

## CONSOLIDATED INCOME STATEMENT

	Notes	2017	%	2016	%
<b>1 January to 31 December, in CHF 000 (except per-share amounts)</b>					
<b>Net revenues</b>	<b>8</b>	<b>2 075 251</b>	<b>100.0</b>	<b>2 094 956</b>	<b>100.0</b>
Cost of goods and materials		-1 203 053	-58.0	-1 225 298	-58.5
Personnel expenses	9	-246 376	-11.9	-261 091	-12.5
Other operating expenses	10	-496 717	-23.9	-487 688	-23.3
Depreciation, amortisation and impairments	20, 21	-54 698	-2.6	-55 358	-2.6
Other income	11	7 623	0.4	10 977	0.5
Other expenses	11	-3 017	-0.1	-4 235	-0.2
<b>Operating profit (EBIT)</b>	<b>8</b>	<b>79 014</b>	<b>3.8</b>	<b>72 263</b>	<b>3.4</b>
Financial expenses	12	-13 484	-0.6	-16 733	-0.8
Financial income	13	2 931	0.1	1 509	0.1
<b>Earnings before income taxes</b>		<b>68 462</b>	<b>3.3</b>	<b>57 040</b>	<b>2.7</b>
Income taxes	14	-11 343	-0.5	5 439	0.3
<b>Net profit from continuing operations</b>		<b>57 118</b>	<b>2.8</b>	<b>62 479</b>	<b>3.0</b>
Net profit from discontinued operations	7	31	0.0	924	0.0
<b>Net profit</b>		<b>57 150</b>	<b>2.8</b>	<b>63 402</b>	<b>3.0</b>
Attributable to shareholders of Valora Holding AG		52 350	2.5	58 602	2.8
Attributable to providers of hybrid capital		4 800	0.2	4 800	0.2
<b>Attributable to providers of Valora Holding AG equity</b>		<b>57 150</b>	<b>2.8</b>	<b>63 402</b>	<b>3.0</b>
<i>Earnings per share</i>					
from continuing operations, diluted and undiluted (in CHF)	15	15.26		17.27	
from discontinued operations, diluted and undiluted (in CHF)	15	0.01		0.28	
<b>from continuing and discontinued operations, diluted and undiluted (in CHF)</b>	<b>15</b>	<b>15.27</b>		<b>17.55</b>	

The accompanying notes from page 75 to page 134 form an integral part of these consolidated financial statements.

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Notes	2017	2016
<b>1 January to 31 December, in CHF 000</b>			
<b>Net profit</b>		<b>57 150</b>	<b>63 402</b>
Remeasurement losses	28	-1 783	-687
Income taxes	28	357	-334
<b>Items that will not be reclassified to profit or loss</b>		<b>-1 426</b>	<b>-1 021</b>
Cash flow hedge		1 701	5 095
Currency translation adjustments		25 847	-5 187
<b>Items that may be reclassified to profit or loss</b>		<b>27 548</b>	<b>-92</b>
<b>Other comprehensive income</b>		<b>26 122</b>	<b>-1 114</b>
<b>Total comprehensive income</b>		<b>83 272</b>	<b>62 288</b>
Attributable to shareholders of Valora Holding AG		78 472	57 488
Attributable to providers of hybrid capital		4 800	4 800
<b>Attributable to providers of Valora Holding AG equity</b>		<b>83 272</b>	<b>62 288</b>

The total comprehensive income attributable to shareholders of Valora Holding AG is divided as follows:

Attributable to shareholders of Valora Holding AG from continuing operations	78 441	58 461
Attributable to shareholders of Valora Holding AG from discontinued operations	31	-972
<b>Attributable to shareholders of Valora Holding AG</b>	<b>78 472</b>	<b>57 488</b>

The accompanying notes from page 75 to page 134 form an integral part of these consolidated financial statements.

## CONSOLIDATED BALANCE SHEET

### ASSETS

	Notes	31.12.2017	%	31.12.2016	%
in CHF 000					
<i>Current assets</i>					
Cash and cash equivalents	16	152 515		159 381	
Trade accounts receivable	17	71 268		45 256	
Inventories	18	154 537		146 698	
Current income tax receivables		1 557		2 131	
Other current receivables	19	54 567		52 764	
<b>Total current assets</b>		<b>434 443</b>	<b>30.8 %</b>	<b>406 230</b>	<b>34.8 %</b>
<i>Non-current assets</i>					
Property, plant and equipment	20	227 894		221 514	
Goodwill, software and other intangible assets	21	707 849		469 010	
Investment in associates and joint ventures		50		50	
Financial assets	23	23 197		31 809	
Deferred tax assets	14	15 474		38 624	
<b>Total non-current assets</b>		<b>974 465</b>	<b>69.2 %</b>	<b>761 008</b>	<b>65.2 %</b>
<b>Total assets</b>		<b>1 408 908</b>	<b>100.0 %</b>	<b>1 167 238</b>	<b>100.0 %</b>

**LIABILITIES AND EQUITY**

	Notes	31.12.2017	%	31.12.2016	%
in CHF 000					
<i>Current liabilities</i>					
Current financial liabilities	24	216 660		726	
Derivative financial liabilities	31	1 035		0	
Trade accounts payable	25	143 339		136 557	
Current income tax liabilities		7 102		9 854	
Other current liabilities	26	101 257		87 737	
<b>Total current liabilities</b>		<b>469 394</b>	<b>33.3 %</b>	<b>234 874</b>	<b>20.1 %</b>
<i>Non-current liabilities</i>					
Other non-current liabilities	24	190 554		363 927	
Long-term pension obligations	28	307		310	
Non-current provisions	27	3 562		10 562	
Deferred tax liabilities	14	7 166		26 689	
<b>Total non-current liabilities</b>		<b>201 589</b>	<b>14.3 %</b>	<b>401 488</b>	<b>34.4 %</b>
<b>Total liabilities</b>		<b>670 983</b>	<b>47.6 %</b>	<b>636 362</b>	<b>54.5 %</b>
<i>Equity</i>					
Share capital	35	3 990		3 436	
Treasury shares		-17 110		-18 345	
Hybrid capital		119 098		119 098	
Fair value adjustments of financial instruments		-288		-1 988	
Retained earnings		697 932		520 220	
Cumulative translation adjustments		-65 698		-91 545	
<b>Equity of Valora Holding AG</b>		<b>737 924</b>	<b>52.4 %</b>	<b>530 875</b>	<b>45.5 %</b>
<b>Total equity</b>		<b>737 924</b>	<b>52.4 %</b>	<b>530 875</b>	<b>45.5 %</b>
<b>Total liabilities and equity</b>		<b>1 408 908</b>	<b>100.0 %</b>	<b>1 167 238</b>	<b>100.0 %</b>

The accompanying notes from page 75 to page 134 form an integral part of these consolidated financial statements.

## CONSOLIDATED CASH FLOW STATEMENT

	Notes	2017	2016
<b>1 January to 31 December, in CHF 000</b>			
<b>Operating profit (EBIT)</b>		<b>79 014</b>	<b>72 263</b>
<i>Elimination of non-cash transactions in operating profit (EBIT)</i>			
Depreciation and impairments on property, plant, equipment	20	42 436	42 950
Amortisation of intangible assets	21	12 262	12 407
Gains on sales of fixed assets, net	11	-1 929	-447
Share-based remuneration	29	2 758	1 983
Release of provisions	27	0	-361
(Decrease)/increase in pension obligations		-1 813	3 427
Other non-cash transactions		2 215	2 767
Increase/(decrease) in other non-current liabilities		-411	58
<i>Change in net working capital, excluding the effects of the purchase and sale of business units</i>			
Increase in trade accounts receivable		-13 784	-4 132
Increase in inventories		-2 303	-3 151
Decrease in other current assets		7 945	764
Increase in trade accounts payable		2 502	624
Decrease in other liabilities		-2 786	-556
<b>Cash flows from operating activities</b>		<b>126 105</b>	<b>128 596</b>
Interest paid		-9 573	-14 877
Income taxes paid		-5 340	-2 391
Interest received		2 983	1 607
Dividends received		34	55
<b>Cash flows from operating activities from continuing operations</b>		<b>114 209</b>	<b>112 990</b>
Cash flows from operating activities from discontinued operations		355	-459
<b>Cash flows from operating activities</b>		<b>114 564</b>	<b>112 531</b>
<i>Cash flow from investing activities</i>			
Investment in property, plant and equipment	20	-47 033	-39 306
Proceeds from the sale of property, plant and equipment	20	21 011	5 807
Proceeds from the sale of investment properties		0	525
Acquisition of subsidiaries, net of cash and cash equivalents acquired	6	-233 145	-948
Sale of subsidiaries, net of cash and cash equivalents disposed of	6, 7	0	12 597
Investment in financial assets		-4 690	0
Proceeds from the sale of financial assets		1 861	1 501
Acquisition of other intangible assets	21	-6 421	-7 447
Proceeds from the sale of other intangible assets	21	296	24
<b>Cash flow used in investing activities from continuing operations</b>		<b>-268 122</b>	<b>-27 247</b>

	Notes	2017	2016
<b>1 January to 31 December, in CHF 000</b>			
<i>Cash flow from financing activities</i>			
Increase/(decrease) in current financial liabilities, net	24	19 794	-3 244
Proceeds of non-current financial liabilities	24	110	79 001
Repayment of non-current financial liabilities	24	- 142	-79 287
Purchase from treasury shares		-14 787	-9 629
Sale of treasury shares		19 654	16 681
Distributions to providers of hybrid capital		-4 800	-4 800
Dividends paid to Valora Holding AG shareholders		-42 047	-41 636
Share-capital increase of Valora Holding AG		165 760	0
<b>Cash flows from financing activities from continuing operations</b>		<b>143 541</b>	<b>-42 914</b>
Cash flows from financing activities from discontinued operations		0	459
<b>Cash flows from financing activities</b>		<b>143 541</b>	<b>-42 455</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>		<b>- 10 017</b>	<b>42 829</b>
Exchange rate effect on cash and cash equivalents		3 150	-434
Cash and cash equivalents at the beginning of year		159 381	116 985
<b>Cash and cash equivalents at year-end</b>	<b>16</b>	<b>152 515</b>	<b>159 381</b>

The accompanying notes from page 75 to page 134 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 shares	Hybrid capital	Fair value adjustments of financial instruments	Retained earnings	Cumulative translation differences	Total equity of Valora Holding AG	Share of equity attributable to non-controlling interests	Total equity
<b>Balance on 31 December 2015</b>	<b>3 436</b>	<b>-26 849</b>	<b>119 098</b>	<b>-7 083</b>	<b>503 745</b>	<b>-86 359</b>	<b>505 988</b>	<b>27</b>	<b>506 015</b>
Net profit					63 402		63 402		63 402
Other comprehensive income				5 095	-1 022	-5 187	-1 114		-1 114
<b>Total comprehensive income</b>				<b>5 095</b>	<b>62 380</b>	<b>-5 187</b>	<b>62 288</b>		<b>62 288</b>
Share-based remuneration					1 983		1 983		1 983
Dividend paid to shareholders					-41 636		-41 636		-41 636
Purchase of treasury shares		-9 629					-9 629		-9 629
Sale of treasury shares		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
<b>Balance on 31 December 2016</b>	<b>3 436</b>	<b>-18 345</b>	<b>119 098</b>	<b>-1 988</b>	<b>520 219</b>	<b>-91 545</b>	<b>530 875</b>	<b>0</b>	<b>530 875</b>
Net profit					57 150		57 150		57 150
Other comprehensive income				1 701	-1 426	25 847	26 121		26 121
<b>Total comprehensive income</b>				<b>1 701</b>	<b>55 723</b>	<b>25 847</b>	<b>83 271</b>	<b>0</b>	<b>83 271</b>
Share-based remuneration					2 758		2 758		2 758
Dividends paid to shareholders					-42 047		-42 047		-42 047
Purchase of treasury shares		-14 787					-14 787		-14 787
Sale of treasury shares		16 022			874		16 896		16 896
Distributions to providers of hybrid capital					-4 800		-4 800		-4 800
Increase of share capital	554				165 206		165 760		165 760
<b>Balance on 31 December 2017</b>	<b>3 990</b>	<b>-17 110</b>	<b>119 098</b>	<b>-288</b>	<b>697 932</b>	<b>-65 698</b>	<b>737 924</b>	<b>0</b>	<b>737 924</b>

The accompanying notes from page 75 to page 134 form an integral part of these consolidated financial statements.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 1 INFORMATION ABOUT THE GROUP

Valora is an international retail group. The parent company, Valora Holding AG, which has its head office in Muttenz, Switzerland, is listed on the SIX Swiss Exchange. The Retail business segment of Valora operates small-outlet convenience retail units in heavily frequented locations.

Its Food Service segment maintains an integrated value chain covering all phases from the production of lye bread to sales to wholesalers (B2B) and the operation of takeaway concepts (B2C).

The consolidated financial statements for Valora for the 2017 financial year were approved by the Board of Directors on 26 February 2018. They are subject to approval by the Ordinary General Meeting on 13 April 2018.

### 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 are 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 thousands of Swiss francs (CHF 000).

*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 the listing rules specified of the SIX Swiss Exchange.

*Significant accounting policies.* In addition to the accounts of Valora Holding AG, Muttenz, Switzerland, the Valora Group's financial statements also comprise those of its Group companies as follows:

*Consolidated companies.* Group companies controlled by Valora Holding AG are fully consolidated. In determining whether control exists, Valora also considers contractual agreements and other rights it may have. Group companies acquired are consolidated from the date Valora obtains control and deconsolidated on the date control is lost.



*Consolidation method.* All intra-Group assets, liabilities, income and expenses, and all unrealised gains or losses from intra-Group transactions, are eliminated in full. When companies are acquired, all identifiable assets, liabilities and contingent liabilities of the acquired entity are recognised at fair value at the acquisition date, and the difference between the consideration paid and the fair value of the company's net assets at the time of the acquisition is recognised as goodwill. Non-controlling interests are defined as that part of the equity of a subsidiary which is neither directly nor indirectly attributable to the 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 non-controlling interests acquired recognised in equity attributable to the shareholders of Valora Holding AG.

