REVIEW OF GROUP RESULTS

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

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

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

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

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

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

A NET REVENUES

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

[1] Pro-forma adjusted according to IFRS16 and at constant currency exchange rates.
[2] See note 3 and 11 in the financial report.

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

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

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

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

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

B GROSS PROFIT

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

[1] Pro-forma adjusted according to IFRS16 and at constant currency exchange rates.
[2] See note 3 and 11 in the financial report.

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

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

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

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

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

C OPERATING COSTS, NET

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

[1] Pro-forma adjusted according to IFRS16 and at constant currency exchange rates.
[2] See note 3 and 11 in the financial report.

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

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

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

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

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

D OPERATING PROFIT (EBIT)

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

[1] Pro-forma adjusted according to IFRS16 and at constant currency exchange rates.
[2] See note 3 and 11 in the financial report.

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

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

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

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

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

E FINANCIAL RESULT, TAXES AND NET RESULT

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

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

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

F LIQUIDITY, CASH FLOW AND KEY FINANCIAL DATA

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

[1] Pro-forma adjusted according to IFRS16.
[2] See note 3 and 11 in the financial report.
[3] Definition of alternative performance measures on page 197.

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

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

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

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

G RETURN ON CAPITAL EMPLOYED

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

[1] Capital employed is the average measured over the preceding 13 months. EBIT is the aggregate operating profit for the preceding 12 months.
[2] Consolidated EBIT includes Corporate costs and consolidated capital employed includes operating cash and cash equivalents relating to continuing operations.
[3] Pro-forma adjusted according to IFRS16.
[4] See note 3 and 11 in the financial report.

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

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

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

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

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

H PRO-FORMA ADJUSTMENT 2018

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

[1] See note 3 and 11 in the financial report.
[2] Pro-forma adjusted at constant currency.

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

[1] See note 3 and 11 in the financial report.
[2] Pro-forma adjusted at constant currency.

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

[1] See note 3 and 11 in the financial report.
[2] Including CHF –2 million cumulative effect of the initial application of IFRS 16 from the initial recognition of sublease arrangements.
[3] Pro-forma adjusted at constant currency.