REVIEW OF GROUP RESULTS

Valora confirms the communicated expectations and achieved EBIT in the 2017 financial year of CHF 79.0 million, an increase of +9.3% or CHF +6.8 million. Its EBIT margin rose by +0.4 percentage points to 3.8%. Its gross profit margin improved by +0.5 percentage points to 42.0%, meaning it has achieved its medium-term goal for 2018 ahead of schedule. Adjusted for acquisition costs and the EBIT contribution from BackWerk, the results are at the upper end of the communicated expectations and the EBIT margin goal of 4.0% has likewise already been achieved in 2017.

At CHF 2,075.3 million, the Group's net revenues are slightly lower than the previous year (–0.9%) as a result of the deconsolidation of Naville Distribution as of August 2016 (+0.9% adjusted for Naville Distribution). Group net profit is CHF 57.1 million, which is lower than the previous year (CHF 63.4 million) because of non-recurring positive effects involving deferred taxes in the 2016 financial year. In terms of the return on capital employed (ROCE), profitability improved by +0.3 percentage points to 8.6% well above the cost of capital. Free cash flow increased as well, rising by +13.0% or CHF +9.5 million to CHF 82.0 million.

Following the successful conclusion of its focus strategy, which ended with the sale of the Naville property in Geneva at the beginning of the year, Valora took major steps towards strengthening and expanding its core business in 2017.

Thanks to the optimisation of product ranges, improvement of processes, network adjustments and selective expansion, Retail Switzerland / Austria, in particular, increased profitability further. Retail Germany / Luxembourg and the Food Service division increased revenues and gross profits substantially, although profitability remains under pressure for the time being.

By strengthening its management team, Valora is ensuring that the Group will be able to take even better advantage of future market opportunities. Such opportunities mainly involve the ongoing trend towards "foodvenience" (ready-to-eat food, out-of-home consumption), increased footfall at high-frequency locations, individual offerings and the merging of digital and physical offerings. However, challenges continue to be presented by the accelerated decline of print media in Germany, historically high prices of raw materials for dairy products and greater competitive pressure in locations with high footfall.

With its acquisition of the young and promising US-based pretzel producer Pretzel Baron in January 2017, Valora laid the foundation for further international growth and the expansion of its market position as one of the leading pretzel producers. It also expanded its pretzel production capacity in Europe by replacing a production line at Brezelbäckerei Ditsch in Germany. Further expansions of capacity are planned in both Germany and the USA over the next few years. Following its acquisition of the BackWerk franchise business, which was first consolidated in November 2017, Valora is now one of the leading vertically integrated food service providers in Germany, and it strengthened its international presence with its market entry in the Netherlands.

Valora took the first two important steps towards achieving its announced long-term financing strategy: Following the successful capital increase of some CHF 166 million in November 2017, a five-year promissory note (Schuldschein issue) for EUR 170 million was placed on the capital market in the first half of January 2018. The funds generated by this transaction are being used to refinance the BackWerk transaction, further finance the planned expansion of pretzel production capacities in Germany and the USA and refinance the capital market instruments that will fall due in 2018. The Schuldschein issue has allowed Valora to take advantage of the current attractive market conditions as well as high investor interest and enabled it to refinance the credit instruments falling due in 2018 at significantly better conditions.

A NET REVENUES

Net revenues (NR) in CHF million	2017	2017 share in %	2016	2016 share in %	Change	Change in local currency
Retail Switzerland / Austria	1 264.5	60.9 %	1 309.3	62.5 %	–3.4 %	–3.4 %
Retail Germany / Luxembourg	520.7	25.1 %	486.4	23.2 %	+7.0 %	+5.0 %
Naville Distribution	0.0	0.0 %	63.2	3.0 %	–100.0 %	–100.0 %
Elimination of intrasegment revenues	0.0	0.0 %	–25.2	–1.2 %	n.a.	n.a.
Valora Retail	1 785.1	86.0 %	1 833.8	87.5 %	–2.7 %	–3.2 %
Food Service	286.7	13.8 %	259.4	12.4 %	+10.5 %	+9.2 %
Other	3.4	0.2 %	1.9	0.1 %	n.a.	n.a.
Total Group	**2 075.3**	**100.0 %**	**2 095.0**	**100.0 %**	**–0.9 %**	**–1.6 %**
Switzerland	1 349.6	65.0 %	1 429.7	68.2 %	–5.6 %	–5.6 %
Elsewhere	725.7	35.0 %	665.3	31.8 %	+9.1 %	+7.0 %

