Financial Report

VALORA FINANCIAL REPORT 2020

REVIEW OF GROUP RESULTS

With EBIT of CHF 14.1 million, Valora successfully concluded the challenging 2020 financial year. The EBIT reached the upper end of the guidance in spite of massively reinforced government restrictions related to the COVID-19 crisis towards the end of the year. The Group generated strong free cash flow of CHF 38.1 million and strengthened its balance sheet with the reduction of net debt by CHF –109.1 million to CHF 211.8 million at a leverage ratio of 2.5x EBITDA.

After a good start to the year, the Group's business was heavily impacted by the COVID-19 crisis and the related collapse in mobility including massive drops in footfall, especially at high-frequency public transport locations, of up to –80% during lockdown months. After an initial recovery after the first lockdown in spring, the situation tightened up again with the start of the second wave in the fourth quarter. Looking ahead, Valora expects to return to pre-crisis profitability on a monthly basis by the end of 2021.

In the 2020 financial year, Valora generated overall net revenue of CHF 1697.4 million, compared to CHF 2029.7 million in 2019, and external sales amounted to CHF 2233.3 million (2019: CHF 2680.6 million), a decrease of –16.4% and –16.7%, respectively, with significant shifts from the food to the tobacco, non-food and services categories. As the out of home consumption of food declined due to government restrictions and home-office working, external sales in the food category decreased by –27.9% in local currency. As a result of government orders to contain the virus and the resulting decline in customer frequencies especially at high-traffic locations, Valora was forced to considerably reduce opening hours and close some of its outlets completely, with continuous adjustments in line with the dynamic situation. On average throughout the year, about 5% of the Group's points of sale (POS) were closed – peaking in April at about 20% – and about 30% were running with reduced opening hours. Overall, the Retail formats were significantly less affected than the Food Service B2C formats. This was particularly due to Retail benefiting from its product offering of tobacco, press, non-food and services as well as the more diversified POS network with currently more frequented locations such as shopping centres, agglomerations and service stations. While both Retail and Food Service B2C formats experienced an initial recovery towards the end of the second quarter and particularly during the third quarter, the sales trend deteriorated again with the start of the second-wave lockdowns in the fourth quarter. The Food Service B2B pretzel business saw a significant temporary drop in orders during the first lockdown due to the weakened out-of-home food service market, while the sales decline was more moderate at –13.4% in the second half of the year, due partly to the launch of new distribution channels and product innovations.

Gross profit for the 2020 financial year amounted to CHF 743.3 million compared to CHF 917.2 million in the prior year. The gross profit margin came to 43.8% and remained –1.4 percentage points below its level in the prior year, particularly as a result of the lower share of high-margin food sales.

At an early stage, Valora implemented comprehensive cost-cutting measures across the Group and also made use of the governments' short-time-working programmes as more than half of its employees were temporarily on short-time working. The main cost-cutting measures implemented related to capacity management at POS, in production and in central functions, including a hiring freeze. In addition, highly disciplined cost management in the areas of logistics, marketing and IT resources as well as rent concessions were in focus. The Group thus realised a significant year-on-year cost reduction of –11.7% or CHF 96.5 million to CHF –729.3 million, compensating for 55.5% of the Group's decline in gross profit despite substantial fixed cost components related to minimum rent and the B2B pretzel production as well as temporary financial support to partners. In light of the ongoing government restrictions during the second wave, the development and implementation of sustainable cost measures as well as network optimisation are ongoing. Valora expects to maintain the level of cost reductions despite increased activities related to digital innovations and no significant rent concessions anticipated.

As a result, Group EBIT for the 2020 financial year amounted to CHF 14.1 million (2019: CHF 91.5 million) and the EBIT margin was 0.8 % (2019: 4.5 %). Group net profit came to CHF –6.2 million (2019: CHF 73.7 million). The Group generated strong free cash flow of CHF 38.1 million (2019: CHF 76.0 million), thanks to solid EBITDA (CHF 83.4 million; 2019: 157.4 million), sustainable and consistent NWC management as well as a focused approach to investment decisions.