*Associated companies and joint ventures.* Associates and joint ventures are accounted for using the equity method. Associates are companies over which Valora has significant influence, but that it does not control. Significant influence is assumed to exist when Valora holds between 20% and 50% of the voting shares.

A joint venture is an entity over which Valora has joint control.

*Scope of consolidation.* Note 37 provides an overview of Valora's significant Group companies.

*Changes in consolidation scope.* Valora acquired 100% of the shares of BackWerk GmbH, based in Essen, Germany, as of 26 October 2017.

On 26 January 2017, Valora acquired Pretzel Baron, based in Cincinnati, Ohio/USA, a frozen pretzels producer with own production facilities.

On 30 August 2016, Valora completed the sale of Naville's logistics and distribution business.

On 30 June 2016, Valora acquired 100% of the shares of CDM Buffet SA, based in Lausanne.

Additional information concerning these transactions can be found in note 6.

### 3 CHANGES TO ACCOUNTING POLICIES

*Implementation of new International Financial Reporting Standards (IFRS) and Interpretations thereof.* On 1 January 2017, the amendments to IAS 12 (recognition of deferred tax assets for unrealised losses) and IAS 7 (additional disclosure requirements for changes in liabilities arising from financial activities) have been adopted.

Aside from additional disclosures in note 24 these and other changes in IFRS are not relevant for the Group and have no significant impact on these financial statements.

*Future implementation of International Financial Reporting Standards (IFRS) and Interpretations thereof.* The following amendments and new standards and interpretations become effective in future accounting periods and are potentially relevant for the group.

*IFRS 9.* Financial instruments effective from 1 January 2018.

The standard introduces new classification and measurement guidance for financial instruments. Valora will apply the new expected credit loss model to its trade receivables using the simplified approach. The application of the hedge accounting rules is not expected to have a significant impact. Under IFRS 9 financial instruments cannot be classified as available for sale at amortised costs and must be reclassified.

*IFRS 15.* Revenue from contracts with customers effective from 1 January 2018.

The standard introduces a five step model according to which revenue is recognised when control of the goods or services transfers to the customer. While the assessment of the impact is not complete, the principal effects expected are as follows:

For sale of goods and sale of goods produced no changes from IFRS 15 implementation are expected. Revenue is recognised when control of the goods or services is transferred to the customer. The revenue that is recognised is the consideration received net of any deductions including rebates, discounts, credit card fees and other agreed deductions. According to the current status of assessment, Valora does not control the goods sold to end customers in franchise stores and considers itself as an Agent. Franchise fees are thus recognised on a commission basis. No changes from the IFRS 15 implementation are expected. An assessment if rental income from franchise contracts will be presented as a sub-lease is currently part of the IFRS 16 analysis.

Promotion services and listing fees are recognised upon satisfaction of the contractual performance obligation primarily over time. No changes from the IFRS 15 implementation are expected.

The Group will implement the new standard on 1 January 2018 and will apply the modified retrospective method, which requires the recognition of the cumulative effect of initially applying IFRS 15, as at 1 January 2018 to retained earnings and not restate prior years. Overall Valora does not expect any significant changes from this standard.

**IFRS 16.** IFRS 16 Leases replaces IAS 17 and becomes effective on 1 January 2019. Under the new lease accounting model lessees will recognise a right-of-use asset and a lease liability for most leases. Lessor accounting will essentially remain unchanged and operating and finance leases will continue to be distinguished.

The current undiscounted operating lease commitments, as disclosed in Note 30, provide an indicator of the impact of the implementation of IFRS 16 on the Group's consolidated balance sheet.

Valora has as a lessee entered into a large number of lease contracts regarding sales stores which include variable sales based components and minimum fixed rental fees. Such minimum fees will be capitalised as a right of use asset with the respective recognition of a leasing liability and hence lead to:

- An increase in total assets due to an increase in property, plant and equipment and leasing liabilities.
- An increase in depreciation and a reduction in the major share of other operating lease expenses

However, a relevant number of such lease contracts is sub-contracted to franchise partners. Valora is currently assessing if and to what extent such contracts qualify as sub-lease, especially as finance lease under IFRS 16. This would lead to adjustments in measurement and classification of the related assets with subsequent implications on the income statement.

As a result of the above described adjustments in measurement and classification the cash flow statement will also be impacted.

Valora will apply the modified retrospective method which requires the recognition of the cumulative effect of initially applying IFRS 16, as at 1 January 2019 to retained earnings and not restate prior years. In addition to the above mentioned changes the new accounting standard comes along with extended disclosure requirements.

**Other standards and interpretations (IFRIC 22, IFRIC 23).** Other standards and interpretations and amendments to IFRS standards have been issued but based on current information are not expected to have a material impact on Valora Group's financial position and performance.

#### 4 GENERAL ACCOUNTING POLICIES

**Translation of foreign currencies.** Transactions in foreign currencies are translated into the functional currency at the prevailing exchange rate on the date of the transaction. On the balance sheet date, assets and liabilities in foreign currencies are translated using the exchange rates at the balance sheet date and the resulting exchange differences are recognised in profit or loss.

The assets and liabilities of Group companies whose functional currency is not the Swiss franc are translated into Swiss francs on the balance sheet date. The income statement, cash flow statement and items of other comprehensive income are translated using the average exchange rate for the reporting period, provided this results in a reasonable approximation of the results that would be obtained when applying the transaction rates. Otherwise the items are translated using the transaction rates. Translation differences resulting from the translation of the financial statements of Group companies are recognised in the statement of comprehensive income (other comprehensive income) and reported separately.

*Translation rates used for Valora's major foreign currencies*

	Average rate for 2017	Closing rate on 31.12.2017	Average rate for 2016	Closing rate on 31.12.2016
Euro, EUR 1	1.112	1.170	1.090	1.072
US dollar, USD 1	0.985	0.974	0.986	1.019

**Rounding.** Due to rounding, 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 goods produced by Valora, net of any deductions including rebates, discounts and other agreed deductions. Retail sales are recognised upon sale to the customer. Payment is made in cash or by credit card. The revenue that is recognised is the consideration received, net of any credit card fees. Revenue from goods produced is recognised when the goods have been delivered, the customer has accepted them and there is sufficient certainty that the amount will be collected. Goods produced may be sold with a right to return. In this case, net revenues will be reduced by estimated returns based on historical evidence and other reasonable assumptions. Revenue from promotion services and listing fees is recognised as soon as the contractual service is rendered. The commission Valora receives from franchise contracts and other agreements, as well as rental income from franchise contracts is recognised as net revenue. Revenues generated from lending and credit brokerage are recognised in net revenues, as well.

**Share-based remuneration.** The Valora Group settles part of its employee remuneration in Valora shares. The expense recognised in the income statement as a result of share-based remuneration is calculated by multiplying the number of shares granted by the grant date fair value of the Valora equity instruments granted (net of any amounts to be paid by the recipients of the equity instruments). The expense for plans that are settled in shares (equity settled) is recognised in equity; the expense for cash-settled plans is recognised as liabilities. If the vesting conditions extend over several periods, the expense is spread over the vesting period taking into account the expected achievement of targets. Share-based remuneration that is settled in cash is remeasured at each balance sheet date until settlement.

**Financial result.** Net gains and losses on financial instruments at fair value through profit or loss do not include any dividend or interest payments. Dividend and interest income is reported separately (see Note 13).

**Income taxes.** Income tax is calculated on the basis of the applicable tax laws in each tax jurisdiction and charged to the income statement for the accounting period in which the net income is recognised. The effective tax rate is applied to the annual profit.

Deferred income taxes that arise as a result of temporary differences between the values of assets and liabilities reported in the consolidated balance sheet and their tax values are recognised as deferred tax assets or deferred tax liabilities. Deferred tax assets are capitalised when it is probable that there will be sufficient taxable income to against which the deductible differences can be utilised.

Deferred income taxes are calculated on the basis of the tax rates that are expected to apply during the period when the deferred tax asset is realised or the liability is settled. Deferred tax liabilities for temporary differences are generally recognised. Tax receivables and tax liabilities are offset against one another if they are for the same taxable entity and there is an enforceable right to offset them. Changes to deferred tax assets and deferred tax liabilities are recognised as a tax expense/ income in the income statement. This does not apply to deferred taxes for items recognised in other comprehensive income or directly in equity.

**Net profit / loss from discontinued operations.** On disposal of a segment or separate major line of business the related income is reported separately as net income/loss from discontinued operations. In the cash flow statement, only continuing operations are presented in detail and the operating, investing and financing cash flows from discontinued operations are aggregated in one line.

**Earnings per share.** Earnings per share are calculated by dividing the net profit/loss attributable to Valora Holding AG shareholders by the average number of outstanding shares of Valora Holding AG. For diluted earnings per share, any potentially dilutive effects on the number of outstanding shares are taken into account and the net profit is adjusted, if necessary.

**Cash and cash equivalents.** Cash and cash equivalents include cash on hand, sight deposits with banks and short-term money market investments with a maximum term of three months.

**Trade accounts receivable.** Trade accounts receivable are measured at amortised cost, less necessary valuation allowances for impaired receivables. Valuation allowances are recognised if there are objective indications that the receivables cannot be recovered in full.

**Inventories.** Inventories are measured at the lower of acquisition/production cost and net realisable value. The inventories of the Valora Retail division are measured on the basis of the weighted average method. At Ditsch/Brezelkönig, semi-finished and finished goods are valued at the production cost; all other inventories are measured at the weighted average cost. Inventories that cannot be sold or that have a low turnover are partially or fully written off.

**Property, plant and equipment.** Property, plant and equipment is recognised at cost, less accumulated depreciation. Subsequent expenditure for refurbishments is capitalised only if the costs can be determined reliably and the work results in an increase of future economic benefits to be obtained. Other repair and maintenance expense is charged directly to the income statement.

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

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

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

**Impairment of property, plant and equipment.** The recoverability of property, plant and equipment is always reviewed if there are indications that the carrying amounts may be overstated due to changed circumstances or events. If the carrying amount exceeds the recoverable amount, which is the higher of fair value, less costs of disposal, and value in use, the carrying amount is reduced to the recoverable amount. A previously recognised impairment is reversed only if there has been a change in the estimates used to determine the recoverable amount since the recognition of the last impairment. In this case, the carrying amount of the asset is increased to its recoverable amount. However, this amount may not exceed the carrying amount that would have been determined (net of depreciation) had no impairment loss been recognised in previous years. A reversal is immediately recognised through profit or loss.

**Leases.** Assets acquired under lease agreements and where the significant risks and rewards of ownership are transferred to Valora as the lessee are recognised as assets in accordance with the nature of the leased asset. In doing so, the assets under finance leases are initially recognised at the fair value of the leased asset or at the lower net present value of future minimum lease payments. A liability from financial leases is recognised in the same amount. The leased asset is depreciated over its useful life or, if it is not reasonably certain that ownership will be transferred at the end of the lease period, over the shorter lease term.

Similarly, property, plant and equipment that is made available for use to third parties for consideration is not reported as property, plant and equipment; instead, the present value of future lease payments is recognised as a financial asset, provided the related significant risks and rewards of ownership of the assets are largely transferred to the lessee. Expenses / income from operating leases are recognised in profit or loss on a straight-line basis over the lease term.

**Intangible assets (excluding goodwill).** Intangible assets are classified as software, intangible assets with finite useful lives and intangible assets with indefinite useful lives. Intangible assets (excluding goodwill) are recognised at acquisition or production cost, less accumulated amortisation. Amortisation is calculated using the straight-line method over the estimated useful life of the asset.

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

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

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

*Impairment of intangible assets.* The recoverability of intangible assets (excluding goodwill) is always reviewed if there are indications that the carrying amounts may be overstated due to changed circumstances or events. If the carrying amount exceeds the recoverable amount, which is the higher of fair value, less costs of disposal, and value in use, the carrying amount is reduced to the recoverable amount. A previously recognised impairment of intangible assets (excluding goodwill) is reversed if there has been a change in the estimates used to determine the recoverable amount since the recognition of the last impairment. If this is the case, the carrying amount of the asset is increased to its recoverable amount. However, this amount may not exceed the carrying amount that would have determined (net of amortisation) had no impairment loss been recognised in previous years. A reversal is immediately recognised in profit or loss.

*Goodwill.* Goodwill is the amount the Group pays in excess of the fair value of the identifiable net assets of an acquired business. Goodwill is capitalised and allocated to the cash-generating unit ("CGU") that expects to benefit from the business combination. Goodwill is subject to an impairment test annually, or more frequently if there are indications of a possible impairment. For this purpose, the carrying amount of the cash-generating unit to which the goodwill has been allocated is compared with its recoverable amount. The recoverable amount represents the higher of the fair value, less costs of disposal, of the cash-generating unit and its value in use. The fair value, less costs of disposal, is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants as at the measurement date. If the carrying amount of the cash-generating unit exceeds the recoverable amount, an impairment of goodwill is recognised. Reversals are prohibited.

*Financial assets.* Financial assets are divided into the following categories:

- Financial assets measured at fair value through profit or loss
- Loans and receivables
- Available for sale financial assets

The classification depends on the purpose for which the financial assets were acquired and is determined upon initial recognition.

*Assets measured at fair value through profit or loss.* These include financial assets held for trading and derivative financial instruments as well as other financial assets that were included in this category upon initial recognition.

Assets are allocated to this category if they are acquired with the intention of selling them in the short term. Financial assets in this category are held for trading or sold within 12 months.

*Loans and receivables.* Loans and receivables are financial assets with fixed or determinable payments that are not quoted in a market and include the trade receivables and other receivables reported separately in the balance sheet. They are classified as current unless the due date is more than 12 months after the balance sheet date.

One Valora Group company sells its loans receivable to a bank.

As all significant risks from the receivables are transferred to the bank upon sale, the asset and the liability are derecognised. In certain defined cases – if non-compliant loan agreements were to be concluded with borrowers – the bank would be entitled to reverse the transaction. In this case, the risk is limited to the value of the loan receivable.

