

## REVIEW OF GROUP RESULTS

The Valora Group completed its 2015 financial year with an EBIT of CHF 55.1 million, in excess of its previously announced guidance. After adjusting for exchange-rate effects and the impairment charges recorded in 2014, the Group's EBIT was CHF +11.7 million, or +27.0%, higher than in the previous year, while its EBIT margin improved by +0.3 percentage points, to +2.7%. The Group has thus made substantial progress towards achieving its medium-term objectives. After adjusting for one-off effects, the Group's EBIT amounted to CHF 62.2 million. Net revenues rose by +7.5%, to CHF 2077.4 million. In local-currency terms, they advanced by +12.1%.

Retail Switzerland/Austria achieved an excellent set of operating results, despite a challenging macro-economic environment. The improvements carried out at Retail Germany/Luxembourg enabled the unit to resume growth in 2015. Ditsch/Brezelkönig substantially expanded its business-to-business (B2B) operations in 2015, while the outlet network held its own overall, with turnover recovering during the second half of the year. 2015 saw Brezelkönig initiate its international expansion strategy, with a total of five new outlets opened in Vienna and Paris by year end.

Naville has proven a profitable and successful acquisition, living up to the high expectations placed on it. Integration is progressing according to plan. The synergy benefits from this will become apparent in the first-half 2016 results and will be fully effective from 2017. The potential sale of Naville Distribution (press/goods wholesaler and logistic services provider) and of the Naville building in Geneva was initiated and Valora expects to complete these transactions during 2016.

With the sale of its Trade division on 31.12.2015, Valora has now largely completed its strategic initiative to focus on its core retail business. The Group is now clearly positioned as a retail enterprise with a range of attractive store formats, an outlet network covering 5 national markets and a well-structured value chain encompassing state-of-the-art lyebread baking plants and a range of private-label brands and services.

Results from discontinued operations, under which the sale of the Trade division is classified, amounted to CHF -75.6 million. This led to a net result, at Group level, of CHF -28.8 million in 2015, compared to CHF 6.3 million in 2014.

The Group's cash-flow and key balance-sheet metrics also showed significant improvements. In 2015, Valora generated an aggregate free cash flow of CHF 82.3 million, CHF +48.3 million up on the figure for 2014, principally by raising its EBITDA, by adopting a more selective investment approach and by reducing its net-working-capital commitment. Return on capital employed (ROCE) for 2015 came in at 6.1%. After adjusting for the 2014 impairment charges at Retail Germany/Luxembourg, this represents a +1.0 percentage-point improvement on the previous year's performance. When the one-off factors affecting the 2015 result are taken into account, the Group's 2015 ROCE amounted to 6.9%. Net debt as a multiple of EBITDA declined to 2.1x at year-end 2015.

**A NET REVENUES**

<i>Net revenues (NR) from continuing operations</i>	2015	2015 share in %	2014	2014 share in %	Change	Change in local currency
<i>in CHF million</i>						
Retail Switzerland/Austria	1 173.3	56.5 %	1 232.5	63.8 %	-4.8 %	-4.6 %
Retail Germany/Luxembourg	452.4	21.8 %	479.6	24.8 %	-5.7 %	+7.2 %
Naville	240.0	11.6 %	n.a.	n.a.	n.a.	n.a.
Valora Retail	1 865.7	89.8 %	1 712.1	88.6 %	+9.0 %	+12.9 %
Ditsch/Brezelkönig	211.6	10.2 %	220.5	11.4 %	-4.0 %	+5.4 %
Other	0.1	0.0 %	0.0	0.0 %	n.a.	n.a.
<b>Total Group</b>	<b>2 077.4</b>	<b>100.0 %</b>	<b>1 932.6</b>	<b>100.0 %</b>	<b>+7.5 %</b>	<b>+12.1 %</b>
Switzerland	1 452.9	69.9 %	1 272.3	65.8 %	+14.2 %	+14.2 %
Elsewhere	624.5	30.1 %	660.3	34.2 %	-5.4 %	+7.5 %

The Valora Group's net revenues from continuing operations amounted to CHF 2077.4 million in 2015. In local-currency terms, this represents an increase of +12.1% on the figure for 2014. This increase reflects the initial consolidation of Naville into the Group's results from March 2015 onwards and the strong performance at Retail Germany/Luxembourg and in Ditsch/Brezelkönig's B2B operations. Year-on-year organic net-revenue growth in local currency amounted to -0.9% in 2015.