At CHF 2 075.3 million, net revenues were slightly lower than the previous year's figure of CHF 2 095.0 million (–0.9 %) as a result of the deconsolidation of Naville Distribution as of August 2016, although growth in the Food Service division and at Retail Germany / Luxembourg more than offset lower revenues at Retail Switzerland / Austria.

Retail Switzerland / Austria posted net revenues of CHF 1 264.5 million in the 2017 financial year, compared to CHF 1 309.3 million in the previous year. The lower figure is the result of the closure of net 21 points of sale. Same-store sales development (–2.2 %) reflects the persistently challenging market situation in Switzerland. In addition, the record lotto jackpot in the previous year had a heightening impact on revenues.

Retail Germany / Luxembourg had revenues of CHF 520.7 million, with an increase in sales of +7.0 %. This corresponds to growth in local currency of +5.0 %. The primary reason for this increase is the higher number of outlets operated by Valora itself. On a same-store basis, Retail Germany / Luxembourg was on a par with the previous year (+0.1 %). In Germany, the positive development for food (+10.6 %), non-food (+7.1 %) and tobacco (+2.8 %) - also due to the successful introduction of e-smoke products - compensated for the downward trend for print media products (–5.6 %).

In the **Food Service** division net revenues rose by +10.5 % (+9.2 % in local currency) to CHF 286.7 million. This growth was boosted on the one hand by the positive development for same-store sales in Switzerland (+2.9 %) and in Germany (+1.5 %) as well as by consistent growth of +3.7 % posted by the business-to-business (B2B) segment in spite of the replacement of a production line in Oranienbaum and the associated operational challenges in overall production at this location. On the other hand, the revenues also include the profit contribution from the acquired BackWerk companies for the months of November and December, which contributed +4.2 % to the division's revenue growth in local currency terms. The consistent focus of the expansion actitvities on sustainability and profitability resulted in the stable development of the Food Service division's network of sales outlets, apart from the BackWerk acquisition. In addition to opening a total of 12 outlets, another 12 were closed over the course of the year.

B GROSS PROFIT

Gross profit in CHF million	**2017**	**2017 share in %**	**2017 % of NR**	2016	2016 share in %	2016 % of NR	Change	in local currency
Retail Switzerland / Austria	463.9	53.2 %	36.7 %	473.5	54.4 %	36.2 %	–2.0 %	–2.1 %
Retail Germany / Luxembourg	182.9	21.0 %	35.1 %	171.3	19.7 %	35.2 %	+6.8 %	+4.7 %
Naville Distribution	–	0.0 %	n.a.	23.1	2.7 %	36.6 %	–100.0 %	–100.0 %
Valora Retail	646.8	74.2 %	36.2 %	667.9	76.8 %	36.4 %	–3.2 %	–3.7 %
Food Service	222.0	25.5 %	77.4 %	199.8	23.0 %	77.0 %	+11.1 %	+9.8 %
Other	3.4	0.4 %	n.a.	1.9	0.2 %	n.a.	n.a.	n.a.
Total Group	**872.2**	**100.0 %**	**42.0 %**	**869.7**	**100.0 %**	**41.5 %**	**+0.3 %**	**–0.4 %**

The Group's gross profit saw its margin improve by +0.5 percentage points to 42.0 %, meaning it has already achieved its medium-term goal for 2018. In absolute terms, Valora posted gross profit of CHF 872.2 million (+0.3 %); excluding the divested unit Naville Distribution from last year's figures, the increase in local currency is +2.3 %, or CHF +19.8 million. This includes the profit contribution from the acquired BackWerk companies for November and December.

Retail Switzerland / Austria posted gross profit of CHF 463.9 million in the 2017 financial year, compared to CHF 473.5 million in the previous year. Its margin improved by +0.5 percentage points to 36.7 %, which partially offset the revenue effects mentioned in Section A. This positive development is due in particular to higher promotional revenues and improved conditions.

