valora

HALF-YEAR 2018 RESULTS

Presentation

25 July 2018

AGENDA

Content | Page

Half-Year 2018 Results

STRONG SET OF FIGURES

KEY FIGURES H1 2018 (VS. H1 2017)

EBIT	36.0 mCHF	+1.3 mCHF
EBIT Margin	3.5%	-0.1%pt
GP Margin	45.5%	+2.5%pt
ROCE	7.7%	-1.2%pt
External Sales	1,347 mCHF	+15.0%
Leverage Ratio	2.0x	+0.0x

HIGHLIGHTS H1 2018

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Group

- BackWerk integration on track and impacting results
- Good operating performance of Retail Switzerland and Food Service
- H1 2018 EBIT of 36.0 mCHF, in line to achieve full year guidance announced for 2018

Food Service

- Top line growth in B2C & B2B
- Doubling of capacity in Cincinnati/US successfully completed
- Line expansion in Oranienbaum/DE and in Cincinnati/US on track

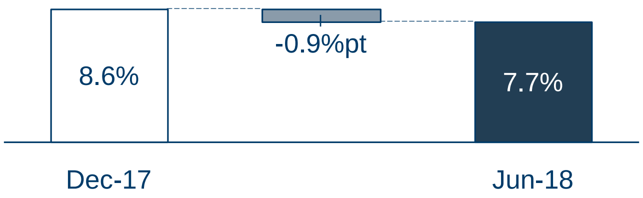
Retail

- Launch of new avec concept in Switzerland
- Increase in operating performance in Switzerland
- Various cost & efficiency initiatives initiated

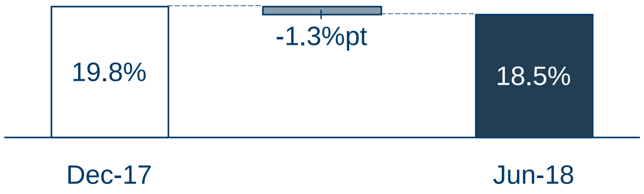
ROCE

ROCE AT 7.7% ON HIGHER CAPITAL EMPLOYED

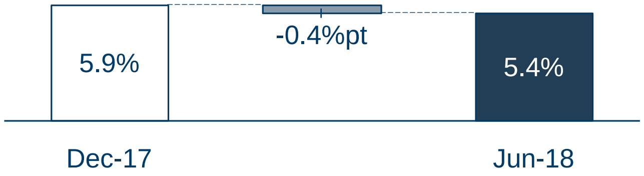
Valora Group



Retail



Food Service



Valora Group

- ROCE decrease by -0.9%pt to 7.7%, due to higher capital employed (goodwill from BackWerk acquisition)
- ROCE without goodwill at 14.7%
- Capital employed at 1,041 mCHF (+12.9%)

Retail

- Retail CH: ROCE improvement of +0.8%pt to 28.9%; adjusted for book gain of sold Naville building, ROCE increase would be +1.9%
- Retail DE/LU/AT: ROCE decrease by -2.5%pt to 7.3%, mainly due to lower EBIT contribution

Food Service

- ROCE decrease by -0.4%pt to 5.4% driven by goodwill from BackWerk acquisition and investments in production capacities
- ROCE without goodwill at 14.1%

ROCE calculation basis: EBIT for the last 12 months / average capital employed over the last 13 months; operational cash allocated to Group only (not divisions)

NEW ACCOUNTING STANDARD & IMPACT ON MARGINS

IFRS 15: REVENUE RECOGNITION

As per H1 2017

P&L in mCHF	H1 2017 reported	IFRS 15 impact	H1 2017 «restated»
Net Revenues	1,005.1	-35.7	969.4
COGS	-588.7	35.7	-553.0
Gross Profit	**416.4**	**0.0**	**416.4**
Gross Profit Margin (in %)	41.4%	+1.5%pt	43.0%
EBIT	**34.7**	0.0	**34.7**
EBIT Margin (in %)	3.5%	+0.1%pt	3.6%