The Retail division generated net revenues of CHF 1865.7 million in 2015, a +12.9% improvement on its 2014 performance in local-currency terms.

The largest share of this is attributable to Retail Switzerland/Austria, with CHF 1173.3 million, versus CHF 1232.5 million in 2014. In local-currency terms, this equates to a year-on-year decline of -4.6% and essentially reflects the closure of net 31 outlets in 2015, mostly kiosks in peripheral locations. 2015 same-store net revenues in Switzerland, where consumer spending was weak, declined -3.6% year-on-year, principally as a result of lower press and tobacco sales, down -9.6% and -2.8% respectively, both on a same-store basis.

Local-currency net revenues at Retail Germany/Luxembourg advanced +7.2% on their 2014 levels. The main drivers here were a +2.8% increase in same-store revenues and the greater number of Valora-operated outlets. Particularly strong growth was achieved in the tobacco, services and food categories. The higher food sales were mainly due to product-range enhancements and intensive promotion of Valora's private-label ok.- brand in Germany. Retail Germany/Luxembourg generated net revenues of CHF 452.4 million in 2015, which, due to the weaker EUR/CHF exchange rate, equates to a -5.7% year-on-year decline in Swiss franc terms.

The Naville acquisition, whose results were first consolidated in March 2015, contributed a total of CHF 240.0 million to Group net revenues in 2015, of which CHF 185.6 million were generated by the Naville retail outlets while the remaining CHF 54.4 million came from third-party distribution activities. While same-store net revenues for the final six months of the year recovered, Switzerland's challenging retail environment resulted in a -2.9% decline in overall 2015 same-store sales compared to their levels a year earlier.

Ditsch/Brezelkönig achieved net revenues of CHF 211.6 million in 2015, +5.4% up on their 2014 levels in local-currency terms. These increased sales were driven by the substantial growth in B2B turnover and the expansion of the retail network, with +6 net new outlets in Germany, +4 in Switzerland and the 5 new openings resulting from the expansion to Austria and France.

In Germany, same-store net revenues recovered noticeably in the final six months of 2015 (up +1.5% on the same period of 2014). For 2015 as a whole, Germany held its own at -0.4% (+0.5% after adjusting for the effects of railway strikes), while same-store net revenues in Switzerland declined -6.1% compared to 2014, reflecting the strength of the Swiss franc and the changes in spending patterns.

## B GROSS PROFIT

<i>Gross profit from continuing operations</i>	2015	2015 share in %	2015 % of NR	2014	2014 share in %	2014 % of NR	Change	Change in local currency
in CHF million								
Retail Switzerland/Austria	433.9	51.3 %	37.0 %	446.3	56.9 %	36.2 %	-2.7 %	-2.6 %
Retail Germany/Luxembourg	156.9	18.6 %	34.7 %	174.3	22.2 %	36.3 %	-10.0 %	+2.5 %
Naville	94.7	11.2 %	39.4 %	n.a.	n.a.	n.a.	n.a.	n.a.
Valora Retail	685.5	81.1 %	36.7 %	620.6	79.1 %	36.2 %	+10.5 %	+14.5 %
Ditsch/Brezelkönig	159.7	18.9 %	75.5 %	164.0	20.9 %	74.4 %	-2.6 %	+6.7 %
Other	0.1	0.0 %	n.a.	0.0	0.0 %	n.a.	n.a.	n.a.
<b>Total Group</b>	<b>845.3</b>	<b>100.0 %</b>	<b>40.7 %</b>	<b>784.6</b>	<b>100.0 %</b>	<b>40.6 %</b>	<b>+7.7 %</b>	<b>+13.0 %</b>

The Group's gross profit for 2015 came in at CHF 845.3 million, which equates to a gross profit margin of 40.7%. In local-currency terms, gross profit was +13.0% higher than in 2014, thanks to increased sales at Retail Germany/Luxembourg and Ditsch/Brezelkönig, a +0.8 percentage-point improvement in gross profit margin at Retail Switzerland/Austria and the initial consolidation of Naville.