In 2020, Valora further strengthened its financial structure through the syndicated loan facility that was renegotiated and increased to CHF 150 million in spring as well as the proceeds from the placement of 440 000 shares in November. In addition, it was also supported by the suspension of the dividend for the 2019 financial year. As a result, net debt was reduced by CHF –109.1 million to CHF 211.8 million and the leverage ratio amounted to 2.5x EBITDA (31.12.2019: 2.0x).

Throughout the crisis year, the Valora network and its partners ensured uninterrupted service to their customers within government constraints. In light of the crisis, the Group proved the resilience of its business and the management is convinced that Valora's foodvenience business model will remain attractive in the future. Valora is strongly positioned in its markets and has a solid financing structure, benefiting from a high degree of financial stability and flexibility. On this basis, Valora is continuing to pursue its pre-COVID-19-crisis strategic priorities.

A NET REVENUE

Net revenue (NR) in CHF million	**2020**	**2020 share in %**	2019	2019 share in %	Change	in local currency
Retail CH	1 066.6	62.8 %	1 160.9	57.2 %	–8.1 %	–8.1 %
Retail DE / LU / AT	373.5	22.0 %	508.2	25.0 %	–26.5 %	–23.6 %
Retail Division	1 440.0	84.8 %	1 669.1	82.2 %	–13.7 %	–12.7 %
Food Service Division	245.7	14.5 %	353.2	17.4 %	–30.4 %	–28.5 %
Other	11.8	0.7 %	7.4	0.4 %	+59.4 %	+59.4 %
Total Group	**1 697.4**	**100.0 %**	**2 029.7**	**100.0 %**	**–16.4 %**	**–15.2 %**
Switzerland	1 147.8	67.6 %	1 277.0	62.9 %	–10.1 %	–10.1 %
Elsewhere	549.7	32.4 %	752.7	37.1 %	–27.0 %	–24.1 %

In the 2020 financial year, Valora generated overall net revenue of CHF 1 697.4 million compared to CHF 2 029.7 million in 2019, and external sales amounted to CHF 2 233.3 million (2019: CHF 2 680.6 million), a decrease of –16.4 % and –16.7 %, respectively, with significant shifts from the food to the tobacco, non-food and services categories. As the out of home consumption of food declined due to government restrictions and home-office working, external sales in the food category decreased by –27.9 % in local currency. As a result of government orders to contain the virus and the resulting decline in customer frequencies especially at high-traffic locations, Valora was forced to considerably reduce opening hours and close some of its outlets completely, with continuous adjustments in line with the current developments. On average throughout the year, about 5 % of the Group's POS were closed – with its peak in April at about 20 % – and about 30 % were running with reduced opening hours.

In the 2020 financial year, the Retail division benefitted from its broad and diversified network of stores reaching its customers not only in locations of public transport, but also in shopping centres, agglomeration areas and service stations.

Retail CH reported net revenue of CHF 1 066.6 million compared to CHF 1 160.9 million in the 2019 financial year. The drop in sales (–8.1 %) is particularly due to lower footfall, temporary store closures and reduced opening hours following official orders to contain the COVID-19 virus. The unit's broad product portfolio and strong competence in the tobacco and press categories proved to be a source of strength in the crisis and an increased average ticket size partly compensated for reduced customer frequencies. In addition, the first conversions of stores to the new avec format at SBB and service station locations showed a promising sales development outperforming existing stores.

Retail DE / LU / AT earned net revenue of CHF 373.5 million compared to CHF 508.2 million in the previous year. The decline in external sales of – 11.2 % in local currency to CHF 753.1 million was less pronounced than the net revenue decrease of – 23.6 % in local currency, as franchise outlets recorded a positive same-store-sales development (+ 1.7 %), particularly due to a higher share of tobacco sales than in own stores.

Food Service posted net revenue of CHF 245.7 million compared to CHF 353.2 million in the 2019 financial year, a decrease of – 28.5 % in local currency. All business units were heavily impacted by the COVID-19 crisis due to the reduced demand for out-of-home food related to the government restrictions. However, the easing of the official orders led to an initial sales recovery particularly in the third quarter 2020, a + 12.1 percentage point improvement of sales development in local currency compared to the first half of the year. For the 2020 financial year, Food Service CH and Food Service DE sales decreased by – 36.2 % and – 38.3 % in local currency, respectively, with a significant impact from closed stores and reduced opening hours. Overall B2B sales dropped by – 17.4 % in local currency, whereby Ditsch USA recorded sales growth of + 26.5 % in local currency.