As per FY 2017

P&L in mCHF	2017 reported	IFRS 15 impact	2017 «restated»
Net Revenues	2,075.3	-73.6	2,001.6
COGS	-1,203.1	73.6	-1,129.4
Gross Profit	**872.2**	**0.0**	**872.2**
Gross Profit Margin (in %)	42.0%	+1.5%pt	43.6%
EBIT	**79.0**	0.0	**79.0**
EBIT Margin (in %)	3.8%	+0.1%pt	3.9%

- New IFRS 15 standard effective as of 1 January 2018
- New framework to recognise revenues: changes in the amount and/or timing of revenues
- Only limited impact on the net revenues of Valora
- For Valora particularly relevant are the following regulations:
  - «distinct» services, which are recognised as revenue and;
  - «not distinct» services, which are recognised as a reduction of cost of goods sold (COGS)
- Valora impact:
  - Promotion services and listing fees, most of them are «not distinct», to be recognised in COGS from 2018 onwards
- 2017 figures were restated accordingly

ATTRACTIVE LOCATIONS OF OUR POS PORTFOLIO

CORE COMPETENCE IN IMPULSE-DRIVEN RETAIL AND FOOD SERVICE BUSINESS

41%

Transportation hubs

16%

City centres

High-frequency locations

34%

Shopping malls

9%

Other (agglomeration, hospitals, gas stations etc.)

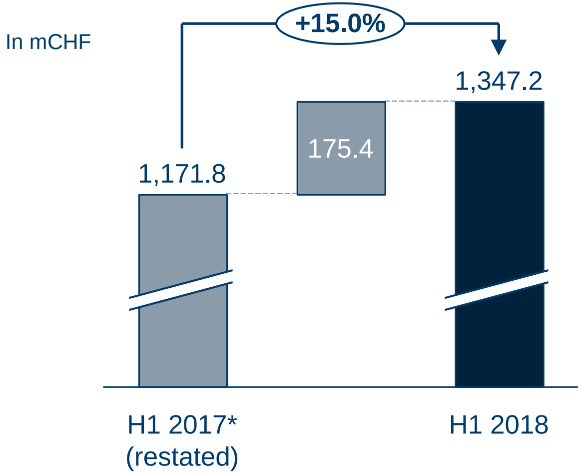
x% In % of 2,776 POS, as per June 2018

EXTERNAL SALES / NET REVENUE

EXTERNAL SALES INCREASE OF +15.0%

External sales

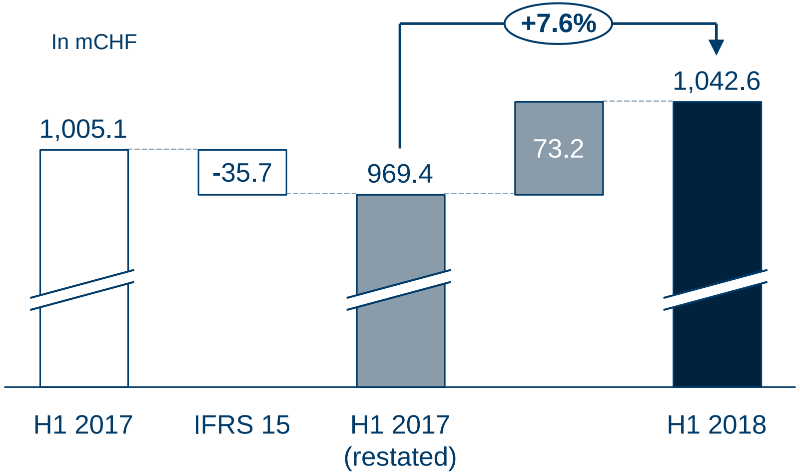
- External sales increase of +15.0% to 1,347.2 mCHF in H1 2018 vs. H1 2017
- BackWerk as main driver for top line growth



* H1 2017 restated according to IFRS 15

Net revenues

- Net revenue increase of +7.6% vs. last year, driven by BackWerk consolidation, favourable FX exchange rate, higher revenues with Food Service and higher number of self-operated stores with Retail Germany
- Net revenue increase w/o BackWerk at 4.1%