The Retail division's gross profit rose +14.5% in local-currency terms, to CHF 685.5 million, while its gross profit margin of 36.7% was up +0.5 percentage points on 2014.

Retail Switzerland/Austria generated a gross profit of CHF 433.9 million versus CHF 446.3 million a year earlier. While volumes at this unit declined, largely due to outlet closures, increased promotions revenue and tighter inventory management enabled it to boost its gross profit margin by +0.8 percentage points, to 37.0%.

Retail Germany/Luxembourg achieved a gross profit of CHF 156.9 million and a gross profit margin of 34.7%. In local-currency terms, gross profit was up CHF +3.8 million, or +2.5%, reflecting increased sales and higher promotion revenues. These results include the one-off effects of press inventory adjustments already reported in first-half 2015.

Between March and December 2015, Naville earned a gross profit of CHF 94.7 million and a gross profit margin of 39.4%. This includes CHF 1.0 million in one-off revenues already reported in first-half 2015.

Gross profit at Ditsch/Brezelkönig was CHF 159.7 million in 2015. In local-currency terms, this amounts to a +6.7% improvement on its 2014 results, driven by the aforementioned higher sales and by improvements in its gross profit margin, which increased by +0.9 percentage points to 75.5%, largely thanks to portfolio optimisation in its B2B operations.

**C OPERATING COSTS, NET**

<i>Net operating costs from continuing operations</i>	2015	2015 share in %	2015 % of NR	2014	2014 share in %	2014 % of NR	Change	Change adjusted <sup>1)</sup>
in CHF million								
Retail Switzerland/Austria	-413.4	52.3 %	-35.2 %	-429.3	56.9 %	-34.8 %	-3.7 %	-3.5 %
Retail Germany/Luxembourg	-145.1	18.4 %	-32.1 %	-181.3	24.1 %	-37.8 %	-20.0 %	+0.1 %
Naville	-84.1	10.6 %	-35.0 %	n.a.	n.a.	n.a.	n.a.	n.a.
Valora Retail	-642.5	81.3 %	-34.4 %	-610.6	81.0 %	-35.7 %	+5.2 %	+12.1 %
Ditsch/Brezelkönig	-132.7	16.8 %	-62.7 %	-132.8	17.6 %	-60.3 %	-0.1 %	+9.8 %
Other	-14.9	1.9 %	n.a.	-10.7	1.4 %	n.a.	+39.6 %	+38.8 %
<b>Total Group</b>	<b>-790.2</b>	<b>100.0 %</b>	<b>-38.0 %</b>	<b>-754.1</b>	<b>100.0 %</b>	<b>-39.0 %</b>	<b>+4.8 %</b>	<b>+12.1 %</b>

<sup>1)</sup> adjusted for exchange-rate effects and 2014 impairment charges at Retail Germany/Luxembourg

**The Group had total net operating costs of CHF –790.2 million in 2015. After adjusting for exchange-rate effects and 2014 impairment charges at Retail Germany/Luxembourg, this equates to a year-on-year increase of CHF –85.2 million, which is essentially attributable to the initial consolidation of Naville in 2015.**

The Retail division's net operating costs for 2015 amounted to –642.5 million, compared to CHF –610.6 million a year earlier.