*Available for sale financial assets.* This category includes equity interests (with a shareholding of less than 20%) and financial assets that have not been assigned to any other category. Available-for-sale financial assets are classified as non-current, with the exception of instruments that are expected to be sold within 12 months of the balance sheet date.

All purchases and sales of financial assets are recognised on the date of purchase or sale. Other than those that are recognised at fair value through profit or loss, financial assets are initially recognised at fair value, including transaction costs.

Held-for-trading financial assets are initially measured at fair value excluding transaction costs and subsequently, as financial assets classified as “fair value through profit or loss”. “Loans and receivables” are measured at amortised cost using the effective interest rate method. “Available-for-sale financial assets” are measured at fair value, which is based either on the quoted price in a market or, if no market exists, determined using valuation methods. Assets that are not traded on a market and for which there is insufficient information available for measurement purposes are measured at cost (less impairments). Unrealised gains and losses from fair value adjustments are recognised in other comprehensive income. In the case of a significant or prolonged decline in fair value, the cumulative loss recognised in other comprehensive income is reclassified to profit or loss. Upon sale, the fair value adjustments accumulated in other comprehensive income in equity are recognised in the income statement.

*Interest-bearing debt.* Interest-bearing liabilities are measured at amortised cost, with differences between cost and repayment amounts recognised in financial expense over the term of the liabilities using the effective interest rate method.



*Accounting of derivative financial instruments and hedging transactions.* Derivative financial instruments are recognised in the balance sheet at fair value and adjusted for changes in fair value. How the gain or loss is recognised depends on whether the instrument serves to hedge a specific risk and if the conditions for hedge accounting have been met. The purpose of hedge accounting is to offset the change in fair value of the hedged item and the hedging instrument over the term of the hedging relationship. If a derivative financial instrument is not designated as a hedging transaction or the conditions for recognising it as a hedging transaction have not been met, the gains and losses from changes in the fair value of derivatives are recognised in the income statement. To qualify for hedge accounting, a hedging relationship must meet strict conditions related to documentation, the likelihood of occurrence, the effectiveness of the hedging instrument and the reliability of the measurement. When concluding a hedging transaction, the Group documents the relationship between hedging instruments and the hedged items as well as the purpose and strategy of the hedge. This process also involves linking all hedging derivatives with specific assets and liabilities or firm commitments and expected transactions. Both at the start and during the term of hedge, the Group documents the extent to which the derivative financial instruments used for hedging largely offset the change in fair value of the hedged item. When the contract is concluded, a derivative instrument that qualifies for recognition as a hedging transaction is designated either as a) a fair value hedge of a recognised asset or liability or b) a cash flow hedge from a planned transaction or firm commitment or c) a hedge of a net investment in a foreign Group company. Gains and losses from hedging instruments that are attributable to the effective portion of the change in the fair value of derivative financial instruments designated as cash flow hedges are recognised in other comprehensive income. The gain or loss attributable to the ineffective portion is recognised immediately in profit or loss. The amounts recognised in other comprehensive income are subsequently recognised in the income statement when the underlying income/expense affects profit or loss.

If the conditions for recognition as a hedging transaction are no longer met, the gains and losses accumulated in other comprehensive income remain in equity until the underlying transaction occurs. If the underlying transaction is no longer expected to take place, the cumulative gains and losses are immediately transferred to the income statement.

*Provisions.* Provisions are set up if – as a result of past events – an obligation has been incurred, the amount of which can be reliably estimated and for which it is probable that there will be an outflow of economic benefits. Provisions are recognised at the present value of the estimated cash outflow as of the balance sheet date.

*Pension obligations.* Valora pays its pension contributions to various pension schemes established in accordance with local regulations. For defined benefit pension plans, the present value of the defined benefit obligation is determined on the basis of annual actuarial reports using the “projected unit credit” method. This takes account of the years of service, benefits that accrue to employees at the balance sheet date as well as expected future changes in salary. The employer’s pension expenses and the net interest expense or income for the net pension liability or asset are recognised in the income statement during the period in which they occur. The actuarial gains and losses as well as the effect of any limit on the pension assets (IFRIC 14) are recognised in other comprehensive income. The expense for defined contribution plans is recognised in the income statement on an accrual basis.

## 5 MANAGEMENT ESTIMATES, ASSUMPTIONS AND DISCRETION

*Key judgements when applying accounting principles.* The application of accounting policies for the Group requires the exercise of significant judgements by management that can have a material impact on the amounts reported in the consolidated financial statements. Estimates by management are necessary when assessing the substance of complex transactions.

*Material estimates.* The preparation of the consolidated financial statements in accordance with IFRS requires the use of estimates that relate to the future and affect the presentation of certain items in the income statement, statement of comprehensive income, balance sheet, cash flow statement and related notes. The estimates underlying the values in the consolidated financial statements are based on experience and the information available at the time of preparation. Estimates and assumptions are reviewed regularly and adjusted if necessary. However, actual outcomes may deviate from the estimates. Changes in estimates are included in the consolidated financial statements in the year when the adjustment is made. Estimates and assumptions that involve a significant risk regarding future material adjustments to carrying amounts are explained below:

*Property, plant and equipment.* The useful life of property, plant and equipment is determined on historical evidence, taking account of current technical conditions. The actual useful life may differ from the originally determined useful life as a result of technological changes and changed market conditions. In the event of such deviations, the residual useful life is adjusted. The recoverability of property, plant and equipment is always reviewed if it seems possible that the carrying amounts have been overstated due to changed circumstances. Recoverability is determined on the basis of management's estimates and assumptions regarding the economic benefits of these assets. The actual values obtained in the future may differ from these estimates (see Note 20). When analysing onerous contracts, Valora assesses the profitability of each store. For each store with an expected persisting negative profit contribution the carrying amount of its assets is impaired as a result.

*Goodwill, trademark rights and other intangible assets (Franchises).* Goodwill and trademark rights are tested for impairment if there are indications of a lower recoverable amount or at least annually.

The recoverable amount is based on the estimated future free cash flows (DCF measurement) of the respective units (CGUs). The recoverable amount is mainly affected by estimated net revenues, the estimated operating profit margin and the applied discount rate.

The carrying amount of franchise contracts (BackWerk) is assessed annually for impairment. Whenever there are indications of impairment for a particular contract, the recoverable amount is determined using a discounted cash flow model. Optional renewals are assumed to be exercised and fully considered in the model.

*Pension assets and long-term pension obligations.* The Group has pension schemes whose benefits are considered defined benefits under IFRS. As a result, the fair value of plan assets is compared annually with the dynamically calculated present value of the benefit obligations. The resulting net pension asset (in case of a surplus that is available to the Group) is capitalised or the net pension liability (in case of a plan deficit) is recognised in the consolidated balance sheet. These calculations depend on different assumptions. The most important are the discount rate used to discount future benefits and the changes in the salaries of the beneficiaries (see Note 28). The actual change may differ significantly from the assumptions.

*Deferred tax assets.* Under IFRS, deferred tax assets are recognised for tax loss carryforwards in an amount equal to the amount of expected future tax savings (see Note 14). The amount of future tax benefits depends on the amount of future profits earned within the period until expiry of the tax loss carryforwards. Accordingly, future results may be adversely affected by write-offs on tax assets if future results are below expectation or may be positively impacted if unrecognised losses of prior periods can be utilised.

**6 ACQUISITIONS AND DISPOSAL OF BUSINESS UNITS**

*Transactions in 2017.*

*Acquisition of BackWerk.* Valora acquired 100% of the shares of BackWerk GmbH, based in Essen, Germany, as of 26 October 2017. The food service company operates a franchise network of over 340 outlets in locations mainly in Germany, Austria and the Netherlands. This transaction will enable Valora to unlock new growth potential in its core markets through significant sales and margin synergies and to significantly expand its presence in the German out-of-home market.

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

	Fair value of BackWerk (provisional)
in CHF 000	
Current assets	23 414
Intangible assets	58 135
Other non-current assets	6 947
Deferred tax assets	4 201
Current liabilities	- 5 223
Other non-current liabilities	- 11 951
<b>= Acquired net assets</b>	<b>75 523</b>
Goodwill	159 096
<b>= Purchase price</b>	<b>234 619</b>
Contingent consideration	1 162
Cash and cash equivalents acquired	10 360
<b>= Cash outflow from the acquisition of subsidiaries</b>	<b>223 096</b>

The fair value of the intangible asset in the amount of CHF 58 million relates to franchise agreements and was determined using the multi-period excess earnings method. The intangible asset is amortised on straight-line basis over the estimated useful life.

Goodwill of CHF 159.1 million represents expected sales and margin synergies from the acquisition and the acquired work force. The reported goodwill is not expected to be tax-deductible.

Current assets include receivables with a fair value of CHF 10.6 million and a gross amount of CHF 15.8 million.

From the acquisition date, BackWerk contributed net revenues of CHF 11.0 million with no material impact on net profit. If the acquisition had taken place on 1 January 2017, management estimates the impact on net revenues would have been CHF 61.8 million with no material impact on net profit.

Goodwill has not yet been allocated.

The transaction costs directly attributable to the acquisition amount to a total of CHF 4.1 million and are included in other operating expenses (management and administration expenses).

The purchase price for the acquisition was CHF 234.6 million, of which CHF 233.4 million was paid in cash and CHF 1.2 million is outstanding in a contingent consideration arrangement. This contingent consideration is subject to the signing of specific rental contracts and will be due in 2020 at the latest.

*Acquisition of Pretzel Baron.* On 26 January 2017, Valora acquired pretzel producer Pretzel Baron, based in Cincinnati, Ohio / USA. The acquisition contributes to Valora's international expansion and fast market entry to the USA. Having a US production facility on its own Pretzel Baron will enable Valora to expand its growing B2B business.

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

	Fair value of Pretzel Baron
in CHF 000	
Current assets	157
Property, plant and equipment	7 419
<b>= Acquired net assets</b>	<b>7 576</b>
Goodwill	3 388
<b>= Purchase price</b>	<b>10 964</b>
Contingent consideration	915
Cash and cash equivalents acquired	0
<b>= Cash outflow from the acquisition of subsidiaries</b>	<b>10 049</b>

The goodwill of CHF 3.4 million represents the acquired work force, the market entry and expected synergies from the acquisition. It is assumed that the goodwill is fully deductible for tax purposes.

The purchase price for the acquisition was CHF 11.0 million, of which CHF 10.0 million was paid and CHF 0.9 million is outstanding in a contingent consideration arrangement. The contingent payment is dependent on the achievement of projected sales figures and is due in 2018. The possible, undiscounted cash outflow is between zero and a maximum of CHF 3.0 million. The recorded liability of CHF 0.9 million is based on the best estimate of the net revenue for the business year 2017.

*Transactions in 2016.*

*Acquisition of CDM Buffet SA.* Valora concluded the purchase of CDM Buffet SA, based in Lausanne, on 30 June 2016. The company operates two outlets, which are allocated to Food Service.

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

	Fair value of CDM Buffet SA
in CHF 000	
Current assets	1 544
Non-current assets	1 669
Current liabilities	-432
Deferred tax liabilities	-369
<b>= Acquired net assets</b>	<b>2 412</b>
Goodwill	0
<b>= Purchase price paid</b>	<b>2 412</b>
Cash and cash equivalents acquired	-1 464
<b>= Cash outflow from the acquisition of subsidiaries</b>	<b>948</b>

Since it was acquired, CDM has contributed net revenues of CHF 1.3 million and a net profit of CHF 0.3 million to the consolidated profit. If the acquisition had taken place on 1 January 2016, net revenues 2016 would have been CHF 2.6 million and net profit 2016 CHF 0.7 million respectively.

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

*Sale of Naville Distribution.* Valora completed the sale of logistics and distribution company Naville on 30 August 2016. The transaction partner was 7Days Media Services GmbH.

*Net assets disposed of, net sale price, cash inflow*

	30.08.2016
in CHF 000	
Current assets	37 760
Intangible assets	38 259
Other non-current assets	3 511
Current liabilities	-37 087
Non-current liabilities	-12 460
<b>= Sold net assets</b>	<b>29 983</b>
Gain on disposal	2 138
<b>= Net sale price</b>	<b>32 121</b>
Cash and cash equivalents disposed	-11 754
<b>= Cash inflow from sales of subsidiaries</b>	<b>20 367</b>

Intangible assets include the goodwill attributed to the distribution business in the amount of TCHF 37 562.