NET REVENUE

POSITIVE NET REVENUE DEVELOPMENT IN FOOD SERVICE DRIVING GROUP PERFORMANCE

Division | Country in mCHF	H1 2017*	H1 2018	∆ in %	∆ % in LC	∆ Same Store in %
Retail	**837.7**	**864.8**	**+3.2%**	**+0.7%**	-
CH	592.7	585.4	-1.2%	-1.2%	-0.1%
DE/LU/AT	245.0	279.4	+14.1%	+5.0%	-0.1%
Food Service	**130.3**	**175.2**	**+34.4%**	**+27.6%**	-
Germany**	82.2	125.3	+52.4%	+40.5%	+0.1%
Switzerland***	48.1	49.9	+3.8%	+3.7%	+4.1%
Other	1.4	2.5	n.a.	n.a.	-
Valora Group	**969.4**	**1,042.6**	**+7.6%**	**+4.5%**	-

* Restated according to IFRS 15
** Ditsch, BackWerk (DE, NL, AT), Ditsch USA (Pretzel Baron)
*** Brezelkönig Switzerland, Brezelkönig International, Caffè Spettacolo and BackWerk Switzerland

LC = Local Currency

Retail CH

- Strong same store sales on last year's level
- Net revenue decline (-1.2%) resulting from closure of net 23 POS

Retail DE/LU/AT

- Higher number of self-operated stores drive net revenue growth of 5.0% in LC
- Same store sales almost flat compared to last year; development in food, non-food, tobacco and services compensate increased decline in press & books; impact of cold weather (vs. H1 17) in first 4 months
- Responsibility of P&B Austria (10 stores) now with Retail Germany

Food Service

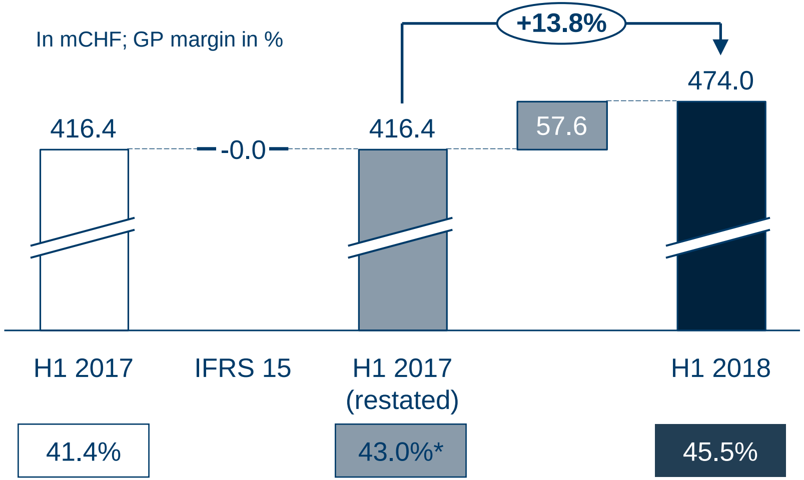
- Net revenue increase (+27.6% in LC) driven by:
  - BackWerk contribution (+33.2 mCHF)
  - Net revenue increase w/o BackWerk at +3.3% in LC
  - Positive same store-indices, especially in Switzerland
  - Ditsch B2B with +1.9% revenue development
  - 16 BackWerk openings and 10 closings in H1 2018

GROSS PROFIT

INCREASE IN GROSS PROFIT DRIVEN BY OPERATING PERFORMANCE AND BACKWERK

Valora Group

- Gross profit increase of +13.8% vs. last year and 10.4% in LC
- Gross profit margin increase by +2.5%pt to 45.5% thanks to operating performance (+0.7%pt) and BackWerk contribution



* H1 2017 Gross Profit margin restated according to IFRS 15

GROSS PROFIT

OPERATING PERFORMANCE AND ATTRACTIVE MARGIN PROFILE OF BACKWERK DRIVE GP MARGIN

Division | Country in mCHF	H1 2017	H1 2018	Δ in %	Δ % in LC	Gross Profit Margin	Δ GP margin*
Retail	**314.4**	**328.6**	**+4.5%**	**+2.0%**	**38.0%**	**+0.5%pt**
CH	226.0	229.8	+1.7%	+1.7%	39.3%	+1.1%pt
DE/LU/AT	88.4	98.8	+11.7%	+2.8%	35.3%	-0.8%pt
Food Service	**100.6**	**142.9**	**+42.0%**	**+35.1%**	**81.6%**	**+4.4%pt**
Other	1.4	2.5	n.a.	n.a.	n.a.	n.a.
Valora Group	**416.4**	**474.0**	**+13.8%**	**+10.4%**	**45.5%**	**+2.5%pt**

