24)	**2 616**	**3 035**

Present value of minimum future finance lease revenues in CHF 000	**2016**	2015
Within one year	621	621
Within 1 – 2 years	566	582
Within 2 – 3 years	485	531
Within 3 – 4 years	455	455
Within 4 – 5 years	426	426
After more than 5 years	684	1 041
Total present value of future minimum finance lease revenues	**3 237**	**3 656**

The finance leases cover extensions to the former headquarters in Bern made during Valora's tenancy, which the new tenant is using.

24 FINANCIAL ASSETS

in CHF 000	**2016**	2015
Loans	4 958	5 812
Receivables from finance leases	2 616	3 035
Other long-term receivables	23 593	32 739
Financial assets available for sale	643	673
Total financial assets	**31 809**	**42 259**

Note 23 provides further information on receivables from finance leases.

Other long-term receivables essentially relate to the outstanding balance of the purchase price due to Valora from its sale of the Muttenz facility in 2012 (which has been offset against the amounts payable by Valora over the next six years to 2022 under the usufruct agreement which grants Valora occupancy of the facility during that period and is secured by a lien on the property), earn-out payments to Valora from its sale of the Trade division (see note 34) and a guarantee payment.

The financial assets available for sale include CHF 643 thousand (CHF 673 thousand in 2015) of unlisted securities for which there is no active market and about which insufficient information is available to determine a fair value. These items are therefore carried at cost less impairment, if there were any.

25 SHORT-TERM FINANCIAL DEBT AND OTHER LONG-TERM LIABILITIES

Short-term financial debt in CHF 000	**2016**	2015
Current bank debt	37	226
Current portion of finance lease obligations	689	1 425
Total short-term financial debt	**726**	**1 651**

Other non-current liabilities in CHF 000	**2016**	2015
Bank loans	0	– 697
Bonded-loan	160 459	162 050
Bonds	199 932	199 874
Long-term finance lease obligations	0	689
Other long-term liabilities	3 536	7 076
Total other non-current liabilities	**363 928**	**368 992**

Note 31 provides further information on commitments arising from finance leases.

The CHF 200 million syndicated loan facility is not currently being utilised. The change in carrying amount of the bonded-loan issue is essentially due to the foreign-exchange gain of CHF 1 712 resulting from the conversion of its EUR value into CHF.

The other long-term liabilities consist of financial debt amounting to CHF 741 thousand (CHF 4 492 thousand in 2015) and other liabilities of CHF 2 795 thousand (CHF 2 584 thousand in 2015).

Bonds in CHF 000	Nominal value	2016 Carrying amount	2015 Carrying amount
2.50 % bond 2012 – 2018	200 000	199 932	199 874

Maturities at year end are as follows in CHF 000	2016	2015
Within one year	726	1 651
Within 1 – 2 years	199 578	– 110
Within 2 – 3 years	83 623	199 648
Within 3 – 4 years	0	162 378
Within 4 – 5 years	77 190	0
After more than 5 years	741	4 492
Total financial debt	**361 858**	**368 059**
Current portion of long-term financial debt	– 726	– 1 651
Total long-term financial debt	**361 132**	**366 408**

The interest rates paid ranged between 0.9 % and 4.0 % (vs 1.0% and 4.0 % in 2015). The weighted average interest rate on Valora's financial debt was 3.4 % (3.3% in 2015). The currency composition of the Group's long-term financial debt is as follows:

in CHF 000	2016	2015
CHF	200 673	204 358
EUR	160 459	162 050
Total long-term financial debt	**361 132**	**366 408**
Other long-term liabilities	2 795	2 584
Total other non-current liabilities	**363 927**	**368 992**

26 TRADE ACCOUNTS PAYABLE

The currency composition of the Group's trade accounts payable is as follows:

in CHF 000	2016	2015
CHF	103 115	109 434
EUR	33 345	34 425
Other	97	103
Total trade accounts payable	**136 557**	**143 962**

27 OTHER CURRENT LIABILITIES

in CHF 000	**2016**	2015
Value-added tax and other taxes	1 876	3 680
Social security contributions payable	1 460	1 065
Accruals for overtime, unused vacation and variable elements of remuneration	8 717	10 586
Pension cost payable	1 794	1 735
Accrued expenses	43 597	61 480
Other current liabilities	30 292	37 643
Total other current liabilities	**87 737**	**116 189**

Accrued expenses essentially relate to accruals for agency fees, goods and services received and interest expense. Other current liabilities principally relate to liabilities for rental and rental-related costs and liabilities arising from investments in non-current assets and intangible assets. The significant decline in total other current liabilities is attributable to the sale of Naville Distribution SA.

28 PROVISIONS

in CHF 000	Guarantees	Litigation	Total
Balance at December 31, 2014	**0**	**398**	**398**
Reclassifications	7 053	0	7 053
Creations	4 000	0	4 000
Foreign exchange differences	0	– 39	– 39
Balance at December 31, 2015	**11 053**	**359**	**11 412**
Reclassifications	0	0	0
Creations	0	0	0
Release	– 491	– 355	– 846
Usage	0	0	0
Foreign exchange differences	0	– 4	– 4
Balance at December 31, 2016	**10 562**	**0**	**10 562**
Current provisions	0	0	0
Long-term provisions	10 562	0	10 562
Total provisions	**10 562**	**0**	**10 562**

Guarantees: The provision of CHF 11 053 thousand was established in connection with the contractual arrangements for the sale of the Trade division. Provisions totalling CHF 491 thousand were released in 2016, because the guarantee payments to which they relate are no longer deemed likely to materialise.