## 7 DISCONTINUED OPERATIONS

### *Transactions in 2016.*

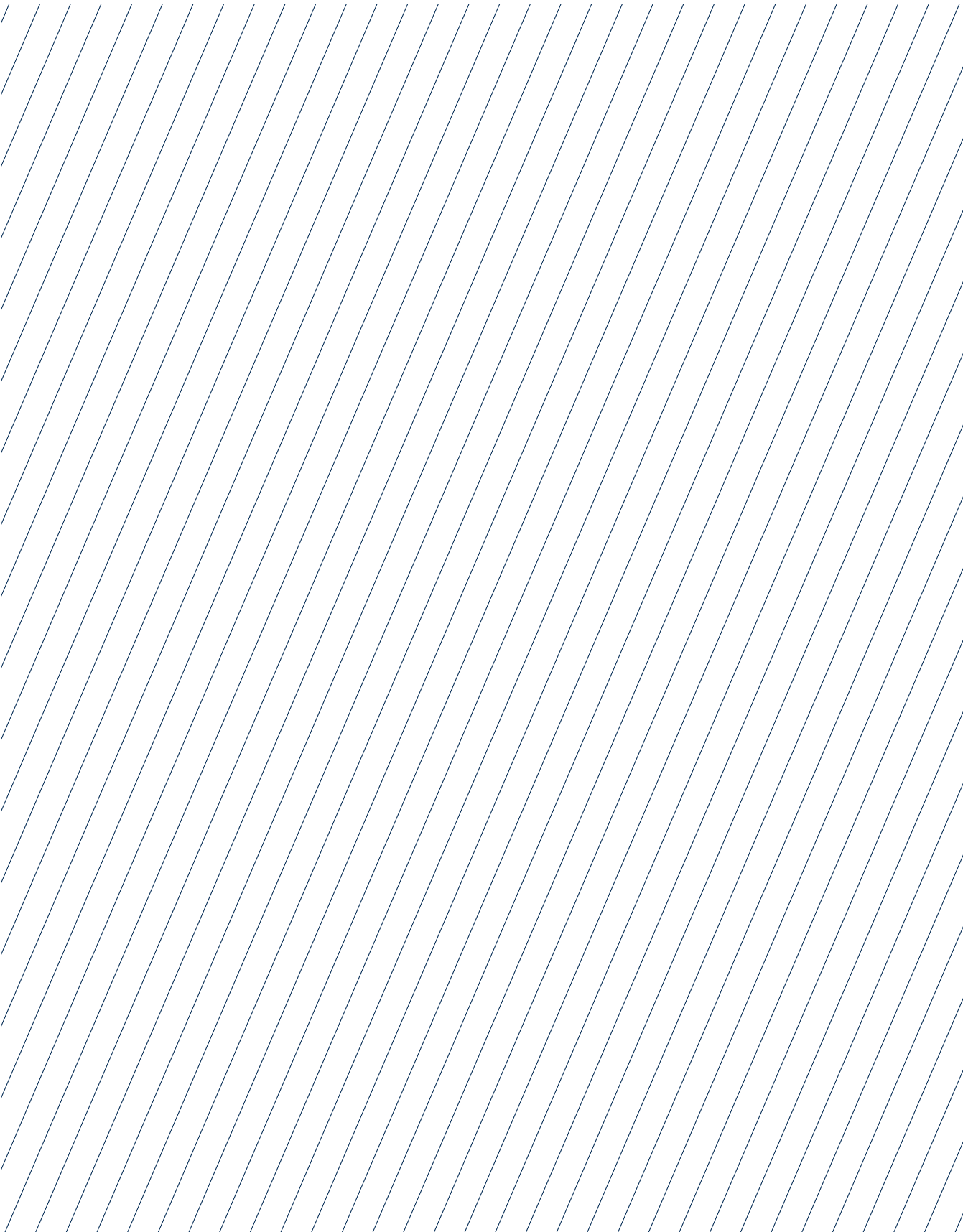
*Valora Trade.* Valora completed the sale of Trade Germany to the Aurelius Group on 1 January 2016.

### *Income statement for discontinued operations*

	2017	2016
1 January to 31 December, in CHF 000		
Expenses	-980	-1 488
Other income	1 011	489
<b>Operating profit (EBIT)</b>	<b>31</b>	<b>-999</b>
Gain on disposal	-	1 923
<b>Net profit from discontinued operations</b>	<b>31</b>	<b>924</b>

The expenses include the revaluation of the earn-out in the amount of CHF 8.7 million and the release of the warranty and tax provision in the amount of CHF 7.0 million (see note 27 provisions) as well as a purchase price accrual of CHF 0.7 million. Other income includes mainly dividends received from a disposed associated company for the years 2015 and 2016.

Expenses in 2016 mainly include the costs for selling the Trade division which were recognised during the year as well as the contractual obligations related to the sale. Other income includes the release of a warranty provision (see Note 27).



## 8 SEGMENT REPORTING

The Valora Group is an internationally active retail group whose business activities are divided into the following reportable 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 products, tobacco and consumer products for everyday needs as well as impulse purchases. Valora Retail's brands include the k kiosk, k presse + buch, avec, P & B, ServiceStore DB and CIGO formats, among other brands.

*Food Service:* Food Service has an integrated value chain covering all phases from the production of lye bread to sales to wholesalers (B2B) and the operation of takeaway concepts (B2C). Lye pretzels and other bakery goods are produced by Ditsch/Brezelkönig in Germany and Switzerland as well as by Pretzel Baron in the USA. They are sold both at the division's own retail outlets (agencies) in Germany, France, Austria and Switzerland, and via the wholesale segment. Another component of the segment is the newly acquired sales channel BackWerk, which has retail outlets in Germany, Austria, the Netherlands and Switzerland. The segment also includes Caffè Spettacolo, one of Switzerland's leading coffee-bar chains.

*Other:* The Group support functions Finance, Human Resources, Business Development, Legal Services and Communications as well as bob Finance are combined in "Other". The assets mainly include loans to Group companies, cash and cash equivalents and short-term receivables. The segment liabilities comprise the financing instruments listed in Note 24.

The reportable segments include various formats and geographic regions. The net revenues for the reportable segments mainly relate to the sale of goods. Non-current assets relate to property, plant and equipment and intangible assets (additions without changes to the scope of consolidation). The internal and external reporting is based on the same measurement principles.



*Segment data*

2017

	Valora Retail	Food Service	Other	Elimination	Group total
in CHF 000					
<i>Net revenues</i>					
<b>Total</b>	<b>1 785 118</b>	<b>286 703</b>	<b>3 430</b>	<b>0</b>	<b>2 075 251</b>
From third parties	1 785 118	286 703	3 430	0	2 075 251
<i>Operating profit (EBIT)</i>					
<b>Total</b>	<b>70 109</b>	<b>26 184</b>	<b>-17 279</b>	<b>0</b>	<b>79 014</b>
Depreciation, amortisation and impairments	32 775	18 495	3 428	0	54 698
<i>Additions to non-current assets</i>					
<b>Total</b>	<b>31 284</b>	<b>20 456</b>	<b>982</b>	<b>0</b>	<b>52 723</b>
<i>Segment assets</i>					
<b>Total</b>	<b>663 693</b>	<b>724 554</b>	<b>575 176</b>	<b>-554 516</b>	<b>1 408 908</b>
<i>Segment liabilities</i>					
<b>Total</b>	<b>270 340</b>	<b>341 506</b>	<b>613 653</b>	<b>-554 516</b>	<b>670 983</b>

Third-party net revenues include CHF 1 710 million from the sale of goods, CHF 134 million from the provision of services and CHF 231 million from the sale of products produced by Valora itself. Depreciation, amortisation and impairments include impairments of CHF 1.3 million in the Valora Retail segment and impairments in the Food Services segment of CHF 0.4 million.

2016

	Valora Retail	Food Service	Others	Elimination	Group total
in CHF 000					
<i>Net revenues</i>					
<b>Total</b>	<b>1 833 763</b>	<b>259 279</b>	<b>1 914</b>	<b>0</b>	<b>2 094 956</b>
From third parties	1 833 763	259 279	1 914	0	2 094 956
<i>Operating profit (EBIT)</i>					
<b>Total</b>	<b>59 646</b>	<b>26 854</b>	<b>- 14 237</b>	<b>0</b>	<b>72 263</b>
Depreciation, amortisation and impairments	34 793	15 604	4 960	0	55 358
<i>Additions to non-current assets</i>					
<b>Total</b>	<b>24 804</b>	<b>19 582</b>	<b>4 566</b>	<b>0</b>	<b>48 952</b>
<i>Segment assets</i>					
<b>Total</b>	<b>659 105</b>	<b>431 306</b>	<b>421 091</b>	<b>- 344 264</b>	<b>1 167 238</b>
<i>Segment liabilities</i>					
<b>Total</b>	<b>317 961</b>	<b>165 619</b>	<b>497 047</b>	<b>- 344 264</b>	<b>636 362</b>

Third-party net revenues include 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 itself. Depreciation, amortisation and impairments include impairments of CHF 2.4 million in the Valora Retail segment and impairments in the Food Services segment of CHF 0.5 million.

*Segment information by region*

**2017**

	Switzerland	Germany	Other countries	Group total
in CHF 000				
Net third-party revenues	1 349 568	619 047	106 636	2 075 251
Non-current assets	310 162	605 806	19 774	935 743

**2016**

	Switzerland	Germany	Other countries	Group total
in CHF 000				
Net third-party revenues	1 429 682	567 107	98 166	2 094 956
Non-current assets	338 318	347 710	4 496	690 524

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

**9 PERSONNEL EXPENSES**

	2017	2016
in CHF 000		
Wages and salaries	198 850	206 445
Social security expenses	32 992	38 748
Share-based remuneration	2 758	1 983
Other personnel expenses	11 776	13 914
<b>Total personnel expenses</b>	<b>246 376</b>	<b>261 091</b>
Headcount in full-time equivalents as at 31 December	4 265	4 228

Social security expenses include expenses for defined contribution plans of TCHF 181 (2016: TCHF 184). Other personnel expenses include, in particular, compensation paid to recruiters for temporary staff and expenses for training and staff recruitment. The reduction in personnel expenses is primarily due to the disposal of Naville Distribution in August 2016 and the further expansion of the agency network in 2017 and was offset to a small extent by the acquisition of BackWerk that occurred at the end of October 2017.

**10 OTHER OPERATING EXPENSES**

	2017	2016
in CHF 000		
Rent	168 879	166 059
Property expenses	8 900	7 933
Ancillary rental costs	26 452	28 356
Agency fees	156 692	153 438
Insurance	1 657	1 338
Communication and IT	26 167	27 296
Advertising and sales	15 511	15 076
Shipping	32 710	33 398
Management and administration	28 337	24 157
Capital and other taxes	843	1 212
Other operating leases	2 416	2 386
Other operating expenses	28 153	27 038
<b>Total other operating expenses</b>	<b>496 717</b>	<b>487 688</b>

The increase in total other operating expenses is mainly due to the acquisition of BackWerk (particularly due to the transaction costs of the acquisition) and due to additional outlets which introduced the agency model and the resulting increase in agency fees.

**11 OTHER INCOME AND OTHER EXPENSES**

	2017	2016
in CHF 000		
Rental income	573	954
Gain on disposal of assets	3 593	796
Other income	3 458	9 226
<b>Total other income</b>	<b>7 623</b>	<b>10 976</b>

The profit from the sale of assets is primarily due to the disposal of the building "La Praille" in Geneva.

Other income in 2017 included primarily the release of long-term liabilities and accruals as well as reimbursements received. In 2016 this position consisted of the provision of administrative services on behalf of the successor organisations of the Divisions Trade and Services.

	2017	2016
in CHF 000		
Loss from the disposal assets	- 1 663	- 2 014
Other expenses	- 1 353	- 2 221
<b>Total other expenses</b>	<b>- 3 017</b>	<b>- 4 235</b>

**12 FINANCIAL EXPENSE**

	2017	2016
in CHF 000		
Interest expenses on bank loans and liabilities	5 813	9 376
Interest on bond	6 779	6 779
Interest on financial leases	9	39
Net loss on derivative financial instruments	883	0
Foreign exchange losses, net	0	539
<b>Total financial expense</b>	<b>13 484</b>	<b>16 733</b>

On 3 May 2016, as part of the refinancing of a promissory note, an interest rate swap was completely unwound and the negative replacement value of TCHF 3 497 recognised in the income statement.

**13 FINANCIAL INCOME**

	2017	2016
in CHF 000		
Interest income from cash and cash equivalents, loans and receivables	570	731
Interest income from financial leases	195	223
Net gain from derivative financial instruments	0	501
Dividend income from available-for-sale financial assets	34	55
Foreign exchange gains, net	2 132	0
<b>Total financial income</b>	<b>2 931</b>	<b>1 509</b>

**14 INCOME TAXES**

Income tax is broken down as follows:

	2017	2016
in CHF 000		
Expense for current income taxes	2 884	2 235
Expense/(income) from deferred income taxes	8 459	-7 674
<b>Total income tax</b>	<b>11 343</b>	<b>-5 439</b>

The reconciliation of income taxes at the expected consolidated tax rate with the reported income tax is broken down as follows:

	2017	2016
in CHF 000		
Earnings before income taxes	68 462	57 040
Expected average Group tax rate	19.8%	23.4%
<b>Income taxes at the expected Group tax rate</b>	<b>13 573</b>	<b>13 376</b>
Expenses not recognised for tax purposes/non-taxable income	1 539	-4 601
Utilisation of previously unrecognised tax loss carryforwards	-2 644	-3 760
Effects on current income taxes from prior periods	-337	-1 677
Recognition of valuation allowances for deferred income taxes	980	2 392
Reversal of valuation allowances for deferred tax assets	-1 550	-10 009
Tax rate changes	412	-19
Other effects	-630	-1 141
<b>Total reported income taxes</b>	<b>11 343</b>	<b>-5 439</b>
Effective tax rate	16.6%	-9.5%

In calculating the expected average Group tax rate, the individual tax rates for the taxable entities are taken into account on a weighted basis. Compared to the previous year, the expected average Group tax rate fell, which is due to the changed composition of the earnings before income tax of the operational companies.

The change in deferred income taxes is as follows:

<i>Change in deferred tax assets/liabilities</i>	Deferred tax assets	Deferred tax liabilities	Net assets/(net liabilities)
in CHF 000			
<b>Balance on 31 December 2015</b>	<b>40 855</b>	<b>-34 138</b>	<b>6 717</b>
Deferred taxes recognised in the income statement	-389	8 063	7 674
Deferred taxes recognised in other comprehensive income	0	-334	-334
Change in consolidation scope	-1 691	-369	-2 060
Currency translation differences	-151	89	-62
<b>Balance on 31 December 2016</b>	<b>38 624</b>	<b>-26 689</b>	<b>11 936</b>
Deferred taxes recognised in the income statement	-12 770	4 310	-8 460
Deferred taxes recognised in other comprehensive income	0	357	357
Change in consolidation scope	4 018	0	4 018
Offsetting	-16 286	16 286	0
Currency translation differences	1 888	-1 429	458
<b>Balance on 31 December 2017</b>	<b>15 474</b>	<b>-7 166</b>	<b>8 309</b>

The deferred taxes recognised in the other comprehensive income related to continuing operations.