* 2017 GP margin restated according to IFRS 15

Retail CH

- Increase of GP margin by +1.1%pt to 39.3%, driven by higher promotions

Retail DE/LU/AT

- Higher number of self-operated stores drives gross profit (+2.8% in LC)
- GP margin decreases to 35.3% (-0.8%pt) driven by lower revenue in high-margin press & book category

Food Service

- Gross profit increase of +35.1% in LC to 142.9 mCHF, driven by operating performance (+4.1% in LC) and BackWerk contribution
- GP margin increase of +4.4%pt to 81.6% thanks to operating performance (+0.6%pt) and attractive margin profile of BackWerk
- Butter & cheese raw material prices still at high levels

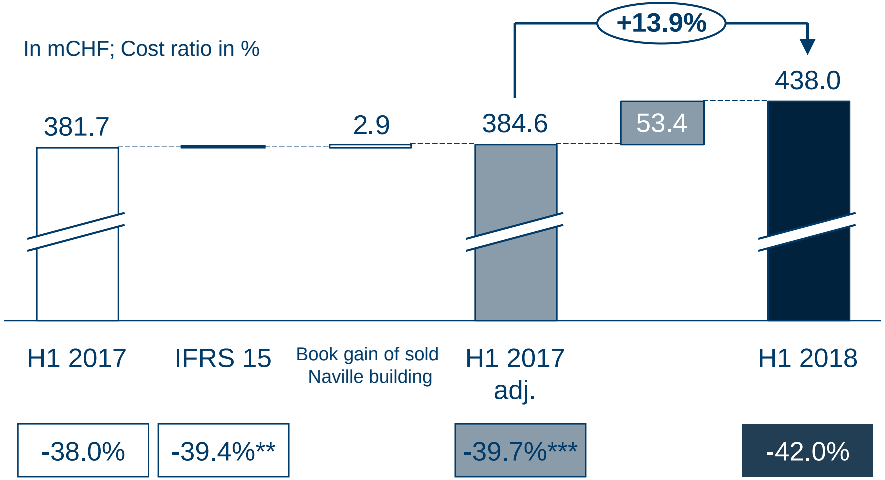
OPERATING COSTS (NET)

COST INCREASE OF 13.9%* DRIVEN BY FOOD SERVICE AND RETAIL GERMANY

Valora Group

- Cost increase of +13.9%* as a consequence of BackWerk integration, more self-operated stores in Retail Germany and higher food production in Food Service
- Cost ratio increase of -2.3%pt*** to -42.0% mainly driven by BackWerk consolidation

In mCHF; Cost ratio in %



* Adjusted for book gain of sold Naville building
** H1 2017 cost ratio restated according to IFRS 15
*** H1 2017 cost ratio restated according to IFRS 15 and book gain of sold Naville building

OPERATING COSTS (NET)

HIGHER COSTS IN ALL BUSINESS UNITS AS A RESULT OF TOP LINE GROWTH

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Division | Country in mCHF	H1 2017	H1 2018	Δ in %	Δ % in LC	Cost Ratio	Δ Cost Ratio*
Retail	**-284.4**	**-301.6**	**+6.0%**	**+3.5%**	**-34.9%**	**-0.9%pt**
CH	-202.4	-206.2	+1.9%	+1.9%	-35.2%	-1.1%pt
DE/LU/AT	-82.1	-95.4	+16.3%	+7.2%	-34.1%	-0.6%pt
Food Service	**-90.1**	**-128.0**	**+42.0%**	**+35.0%**	**-73.0%**	**-3.9%pt**
Corporate / Other	**-7.2**	**-8.4**	**+17.6%**	**+17.3%**	n.a.	n.a.
Valora Group	**-381.7**	**-438.0**	**+14.7%**	**+11.4%**	**-42.0%**	**-2.6%pt**

* 2017 cost ratio restated according to IFRS 15

Retail CH

- Book gain of sold Naville building of +2.9 mCHF in H1 2017
- Cost base, adjusted for Naville building book gain in H1 2017, essentially stable