At **Retail Germany / Luxembourg,** gross profit rose by +6.8 % (+4.7 % in local currency terms) as a result of the aforementioned revenue growth to CHF 182.9 million. The gross profit margin was stable at 35.1 %.

The **Food Service** division saw its gross profit increase by +11.1 % to CHF 222.0 million; in local currency terms, the growth was +9.8 %. This increase is due in particular to the aforementioned rise in revenues, including the two months of profits contributed by BackWerk, although historically high prices of raw materials for dairy products dampened growth (CHF –3.0 million). The gross profit margin improved by +0.4 percentage points to 77.4 %. This results particularly from the attractive margin profile of the acquired BackWerk franchise business.

C OPERATING COSTS, NET

Net operating costs in CHF million	**2017**	**2017 share in %**	**2017 % of NR**	2016	2016 share in %	2016 % of NR	Change	Change in local currency
Retail Switzerland / Austria	–410.2	51.7 %	–32.4 %	–434.0	54.4 %	–33.2 %	–5.5 %	–5.5 %
Retail Germany / Luxembourg	–166.4	21.0 %	–32.0 %	–154.9	19.4 %	–31.9 %	+7.4 %	+5.4 %
Naville Distribution	-	0.0 %	n.a.	–19.3	2.4 %	–30.5 %	–100.0 %	–100.0 %
Valora Retail	–576.7	72.7 %	–32.3 %	–608.3	76.3 %	–33.2 %	–5.2 %	–5.7 %
Food Service	–195.8	24.7 %	–68.3 %	–173.0	21.7 %	–66.7 %	+13.2 %	+11.8 %
Other	–20.7	2.6 %	n.a.	–16.2	2.0 %	n.a.	+28.1 %	+28.0 %
Total Group	**–793.2**	**100.0 %**	**–38.2 %**	**–797.4**	**100.0 %**	**–38.1 %**	**–0.5 %**	**–1.2 %**

The net operating costs of CHF –793.2 million are –0.5% below the figure for the previous year as a result of the deconsolidation of Naville Distribution as of August 2016 as well as efficiency measures and process improvements.

The net operating costs of **Retail Switzerland / Austria** fell by CHF 23.8 million to CHF –410.2 million. This reduction is due in particular to efficiency measures and process improvements. The result also includes a book profit of CHF 2.9 million from the sale of the Naville property in Geneva. The lower number of sales outlets also reduced costs. Consequently, the cost ratio improved by +0.7 percentage points, or +0.5 percentage points when adjusted for the book profit for the property in Geneva.

The net operating costs of **Retail Germany / Luxembourg** were CHF –166.4 million in the 2017 financial year, compared to CHF –154.9 million the year before. The increase of +7.4% is partly currency-related (+2.0%). The higher number of Valora operated sales outlets and the increase in the minimum wage in Germany also had an increasing impact on costs. However, cost efficiency remained stable at –32.0% of net revenues.

The **Food Service** division had net operating costs of CHF -195.8 million, compared to CHF –173.0 million the year before. The increase of +11.8% in local currency terms is due to the volume-related higher level and the two months of contribution to profit from BackWerk. In addition, operating expenses in connection with the replacement of the production line in Oranienbaum (CHF –1.0 million) and project costs for the acquisition and integration of Pretzel Baron in the USA (CHF –0.5 million) also had an increasing impact on costs. The cost ratio was –68.3%, which is above the previous year's figure (–66.7%) because of the aforementioned special items and the cost and revenue structure of BackWerk.

Other operating expenses of CHF –20.7 million are up CHF 4.5 million on the prior year, mainly due to project costs for the acquisition of BackWerk.