Litigation: Provisions for pending litigation had been reduced to zero at December 31, 2016 (CHF 359 thousand in 2015). The case which had been pending was successfully resolved in 2016.

29 RETIREMENT BENEFIT LIABILITIES

Current legislation requires most employees to be covered by pension schemes financed by contributions from the Valora Group and its employees. These schemes take the form of state and employer-sponsored plans, contracts with private insurers and independent foundations or welfare plans. While the benefits paid by these schemes vary according to the legislative provisions and economic circumstances of the countries in which they are established, they are generally based on years of service and average remuneration of the employees and cover the risks of old age, death and disability in accordance with applicable local occupational pension plan law.

The majority of Valora employees in Switzerland are covered by Valora's independent pension fund against the risks associated with old age, death and disability. The regular contributions paid into this fund by the employer include age-based risk premiums of 1.0–3.0% of insured salary and savings contributions of 4.0–11.0% of insured salary. These amounts are credited to the individual employee's retirement savings. The benefits payable by the Valora pension fund are governed by its rules and regulations, with certain minimum benefits being required by law. The regular retirement age is 65 for men and 64 for women. On or after their 58th birthday, Valora employees are entitled to take early retirement. For those electing to do this, the annuity rate applied to their accumulated retirement savings is reduced to reflect the anticipated increase in the period during which they will draw a pension. The amount of the pension paid to each retired employee is based on the annuity rate applied to his or her individual accumulated retirement savings. For male employees retiring at 65 and female employees retiring at 64, this annuity rate is currently set at 6.50% (6.60% in 2015). Between now and 2020 this annuity rate will be reduced by 0.10% per annum, to reach 6.20% in 2020. An employee's accumulated retirement savings comprise the savings contributions made by the employer and the employee and the interest payments made in respect thereof. The interest rate is fixed by the board of trustees of the Valora pension fund each year. The Valora pension fund has the legal status of a foundation. Management of the foundation is the responsibility of a board of trustees comprising equal numbers of representatives of both the employer and the employees. The duties of the board of trustees are laid down by the Swiss Federal Law on Occupational Old-age, Survivors' and Invalidity Insurance and the rules and regulations of the Valora pension fund. Temporary shortfalls in the pension fund's assets versus its projected obligations are permitted under Swiss law. In order to restore any such shortfall within a reasonable period of time, the board of trustees is required to put recovery measures into effect. In the event of a significant shortfall, additional contributions by the employer and the employees could be required under Swiss law.

The day-to-day business of the pension fund is carried out by the management unit under the supervision of the board of trustees. The management unit provides the board of trustees with periodic reports on the course of business. All actuarial risks associated with pension fund are borne by the foundation. These risks comprise both demographic elements (particularly relating to changes in life expectancy) and financial elements (particularly relating to changes in the discount rate, salary progression and the returns generated by the plan assets). The supervisory board reviews these risks on a regular basis. To that end, an actuarial assessment is carried out once a year in accordance with the requirements of the relevant Swiss law. This assessment is not carried out according to the projected-unit-credit method. The board of trustees is responsible for the asset allocation of the fund. Where necessary, the board of trustees revises the investment strategy, particularly in the event of significant changes in market conditions or the age structure of the plan participants. The investment strategy takes account of the foundation's risk-bearing capacity and its benefit obligations under the plan. The investment strategy is formulated as an asset structure which the foundation aims to achieve over the long term. The objective is to achieve congruence between the plan's assets and its projected obligations over the medium and long term.

The most recent actuarial calculation was obtained of December 31, 2016. The assumptions used were based on the economic circumstances prevailing in the countries in which the plans operate (currently only Switzerland). The plans' assets are invested according to the guidelines laid down by local legislation. Valora pays its contributions in accordance with the various plans' rules.

Other employees in Germany and Austria are also covered by a number of smaller, unfunded pension plans.

Plan liabilities and assets in CHF 000	**2016**	2015
Present value of benefit obligation at January 1	600 721	551 337
Current service cost	11 057	13 008
Contributions by plan participants	5 399	6 161
Interest cost	4 147	5 707
Plan curtailments, settlements and amendments	–7 581	–18 123
Consolidation scope disposals	–59 826	0
Consolidation scope additions	3 462	73 019
Benefits paid	–29 188	–39 313
Actuarial (gain)/loss on benefit obligation	–4 063	8 963
Exchange rate gains	–3	–38
Present value of benefit obligation at December 31	**524 125**	**600 721**
Plan assets at fair value at January 1	596 066	580 301
Interest income	4 116	5 897
Employer contributions	7 545	8 771
Contributions by plan participants	5 399	6 161
Plan curtailments, settlements and amendments	–7 367	–15 526
Consolidation scope disposals	–50 782	0
Consolidation scope additions	3 028	61 817
Benefits paid	–29 142	–39 261
Actuarial gain/(loss) on plan assets	2 293	–11 271
Other plan costs	–732	–823
Plan assets at fair value at December 31	**530 424**	**596 066**

In 2016, experience-based adjustments to pension obligations resulted in an actuarial gain on the plan's projected benefit obligations. The actuarial gain on plan assets resulted from investment returns which were higher than anticipated.

The plan assets at fair value are fully allocated to Swiss pension schemes.

The Group expects to make employer's contributions of CHF 6.8 million to its funded plans in 2017.