Retail DE/LU/AT

- Higher costs of -13.3 mCHF (+7.2% in LC) as a result of higher number of self-operated stores (personnel & operating expenses), higher depreciation from investments in the store network and costs related to the SAP implementation
- As a result, cost ratio increases to -34.1% (-0.6%pt)

Food Service

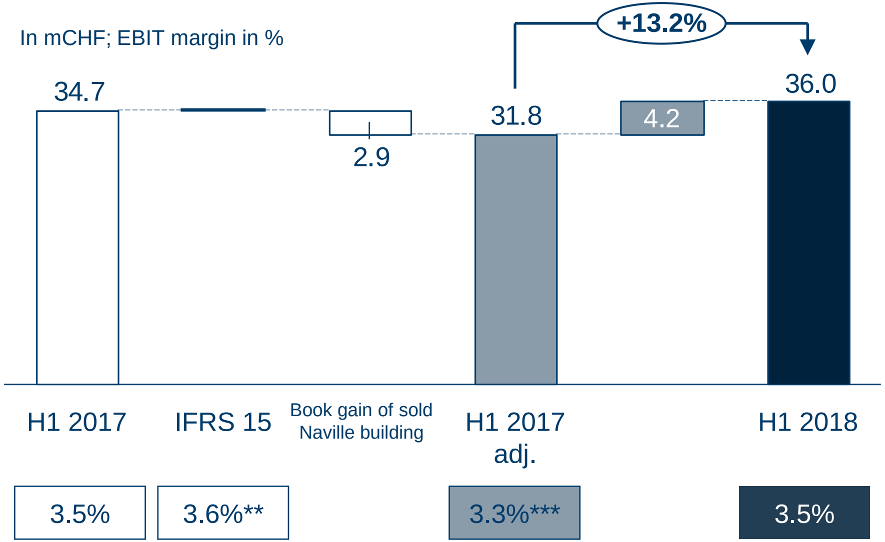
- Higher costs of -37.9 mCHF or +35.0% in LC, mainly as a consequence of BackWerk consolidation and higher production volumes
- Increase of cost ratio by -3.9%pt to -73.0%, mainly driven by BackWerk’s cost structure

EBIT

EBIT AND MARGIN INCREASE

Valora Group

- EBIT reaches 36.0 mCHF with an increase of +13.2%* driven by organic development especially in Food Service and the BackWerk consolidation
- EBIT margin increases by +0.2%pt*** to 3.5%



* Adjusted for book gain of sold Naville building
** H1 2017 EBIT margin restated according to IFRS 15
*** H1 2017 EBIT margin restated according to IFRS 15 and book gain of sold Naville building

EBIT

EBIT MARGIN INCREASE IN FOOD SERVICE AS A RESULT OF OPERATING PERFORMANCE

Division | Country in mCHF	H1 2017	H1 2018	Δ in %	Δ % in LC	EBIT Margin	Δ EBIT margin*
Retail	**30.0**	**27.0**	**-10.0%**	**-12.1%**	**3.1%**	**-0.5%pt**
CH	23.6	23.6	+0.1%	+0.1%	4.0%	+0.1%pt
DE/LU/AT	6.4	3.4	-47.3%	-52.7%	1.2%	-1.4%pt
Food Service	**10.5**	**14.9**	**+42.4%**	**+35.8%**	**8.5%**	**+0.5%pt**
Corporate / Other	**-5.8**	**-5.9**	n.a.	n.a.	n.a.	n.a.
Valora Group	**34.7**	**36.0**	**+3.8%**	**+0.3%**	**3.5%**	**-0.1%pt**

* 2017 EBIT margin restated according to IFRS 15

Retail CH

- EBIT at 23.6mCHF unchanged vs. H1 2017, as operating performance in H1 2018 compensates for book gain of sold Naville building in H1 2017 (+2.9 mCHF)
- Adjusted for book gain of sold Naville building in H1 2017, EBIT margin would increase by +0.5%pt

Retail DE/LU/AT

- EBIT decrease of -3.0 mCHF and EBIT margin decrease of -1.4%pt to 1.2%
- Negative press market development as well as impact of cold weather (vs. H1 2017) in first 4 months led to a slow start into the year