The deferred tax assets and liabilities recognised in the balance sheet are as follows:

<i>Deferred tax assets by origin of the difference</i>	2017	2016
in CHF 000		
Current assets	149	0
Property, plant and equipment	767	297
Goodwill, software and other intangible assets	9 909	22 286
Liabilities and provisions	1 194	107
Tax loss carryforwards	21 075	16 435
<b>Total</b>	<b>33 094</b>	<b>39 125</b>
<i>Deferred tax liabilities by origin of the difference</i>		
Current assets	- 15	- 3 409
Property, plant and equipment	- 3 117	- 3 580
Goodwill, software and other intangible assets	- 19 976	- 18 440
Other assets	0	- 680
Liabilities and provisions	- 1 677	- 1 081
<b>Total</b>	<b>- 24 785</b>	<b>- 27 190</b>
<i>Reported in the balance sheet</i>		
Deferred tax assets	15 474	38 624
Deferred tax liabilities	- 7 166	- 26 689
<b>Total deferred tax assets, net</b>	<b>8 309</b>	<b>11 936</b>

Tax loss carryforwards total to an amount of CHF 472.9 million (2016: CHF 492.4 million). Utilisation of CHF 311.0 million (2016: CHF 440.7 million) of these tax losses is not considered probable and therefore no deferred taxes have been recognised. These tax loss carry forwards do not expire or have their expiration dates in more than 5 years.

**15 EARNINGS PER SHARE**

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

	2017	2016
in CHF 000		
Net profit from continuing operations	57 118	62 479
Coupon attributable to providers of hybrid capital	-4 800	-4 800
Net profit from continuing operations attributable to Valora Holding AG shareholders	52 318	57 679
Net profit from discontinued operations	31	924
<b>Net profit from continuing and discontinued operations attributable to Valora Holding AG shareholders</b>	<b>52 350</b>	<b>58 604</b>
Average number of outstanding shares	3 427 949	3 339 499
Earnings per share from continuing operations (in CHF)	15.26	17.27
<b>Earnings per share from continuing operations and discontinued operations (in CHF)</b>	<b>15.27</b>	<b>17.55</b>

In 2017 and 2016 there were no dilutive effects.

**16 CASH AND CASH EQUIVALENTS**

	2017	2016
in CHF 000		
Cash on hand and sight deposits	152 515	159 381
<b>Total cash and cash equivalents</b>	<b>152 515</b>	<b>159 381</b>
of which restricted cash	8 355	2 986

**17 TRADE ACCOUNTS RECEIVABLE**

	2017	2016
in CHF 000		
Trade accounts receivable, gross	74 232	49 235
Valuation allowances	-2 964	-3 979
<b>Total trade accounts receivable, net</b>	<b>71 268</b>	<b>45 256</b>



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

	2017	2016
in CHF 000		
<b>Balance on 1 January</b>	<b>3 979</b>	<b>5 656</b>
Recognition of valuation allowances through profit or loss	718	1 069
Reversal of valuation allowances through profit or loss	-1 626	-1 080
Utilisation of valuation allowances	-571	-1 591
Currency translation differences	464	-75
<b>Balance on 31 December</b>	<b>2 964</b>	<b>3 979</b>

As of the balance sheet date, the age structure of the past due but not impaired trade accounts receivable is as follows:

	2017	2016
in CHF 000		
Up to 10 days overdue	4 079	5 079
More than 10 days, but less than one month overdue	6 866	3 770
More than one month, but less than two months overdue	112	565
More than two months, but less than four months overdue	338	682
More than four months overdue	1 186	919

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

	2017	2016
in CHF 000		
CHF	37 081	33 141
EUR	33 320	12 115
USD	830	0
GBP	37	0
<b>Total trade accounts receivable, net</b>	<b>71 268</b>	<b>45 256</b>

**18 INVENTORIES**

	2017	2016
in CHF 000		
Merchandise	147 318	142 053
Semi-finished and finished products	4 690	2 627
Other inventories	2 530	2 018
<b>Total inventories</b>	<b>154 537</b>	<b>146 698</b>

During the financial year, write-downs on inventories of CHF 6.4 million (2016: CHF 6.2 million) were charged to the cost of goods and materials.

**19 OTHER CURRENT RECEIVABLES**

	2017	2016
in CHF 000		
Value-added taxes and withholding tax receivables	2 171	2 013
Prepaid expenses	18 912	15 207
Current receivables for financial leases	621	621
Other receivables	32 863	34 924
<b>Total other current receivables</b>	<b>54 567</b>	<b>52 765</b>

In particular, other receivables include claims for reimbursement of costs as well as receivables due from social security and insurance companies. Additional information on current receivables for financial leases can be found in Note 22.

20 PROPERTY, PLANT AND EQUIPMENT

	Land	Building	Machinery and equipment	Projects in progress	Total
in CHF 000					
<i>Acquisition costs</i>					
<b>Balance on 31 December 2015</b>	<b>7 031</b>	<b>48 256</b>	<b>428 518</b>	<b>7 106</b>	<b>490 910</b>
Disposals from the scope of consolidation	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
Reclassifications	0	18	10 932	-10 950	0
Currency translation differences	-45	-139	-1 481	-173	-1 838
<b>Balance on 31 December 2016</b>	<b>7 697</b>	<b>47 549</b>	<b>411 225</b>	<b>13 701</b>	<b>480 173</b>
Consolidation scope additions	492	2 462	8 818	0	11 773
Additions	1	1 520	33 602	11 137	46 260
Disposals	0	-17 536	-21 306	0	-38 841
Reclassifications	0	67	16 921	-16 987	0
Currency translation differences	324	1 235	13 874	582	16 014
<b>Balance on 31 December 2017</b>	<b>8 514</b>	<b>35 297</b>	<b>463 135</b>	<b>8 433</b>	<b>515 379</b>
<i>Accumulated depreciation / impairments</i>					
<b>Balance on 31 December 2015</b>	<b>0</b>	<b>-6 898</b>	<b>-250 639</b>	<b>0</b>	<b>-257 537</b>
Disposals from the scope of consolidation	0	492	1 055	0	1 547
Additions	0	-2 156	-38 090	0	-40 245
Impairments	0	0	-2 702	0	-2 702
Disposals	0	204	39 388	0	39 592
Currency translation differences	0	28	659	0	687
<b>Balance on 31 December 2016</b>	<b>0</b>	<b>-8 330</b>	<b>-250 328</b>	<b>0</b>	<b>-258 658</b>
Additions	0	-1 724	-39 093	0	-40 818
Impairments	0	0	-1 619	0	-1 619
Disposals	0	611	19 216	0	19 828
Currency translation differences	0	-245	-5 973	0	-6 218
<b>Balance on 31 December 2017</b>	<b>0</b>	<b>-9 689</b>	<b>-277 796</b>	<b>0</b>	<b>-287 485</b>
<i>Carrying amount</i>					
On 31 December 2016	7 697	39 219	160 898	13 701	221 514
<b>On 31 December 2017</b>	<b>8 514</b>	<b>25 608</b>	<b>185 338</b>	<b>8 433</b>	<b>227 894</b>

The disposed building relates to the former headoffice of Naville in Geneva.

Impairments on machinery and equipment mainly involve point-of-sale equipment for both years.

21 GOODWILL, SOFTWARE AND OTHER INTANGIBLE ASSETS

	Goodwill	Intangible assets with indefinite useful lives	Software and intangible assets with finite useful lives	Projects in progress	Total
in CHF 000					
<i>Acquisition costs</i>					
<b>Balance on 31 December 2015</b>	<b>418 330</b>	<b>46 207</b>	<b>155 800</b>	<b>3 488</b>	<b>623 825</b>
Additions to the scope of consolidation	0	0	1 669	0	1 669
Disposals from the scope of consolidation	-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
Reclassifications	0	0	3 089	-3 089	0
Currency translation differences	-2 171	-234	-411	-18	-2 834
<b>Balance on 31 December 2016</b>	<b>378 597</b>	<b>45 973</b>	<b>142 125</b>	<b>3 300</b>	<b>569 994</b>
Additions to the scope of consolidation	162 484	0	55 469	135	218 088
Additions	0	0	2 656	3 806	6 462
Disposals	0	0	-689	0	-689
Reclassifications	0	0	2 677	-2 677	0
Currency translation differences	19 743	2 013	7 428	181	29 365
<b>Balance on 31 December 2017</b>	<b>560 824</b>	<b>47 986</b>	<b>209 666</b>	<b>4 744</b>	<b>823 220</b>
<i>Accumulated depreciation / impairments</i>					
<b>Balance at December 31, 2015</b>	<b>-1 189</b>	<b>0</b>	<b>-109 464</b>	<b>0</b>	<b>-110 653</b>
Disposals from the scope of consolidation	0	0	494	0	494
Additions	0	0	-11 219	0	-11 219
Impairments	0	0	-1 188	0	-1 188
Disposals	0	0	21 415	0	21 415
Currency translation differences	13	0	155	0	168
<b>Balance on 31 December 2016</b>	<b>-1 177</b>	<b>0</b>	<b>-99 807</b>	<b>0</b>	<b>-100 984</b>
Additions	0	0	-12 215	0	-12 215
Impairments	0	0	-47	0	-47
Disposals	0	0	338	0	338
Currency translation differences	-108	0	-2 356	0	-2 464
<b>Balance on 31 December 2017</b>	<b>-1 285</b>	<b>0</b>	<b>-114 086</b>	<b>0</b>	<b>-115 371</b>
<i>Carrying amount</i>					
On 31 December 2016	377 420	45 973	42 317	3 300	469 010
<b>On 31 December 2017</b>	<b>559 539</b>	<b>47 986</b>	<b>95 579</b>	<b>4 744</b>	<b>707 849</b>

The increase in software and intangible assets with finite useful lives contains mainly franchise contracts which were capitalised resulting from BackWerk's purchase price allocation.

*Intangible assets with indefinite useful lives.* The intangible assets with indefinite useful lives include the brands Ditsch (CHF 24 million) and Brezelkönig (CHF 24 million). The trademarks were tested for impairment by calculating the value in use of the cash-generating unit Ditsch/Brezelkönig. The revenues used in this calculation are based on three-year business plans. In addition, revenue growth of 1.0% was assumed (2016: 1.0%). The pre-tax discount rates applied are 6.9% for Ditsch and 5.4% for Brezelkönig (2016: 7.9% and 5.9% respectively).

*Software and intangible assets with finite useful lives.* Software and intangible assets with finite useful lives includes CHF 12.8 million (2016: CHF 14.3 million) for software and CHF 82.8 million (2016: CHF 28.1 million) for intangible assets with finite useful lives, of which CHF 17.8 million (2016: CHF 19.7 million) relate to Ditsch/Brezelkönig customer relationships and CHF 57.2 million to BackWerk franchise contracts.

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

Cash-generating units	Segment	Year of acquisition	2017	2016
in CHF 000				
Valora Retail Switzerland	Retail	2002 – 2015	53 730	53 730
Valora Retail Germany	Retail	2008 – 2012	94 768	86 816
Ditsch Germany and Brezelkönig Switzerland	Food Service	2012	247 502	236 874
BackWerk	not yet allocated	2017	160 202	0
Pretzel Baron	Food Service	2017	3 337	0
<b>Total carrying amount as at 31 December</b>			<b>559 539</b>	<b>377 420</b>

Goodwill is tested for impairment based on the estimated future free cash flows (DCF method) of the cash-generating units taken from the respective business plans approved by the Board of Directors over a three-year period, which reflect management's assessment. The following key assumptions were used:

*Valora Retail Switzerland.* Slightly lower revenues and a slightly higher margin are expected for the three plan years.

*Valora Retail Germany.* Average revenue growth for the plan period is just over 5%, with margins rising.

*Ditsch/Brezelkönig.* The average revenue growth for the plan period is just under 5%, with stable margins.

For cash flows after this period, a residual value based on the third plan year is used, which does not include any growth assumptions, with the exception of Ditsch/Brezelkönig, which has a growth rate of 1.0% (2016: 1.0%). The discount rates used reflect data from the Swiss financial market and have been adjusted for currency and country-specific risks.

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

	Currency	2017	2016
in CHF 000			
Valora Retail Switzerland	CHF	5.9%	6.5%
Valora Retail Germany	EUR	7.1%	8.0%
Ditsch/Brezelkönig (Germany/Switzerland)	EUR	6.2%	7.0%

No impairments were charged to the income statement in 2017 and 2016. An impairment test of the goodwill of BackWerk will be carried out for the first time in 2018.

*Sensitivities.* For all goodwill items, the impairment tests for 2017 also show that, in the event of an increase in the discount rate of 1.5 percentage points, or if zero growth in sales is assumed, all resulting values in use exceed the carrying amounts.

**22 RECEIVABLES FROM RENTAL AGREEMENTS AND LEASES**

<i>Receivables from rental agreements</i>	2017	2016
in CHF 000		
Payments received during the reporting year	20 267	17 101
<i>Due dates of future receivables</i>		
Within one year	39 298	16 487
Within 1 – 2 years	32 929	12 973
Within 2 – 3 years	27 752	9 896
Within 3 – 4 years	22 855	8 640
Within 4 – 5 years	16 980	6 770
After more than 5 years	32 482	16 768
<b>Total future receivables from rental agreements</b>	<b>172 296</b>	<b>71 533</b>

Total future receivables from rental agreements increased significantly as a result of the BackWerk acquisition.

<i>Receivables from other operating leases</i>	2017	2016
in CHF 000		
Payments received during the reporting year	4 521	3 998
<i>Due dates of future receivables</i>		
Within one year	4 263	1 645
Within 1 – 2 years	3 239	1 245
Within 2 – 3 years	2 849	1 186
Within 3 – 4 years	2 282	1 135
Within 4 – 5 years	1 837	1 023
After more than 5 years	3 399	939
<b>Total future receivables from other operating leases</b>	<b>17 870</b>	<b>7 172</b>

Other operating leases involve point-of-sale facilities that are let to franchisees in Germany.