D OPERATING PROFIT (EBIT)

Operating profit (EBIT) in CHF million	2017	2017 share in %	2017 % of NR	2016	2016 share in %	2016 % of NR	Change	Change in local currency
Retail Switzerland/Austria	53.6	67.9 %	4.2 %	39.4	54.6 %	3.0 %	+36.0 %	+36.0 %
Retail Germany/Luxembourg	16.5	20.9 %	3.2 %	16.4	22.7 %	3.4 %	+0.7 %	–1.7 %
Naville Distribution	–	0.0 %	n.a.	3.8	5.3 %	6.1 %	–100.0 %	–100.0 %
Valora Retail	70.1	88.7 %	3.9 %	59.6	82.5 %	3.3 %	+17.5 %	+16.8 %
Food Service	26.2	33.1 %	9.1 %	26.9	37.2 %	10.4 %	–2.5 %	–3.6 %
Other	–17.3	–21.9 %	n.a.	–14.2	–19.7 %	n.a.	n.a.	n.a.
Total Group	**79.0**	**100.0 %**	**3.8 %**	**72.3**	**100.0 %**	**3.4 %**	**+9.3 %**	**+8.3 %**

The Group's EBIT rose by +9.3 % or CHF +6.8 million to CHF 79.0 million. Operational growth, excluding the divested unit Naville Distribution from last year's figures, was +15.5 % or CHF +10.6 million, largely as a result of efficiency and process improvements at Retail Switzerland/Austria. The two special items – the book profit from the sale of the Naville property in Geneva (CHF +2.9 million) and BackWerk, including acquisition costs (CHF –3.2 million) – almost neutralised each other. The EBIT margin rose by +0.4 percentage points to 3.8 % – excluding acquisition costs and the contribution to EBIT from BackWerk, it increased to 4.0 %.

Retail Switzerland/Austria saw strong EBIT growth of +36.0 % to CHF 53.6 million. The result includes the book profit from the sale of the Naville property in Geneva (CHF 2.9 million), as a result of which operational growth is CHF +11.3 million. This is mainly due to the efficiency measures and process improvements that were implemented. The improvement in profitability is also reflected in the increase in the EBIT margin of +1.2 percentage points to 4.2 %, or 4.0 % excluding the book profit from the sale of the property in Geneva.

Retail Germany/Luxembourg closed the 2017 financial year with EBIT of CHF 16.5 million, slightly higher than the previous year (CHF 16.4 million). The positive net revenue development, especially for food, offset the decline in print media and higher costs as a result of network optimisation and the increase in the minimum wage in Germany. The EBIT margin of 3.2 % remains on a solid level (previous year: 3.4 %).

Food Service recorded EBIT of CHF 26.2 million. The previous year's figure of CHF 26.9 million included one-off income (CHF 1.0 million). The 2017 figure is impacted by historically high prices of raw materials for dairy products (CHF –3.0 million). In addition, special costs in connection with the replacement of the production line in Oranienbaum (CHF –1.0 million) and for the acquisition and integration of Pretzel Baron (CHF –0.5 million) also affected profit. Excluding these special items in both years would result in an EBIT increase of around CHF +4.8 million as a result of positive overall revenue development and the consolidation of BackWerk as of November 2017. The aforementioned effects result in an EBIT margin of 9.1 %, which is below the figure for the previous year (10.4 %) although there has been a positive trend since the first half of the year (8.0 %).

Other profit is CHF -17.3 million, compared to CHF –14.2 million the year before. The project costs from the acquisition of BackWerk reduced EBIT. In addition, last year's figure included the book profit from the sale of Naville Distribution (CHF 0.5 million).

E FINANCIAL RESULT, TAXES AND NET RESULT

Valora posted Group net profit in the 2017 financial year of CHF 57.1 million. This was lower than the previous year's figure (CHF 63.4 million) because of non-recurring positive effects from deferred taxes in 2016.

The financial result improved by CHF +4.7 million to CHF –10.6 million. This positive development is mainly due to CHF +4.5 million in lower expenses for bank loans and liabilities, which last year included one-off costs for the termination of the EUR 72 million interest-rate swap in connection with the early renewal of the variable tranche of the former EUR 150 million Schuldschein issue .

For the 2017 financial year, Valora's tax expense is CHF -11.3 million and it has an increased tax rate of 16.6%. In the previous year, an improvement in long-term business prospects resulted in an increase in capitalised tax loss carryforwards and thus tax income of CHF 5.4 million.