Balance sheet data in CHF 000	**2016**	2015
Present value of funded benefit obligations	–523814	–600367
Plan assets at fair value	530424	596066
Surplus/(deficit) on funded plans	**6610**	**–4301**
Effect of asset ceiling	–6610	0
Present value of unfunded pension liabilities	–309	–354
Total net pension position	**–309**	**–4655**
of which capitalised as net pension asset	0	13633
of which capitalised as long-term pension	–309	–18288

After adjusting for the effects of the asset ceiling, the net pension position constitutes a net liability, which diminished by CHF 4.3 million in 2016 (the change in 2015 amounted to CHF 33.7 million, transforming a net pension asset into a net pension liability of CHF –4.7 million).

The weighted average maturity of the present value of the pension plan's liabilities is 13.0 years (14.1 years in 2015).

The net pension asset evolved as follows:

in CHF 000	**2016**	2015
January 1	–4655	28964
Consolidation scope disposals	9044	0
Consolidation scope additions	–434	–11202
Net pension expense	–11606	–11044
Employer contributions	7591	8824
Actuarial losses	–254	–20235
Exchange rate gains	3	38
December 31	**–309**	**–4655**

Income statement in CHF 000	**2016**	2015
Current service cost to employer	–11057	–13008
Interest cost	–4147	–5707
Plan curtailments, settlements and amendments	213	2597
Interest income	4116	5897
Other pension costs	–732	–823
Net pension cost for period	**–11606**	**–11044**

The 2016 income from plan curtailments of CHF 213 thousand is attributable to the transfer of Valora-operated outlets to agent managers (CHF 2597 thousand in 2015).

Actuarial gains / losses in CHF 000	**2016**	2015
Changes to demographic assumptions	71	0
Changes to financial assumptions	–7 314	–21 156
Experience-based adjustment to pension obligations	10 872	12 192
Gain / (loss) on plan assets (excluding interest income based on discount rate)	2 293	–11 271
Effect of asset ceiling	–6 610	0
Actuarial losses	**–688**	**–20 235**

Actuarial gains / losses recorded in other comprehensive income in CHF 000	**2016**	2015
January 1	–88 455	–71 562
Actuarial losses	–688	–21 125
Deferred taxes	–334	4 232
December 31	**–89 477**	**–88 455**

Key actuarial assumptions in CHF 000	**2016**	2015
Discount rate (Switzerland only)	0.55 %	0.70 %
Expected rate of increase in future salary levels (Switzerland only)	1.00 %	1.00 %

The calculations for Switzerland were based on the BVG 2015 (generation table).

Sensitivity analysis in CHF 000	**2016**	2015
Discount rate (+ 0.25 %)	–15 681	–19 000
Discount rate (– 0.25 %)	14 846	17 960
Salary progression (+ 0.50 %)	801	1 491
Salary progression (– 0.50 %)	–837	–1 581

Only one assumption is changed in each analysis, with the others remaining unchanged.

Asset allocation in CHF 000	**2016**	2015
Cash and cash equivalents	3.60 %	4.80 %
Fixed income	31.40 %	31.40 %
Equity	30.80 %	30.60 %
Real estate	31.80 %	30.80 %
Other	2.40 %	2.40 %
Total	**100.00 %**	**100.00 %**

With the exception of the real-estate assets, all assets are quoted.

The amount of the effective return from plan assets was CHF 5.7 million (CHF –6.2 million in 2015). The effective return generated in 2016 was 1.0 % (–1.1% in 2015). The pension plans hold no securities issued by Valora Holding AG and do not let any significant portion of their real estate to the Valora Group.

30 SHARE-BASED PAYMENTS

Valora operates the following share-based remuneration plans for its Board of Directors, management and staff:

Share-based programme for the Board of Directors. Under the remuneration regulations for the Board of Directors, 20% of the overall remuneration paid to individual Board members is in the form of blocked registered shares. Where appropriate, the Board may decide to increase or decrease the proportion of overall remuneration Board members receive as blocked shares. The shares are subject to a general lock-up period of three years. During the lock-up period, the shares remain in a Valora custody account. During this time, Board members are not permitted to sell, pledge or otherwise transfer their shares. Once the lock-up period has ended, Board members have free access to their shares.

In 2015, an allocation amounting to 20% of total remuneration was granted to the members of the Board of Directors in the quarter following the General Meeting.

SPP share-based programme for Group Executive Management. For the members of Group Executive Management and selected members of Extended Group Executive Management, a new share-based management incentive plan, the Share Participation Program (SPP), came into effect on November 1, 2015. Under the SPP, participants receive part of their contractual remuneration in the form of Valora Holding AG shares. While SPP participants are granted all the ownership rights associated with these shares, they are subject to certain restrictions during a 3-year lock-up period. Share allocations are not contingent on any other service-related requirements. 50% of the shares allocated to SPP participants as part of their remuneration in each calendar year are granted on March 31 of that year, with the remaining 50% being granted on September 30. SPP participants joining or leaving during a given year will either receive a pro rata allocation or be required to return shares on a pro rata basis, depending on the duration of their employment in that year.

The fair value of the shares allocated is equal to their market value on the grant date (March 31) and represents the expense charged to the income statement for the relevant calendar.

Employee share ownership plan. Provided specific criteria are fulfilled and based on their function or management position, employees in Switzerland (other than members of Group Executive Management) are entitled to acquire shares of Valora Holding AG at the beginning of each year on preferential terms. Shares may be purchased at 60 % of the average market price for the shares during the previous November. Shares so acquired enjoy all usual shareholder rights, but may not be sold during the 3 years immediately following purchase. The proceeds of these share sales to employees are credited directly to equity.