Food Service

- EBIT +4.4 mCHF higher at 14.9 mCHF, as a result of BackWerk contribution and positive performance of organic business
- EBIT margin uplift of +0.5%pt to 8.5% driven by operating performance

NET PROFIT / EPS

NET PROFIT FROM CONTINUING OPERATIONS INCREASES BY +3.4%

Net Profit / EPS in mCHF		H1 2017	H1 2018	Δ in %
EBIT		**34.7**	**36.0**	**+3.8%**
Financing activities, net		-4.7	-5.1	+9.6%
Earnings before taxes		**30.0**	**30.9**	**+2.9%**
Income taxes		-6.1	-6.1	+0.8%
Net profit from continuing operations		**23.9**	**24.7**	**+3.4%**
Net result from discontinued operations		0.1	-3.7	n.a.
Group net profit		**24.1**	**21.0**	**-12.7%**
EPS Group	in CHF	**6.44**	**4.73**	**-26.5%**
Average number of outstanding shares	in #	3,363,966	3,930,708	+16.8%

Net Profit

- Group net profit from continuing operations increases by +3.4% to 24.7 mCHF
- Group net profit including discontinued operations decreases to 21.0 mCHF because of a partial impairment on the earn-out of the Trade division sale in 2015 (-3.7 mCHF)
- EPS for the Group decreased to CHF 4.73 because of the higher number of average outstanding shares (as a result of the capital increase in November 2017) and as a consequence of the discontinued operations results
- Net financing activities of -5.1 mCHF higher compared to last half-year (-4.7 mCHF) as higher EUR/CHF currency-related exchange losses are only partly compensated by lower interest expenses
- Tax expenses stable at -6.1 mCHF with tax rate at 19.8%

BALANCE SHEET

STRONG EQUITY RATIO OF 52.9%

Balance Sheet in mCHF	**Jun-17**	**Dec-17**	**Jun-18**
Total assets	**1,112.8**	**1,408.9**	**1,336.5**
Cash, cash equivalents	120.1	152.5	95.0
Goodwill and intangible assets	474.7	707.8	698.8
Net debt (from continuing operations)	**250.4**	**246.1**	**285.0**
Leverage ratio* (excl. Hybrid Bond)	**1.9x**	**1.7x**	**2.0x**
Shareholders' equity (incl. Hybrid Bond)	518.7	737.9	706.5
Equity ratio	**46.6%**	**52.4%**	**52.9%**
Capital employed (average)	854.6	921.7	1,040.6
ROCE	**9.0%**	**8.6%**	**7.7%**

* EBITDA annualised for BackWerk for Dec-2017 and Jun-2018 Leverage Ratio

Shareholder's Equity

- Equity ratio increase to 52.9% (+0.5%pt vs. December 2017)
- Hybrid bond, as part of equity, to be redeemed in October 2018
- Equity ratio at 44.0% w/o Hybrid Bond

Net Debt

- Net debt increases by +34.6 mCHF compared to H1 2017 as a consequence of the BackWerk acquisition and higher dividend payments
- Interest-bearing debt at 380.0 mCHF (+9.4 mCHF vs. H1 2017)
- Leverage ratio at 2.0x
- Leverage ratio with hybrid bond treated as debt at 2.8x

FREE CASH FLOW

FREE CASH FLOW INCREASE BY +13.0% THANKS TO STRONG EBITDA GROWTH

Free Cash Flow (from continuing business) in mCHF	H1 2017	H1 2018	Δ in %
EBIT	**34.7**	**36.0**	**+3.8%**
D&A	25.9	31.6	+22.1%
EBITDA	**60.6**	**67.6**	**+11.6%**
Elimination of other non-cash items	-0.3	3.7	n.a.
NWC and current assets & liabilities	-41.6	-29.3	-29.7%
Interest, tax expense (net)	-7.0	-8.2	+17.0%
CF from operating activities	**11.6**	**33.9**	**+191.4%**
CF from investing activities (net)	**-2.7**	**-23.8**	**n.a.**
Capex	-23.7	-25.1	+6.3%
Asset disposal	20.9	1.3	n.a.
Free Cash Flow (before M&A)	**8.9**	**10.0**	**+13.0%**