<i>Receivables from financial leases</i>	2017	2016
in CHF 000		
Payments received during the reporting year	642	643
<i>Due dates of the receivables</i>		
Within one year	625	643
Within 1 – 2 years	571	624
Within 2 – 3 years	571	571
Within 3 – 4 years	571	571
Within 4 – 5 years	570	570
After more than 5 years	428	999
<b>Total future receivables from financial leases</b>	<b>3 336</b>	<b>3 978</b>
Less future interest income	-547	-741
<b>Total receivables from financial leases (present value)</b>	<b>2 789</b>	<b>3 237</b>
Less the current portion (see Note 19)	-621	-621
<b>Non-current receivables from financial leases (see Note 23)</b>	<b>2 168</b>	<b>2 616</b>

<i>Present values of minimum lease payments receivable</i>	2017	2016
in CHF 000		
Within one year	621	621
Within 1 – 2 years	517	566
Within 2 – 3 years	485	485
Within 3 – 4 years	455	455
Within 4 – 5 years	426	426
After more than 5 years	285	684
<b>Total present value</b>	<b>2 789</b>	<b>3 237</b>

Financial leases relate to leasehold improvements at the former head office in Bern, which is now used by new tenants.

## 23 FINANCIAL ASSETS

	2017	2016
in CHF 000		
Loans	5 292	4 958
Receivables from financial leases	2 168	2 616
Other non-current receivables	15 088	23 593
Financial assets available for sale	649	643
<b>Total financial assets</b>	<b>23 197</b>	<b>31 809</b>



Additional information on receivables from financial leases can be found in Note 22.

Other non-current receivables mainly represent the remaining amount from the sale of the property in MuttENZ in 2012, which is offset against the receivables from a right of use secured by mortgages over the next five years until 2022, as well as the earn-out from the sale of the Trade division (see Note 33) and a guarantee claim.

Available-for-sale financial investments include TCHF 649 (2016: TCHF 643) in unlisted participation rights for which there is neither an active market nor sufficient information for measurement. They are therefore recognised in the balance sheet at the cost of acquisition, less impairment.

#### 24 CURRENT FINANCIAL LIABILITIES AND OTHER NON-CURRENT LIABILITIES

##### *Current financial liabilities*

	2017	2016
in CHF 000		
Current bank debt	16 670	37
Current bond liabilities	199 990	0
Current portion of liabilities from financial leases	0	689
<b>Total current financial liabilities</b>	<b>216 660</b>	<b>726</b>

##### *Other non-current liabilities*

	2017	2016
in CHF 000		
Promissory notes	175 421	160 459
Bond	0	199 932
Other non-current liabilities	15 133	3 536
<b>Total other non-current liabilities</b>	<b>190 554</b>	<b>363 928</b>

The syndicated loan facility of CHF 200 million is currently not being utilised.

The change in the carrying amount of the promissory notes is mainly attributable to the foreign currency loss of TCHF 14 731 as a result of the Swiss Franc weakening against the Euro.

Other non-current liabilities include financial liabilities (mainly deposits) in the amount of TCHF 6 550 (2016: TCHF 741) and other liabilities (primarily onerous contracts and jubilee benefits) in the amount of TCHF 8 583 (2016: TCHF 2 795). The increase results from the BackWerk acquisition.

<i>Bond</i>	Nominal value	2017 Carrying amount	2016 Carrying amount
in CHF 000			
2.50 % bond 2012 – 2018	200 000	199 990	199 932

<i>Maturities at year end are as follows</i>	2017	2016
in CHF 000		
Within one year	216 660	726
Within 1 – 2 years	92 813	199 578
Within 2 – 3 years	1 499	83 623
Within 3 – 4 years	85 668	0
Within 4 – 5 years	819	77 190
After more than 5 years	1 172	741
<b>Total financial liabilities</b>	<b>398 632</b>	<b>361 858</b>
Current portion of financial liabilities	– 216 660	– 726
<b>Total non-current portion of financial liabilities</b>	<b>181 971</b>	<b>361 132</b>

The interest rates on financial liabilities ranged between 0.1 % and 4.0 % (2016: between 0.9 % and 4.0 %). The weighted average interest rate on financial liabilities was 3.0 % (2016: 3.4 %). Non-current financial liabilities are in the following currencies:

	2017	2016
in CHF 000		
CHF	148	200 673
EUR	181 823	160 459
<b>Total non-current financial liabilities</b>	<b>181 971</b>	<b>361 132</b>
Other non-current liabilities	8 583	2 795
<b>Total other non-current liabilities</b>	<b>190 554</b>	<b>363 927</b>

<i>Financing activities</i>	Current bank debt	Current portion of long-term debt	Current bonds	Current portion of liabilities from financial leases	Total current financial liabilities	Promissory notes	Other non-current financial liabilities	Bond	Total non-current financial liabilities
in CHF 000									
<b>Opening Balance on 1 January 2017</b>	<b>37</b>	<b>0</b>	<b>0</b>	<b>689</b>	<b>726</b>	<b>160 459</b>	<b>741</b>	<b>199 932</b>	<b>361 132</b>
Additions to scope of consolidation	0	0	0	0	0	0	6 459	0	6 459
Additions	15 565	122 669	0	0	138 234	0	110	0	110
Disposals	0	– 117 750	0	– 689	– 118 439	0	– 142	0	– 142
Reclass	0	911	199 961	0	200 872	0	– 911	– 199 961	– 200 872
Non-cash transactions	0	0	29	0	29	231	0	29	260
Currency translation differences	167	– 4 929	0	0	– 4 762	14 731	294	0	15 025
<b>Closing Balance on 31 December 2017</b>	<b>15 769</b>	<b>901</b>	<b>199 990</b>	<b>0</b>	<b>216 660</b>	<b>175 421</b>	<b>6 550</b>	<b>0</b>	<b>181 971</b>

**25 TRADE ACCOUNTS PAYABLE**

Trade accounts payable are in the following currencies:

	2017	2016
in CHF 000		
CHF	101 037	103 115
EUR	41 917	33 345
Other	384	97
<b>Total trade accounts payable</b>	<b>143 338</b>	<b>136 556</b>

**26 OTHER CURRENT LIABILITIES**

	2017	2016
in CHF 000		
Value-added tax and other taxes	4 887	1 876
Personnel and social security	1 597	1 460
Accruals for overtime, vacation and variable salary components	5 625	8 717
Liabilities to pension funds	1 729	1 794
Accrued expenses	53 407	43 597
Other current liabilities	34 012	30 293
<b>Total other current liabilities</b>	<b>101 257</b>	<b>87 737</b>

Accrued expenses primarily include accruals for agency fees, goods and services purchased as well as accrued interest. Other current liabilities mainly include liabilities from rent and ancillary rental costs as well as liabilities from investments in property, plant and equipment and intangible assets. The increase in other current liabilities is due to the acquisition of BackWerk and Pretzel Baron.

**27 PROVISIONS**

	Guarantees	Legal cases	Total
in CHF 000			
<b>Balance on 31 December 2015</b>	<b>11 053</b>	<b>359</b>	<b>11 412</b>
Reversal	-491	-355	-846
Currency translation differences	0	-4	-4
<b>Balance on 31 December 2016</b>	<b>10 562</b>	<b>0</b>	<b>10 562</b>
Reversal	-7 000	0	-7 000
<b>Balance on 31 December 2017</b>	<b>3 562</b>	<b>0</b>	<b>3 562</b>
Non-current provisions	3 562	0	3 562
<b>Total provisions</b>	<b>3 562</b>	<b>0</b>	<b>3 562</b>

*Guarantees:* CHF 11.1 million was recognised in connection with contractual obligations arising from the sale of the Trade division.

In the course of the review of all contractual arrangements with Aurelius in connection with the sale of the Trade division in financial year 2015, it was determined that the reason for a warranty provision had partially ceased to exist and a tax provision could partially be released due to expiration of limitation period. Therefore, the reported amount was reduced by CHF 7.0 million in 2017. The release is recorded in net profit from discontinued operations.

## 28 PENSION OBLIGATIONS

In line with statutory requirements, most employees are insured by pension schemes that are funded by the Valora Group and its employees. These institutions include state or self-funded insurance, private insurance companies, independent foundations and pension funds. The benefits provided by these institutions vary according to the legal and economic conditions in each country, but they are mainly based on length of service and the employee's average salary and they generally cover the risks of old age, death and disability in line with statutory provisions on occupational benefits.

Most Valora employees in Switzerland are insured by the autonomous Valora pension fund against the risks of old age, death and disability. Ordinary employer contributions include age-related risk premiums of 1.0–3.0% as well as savings contributions of 4.0–12.0% of the insured salary in credits to individual saving accounts. Benefits are defined in the pension fund regulations of the Valora Pension Fund, with minimum benefits defined by law. The ordinary retirement age is 65 for men and 64 for women. After they turn 58, Valora employees have the right to early retirement, with the conversion rate being reduced in line with the longer expected pension period. The amount of the pension that is paid out is based on the conversion rate applied to the individual beneficiary's accumulated saving accounts when they retire. For ordinary retirement after reaching age 65 or 64, the conversion rate is currently 6.40% (2016: 6.50%). The conversion rate will be reduced by 0.20% to 6.20% in 2018 and by 0.20% to 6.00% in 2019. The accumulated saving accounts are made up of savings contributions from employers and employees as well as interest credited to the saving accounts. The interest rate is set annually by the Board of Trustees of the Valora Pension Fund. The legal form of the Valora Pension Fund is a foundation. The Board of Trustees, which is comprised of an equal number of employer and employee representatives, is responsible for managing the foundation. The duties of the Board of Trustees are defined in the Federal Act on Occupational Old Age, Survivors' and Invalidity Pension Provision (BVG) and the pension fund regulations of the Valora Pension Fund. A temporary shortfall is permitted under the BVG. In order to remedy a shortfall within a reasonable period of time, the Board of Trustees is obliged to initiate remedial measures. If there is a significant shortfall, additional employer and employee contributions may be imposed under the BVG.

Day-to-day business is managed by the plan administrator under the supervision of the Board of Trustees. The plan administrator periodically informs the Board of Trustees about developments. The foundation bears all actuarial risks. These are divided into demographic (in particular, changes in mortality) and financial risks (in particular, changes to the discount rate, changes to wages and the return on plan assets). The Board of Trustees assesses the risks on a regular basis. To this end, an actuarial report is prepared once a year in accordance with the provisions of the BVG. This report is not prepared using the projected unit credit method. The Board of Trustees is responsible for investments. If necessary, it redefines the investment strategy, particularly in the event of significant changes on the market or to the structure of plan participants. The investment strategy takes account of the foundation's risk capacity as well as the plan's benefit obligations and is set out in the form of a target long-term asset structure (investment policy). The aim is to achieve a medium- and long-term balance of plan assets and obligations under the pension plan.

The last actuarial evaluation was prepared as at 31 December 2017. The assets of the pension schemes are invested in accordance with local investment regulations. Valora pays its contributions to pension schemes on the basis of the rules specified by the pension scheme.

Other employees in Germany and Austria are also insured by various, smaller unfunded pension plans.

<i>Change in liabilities and assets</i>	2017	2016
in CHF 000		
Present value of defined benefit obligation at the beginning of the year	524 125	600 721
Service cost	6 700	11 057
Employee contributions	4 896	5 399
Interest costs	2 851	4 147
Plan amendments, curtailments, settlements	-9 877	-7 581
Disposals from the scope of consolidation	0	-59 826
Additions to the scope of consolidation	1 321	3 462
Benefits paid	-24 096	-29 188
Actuarial losses/(gains) from obligations	10 771	-4 063
Currency translation differences	27	-3
<b>Present value of defined benefit obligation at year-end</b>	<b>516 717</b>	<b>524 125</b>
Market value of pension assets at the beginning of the year	530 424	596 066
Interest income	2 883	4 116
Employer contributions	6 755	7 545
Employee contributions	4 896	5 399
Plan amendments, curtailments, settlements	-7 358	-7 367
Disposals from the scope of consolidation	0	-50 782
Additions to the scope of consolidation	1 270	3 028
Benefits paid	-24 062	-29 142
Actuarial gains from assets	63 551	2 293
Other pension costs	-791	-732
<b>Market value of pension assets at year-end</b>	<b>577 568</b>	<b>530 424</b>

The pension assets calculated at fair value all relate to the Swiss pension schemes.

The Group expects to pay employer contributions of CHF 6.5 million in 2018.

<i>Balance sheet values</i>	2017	2016
in CHF 000		
Present value of funded pension obligations	-516 410	-523 814
Fair value of pension assets	577 568	530 424
<b>Excess/(shortfall) of fund-financed plans</b>	<b>61 158</b>	<b>6 610</b>
Asset ceiling effect	-61 158	-6 610
Present value of unfunded pension obligations	-307	-309
<b>Total net pension obligation</b>	<b>-307</b>	<b>-309</b>

The weighted average duration of the defined benefit obligation is 12.9 years (2016: 13.0 years).

The net pension obligation developed as follows:

	2017	2016
in CHF 000		
1 January	-309	-4 655
Disposals from the scope of consolidation	0	9 044
Additions to the scope of consolidation	-51	-434
Pension expense, net in profit or loss	-4 976	-11 606
Employer contributions	6 789	7 591
Actuarial losses in other comprehensive income	-1 732	-254
Currency translation differences	-27	3
<b>31 December</b>	<b>-307</b>	<b>-309</b>

<i>Income statement</i>	2017	2016
in CHF 000		
Service cost	-6 700	-11 057
Interest costs	-2 851	-4 147
Plan amendments, curtailments, settlements	2 519	213
Interest on effect of asset ceiling	-36	0
Interest income	2 883	4 116
Other pension costs	-791	-732
<b>Actuarial net pension expense</b>	<b>-4 976</b>	<b>-11 606</b>

Income from plan amendments in the amount of CHF 2 519 are due to the reduction in the conversion rate and the conversion of own outlets to agencies.