ISPP share programme for specific executive-level employees. In 2012, an equity settled programme was established under which certain executive-level employees (other than members of Group Executive Management) can receive a portion of their total remuneration in the form of Valora shares. On April 1, 2012 shares were allocated under this International Share Participation Programme (ISPP). They were either subject to a first vesting period until March 31, 2014 (for the first retention period) or a second vesting period until March 31, 2016 (for the second retention period), after which ownership is transferred to the plan participants. The personnel expenses relating to the ISPP are recognised over the length of the vesting periods. In 2016, it amounted to CHF 0.0 million (CHF 0.1 million in 2015). This programme has expired and will not be renewed.

LTP share-based programme for the Board of Directors and Group Executive Management. For Board members, the LTP was terminated at the 2014 General Meeting. In the case of Group Executive Management, the Board decided to phase out the existing LTP on October 31, 2015 and to replace it with a new share-based management programme, the Share Participation Programme (SPP). All LTP grants outstanding on October 31, 2015 were terminated and the shares were repurchased.

Personnel costs for share-based remuneration plans for employees and the members of the Board of Directors in CHF 000	**2016**	2015
Expenses related to Valora Group share-based plans for employees and management (equity settled)	1 983	883
Total share-based plan expenses charged to income	**1 983**	**883**

31 CONTINGENT LIABILITIES, COMMITMENTS FROM LEASE AND OTHER CONTRACTS

Contingent liabilities in CHF 000	**2016**	2015
Other contingent liabilities	140	3 929

Unrecognised commitments from operating leases and other contracts in CHF 000	**2016**	2015
Long-term rental commitments	725 336	693 824
Other operating lease commitments	2 192	4 465
Future commitments from other contracts	41 472	57 580
Total commitments	**768 999**	**755 859**

Long-term rental commitments in CHF 000	**2016**	2015
Minimum rental expense in period	139 578	127 860
Variable rental expense in period	26 479	37 278
Total rental expense in period	**166 058**	**165 138**
Leases maturity		
Within one year	148 985	142 423
Within 1 – 2 years	137 839	130 654
Within 2 – 3 years	124 009	119 334
Within 3 – 4 years	109 534	103 987
Within 4 – 5 years	67 458	86 868
After more than 5 years	137 511	110 558
Total long-term rental commitments	**725 336**	**693 824**

The long-term rental contracts have been concluded in order to secure long-term access to the sites concerned. Some of the rents under these agreements are linked to turnover.

Other operating leases in CHF 000	**2016**	2015
Total expenses for other operating leases in period	2 386	3 100
Leases maturity		
Within one year	1 248	2 155
Within 1 – 2 years	661	1 549
Within 2 – 3 years	239	604
Within 3 – 4 years	24	147
Within 4 – 5 years	10	10
After more than 5 years	9	0
Total unrecognised commitments from other operating leases	**2 192**	**4 465**

The other unrecognised operating lease commitments principally relate to leased vehicles.

Other contracts in CHF 000	**2016**	2015
Leases maturity		
Within one year	24 140	26 366
Within 1 – 2 years	9 827	11 656
Within 2 – 3 years	7 287	11 135
Within 3 – 4 years	218	8 221
Within 4 – 5 years	0	202
Total unrecognised commitments from other contracts	**41 472**	**57 580**

The Group's unrecognised commitments from other contracts mostly relate to IT outsourcing agreements.

Finance lease commitments in CHF 000	**2016**	2015
Total payments (interest and amortisation) during reporting period	1 180	1 555
Leases maturity		
Within one year	698	1 461
Within 1 – 2 years	0	698
Total finance lease commitments	**698**	**2 159**
Less future interest charges	– 9	– 45
Total finance lease obligation (present value)	**689**	**2 114**
Less current portion of finance lease obligation (see note 25)	– 689	– 1 425
Long-term finance lease obligation (see note 25)	**0**	**689**

Present value of future minimum lease payments in CHF 000	**2016**	2015
Within one year	689	1 425
Within 1 – 2 years	0	689
Total present value of future minimum finance lease payments	**689**	**2 114**

The finance lease obligations relate both to leased computer hardware and software.

32 RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

The international scale of its business operations and its financing structure both expose the Valora Group to a variety of financial risks. These not only include market risks such as foreign exchange and interest rate risk, but also encompass liquidity and credit risks. Valora's financial risk management activities aim to limit these risks. Valora's fundamental financial policies are set by Group Executive Management and overseen by the Board of Directors. Responsibility for implementing Group financial policy and for financial risk management lies with the central Corporate Treasury.

In order to visualise market risks, sensitivity analyses are conducted which show the effects which hypothetical changes in relevant risk variables would have on pre-tax net income and other comprehensive income. These potential effects are determined by applying the assumed changes in risk variables to the valuation of the Group's positions in financial instruments. The interest rate scenarios used show differences between the current level of interest rates at balance sheet date and those assumed to prevail at the end of the following year. The hypothetical changes in exchange rates are based on 1-year volatility levels prevailing at the balance sheet date.

Exchange rate risks. Transaction risks represent the risk that the recognised assets and liabilities completed in foreign currencies will fluctuate as a result of changes in the exchange rate. For Valora, transaction risks arise as a result of its purchasing goods and services from suppliers abroad and on intra-Group transactions. Most Group companies transact the majority of their business in their functional currency. In order to limit transaction risks, currency derivatives are used from time to time.

Currency translation risks, on the other hand, relate to changes in shareholders' equity arising when the balance sheets of subsidiaries outside Switzerland are converted into Swiss francs.

The table below shows the main effects on pre-tax earnings and other comprehensive income which would result from hypothetical changes in key exchange rates.