Group net profit is thus CHF 57.1 million, compared to CHF 63.4 million the year before.

F LIQUIDITY, CASH FLOW AND KEY FINANCIAL DATA

Key financial data in CHF million	**2017**	2016
EBITDA	**133.7**	**127.6**
Cash flow from operations	114.6	112.5
Free cash flow / before purchase / sale of subsidiaries	**82.0**	**72.6**
Free cash flow per share in CHF	**23.93**	**21.74**
Group net profit	**57.1**	**63.4**
Earnings per share in CHF	**15.27**	**17.55**
Shareholder's equity	737.9	530.9
Total equity in % of total assets	52.4 %	45.5 %
Net debt	246.1	202.0

Valora's free cash flow rose substantially by + 13.0 % to CHF 82.0 million. The growth in EBITDA and the proceeds from the sale of the Naville property in Geneva more than offset higher investments; net working capital also remained at a low level. The equity ratio improved by + 6.9 percentage points to 52.4 %. Net debt amounted to CHF 246.1 million and is CHF + 44.1 million higher than the figure for the previous year because of the acquisition of BackWerk and currency effects, while the net debt ratio of 1.7x EBITDA is almost the same as last year (1.6x EBITDA).

Valora increased its free cash flow in the 2017 financial year by + 13.0 % or CHF + 9.5 million to CHF 82.0 million. Earnings before interest, taxes, depreciation and amortisation (EBITDA) rose by CHF + 6.1 million or + 4.8 % to CHF 133.7 million. In addition, the proceeds from the sale of the Naville property in Geneva had a positive impact on free cash flow. Despite the growth-related structural increase, net working capital remains at a low level due to normal business fluctuations. As a result, increased investment expenditures, especially for the initiated expansion of pretzel production capacity, are more than offset.

The Group's equity ratio rose by + 6.9 percentage points to 52.4 % as a result of the capital increase of CHF 166 million, which was completed in November 2017. Net debt rose to CHF 246.1 million compared to CHF 202.0 million as of 31 December 2016 as a result of the BackWerk acquisition and due to currency effects on the carrying amounts of the Schuldschein issues. Because of the higher EBITDA level, the net debt ratio of 1.7x EBITDA is only slightly above the previous year's figure of 1.6x EBITDA. If the hybrid bond booked to equity, which will be repaid in October 2018, is counted towards net debt, the net debt ratio would be 2.5x EBITDA.

G RETURN ON CAPITAL EMPLOYED

ROCE [1] in %	**2017**	2016	Percentage-point change
Retail Switzerland / Austria	27.5 %	17.5 %	+ 10.0 %
Retail Germany / Luxembourg	10.4 %	11.5 %	– 1.2 %
Valora Retail	19.8 %	15.4 %	+ 4.4 %
Food Service	5.9 %	6.9 %	– 1.1 %
Total Group [2]	**8.6 %**	**8.2 %**	**+ 0.3 %**

[1] Capital employed is the average measured over the preceding 13 months. EBIT is the aggregate operating profit for the preceding 12 months.
[2] Consolidated EBIT includes Corporate costs and consolidated capital employed includes operating cash and cash equivalents relating to continuing operations.

The Group's ROCE improved as a result of the increase in EBIT by + 0.3 percentage points to 8.6 %.

The return on capital employed (ROCE) is the ratio of the EBIT generated over the past 12 months to the average capital invested.

In the 2017 financial year, Valora's ROCE rose by + 0.3 percentage points to 8.6 %. This improvement is due to higher profitability at Retail Switzerland / Austria, where the ROCE increased by + 10.0 percentage points to 27.5 %. This includes the book profit from the sale of the Naville property in Geneva. Food Service had a ROCE of 5.9 % in the 2017 financial year (previous year: 6.9 %). The temporarily lower profitability was due to the aforementioned special costs as well as the higher level of capital employed following the acquisition of BackWerk and the expansion of pretzel production capacities initiated in Oranienbaum. The potential of these strategic investments has not yet been fully exhausted in the EBIT. Adjusted for the book profit from the sale of the property in Geneva and the BackWerk contribution including acquisition costs, the Group's ROCE is 9.0 %.