Net revenues in the **Other** segment increased thanks to bob Finance.

B GROSS PROFIT

Gross profit in CHF million	**2020**	**2020 share in %**	**2020 % of NR**	2019	2019 share in %	2019 % of NR	Change	Change in local currency
Retail CH	423.7	57.0 %	39.7 %	460.7	50.2 %	39.7 %	–8.0 %	–8.0 %
Retail DE / LU / AT	127.1	17.1 %	34.0 %	171.0	18.6 %	33.7 %	–25.7 %	–22.7 %
Retail Division	550.8	74.1 %	38.2 %	631.7	68.9 %	37.8 %	–12.8 %	–11.9 %
Food Service Division	184.1	24.8 %	74.9 %	278.1	30.3 %	78.7 %	–33.8 %	–32.0 %
Other	8.5	1.1 %	72.3 %	7.4	0.8 %	99.9 %	+15.4 %	+15.4 %
Total Group	**743.3**	**100.0 %**	**43.8 %**	**917.2**	**100.0 %**	**45.2 %**	**–19.0 %**	**–17.7 %**

Gross profit for the 2020 financial year amounted to CHF 743.3 million compared to CHF 917.2 million in the prior year. The gross profit margin came to 43.8 % and remained –1.4 percentage points below its level in the 2019 financial year, particularly as a result of the lower share of high-margin food sales.

Gross profit at **Retail CH** came to CHF 423.7 million compared to CHF 460.7 million in 2019. The margin of 39.7 % held its own compared to 2019 figures, supported by resilient promotional income and a higher share of lottery revenues.

Retail DE / LU / AT recorded gross profit of CHF 127.1 million compared to CHF 171.0 million in the 2019 financial year. The margin improved slightly from 33.7 % in 2019 to 34.0 % in 2020, particularly thanks to the temporarily reduced VAT rates in Germany.

Food Service reported gross profit of CHF 184.1 million for the 2020 financial year compared to CHF 278.1 million in the prior year. The gross profit margin remained below the prior-year figure of 78.7 % at 74.9 %, driven in particular by portfolio as well as product mix effects and increased write-offs as a result of the high share of fresh food.

Gross profit in the **Other** segment increased by +15.4 % from CHF 7.4 million to CHF 8.5 million thanks to higher income from bob Finance.

C OPERATING COSTS, NET

Net operating costs in CHF million	2020	2020 share in %	2020 % of NR	2019	2019 share in %	2019 % of NR	Change	Change in local currency
Retail CH	–406.6	55.8 %	–38.1 %	–425.0	51.5 %	–36.6 %	–4.3 %	–4.3 %
Retail DE / LU / AT	–116.5	16.0 %	–31.2 %	–152.6	18.5 %	–30.0 %	–23.6 %	–20.8 %
Retail Division	–523.2	71.7 %	–36.3 %	–577.6	70.0 %	–34.6 %	–9.4 %	–8.6 %
Food Service Division	–192.6	26.4 %	–78.4 %	–235.0	28.5 %	–66.5 %	–18.1 %	–15.9 %
Other	–13.5	1.9 %	n.a.	–13.1	1.6 %	n.a.	+3.6 %	+5.8 %
Total Group	**–729.3**	**100.0 %**	**–43.0 %**	**–825.7**	**100.0 %**	**–40.7 %**	**–11.7 %**	**–10.4 %**

At an early stage, Valora implemented comprehensive cost-cutting measures across the Group and also made use of the governments' short-time-working programmes as more than half of its employees were temporarily on short-time working. The main cost-cutting measures implemented related to capacity management at POS, in production and in central functions, including a hiring freeze. In addition, highly disciplined cost management in the areas of logistics, marketing and IT resources as well as rent concessions were in focus. The Group thus realised a significant year-on-year cost reduction of –11.7 % or CHF 96.5 million to CHF –729.3 million, compensating for 55.5 % of the Group's decline in gross profit despite substantial fixed cost components related to minimum rent and the B2B pretzel production as well as temporary financial support to partners.