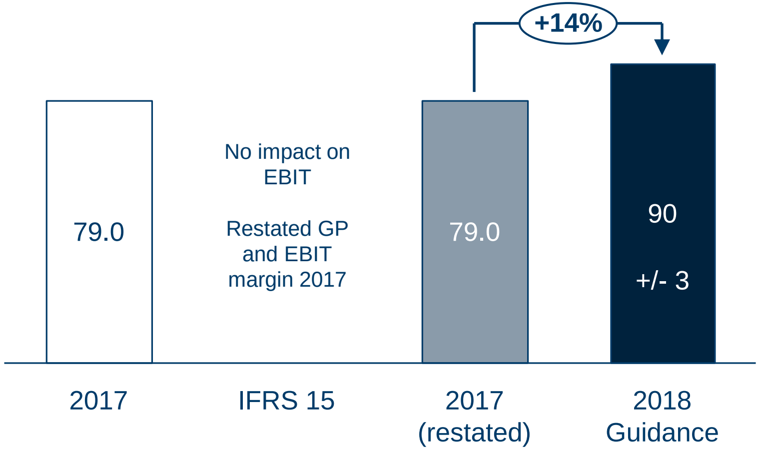
Free Cash Flow

- Free Cash Flow increase by +13.0% to 10.0 mCHF supported by strong EBITDA growth (+7.0 mCHF) and a lower net working capital (+12.4 mCHF)
- EBITDA and NWC effects compensate for the cash inflow from sale of the Naville building in H1 2017

EBIT GUIDANCE 2018 CONFIRMED

A GUIDANCE TRANSLATION TO REFLECT IFRS 16 WILL BE COMMUNICATED IN DUE TIME

EBIT Guidance 2018 in mCHF



	2017	IFRS 15	2017 (restated)	2018 Guidance
GP margin	42.0%		43.6%	>45%
EBIT margin	3.8%		3.9%	>4%

Focus of Strategic Initiatives H2 2018 and Beyond

KEY INITIATIVES

Retail CH

- Roll-out of new avec stores with handmade products and new look & feel
- Continuous development and assortment optimisations in all formats
- Preparation for SBB tender offer

Retail DE/LU/AT

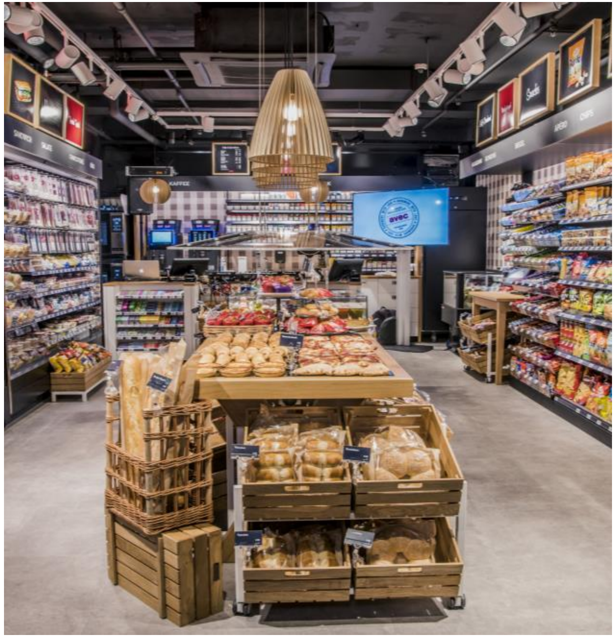
- Continued roll-out of e-smoke offering but also food and services
- Cost initiatives identified and initialised
- SAP implementation in Germany and Luxembourg in progress

Food Service

- Capacity expansion with Ditsch in Oranienbaum/DE (two additional production lines in new building) and in Cincinnati/USA (one additional production line) fully on track
- Cross-selling of ok.- energy drinks and Ditsch buns & twists in BackWerk stores since June 2018 with further cross-selling opportunities in 2019
- New BackWerk concept adapted for Switzerland

RETAIL SWITZERLAND

LAUNCH OF NEW AVEC CONCEPT



Key ambition – what's new?