FX rate sensitivity in CHF 000	**Hypothetical change (in percent) 2016**	**Impact on 2016 pre-tax earnings**	**Impact on 2016 other comprehensive income**	Hypothetical change (in percent) 2015	Impact on 2015 pre-tax earnings	Impact on 2015 other comprehensive income
CHF / EUR	+/–10.0%	+/–764	+/–16 457	+/–20.0%	+/–8 592	+/–33 263

Net investments in subsidiaries outside Switzerland are also analysed periodically and the risks are assessed in the light of the volatility of the currencies concerned. These analyses show that the currency translation risk is modest compared to available equity. The currency translation risk is not hedged and is not included in the FX rate sensitivity figures shown above.

Interest rate risks. Cash and cash equivalents are the Group's principal interest-bearing assets. Since the interest rates applicable to these assets are variable, the interest income derived from them are directly affected by market interest rates. Under normal circumstances, the Group's principal interest rate risk relates to the interest paid on its financial liabilities. Floating-rate financial liabilities expose the Group to interest-rate cash-flow risks. Financial liabilities with fixed interest rates, on the other hand, expose the Group to the risk of shifts in the fair value of its liabilities. In order to achieve the target mix between fixed and floating interest rate exposure, interest rate hedging transactions are entered into where necessary. Interest-bearing liabilities essentially comprise the bond issued and the bonded loan (see note 25).

In the sensitivity analysis of the interest rate risk, impacts arise only on positions with variable interest rates. The table below shows the principal changes in pre-tax earnings which would result from hypothetical shifts in the level of interest rates in the main currencies in which Valora operates.

FX rate sensitivity in CHF 000	**Hypothetical change (in basis points) 2016**	**Impact on 2016 pre-tax earnings**	Hypothetical change (in basis points) 2015	Impact on 2015 pre-tax earnings
CHF	+/–8	+/–42	+/–5	+/–26
EUR	+/–8	+/–43	+/–4	+/–13

On May 3, 2016, the bonded loan issue was refinanced and the interest-rate swap was completely unwound. The negative replacement value of the swap, amounting to CHF 3.5 million, was charged to the income statement.

The table for 2015 does not include data for the interest rate swap position established to hedge the interest-rate risk on the bonded loan (see Tools for hedging and risk management). Assuming a hypothetical change to the swap rate of the same maturity of +/–94 basis points, the change in the value of this hedge, at December 31, 2015, would have impacted other comprehensive income by +/– CHF 2.3 million.

Liquidity risks. Liquidity risk management aims to ensure that the Group is always able to meet its payment obligations in full and on time. The Valora Group continually monitors its liquidity position and uses cash pool structures to optimise it. Additional liquidity reserves in the form of credit lines and cash ensure that the Group remains both solvent and financially flexible.

The table below shows the nominal interest and principal repayments arising from the Group's financial obligations. It takes account of all instruments in which the Group held positions at December 31 of the two years shown. Interest amounts payable on floating rate instruments have been determined based on conditions existing at year end.

in CHF 000	up to 1 month	from 1 to 3 months	from 3 months to 1 year	from 1 to 5 years	more than 5 years
At December 31, 2016					
Short-term financial liabilities	45	0	689	0	0
Trade accounts payable	128 848	7 369	339	0	0
Other short-term financial liabilities (financial instruments only)	44 430	12 028	8 383	0	0
Long-term financial liabilities	0	5 020	3 323	372 851	741
Total	**173 323**	**24 418**	**12 734**	**372 851**	**741**
At December 31, 2015					
Short-term financial liabilities	306	30	1 351	0	0
Derivative financial liabilities	0	0	3 394	0	0
Trade accounts payable	129 135	14 363	463	0	0
Other short-term financial liabilities (financial instruments only)	57 280	15 988	15 306	0	0
Long-term financial liabilities	0	5 020	5 059	385 910	4 492
Total	**186 721**	**35 401**	**25 573**	**385 910**	**4 492**

In order to manage its liquidity in an optimal way, the Valora Group has various credit facilities in place, both at fixed and floating rates of interests, which have not been fully drawn down.

Credit risks. Credit risks arise when a counterparty is not in a position to meet its obligations as agreed. Valora constantly reviews its accounts receivable and manages them so as to avoid significant credit or concentration risks. At year end 2016 and year end 2015, the Valora Group had no accounts receivable from individual customers which accounted for more than 7 % of its total accounts receivable.

The Valora Group conducts its financial transactions with a selected number of respected financial institutions. Specific situations may require subsidiaries to transact business with other banks. The establishment and discontinuation of banking relationships is subject to approval by the Group's corporate treasury, which regularly reviews all banking relationships on the basis of external ratings and sets exposure limits for all counterparties. The maximum default risk of CHF 284 million on the Group's financial assets (CHF 259 million in 2015) is equal to the carrying amount of these instruments (see note 33).

The table below shows the Group's demand deposits and fixed term deposits with maturities of 3 months or less by rating of the banking counterparties with whom they are placed. The table uses Standard & Poor's ratings.

Sight deposits and fixed maturity deposits maturing in < 3 months placed with banks in CHF 000	**2016**	2015
AAA and / or state guarantee (AAA states)	617	39
AA	13 980	6 064
A	70 560	53 875
BBB	34 550	24 602
No Rating	2 890	1 846
Total sight deposits and fixed maturity deposits maturing in < 3 months placed with banks [1]	**122 597**	**86 426**

[1] The remainder of the cash and cash equivalents position shown in the balance sheet relates to cash in hand (including cash in transit).