<i>Actuarial gains/losses</i>	2017	2016
in CHF 000		
Changes in demographic assumptions	0	71
Changes in financial assumptions	-51	-7 314
Experience adjustment on defined benefit obligation	-10 771	10 872
Gain on pension assets (excluding interest based on the discount rate)	63 551	2 293
Asset ceiling effect	-54 512	-6 610
<b>Actuarial losses of the period</b>	<b>-1 783</b>	<b>-688</b>

<i>Total actuarial gains/losses recognised in other comprehensive income</i>	2017	2016
in CHF 000		
1 January	-89 477	-88 455
Actuarial losses	-1 783	-688
Deferred taxes	356	-334
<b>31 December</b>	<b>-90 904</b>	<b>-89 477</b>

<i>Significant actuarial assumptions</i>	2017	2016
in CHF 000		
Discount rate (Switzerland only)	0.55 %	0.55 %
Future salary increases (Switzerland only)	1.00 %	1.00 %

Calculations in Switzerland were carried out using the BVG 2015 mortality table (generation table).

<i>Sensitivity analysis</i>	2017	2016
in CHF 000		
Discount rate (+0.25 %)	-15 281	-15 681
Discount rate (-0.25 %)	14 470	14 846
Change in salaries (+0.50 %)	743	801
Change in salaries (-0.50 %)	-777	-837

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



<i>Asset allocation</i>	2017	2016
in CHF 000		
Cash and cash equivalents	6.80%	3.60%
Bonds	26.70%	31.40%
Equities	31.10%	30.80%
Real estate	30.00%	31.80%
Other	5.40%	2.40%
<b>Total</b>	<b>100.00%</b>	<b>100.00%</b>

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

The effective income from plan assets is CHF 65.6 million (2016: CHF 5.7 million). The effective return for 2017 was 12.4% (2016: 1.0%). The pension schemes do not hold any Valora Holding AG securities and do not let significant portions of their real estate to the Valora Group.

## 29 SHARE-BASED REMUNERATION

The following share-based remuneration programmes are available for the Board of Directors, management and employees:

*Share participation programme for the Board of Directors.* Under the regulations for the Board of Directors, 20% of the individual total compensation of members of the Board of Directors is generally paid out in blocked registered shares. In justified cases, the Board of Directors may decide to pay a higher or lower percentage of the total compensation in shares. The shares are generally subject to a blocking period of three years. The shares remain in a Valora securities account during the blocking period. Board members are prohibited from selling, pledging or otherwise transferring the shares. After the end of the blocking period, members can freely dispose of the shares.

During the reporting year, the members of the Board of Directors received 20% of their total compensation in shares in the quarter following the Ordinary General Meeting.

*Share participation programme (SPP) for Group Executive Management.* With effect from 1 November 2015, a management share participation programme was introduced for members of Group Executive Management and selected members of Extended Group Executive Management. Under the SPP, shares are granted as a component of compensation in accordance with the relevant employment contract. Participants receive shares of Valora Holding AG with all of the rights of a normal shareholder, apart from the three-year lock-up period. The allocation of shares is not subject to any further service conditions. Each calendar year, 50% of the shares allocated will be granted on 31 March and 50% on 30 September as part of the compensation for the first or second half respectively of the corresponding calendar year. Employees who join or leave the company during the year will receive a pro rata allocation or be required to return their shares based on their period of employment.

The fair value of the compensation is the share price on the grant date (31 March) multiplied by the quantity of allocated shares. This amount is recognised as expense through profit and loss in the calendar year.

*Share participation programme for employees.* Employees in Switzerland (members of Group Executive Management are excluded from the programme) are entitled to acquire shares of Valora Holding AG at a preferential price at the beginning of the next year based on certain criteria and function/management level. The price is 60% of the average market price in November of the previous year. The shares are acquired with all rights, but they cannot be sold for three years. The proceeds of these sales to employees are credited directly to equity.

<i>Recognised personnel expense for share-based remuneration for personnel and the Board of Directors</i>	2017	2016
in CHF 000		
Expenses for Valora Group employees and management share participation plans (equity settled)	2 758	1 983
<b>Total expense recognised for share-based remuneration</b>	<b>2 758</b>	<b>1 983</b>

### 30 CONTINGENT LIABILITIES, OBLIGATIONS FROM LEASES AND OTHER AGREEMENTS

<i>Contingent liabilities</i>	2017	2016
in CHF 000		
Guarantees	7 361	0
Other contingent liabilities	0	140
<b>Total contingent liabilities</b>	<b>7 361</b>	<b>140</b>

<i>Future obligations from operating leases and other agreements</i>	2017	2016
in CHF 000		
Future rent obligations	746 266	725 336
Future obligations from other operating leases	4 483	2 192
Future obligations from other agreements	39 797	41 472
<b>Total future obligations</b>	<b>790 546</b>	<b>768 999</b>

<i>Rental agreements</i>	2017	2016
in CHF 000		
Minimum rental expense	142 441	139 578
Variable rental expense	26 440	26 479
<b>Total rental expense</b>	<b>168 881</b>	<b>166 058</b>
<i>Due dates of future rental obligations</i>		
Within one year	171 085	148 985
Within 1–2 years	154 715	137 839
Within 2–3 years	135 911	124 009
Within 3–4 years	89 888	109 534
Within 4–5 years	66 283	67 458
After more than 5 years	128 384	137 511
<b>Total future obligations from rental agreements</b>	<b>746 266</b>	<b>725 336</b>

The long-term rental contracts have been concluded in order to secure long-term access to the sites concerned. Most of the rental contracts contain variable, sales based components.

<i>Other operating leases</i>	2017	2016
in CHF 000		
Total expense for other operating leases during the reporting year	2 407	2 386
<i>Due dates of future obligations from other operating leases</i>		
Within one year	2 052	1 248
Within 1–2 years	1 259	661
Within 2–3 years	675	239
Within 3–4 years	376	24
Within 4–5 years	121	10
After more than 5 years	0	9
<b>Total future obligations from other operating leases</b>	<b>4 483</b>	<b>2 192</b>

The future obligations from other operating leases mainly relate to vehicle leases.

<i>Other agreements</i>	2017	2016
in CHF 000		
<i>Due dates of future obligations from other agreements</i>		
Within one year	28 271	24 140
Within 1 – 2 years	7 953	9 827
Within 2 – 3 years	1 559	7 287
Within 3 – 4 years	1 071	218
Within 4 – 5 years	943	0
<b>Total future obligations from other agreements</b>	<b>39 797</b>	<b>41 472</b>

The future obligations from other agreements primarily relate to IT outsourcing agreements.

### 31 RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

By virtue of the international nature of its business operations and its financing structure, the Valora Group is exposed to financial risks. These not only include market risks such as foreign exchange and interest rate risk, but also liquidity and credit risks. Valora's financial risk management activities aim to limit these risks. The financial risk policy is determined by Group Executive Management and monitored by the Board of Directors. Responsibility for implementation of the financial policy as well as for financial risk management rests with the central Corporate Treasury.

Sensitivity analyses that show the effects of hypothetical changes in relevant risk variables on earnings before income taxes and other comprehensive income are used to present market risks. These effects are determined by assuming hypothetical changes in the risk variables and assessing their impact on the financial instruments. The hypothetical changes in interest rates relate to the differences between the expected interest rates at the end of the following year and the current values on the balance sheet date. The hypothetical changes in currencies correspond to the one-year volatility as at the balance sheet date.

*Foreign currency risks.* Transaction risks arise when the value of foreign currency transactions fluctuates as a result of changes in the exchange rate of the functional currency. For Valora, transaction risks arise when it obtains goods and services in a currency other than the functional currency and as a result of intra-group transactions. Most Group companies mainly carry out their transactions in the functional currency. According to IFRS currency risks do not arise from financial instruments that are non-monetary items or from financial instruments denominated in the functional currency. In order to limit the transaction risks, currency derivatives are used selectively.

Translation risk arises when translating the balance sheets and income of foreign Group companies as part of consolidation and the resulting change in equity.

Net investments in foreign Group companies are also periodically analysed and the risk is measured using the volatilities of the corresponding currencies. These analyses show that the translation risk is acceptable compared to consolidated equity. The translation risks are not hedged and are not included in the currency sensitivities presented below.

The following table shows the material effects on earnings before income taxes and other comprehensive income as a result of hypothetical changes to the relevant foreign exchange rates of the financial instruments.

<i>Currency sensitivity analysis</i>	Hypothetical change (percent) 2017	Impact on earnings before income tax 2017	Impact on other comprehensive income 2017	Hypothetical change (percent) 2016	Impact on earnings before income tax 2016	Impact on other comprehensive income 2016
in CHF 000						
CHF/EUR	+/-5.0%	+/-9570	+/-9694	+/-10.0%	+/-764	+/-16457

The acquisition of BackWerk increased temporarily the Euro exposure. To mitigate the risk Valora placed on 11 January 2018 a promissory note in the amount of EUR 170 million on the capital market.

**Interest rate risks.** The Group's interest-bearing assets mainly consist of cash and cash equivalents. Due to the variable interest rate on cash and cash equivalents, the amount of income is influenced by the development of market interest rates. The Group's interest rate risk normally arises in connection with financial liabilities. Financial liabilities with variable interest rates result in a cash flow interest rate risk for the Group. 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 desired balance of fixed and variable interest rates, the Group enters into interest rate hedges where needed. Interest-bearing liabilities mainly consist of a bond and a promissory note (see Note 24).

The sensitivity analysis of the interest rate risk only includes items with variable interest rates. The following table shows the material effects on earnings before income taxes as a result of hypothetical changes to the relevant market interest rates.

<i>Interest rate sensitivity analysis</i>	Hypothetical change (basis points) 2017	Impact on earnings before income tax 2017	Hypothetical change (basis points) 2016	Impact on earnings before income tax 2016
in CHF 000				
CHF	+/-27	+/-205	+/-8	+/-42
EUR	+/-34	+/-68	+/-8	+/-43

**Liquidity risks.** Liquidity risk management refers to the Group's ability at all times to meet its payment obligations in full and in a timely manner. Valora's Group liquidity is monitored on an ongoing basis and optimised through cash pool arrangements. Liquidity reserves in the form of credit limits and cash ensure constant solvency and financial flexibility.

The following table shows the undiscounted interest and principal payments of the Group's non-derivate financial liabilities. All instruments in the portfolio at the end of the year are included. The interest rates set most recently prior to the balance sheet date are used to calculate variable interest payments.

	Up to 1 month	From 1 to 3 months	From 3 months to 1 year	From 1 to 5 years	More than 5 years
in CHF 000					
<b>As at 31 December 2017</b>					
Current financial liabilities	15 772	199 990	901	0	0
Derivative financial liabilities	1 035	0	0	0	0
Trade accounts payable	134 566	8 379	392	0	0
Other current liabilities (financial instruments only)	51 537	14 540	9 741	0	0
Non-current financial liabilities	0	5 020	3 628	201 117	685
<b>Total</b>	<b>202 911</b>	<b>227 929</b>	<b>14 662</b>	<b>201 117</b>	<b>685</b>
<b>As at 31 December 2016</b>					
Current financial liabilities	45	0	689	0	0
Trade accounts payable	128 848	7 369	339	0	0
Other current liabilities (financial instruments only)	44 430	12 028	8 383	0	0
Non-current financial liabilities	0	5 020	3 323	372 851	741
<b>Total</b>	<b>173 323</b>	<b>24 418</b>	<b>12 734</b>	<b>372 851</b>	<b>741</b>

In order to optimise its ability to manage liquidity, the Valora Group has several different credit facilities in place, both at fixed and floating rates of interests, which have not been fully drawn down.

**Credit risks.** Credit risks arise when contractual parties are unable to fulfil their obligations as agreed. Valora's receivables are reviewed on an ongoing basis and managed so that no significant credit and concentration risks arise. As at the end of 2017 and 2016, the Valora Group had no receivables from individual customers representing more than 6% of total trade accounts receivable.

The Valora Group works with a select number of reputable banking institutions. Specific situations may require subsidiaries to transact business with other banks. New banking relationships are established and existing ones terminated in consultation with Corporate Treasury. Corporate Treasury reviews the banking relationships on a regular basis using external ratings and defines credit limits for all counterparties.

The maximum default risk of the financial assets of CHF 291 million (2016: CHF 283 million) corresponds to the carrying amounts (see Note 32).

The following table shows the Group's demand deposits and fixed term deposits with maturities of 3 months or less by bank counterparty rating. The table uses Standard & Poor's rating codes.

<i>Demand deposits and fixed term deposits with maturities of less than three months</i>	2017	2016
in CHF 000		
AAA and/or state guarantee (AAA countries)	76	617
AA	12 078	13 980
A	76 158	70 560
BBB	24 611	34 550
No Rating	1 710	2 890
<b>Total demand deposits and fixed term deposits with maturities of less than three months <sup>1)</sup></b>	<b>114 633</b>	<b>122 597</b>

<sup>1)</sup> The other components of the balance sheet item cash and cash equivalents is comprised of cash holdings (including cash in transit).

*Risk management instruments (hedging).* The Valora Group uses forward contracts to mitigate foreign currency risks. In addition, interest rate swaps are used to hedge interest rate risks. Exposure arising from existing asset and liability items, as well as from future commitments, is managed centrally.

To hedge the interest payments on the promissory note (nominal value of EUR 72 million), an interest rate swap was concluded as at 30 October 2013 (cash flow hedge), the fair value of which corresponded to its negative replacement value of CHF 3.4 million as at 31 December 2015 and its change in value was recognised in other comprehensive income. On 3 May 2016, as part of the refinancing of a promissory note, an interest rate swap was unwound and the negative replacement value of CHF 3.5 recognised through profit or loss.

To hedge 50% of the interest expense of the bond issued on 1 February 2012 (see Note 24), a forward-starting interest rate swap was entered into in the first half of 2011. This interest rate swap was designated as a hedging instrument to hedge the interest payments on the bond (cash flow hedge). On 1 February 2012, the interest rate swap was closed with a negative replacement value of CHF 10.4 million. In financial year 2017, CHF 1.7 million (2016: CHF 1.7 million) of other comprehensive income was reclassified to financial expense. The hedged payments relate to the years 2012 to 2018 and are recognised through profit and loss during this period.



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 31 December 31 2016 and 2017 or through standard pricing model valuations using market data.