- Clear positioning as fresh convenience player with focus on customer needs
- Flexible modules to fit small outlets and big convenience stores
- Handmade and freshness as new USP
- Production hub to supply nearby stores
    - Production of over 60 new fresh products featuring handmade sandwiches, salads, smoothies, fruit bowls, etc.
- Bread table as unique characteristic: assortment changes during the day
- Assortment will be regularly complemented with new seasonal and regional products
- New pricing for selected product categories
- New avec logo and clearly identified handmade and regional products
- New staff uniforms
- https://handmade.avec.ch/de/#start

Impact of IFRS 16 on Financial Results

IFRS 16: NEW ACCOUNTING STANDARD ON LEASES

IFRS 16 BECOMES EFFECTIVE AS OF 1 JANUARY 2019

IFRS 16 to change the accounting…

- Minimum or fixed lease payments need to be recognised on the balance sheet
  - Valora has a large number of lease contracts for its points of sale (~2,800) and non-POS related leases (>200)
- Income from subleases not shown in revenue anymore
  - Valora subleases c. 20% of its POS related lease contracts to its franchisees and recognises sublease income as revenue
  - Under IFRS16, income from subleases is netted with the underlying head lease
- Companies will appear to be more asset-rich but also more heavily indebted
  - By recognizing the value of the leased assets, the balance sheet will inflate and be more volatile
- Key figures and performance indicators will face major changes

…. but business remains the same

- Capitalisation of leases does not say anything about the quality or profitability of the lease contract
- Neither the operating business nor the profitability and net cash flow will change

IFRS 16: IMPACT ON CURRENT KPIs

CURRENT FINANCIAL FIGURES AND KPIs WILL CHANGE FUNDAMENTALLY

Current KPIs Valora Group	Actual H1 2018 in mCHF	H1 2018 pro-forma change (in mCHF)	
Total Assets	1,336	↑	+639
Net debt	285	↑	+644
Leverage ratio	2.0x	↑	+1.2x
Equity ratio	52.9%	↓	-17.4%pt
Gross Profit	474	↓	-14
EBITDA	68	↑	+74
EBIT	36	↑	+6

Valora is currently assessing the sustainability of its existing KPIs, e.g.:

- EBITDA does not reflect an economic reality and will not be in focus anymore
- ROCE to be shown w/o capital employed from capitalised rental in order to reflect capital provided by shareholders and debt providers
- Free Cash Flow might be re-defined to mirror a more economic reality

Note: The information is indicative only and based on the status of the analysis to date. There may be substantial changes for each and any indications depending on further analysis. Valora is currently assessing the sustainability of its KPIs and will further communicate on this.

Q&A

APPENDIX

2,776 POS AS PER JUNE 2018

AROUND 70% OF NETWORK OPERATED AS AGENCIES OR BY FRANCHISEES

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Retail Switzerland

Format	Own	Agency	Franchise	Total
k kiosk	272	643	-	**915**
Press & Books	6	25	-	**31**
avec	64	-	71	**135**
Total (vs. Dec. 2017)	**342** (+9)	**684** (-16)	**74** (-3)	**1,081** (-10)

Retail Germany / Luxembourg / Austria

Format	Own	Agency	Franchise	Total
k kiosk, cigo	249	-	394	**643**
ServiceStore DB, Store, avec	69	-	59	**128**
Press & Books	164	5 (LU)	-	**169**
k kiosk, Caffè Spettacolo LU	-	69 (incl. 2 Caffè Spet.)	-	**69**
Press & Books AT	10	-	-	**10**
Total (vs. Dec. 2017)	**492** (+19)	**74** (+1)	**453** (-3)	**1,034***

Food Service

Format	Own	Agency	Franchise	Total
Ditsch	-	214	-	**214**
Brezelkönig	5 CH 4 International	54	2 International	**65**
Caffè Spettacolo	31	-	-	**31**
back WERK	2	-	349	**351**
Total (vs. Dec. 2017)	**42** (-3)	**268** (-6)	**351** (+9)	**661** (+0)

Valora Group

Country	Own	Agency	Franchise	Total
Switzerland	32%	62%	6%	**1,174**
Germany	33%	15%	52%	**1,454**
Luxembourg	-	100%	-	**74**
Other	25%	-	75%	**59**
Total (vs. Dec. 2017)	**876** (+25)	**1,010** (-21)	**875** (+3)	**2,776***

* Including 15 «Partner» not shown in table (-24 vs. Dec. 2017)


Brightens up your journey.
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