Retail Switzerland/Austria cut its net operating costs by CHF +15.8 million, of which CHF +0.9 million is due to changes in the EUR/CHF exchange rate. The lion's share of this improvement was achieved through efficiency savings and the lower costs resulting from outlet closures. The 2015 figure also includes CHF –1.8 million of one-off costs for restructuring and a CHF –1.2 million impairment charge in Austria.

2015 net operating costs at Retail Germany/Luxembourg were CHF –145.1 million, CHF +36.2 million lower than in 2014. After adjusting for exchange-rate effects and the 2014 impairment charge, this unit managed to maintain these costs at their 2014 levels despite higher sales, the introduction of a statutory minimum wage in Germany and an increased number of Valora-operated outlets. Net operating costs as a percentage of net revenues were thus reduced by +2.3 percentage points in 2015.

Net operating costs at Naville amounted to CHF –84.1 million, or –35.0% of net revenues. This includes corporate allocations and restructuring costs.

Ditsch/Brezelkönig incurred net operating costs of CHF –132.7 million, in line with the previous year. In local-currency terms this equates to an increase of CHF –11.8 million, which is principally due to the expansion of B2B volumes, higher retail costs following the introduction of a minimum wage in Germany and the upfront costs of the international expansion strategy.

Other net operating costs rose CHF –4.1 million. This increase is partly due to the costs arising from the successful launch of the new financial-services unit (bob Finance AG) and its subsequent operating costs in the second half of 2015. It also reflects the tax expense relating to the discontinuation of the Long-Term Incentive Plan for Group Executive Management.

**D OPERATING PROFIT (EBIT)**

<i>Operating profit from continuing operations</i>	2015	2015 share in %	2015 % of NR	2014	2014 share in %	2014 % of NR	Change	Change adjusted <sup>1)</sup>
in CHF million								
Retail Switzerland/Austria	20.5	37.3 %	1.7 %	17.0	55.7 %	1.4 %	+21.1 %	+20.7 %
Retail Germany/Luxembourg	11.8	21.5 %	2.6 %	-7.0	-23.0 %	-1.5 %	n.a.	+45.1 %
Naville	10.6	19.2 %	4.4 %	n.a.	n.a.	n.a.	n.a.	n.a.
Valora Retail	43.0	78.0 %	2.3 %	10.0	32.7 %	0.6 %	+331.9 %	+70.3 %
Ditsch/Brezelkönig	26.9	48.9 %	12.7 %	31.2	102.3 %	14.1 %	-13.5 %	-6.4 %
Other	-14.8	-26.9 %	n.a.	-10.7	-35.0 %	n.a.	+39.0 %	+40.1 %
<b>Total Group</b>	<b>55.1</b>	<b>100.0 %</b>	<b>2.7 %</b>	<b>30.5</b>	<b>100.0 %</b>	<b>1.6 %</b>	<b>+81.0 %</b>	<b>+27.0 %</b>

<sup>1)</sup> adjusted for exchange-rate effects and 2014 impairment charges at Retail Germany/Luxembourg

The Valora Group's reported 2015 EBIT amounted to CHF 55.1 million, which equates to an EBIT margin of 2.7%. After adjusting for exchange-rate effects and the 2014 impairment charges, the year-on-year increase amounts to CHF +11.7 million, or +27.0%. The reported EBIT for 2015 also includes CHF -7.1 million in one-off items. After adjusting for these, Group EBIT for 2015 amounted to CHF 62.2 million.

The Retail division generated an EBIT result of CHF 43.0 million in 2015, up from CHF 10.0 million a year earlier. The 2015 result includes the contribution from Naville, first consolidated in March 2015, whereas the 2014 EBIT figure incorporates a CHF -16.7 million impairment charge at Retail Germany/Luxembourg.

Retail Switzerland/Austria increased its 2015 EBIT by CHF +3.6 million, or +21.1%, to CHF 20.5 million. This improvement is largely due to margin-enhancement initiatives, systematic cost management and portfolio streamlining. The 2015 figure includes one-off restructuring costs and an impairment charge in Austria. Stripping these out results in an adjusted 2015 EBIT of CHF 23.5 million and an EBIT margin of 2.0%.