Tools for hedging and risk management. The Valora Group uses FX forward contracts to mitigate its foreign exchange risk. Interest rate swaps are also used to hedge interest rate risks. Exposure arising from existing asset and liability items, as well as that arising from future commitments, is centrally managed.

In order to hedge the interest payments on its bonded loan, which has a nominal value of EUR 72 million, Valora entered into an interest rate swap on October 30, 2013 which qualified as a cash flow hedge. The fair value of the swap on December 31, 2015 was CHF 3.4 million, which offsets the negative replacement value of the bonded loan and its change of fair value was allocated to other comprehensive income. On May 3, 2016, the bonded loan issue was refinanced and the interest-rate swap was completely unwound. The negative replacement value of the swap, amounting to CHF 3.5 million, was charged to the income statement.

In order to hedge 50 % of the interest expense on the bonds issued on February 1, 2012 (see note 25) Valora entered into a forward-starting interest rate swap in the first half of 2011. This swap has been designated as a cash flow hedge for the interest payments on the bond. This position was closed on February 1, 2012, with a negative replacement value of CHF 10.4 million. In 2016, CHF 1.7 million was reclassified from equity to financing expense (CHF 1.7 million in 2015). The cash flows hedged by this swap will occur in the years from 2012 to 2018, during which time they will have an income statement impact.

The table below shows both the notional amounts of the Group's positions in derivative financial instruments as well as their aggregate replacement values. The information, which is presented by instrument type, relates to valuations at balance sheet dates.

Notional amounts show the volume of the underlying transactions at the balance sheet dates. They do not contain any information about the market risk these positions involve. The replacement value of these positions has been determined by valuations provided by the counterparty, market prices at December 31, 2015 and 2016 or through standard pricing model valuations using market data.

Derivative financial instruments in CHF 000	**2016 Contract value**	**2016 Replacement value**	2015 Contract value	2015 Replacement value
Currency instruments				
Forward contracts/ Derivative financial assets	0	0	26 004	61
Interest instruments				
Interest rate swap/ Derivative financial liabilities	0	0	78 012	3 394
Total derivative financial assets	**0**	**0**	**26 004**	**61**
Total derivative financial liabilities	**0**	**0**	**78 012**	**3 394**

Notional amounts of derivative financial instruments by maturity band in CHF 000	**2016**	2015
Within one year	0	26 004
Within 3 – 4 years	0	78 012
Total contract value of derivative financial instruments	**0**	**104 016**

Capital management. The overarching objective of the Valora Group's capital management is to achieve a strong credit rating and a good level of equity cover. Achieving those goals helps to support the Group's business activities and to maximise its value to its shareholders.

The Valora Group manages its capital structure and modifies it in response to changes in economic circumstances. In order to maintain or adapt its capital structure, the Valora Group can elect to implement a number of measures, such as modifying the amount of dividends paid to shareholders, capital repayments to shareholders or the issuance of new shares.

The Group monitors its capital position by reference to its equity cover, which is calculated on the basis of the percentage of total assets represented by equity (including non-controlling interests). The Group's capital and equity cover are shown in the table below:

in CHF 000	**2016**	2015
Equity attributable to Valora Holding AG	530 875	505 988
Equity attributable to non-controlling interests	0	27
Total equity	**530 875**	**506 015**
Equity ratio	**45.5 %**	**41.5 %**

With the exception of bob Finance AG, Zurich, the Valora Group is not subject to any regulatory capital requirements of the type prevalent in the financial services industry. The Group's required minimum equity cover is stipulated in the financial covenants governing its bank lending agreements (see note 25).

bob Finance AG is required to adhere to the shareholders' equity regulations set out in article 5 of Switzerland's Consumer Credit Ordinance. Accordingly, bob Finance AG must maintain shareholders' equity equal to at least CHF 250 000 or 8 % of its outstanding consumer loans.

33 FINANCIAL INSTRUMENTS

Carrying amounts, fair values and valuation categories in CHF 000	Valuation category	**Carrying amount 2016**	**Fair Value 2016**	Carrying amount 2015	Fair Value 2015
Assets					
Cash and cash equivalents	LaR	159 381	159 381	116 308	116 308
Derivative financial assets (hierarchy level 2)	FAHfT	0	0	61	61
Trade accounts receivable	LaR	45 256	45 256	56 278	56 278
Other current receivables (financial instruments only)	LaR	47 256	47 256	44 071	44 071
Long-term interest-bearing investments	LaR	7 574	7 574	8 847	8 847
Other long-term receivables	LaR	23 593	23 593	32 739	32 739
Financial assets available for sale valued at cost	AfS	643	n/a	673	n/a
Liabilities					
Short-term financial liabilities	FLAC	726	726	1 651	1 651
Derivative financial liabilities (hierarchy level 2)	FLHfT	0	0	3 394	3 394
Trade accounts payable	FLAC	136 557	136 557	143 962	143 962
Other financial liabilities (financial instruments only)	FLAC	64 840	64 840	88 575	88 575
Long-term financial liabilities	FLAC	361 132	366 020	366 408	371 834
Classified by category					
Loans and receivables	LaR	283 059	283 059	258 243	258 243
Financial assets held for trading	FAHfT	0	0	61	61
Financial assets available for sale	AfS	643	n/a	673	n/a
Financial liabilities at amortised cost	FLAC	563 255	568 143	600 596	606 022
Financial liabilities held for trading	FLHfT	0	0	3 394	3 394

LaR Loans and receivables
FAHfT Financial assets held for trading
AfS Financial assets available for sale
FLAC Financial liabilities at amortised cost
FLHfT Financial liabilities held for trading

The carrying amounts of all short-term financial instruments represent reasonable approximations of their fair value. Any discounting effects are immaterial. The fair value of the bond issue is equal to its nominal value multiplied by its market price on the balance sheet date. Details of the valuations applied to derivative financial instruments and financial assets available for sale are contained in notes 4, 24 and 32. The fair values of the other long-term interest-bearing financial instruments were determined by discounting their expected future cash flows using market interest rates.