<i>Derivative financial instruments</i>	Notional amount 2017	Replacement values 2017	Notional amount 2016	Replacement values 2016
in CHF 000				
<i>Currency instruments</i>				
Forward contracts/ derivative financial liabilities	170 000	1 035	0	0
<b>Total derivative financial liabilities</b>	<b>170 000</b>	<b>1 035</b>	<b>0</b>	<b>0</b>

*Capital management.* The primary goal of capital management at the Valora Group is to achieve a high credit rating and a good equity ratio. This serves to support the Group's business activities and maximise shareholder value.

The Valora Group manages its capital structure and makes adjustments in response to changes in the economic circumstances. The Valora Group can undertake various measures to maintain or adjust its capital structure, such as modifying dividend payments to shareholders, repaying capital to shareholders or issuing new shares.

Capital is monitored with the help of the equity ratio, which is calculated as the percentage of equity to total assets. The Group's capital and equity ratio are listed in the following table:

	2017	2016
in CHF 000		
Equity of Valora Holding AG	737 924	530 875
<b>Total equity</b>	<b>737 924</b>	<b>530 875</b>
<b>Equity ratio</b>	<b>52.4 %</b>	<b>45.5 %</b>

With the exception of bob Finance AG, Zurich, the Valora Group is not subject to external capital requirements, such as those that apply in the financial services sector. The minimum equity ratio requirements are based on the financial covenants in the bank loan agreements (see Note 24).

bob Finance AG is subject to the shareholders' equity requirements set out in Art. 5 of Switzerland's Ordinance relative to the Federal Law on Consumer Credit (VKKG). The equity of bob Finance AG must amount to at least CHF 250 000 or 8% of outstanding consumer loans.

**32 FINANCIAL INSTRUMENTS**

*Carrying amounts, fair value and measurement categories*

	Measurement category	Carrying amount 2017	Fair Value 2017	Carrying amount 2016	Fair Value 2016
in CHF 000					
<b>Assets</b>					
Cash and cash equivalents	LaR	152 515	152 515	159 381	159 381
Trade accounts receivable	LaR	71 268	71 268	45 256	45 256
Other current receivables (financial instruments only)	LaR	44 604	44 604	47 256	47 256
Non-current interest-bearing financial assets	LaR	7 460	7 460	7 574	7 574
Other non-current receivables	LaR	15 088	15 088	23 593	23 593
Financial assets available for sale measured at the cost of acquisition	AfS	649	n/a	643	n/a
<b>Liabilities</b>					
Current financial liabilities	FLAC	216 660	217 490	726	726
Derivative financial liabilities (hierarchy level 2)	FLHfT	1 035	1 035	0	0
Trade accounts payable	FLAC	143 339	143 339	136 557	136 557
Other current liabilities (financial instruments only)	FLAC	74 492	74 492	64 840	64 840
Other current liabilities (financial instruments only)	FLtPL	1 162	1 162	0	0
Non-current financial liabilities	FLAC	181 056	181 056	361 132	366 020
Non-current financial liabilities (hierarchy level 3)	FLtPL	915	915	0	0
<b>By measurement category</b>					
Loans and receivables	LaR	290 936	290 936	283 059	283 059
Financial assets available for sale	AfS	649	n/a	643	n/a
Financial liabilities measured at amortised cost	FLAC	615 548	616 378	563 255	568 143
Financial liabilities held for trading	FLHfT	1 035	1 035	0	0
Financial liabilities measured at fair value	FLtPL	2 077	2 077	0	0

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
FLtPL	Financial liabilities measured at fair value through profit or loss

For all current financial instruments, the carrying amounts represent a reasonable approximation of fair value. Any discounting effects are immaterial. The fair value of the bond is the nominal value multiplied by its market price on the balance sheet date. Information on the measurement of derivative financial instruments and financial assets available for sale can be found in Notes 4, 23 and 31. The fair values of other non-current fixed-income financial instruments were determined by discounting the expected future cash flows using standard market interest rates.

### 33 FAIR VALUES

*Hierarchy levels applied to fair values.* Fair values are allocated to one of the following three hierarchy levels:

- Level 1: Price quotations on active markets for identical assets and liabilities;
- Level 2: Fair values determined on the basis of observable market data. For this purpose, either quoted prices on non-active markets or unquoted prices are used. These fair values can also be derived indirectly from prices;
- Level 3: Fair values determined on the basis of unobservable inputs and thus based on estimates.

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

2017

	Level 1	Level 2	Level 3	Total
in CHF 000				
<i>Measured at fair value</i>				
<b>Assets</b>				
Contingent consideration	0	0	7 608	7 608
<b>Liabilities</b>				
Derivative financial liabilities	0	1 035	0	1 035
Contingent consideration	0	0	2 077	2 077
<i>Disclosed at fair value</i>				
<b>Liabilities</b>				
Bonds	200 820	0	0	200 820

2016	Level 1	Level 2	Level 3	Total
in CHF 000				
<i>Measured at fair value</i>				
<b>Assets</b>				
Contingent consideration	0	0	16 295	16 295
<i>Disclosed at fair value</i>				
<b>Liabilities</b>				
Bonds	204 820	0	0	204 820

Level 2 fair values are determined using measurement models that are based on observable market data, such as interest rates, yield curves and exchange rates on the measurement date.

In reporting years 2017 and 2016, there were no transfers between hierarchy levels 1 and 2.

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

	2017	2016
in CHF 000		
<b>Balance on 1 January (assets)</b>	<b>16 295</b>	<b>16 295</b>
Fair value adjustment recorded in discontinued operations	-8 687	0
<b>Balance on 31 December (assets)</b>	<b>7 608</b>	<b>16 295</b>

	2017	2016
in CHF 000		
<b>Balance on 1 January (liability)</b>	<b>0</b>	<b>0</b>
Addition	2 077	0
<b>Balance on 31 December (liability)</b>	<b>2 077</b>	<b>0</b>

*Contingent considerations.* The opening balance in 2017 of the contingent consideration in hierarchy level 3 relates to the sale of the Trade division and forms part of the purchase price receivable.

In the course of the re-evaluation of the earn-out from the sale of the Trade division, the probabilities of occurrence of the various parameters were re-assessed and the discounted cash flows recalculated based on the most recent available data. As a result of this revaluation the fair value was reduced by CHF 8.7 million.

As part of the purchase price agreement concerning the acquisition of the lye pretzel manufacturer Pretzel Baron a contingent consideration was set. The consideration in the amount of USD 0.9 million is calculated based on sales achieved within one year after closing and due in February 2018.

As part of the purchase price agreement concerning the acquisition of BackWerk a contingent consideration was set. The consideration in the amount of EUR 1.0 million is triggered by the signing of specific rental contracts (see note 6).

### 34 TRANSACTIONS AND BALANCES OUTSTANDING WITH RELATED PARTIES

The consolidated financial statements comprise Valora Holding AG as the parent company and the Group companies controlled by it, either directly or indirectly, which are listed in Note 37.

*Transactions.* The following transactions were conducted with related parties:

<i>Goods and services sold to related parties</i>	2017	2016
in CHF 000		
<i>Goods sold to</i>		
Other related parties	2847	0
<i>Services sold to</i>		
Associates	21	129
Other related parties	158	154
<b>Total goods and services sold</b>	<b>3026</b>	<b>283</b>

<i>Goods and services purchased from related parties</i>	2017	2016
in CHF 000		
<i>Goods purchased from</i>		
Other related parties	8	9
<i>Services purchased from</i>		
Associates and Joint Ventures	972	914
Other related parties	542	621
<b>Total goods and services purchased</b>	<b>1522</b>	<b>1544</b>

*Remuneration to management and the Board of Directors.* Remuneration to management and the Board of Directors includes all expenses recognised in the consolidated financial statements which are directly connected with members of Group Executive Management and the Board of Directors.

<i>Remuneration to management and the Board of Directors</i>	2017	2016
in CHF 000		
Salaries and other short-term benefits	4 627	5 612
Pension plans	338	371
Share participation plans	1 884	2 175
<b>Total remuneration to management and the Board of Directors</b>	<b>6 849</b>	<b>8 158</b>

Details on compensation paid to the Board of Directors and Group Executive Management, their holdings of Valora Holding AG shares and the shareholdings of major shareholders pursuant to Art. 663c of the Swiss Code of Obligations and the Ordinance against Excessive Remuneration in Listed Companies Limited by Shares (ERCO) can be found in the notes to the individual financial statement for Valora Holding AG and the compensation report.

*Receivables and liabilities.* The terms for receivables and liabilities are in line with the standard terms for transactions by the relevant companies. The Valora Group has not received any collateral for receivables nor has it issued any guarantees for liabilities.

<i>Receivables from related parties</i>	2017	2016
in CHF 000		
Receivables from associates	747	635
Receivables from other related parties	114	0
<b>Total receivables</b>	<b>861</b>	<b>635</b>

<i>Liabilities to related parties</i>	2017	2016
in CHF 000		
Liabilities to associates	10	35
Liabilities towards other related parties	757	1 551
<b>Total liabilities</b>	<b>767</b>	<b>1 586</b>

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

### 35 EQUITY

<i>Outstanding shares</i>	2017	2016
in number of shares		
<b>Total registered shares</b>	<b>3 990 000</b>	<b>3 435 599</b>
<i>Of which treasury shares</i>		
Position as at 1 January	77 078	115 915
Additions	46 137	39 732
Disposals	-61 720	-78 569
<b>Total treasury shares as at 31 December</b>	<b>61 495</b>	<b>77 078</b>
<b>Total outstanding shares (after deduction of treasury shares) as at 31 December</b>	<b>3 928 505</b>	<b>3 358 521</b>
<b>Average number of outstanding shares (after deduction of treasury shares)</b>	<b>3 427 949</b>	<b>3 339 499</b>

In 2017, a dividend of CHF 12.50 per share was paid for the financial year 2016 (2016: CHF 12.50 per share for financial year 2015). The dividend distribution is based on the annual profit and the profit carried forward of Valora Holding AG.

The share capital consists of 3 990 000 shares with a par value of CHF 1.00 each. At the extraordinary General Meeting of Valora Holding AG on 8 November 2017, the shareholders approved a capital increase of CHF 554 401 through the issue of 554 401 registered shares with a par value of CHF 1.00 each. The capital increase was carried out via a rights issue at market price. Existing shareholders of Valora Holding AG received one subscription right for each registered share they held after the close of trading on 10 November 2017. Five subscription rights grant their owners the right to subscribe for one new registered share. The subscription price was CHF 310. Total proceeds from the capital increase amounted to CHF 171.9 million and were reduced by the transaction costs in the amount of CHF 6.1 million.

At the Ordinary General Meeting of Valora Holding AG on 14 April 2016, shareholders approved the creation of authorised share capital of up to CHF 250 000 by issuing a maximum of 250,000 registered shares with a nominal value of CHF 1 by no later than 14 April 2018.

On 9 April 2013, Valora Holding AG issued a perpetual subordinated hybrid bond in the amount of CHF 120 million with a first right of termination on 30 October 2018. The coupon is 4% p.a. until 30 October 2018. For subsequent five-year periods, the interest rate is determined on the basis of the five-year mid-swap rate plus a premium of 500 basis points and the initial credit margin. The interest obligation depends in large part on the dividend resolution of the Ordinary General Meeting. The bond, less transaction costs of TCHF 902, qualifies as equity.

There is contingent capital of 84,000 shares that the Board of Directors may issue to secure existing and future management share participation plans. As of 31 December 2017, no corresponding shares had been issued.



### 36 SUBSEQUENT EVENTS

On 11 January 2018 Valora placed a promissory note in the amount of EUR 170 million on the capital market with a five-year term.

These consolidated financial statements were authorised for issue by the Board of Directors of Valora Holding AG on 26 February 2018. The Board of Directors recommends that the Ordinary General Meeting of Shareholders to be held on 13 April 2018 approve these financial statements.

**37 KEY COMPANIES OF THE VALORA GROUP**

	Currency	Share capital in million	Share-holding in %	Corporate	Valora Retail	Food Service
<i>Switzerland</i>						
Valora Management AG, MuttENZ	CHF	0.5	100.0	•		
Valora International AG, MuttENZ	CHF	20.0	100.0	•	•	
Valora Schweiz AG, MuttENZ	CHF	5.2	100.0	•	•	•
Brezelkönig AG, Emmen	CHF	1.0	100.0			•
Alimarca AG, MuttENZ	CHF	0.1	100.0			•
bob Finance AG, Zürich	CHF	9.1	100.0	•		
Valora Lab AG, MuttENZ	CHF	0.1	100.0	•		
Brezelkönig International AG, MuttENZ	CHF	0.1	100.0			•
BackWerk CH AG, Freienbach	CHF	0.1	100.0			•
<i>Germany</i>						
Valora Holding Germany GmbH, Hamburg	EUR	0.4	100.0	•	•	
Stilke Buch & Zeitschriftenhandels GmbH, Hamburg	EUR	3.8	100.0		•	
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			•
BackWerk Management GmbH, Essen	EUR	0.1	100.0			•
<i>Luxembourg</i>						
Valora Europe Holding S.A., Luxembourg	EUR	0.1	100.0	•		
Valora Luxembourg S.à r.l., Luxembourg	EUR	7.0	100.0		•	

	Currency	Share capital in million	Share-holding in %	Corporate	Valora Retail	Food Service
<i>Austria</i>						
Valora Holding Austria AG, Linz	EUR	1.1	100.0	•		
Brezelkönig GmbH, St. Pölten	EUR	0.1	100.0			•
Valora Retail Austria GmbH + Co. KG, St. Pölten	EUR	0.1	100.0		•	
BackWerk AT GmbH, Baden	EUR	0.1	100.0			•
<i>France</i>						
Brezelkönig S.à r.l., Paris	EUR	0.1	100.0			•
<i>The Netherlands</i>						
BackWerk NL B.V., Huizen	EUR	0.1	100.0			•
<i>USA</i>						
Valora Holding USA Inc., Wilmington, Delaware	USD	0.1	100.0			•
Pretzel Baron Properties LLC, Cincinnati, Ohio	USD	–	100.0			•