In 2015, Retail Germany/Luxembourg generated an EBIT result of CHF 11.8 million, compared to CHF -7.0 million a year earlier. In local-currency terms and after adjusting for the impairment charges incurred in 2014, this equates to a year-on-year improvement of CHF +3.7 million, which is attributable to gross profit growth. The 2015 EBIT figure includes the one-off press-inventory costs already reported in first-half 2015. Stripping these out results in an adjusted 2015 EBIT of CHF 14.6 million and an EBIT margin of 3.2%.

Naville, whose activities encompass retail and distribution operations, was consolidated for the first time in March 2015, contributing CHF 10.6 million to Group EBIT on a margin of 4.4%. This includes the aforementioned one-off revenues in first-half 2015. Stripping these out, Naville's EBIT amounted to CHF 9.6 million, which represents an EBIT margin of 4.0%. This includes corporate allocations and restructuring charges.

Ditsch/Brezelkönig generated EBIT of CHF 26.9 million in 2015, equivalent to an EBIT margin of 12.7%, compared to CHF 31.2 million a year earlier. In local-currency terms, this division's 2015 EBIT result was CHF -1.9 million lower than in 2014, a decline principally attributable

to the challenging Swiss retail environment, the introduction of a minimum wage and the rail strikes in Germany, and the initial costs of the international expansion strategy. For the second six months of 2015, EBIT was CHF +0.7 million ahead of the result for the same period of 2014, thus partially compensating for the decline in first-half 2015.

Other EBIT, essentially comprising bob Finance and Corporate activities, amounted to CHF –14.8 million in 2015, CHF –4.2 million lower than in 2014. This figure includes the one-off costs arising from the successful launch of the financial-services operations carried out by the new bob Finance AG entity and the tax costs arising from closing the Long-Term Incentive Plan for Group Executive Management. After adjusting for these items, EBIT in the Other category amounted to CHF –12.5 million in 2015.

#### **E RESULT FROM DISCONTINUED OPERATIONS**

**Discontinued operations turned in a result of CHF –75.6 million in 2015, compared to CHF –9.1 million a year earlier. The 2015 result includes the book-value loss arising from the sale of the Trade division.**

The Trade division was sold to the Munich-based Aurelius Group on 31.12.2015 for an enterprise value of CHF 45 million, which includes an earn-out element of CHF 20 million. Principally as a result of the realisation of currency-translation differences and the closing out of intercompany loans, the Trade division closed its 2015 financial year with a net loss of CHF –76.5 million. Of this, CHF –31.8 million was attributable to the former division's going-concern results, which were significantly impacted by impairment charges to goodwill positions and intangible assets. The sale generated a book-value loss of CHF –44.7 million.

The 2015 result from discontinued operations also includes the CHF 0.9 million profit generated by Valora's former logistics operations.

#### **F FINANCIAL RESULT, TAXES AND NET RESULT**

**The loss arising from the sale of the Trade division resulted in a net result for the Group of CHF –28.8 million, compared to CHF 6.3 million in 2014.**

Valora's net financing result from continuing operations came in at CHF –17.2 million, in line with 2014. The benefits arising from lower net interest costs offset the adverse effect on Group cash balances arising from the Swiss National Bank's decision to abandon its target EUR/CHF floor.

In 2015, the Valora Group generated consolidated net tax revenues of CHF 8.9 million, comprising CHF –4.9 million in current income taxes and CHF 13.8 million in deferred tax income. The Group thus generated a net result of CHF –28.8 million in 2015, compared to CHF 6.3 million in 2014.