34 FAIR VALUES

Hierarchy levels applied to fair values. All the fair values shown below are allocated to one of the following three hierarchy levels:

- Level 1: Prices are based on quotes in active markets for identical assets and liabilities;
- Level 2: Fair values are calculated on the basis of observable market parameters. For these purposes either quoted prices in non-active markets or unquoted prices are used. These fair values can also be derived indirectly from other prices;
- Level 3: Fair values are calculated on the basis of significant unobservable parameters and are thus based on estimates.

The tables below show the fair value of assets and liabilities by hierarchy level:

2016

in CHF 000	Level 1	Level 2	Level 3	Total
Measured at fair value				
Assets				
Contingent consideration	0	0	16 295	16 295
Disclosed at fair value				
Liabilities				
Bonds	204 820	0	0	204 820

2015

in CHF 000	Level 1	Level 2	Level 3	Total
Measured at fair value				
Assets				
Derivative financial assets	0	61	0	61
Contingent consideration	0	0	16 295	16 295
Assets from disposal group	0	0	5 655	5 655
Liabilities				
Derivative financial liabilities	0	3 394	0	3 394
Liabilities from disposal group	0	0	5 603	5 603
Disclosed at fair value				
Assets				
Investment property	0	0	505	505
Liabilities				
Bonds	205 300	0	0	205 300

The fair values reported at hierarchy level 2 are calculated using valuation models based on observable market parameters such as interest rates, yield curves and foreign-exchange rates on the valuation date.

No assets or liabilities were transferred between hierarchy levels 1 and 2 in 2015 and 2016.

Hierarchy level 3 fair values. The table below shows the changes which occurred between the opening and closing balances for fair values at hierarchy level 3:

in CHF 000	**2016**	2015
Balance on January 1 (Asset)	**16 295**	**0**
Additions	0	16 295
Balance on December 31 (Asset)	**16 295**	**16 295**

Contingent consideration arrangements. The additions to hierarchy level 3 fair values in 2015 relate to the contingent consideration which forms part of the sale price of the Trade Division.

The fair value of this contingent consideration is based on the present value of the unit's projected cash flows. The principal non-observable parameters in this calculation are the projected operating results and the discount rate applied to them. Depending on the operating results achieved, the projected cash flows are expected to range between zero and a maximum of CHF 20.0 million. In the December 31, 2015 balance sheet, the present value of these projected cash flows was recorded at CHF 16.3 million.

No information regarding the operational results of the companies which have been sold was available at the time the balance sheet was drawn up. There are no indications than an impairment will be necessary.

35 TRANSACTIONS AND BALANCES OUTSTANDING WITH RELATED PARTIES

The consolidated financial statements encompass Valora Holding AG as the ultimate parent company along with all subsidiaries it directly or indirectly controls, as set out in note 38.

Transactions. Business was transacted with related individuals and companies as follows:

Goods and services sold to related parties in CHF 000	**2016**	2015
Goods sold to		
Other related parties	0	218
Services to		
Associates	129	337
Other related parties	154	169
Total goods and services sold	**283**	**724**

Goods and services purchased from related parties in CHF 000	**2016**	2015
Goods purchased from		
Other related parties	9	2 993
Services purchased from		
Associates	914	399
Other related parties	621	474
Total goods and services purchased	**1 544**	**3 866**

Management and Board remuneration. Remuneration paid to management and the Board of Directors includes all expenses shown in the consolidated financial statements directly relating to members of the Group Executive Committee and the Board of Directors.

Management and Board remuneration in CHF 000	**2016**	2015
Salaries and other short-term benefits	5 612	5 196
Post-employment benefits	371	315
Share-based payments	2 175	2 051
Total Management and Board remuneration	**8 158**	**7 562**

Details of the remuneration paid to the Board of Directors and Group Executive Management, as well as details of their holdings of Valora Holding AG shares and of the shares held by significant shareholders (as required by Articles 663c of the Swiss Code of Obligations and VegüV), can be found in the financial statements of Valora Holding AG and the Remuneration Report.

Receivables and liabilities. The terms and conditions governing receivables and liabilities are those commonly used by the relevant companies. The Valora Group has neither received any collateral for receivables nor has it issued any guarantees for liabilities.

Receivables from related parties in CHF 000	**2016**	2015
Receivables from associates	635	635
Receivables from other related parties	0	17
Total receivables	**635**	**652**

Liabilities towards related parties in CHF 000	**2016**	2015
Liabilities to associates	35	3
Liabilities towards other related parties	1 551	1 595
Total liabilities	**1 586**	**1 598**

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

36 EQUITY

Shares outstanding in number of shares	2016	2015
Total registered shares	**3 435 599**	**3 435 599**
of which treasury stock		
Position at January 1	115 915	61 869
Increases in treasury stock	39 732	103 280
Decreases in treasury stock	–78 569	–49 234
Total treasury stock at December 31	**77 078**	**115 915**
Total shares outstanding (after deduction of treasury stock) at December 31	**3 358 521**	**3 319 684**
Average number of shares outstanding (after deduction of treasury stock)	**3 339 499**	**3 358 171**

A dividend of CHF 12.50 per share was paid in 2016 relating to the year 2015 (CHF 12.50 per share was paid in 2015 relating to the year 2014). Dividend distributions are based on net income for the year and retained earnings by the Valora Holding AG parent company.