**G LIQUIDITY, CASH FLOW AND KEY FINANCIAL DATA**

*Key financial data*

	2015	2014
in CHF million		
<b>EBITDA</b> <sup>1)</sup>	<b>117.6</b>	<b>109.3</b>
Cash flow from operations <sup>1)</sup>	125.5	91.9
<b>Free cash flow</b> before purchase/sale of subsidiaries <sup>1)</sup>	<b>82.3</b>	<b>34.0</b>
Shareholders' equity	506.0	630.6
<b>Total equity in % of total assets</b>	<b>41.5%</b>	<b>44.0%</b>
Group net result	-28.8	6.3
<b>Net debt</b>	<b>251.1</b>	<b>181.9</b>
Net working capital <sup>1)</sup>	60.0	49.2
<b>Earnings per share</b> in CHF <sup>1)</sup>	<b>12.51</b>	<b>3.13</b>
<b>Free cash flow per share</b> in CHF <sup>1)</sup>	<b>24.52</b>	<b>10.05</b>

<sup>1)</sup> from continuing operations

**In 2015, the Valora Group increased its free cash flow to CHF 82.3 million, an advance of +141.8% on the 2014 figure. Shareholders' equity at year-end 2015 was equivalent to 41.5% of total assets and consolidated net debt amounted to CHF 251.1 million.**

Valora increased its free cash flow by CHF +48.3 million in 2015, to CHF 82.3 million. Its earnings before interest, taxes, depreciation and amortisation (EBITDA) rose CHF +8.3 million to CHF 117.6 million. In local-currency terms, the year-on-year increase in EBITDA amounted to CHF +13.9 million. Lower spending on operational investment and the one-off cash benefits arising from the reduction in net working capital including other current assets were the two other main factors accounting for this improvement in free cash flow.

The initial consolidation of Naville during 2015 resulted in a CHF +10.8 million increase in the Group's net working capital, without any impact on free cash flow. Shareholders' equity at year-end 2015 amounted to a solid 41.5% of total assets (44.0% at 31.12.2014). In absolute terms, net debt increased from CHF 181.9 million at year-end 2014 to CHF 251.1 million at year-end 2015, principally as a result of the acquisition of Naville. In the final six months of 2015, consolidated net debt fell from 2.6x EBITDA at 30.6.2015 to 2.1x EBITDA at 31.12.2015.

**H RETURN ON CAPITAL EMPLOYED**

<i>ROCE</i> <sup>1)</sup> from continuing operations	2015	2014	Percentage-point change	Percentage-point change adjusted <sup>3)</sup>
in %				
Retail Switzerland/Austria	10.2%	8.1%	+2.1%	+2.1%
Retail Germany/Luxembourg	8.2%	-3.8%	+12.0%	+2.9%
Naville	11.8%	n.a.	n.a.	n.a.
Valora Retail	9.9%	2.5%	+7.4%	+3.0%
Ditsch/Brezelkönig	7.1%	7.6%	-0.4%	-0.4%
<b>Total Group</b> <sup>2)</sup>	<b>6.1%</b>	<b>3.3%</b>	<b>+2.8%</b>	<b>+1.0%</b>

<sup>1)</sup> Capital employed calculated as the average for the preceding 13 months. EBIT calculated at as the sum over the preceding 12 months

<sup>2)</sup> Group EBIT includes corporate costs, while Group capital employed includes cash and cash equivalents from continuing operations.

<sup>3)</sup> Adjusted for the impairment charges at Retail Germany/Luxembourg in 2014

**Return on capital employed amounted to 6.1% in 2015. After stripping out the effects of the 2014 impairment charge at Retail Germany/Luxembourg, this represents a +1.0 percentage point improvement on the 2014 figure. Net of one-off factors in 2015, Valora's 2015 ROCE was 6.9%.**

ROCE, the ratio of EBIT to average invested capital, is the key internal profitability metric used by Valora. In 2015, the Group's ROCE from its continuing operations was 6.1%. After adjusting for 2014 impairment charges, this represents a +1.0 percentage-point improvement compared to 2014, principally as a result of organic EBIT growth in 2015 and the initial consolidation of the profitable Naville unit. After adjusting for the 2015 one-off effects detailed in section D above, Valora's ROCE for 2015 amounted to 6.9%.