The company's issued share capital comprises 3 435 599 shares of CHF 1.00 nominal value each. A conditional share capital of 84 000 shares exists which the Board of Directors may use for existing or future management share plans. None of these shares had been issued at December 31, 2016.

At their Ordinary General Meeting held on April 14, 2016, Valora Holding AG shareholders granted the Board of Directors authority to raise CHF 250 000 of additional share capital through the issue of 250 000 shares of CHF 1.00 nominal value each at any time until April 14, 2018.

On April 9, 2013, Valora Holding AG issued CHF 120 million of perpetual, subordinated hybrid bonds. The first date at which the issuer may call these bonds for redemption is October 30, 2018. Until October 30, 2018, the annual coupon will be 4 %. For subsequent five-year periods, the coupon will be determined on the basis of the mid-market rate for 5-year interest-rate swaps, plus a 500 basis-point spread, plus the original credit margin. The issuer's obligation to pay coupons on the bonds essentially depends on the dividend resolutions passed by the Ordinary General Meeting of Shareholders. The proceeds of the bond, minus CHF 902 thousand in transaction costs, qualify as equity.

37 SUBSEQUENT EVENTS

On January 26, 2017, Valora acquired Pretzel Baron, a pretzel producer based in Cincinnati Ohio / USA. Pretzel Baron produces frozen pretzels of very high quality at its own facility, which has scope for expansion.

On February 3, 2017, Valora announced the sale of the La Praille building in Geneva. The existing tenancy agreement with Naville Distribution will also be transferred to the new owner. Valora originally acquired the building through its purchase of Naville.

These consolidated financial statements were approved by the Board of Directors of Valora Holding AG on February 27, 2017. The Board of Directors recommends that the Ordinary General Meeting of Shareholders to be held on March 30, 2017 approve these financial statements.

38 SIGNIFICANT SUBSIDIARIES OF THE VALORA GROUP

	Currency	Nominal capital in million	Share-holding in %	Corporate	Valora Retail	Food Service
Switzerland						
Valora Management AG, Muttenz	CHF	0.5	100.0	•		
Valora International AG, Muttenz	CHF	20.0	100.0	•	•	
Valora Schweiz AG, Muttenz	CHF	5.2	100.0	•	•	•
Brezelkönig AG, Emmen	CHF	1.0	100.0			•
Alimarca AG, Muttenz	CHF	0.1	100.0			•
bob Finance AG, Zürich	CHF	9.1	100.0	•		
Valora Lab AG, Muttenz	CHF	0.1	100.0	•		
Brezelkönig International AG, Muttenz	CHF	0.1	100.0			•
Germany						
Valora Holding Germany GmbH, Hamburg	EUR	0.4	100.0	•	•	
Stilke Buch & Zeitschriftenhandels GmbH, Hamburg	EUR	3.8	100.0		•	
BHG Bahnhofs-Handels-Vertriebs GmbH, Hamburg	EUR	0.5	100.0		•	
Valora Retail Kiosk GmbH, Hamburg	EUR	0.1	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			•
Luxembourg						
Valora Europe Holding S.A., Luxembourg	EUR	0.1	100.0	•		
Valora Luxembourg S.à r.l., Luxembourg	EUR	7.0	100.0		•	

	Currency	Nominal capital in million	Share-holding in %	Corporate	Valora Retail	Food Service
Guernsey						
Valora Holding Finance Ltd., Guernsey	CHF	0.3	100.0	•		
Austria						
Valora Holding Austria AG, Linz	EUR	1.1	100.0	•		
Brezelkönig GmbH, St. Pölten	EUR	0.1	100.0			•
Valora Retail Austria GmbH + Co. KG, St. Pölten	EUR	0.1	100.0		•	
France						
Brezelkönig S.à r.l., Paris	EUR	0.1	100.0			•

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

REPORT OF THE STATUTORY AUDITOR ON 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 statement of financial position as of 31 December 2016 and the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements (pages 70 – 138), 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 2016, 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 LIFE

Area of focus. As of the balance sheet date, goodwill and other intangibles with indefinite useful life represent 36 % of Valora Group's total assets and 80 % of equity.

Key assumptions for the impairment test are disclosed in the notes (notes 5 and 22). 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 analysed the underlying key assumptions, including future revenues and margins, long-term growth and discount rates. We also assessed the historical accuracy of the Company's estimates and considered its ability to produce accurate long-term forecasts. Further, we evaluated the sensitivity in the valuation resulting from changes to the key assumptions applied and compared these assumptions to corroborating information, including expected inflation rates and market growth.

NAVILLE INTEGRATION

Area of focus. Throughout the reporting period, the operations and accounting of the legacy Naville points of sale were integrated into the organization and systems of Valora Schweiz AG The integration took place at a specific date for each point of sale. At the time of integration, a closing and an opening inventory stock count was conducted for each point of sale.

Due to the significance of the integrated transactions and the number of integration dates, this matter was considered significant to our audit.

Our audit response

We gained an understanding of the integration process, implemented controls and how management ensured that no transactions, assets or liabilities were recorded twice. We re-performed management's controls on a sample basis and performed additional substantive procedures. In addition, on a sample basis, we observed the closing and opening inventory stock counts at points of sales being integrated.

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	Ina Braun
Licensed audit expert	Licensed audit expert
(Auditor in charge)	

Basle, 27 February 2017

Enclosure

- Consolidated financial statements