Retail CH reported net operating costs of CHF –406.6 million, –4.3 % below their 2019 level. This corresponds to a compensation of 49.6 % of the GP decline with reduced costs, taking into account that volume-driven lower expenses and cost measures including rent concessions were partly offset by the higher depreciation on right-of-use assets after the SBB tender.

Retail DE / LU / AT reduced its costs by –20.8 % in local currency to CHF –116.5 million. Major effects resulted from decreased personnel expenses and rent reduction, both volume driven and renegotiated rent concessions. 82.2 % of the GP decline was thus compensated with cost reductions.

Food Service reduced its net operating costs by –15.9 % in local currency to CHF –192.6 million. Temporary support provided to individual partners in order to secure their economic viability and higher depreciation after the expansion of the B2B production facilities absorbed part of the realised savings. The unit's GP decline was compensated by 45.1 % with lower costs. The division's cost structure shows a higher share of fixed costs compared to other units, given the higher capital intensity of the B2B business and amortisation of intangible assets from acquisition.

D OPERATING PROFIT (EBIT)

Operating profit (EBIT) in CHF million	**2020**	**2020 share in %**	**2020 % of NR**	2019	2019 share in %	2019 % of NR	Change	Change in local currency
Retail CH	17.1	121.5 %	1.6 %	35.7	39.0 %	3.1 %	–52.2 %	–52.2 %
Retail DE / LU / AT	10.6	75.2 %	2.8 %	18.4	20.1 %	3.6 %	–42.6 %	–39.2 %
Retail Division	27.6	196.6 %	1.9 %	54.1	59.1 %	3.2 %	–48.9 %	–47.9 %
Food Service Division	–8.5	–60.7 %	–3.5 %	43.1	47.1 %	12.2 %	n.a.	n.a.
Other	–5.0	–35.9 %	n.a.	–5.7	–6.2 %	n.a.	n.a.	n.a.
Total Group	**14.1**	**100.0 %**	**0.8 %**	**91.5**	**100.0 %**	**4.5 %**	**–84.6 %**	**–84.3 %**

As a result, Group EBIT for the 2020 financial year amounted to CHF 14.1 million (2019: CHF 91.5 million) and the EBIT margin was 0.8 % (2019: 4.5 %).

EBIT at **Retail CH** amounted to CHF 17.1 million compared to CHF 35.7 million in the prior year. The unit’s EBIT margin was 1.6 % (2019: 3.1 %). In EBITDA, the unit contributed CHF 42.6 million to the Group’s results at an EBITDA margin of 4.0 %.

Retail DE / LU / AT earned EBIT of CHF 10.6 million compared to CHF 18.4 million in 2019, while the EBIT margin amounted to 2.8 % (2019: 3.6 %). The unit’s EBITDA amounted to CHF 23.7 million for the 2020 financial year and the EBITDA margin was 6.4 %.

Food Service EBIT was CHF –8.5 million compared to CHF 43.1 million in the 2019 financial year. Due to its high exposure to the out-of-home food market and the crisis-related deterioration of the division’s high-margin sales as well as a higher share of fixed costs, the adverse impact on the division was more severe than on other units. However, Food Service generated a profit in EBITDA of CHF 18.7 million. The EBITDA margin of 7.6 %, which was higher than in the Retail units, showed a solid level of profitability before depreciation and amortisation and emphasises the substantial upside potential of the division after the crisis.

E FINANCIAL RESULT, TAXES AND GROUP NET PROFIT

Group net profit came to CHF –6.2 million (2019: CHF 73.7 million). This includes positive effects from the release of a tax provision and deferred taxation.

The **net financial result** for the 2020 financial year was CHF –24.3 million compared to CHF –21.3 million in 2019. Lower exchange rate impact and improved financing conditions partly offset the increased IFRS 16 interest expense.

In 2020, **tax** income of CHF 4.1 million arose compared to CHF 3.4 million in the 2019 financial year. The tax income in 2020 is due to the release of a provision and deferred taxation.

These effects, added to the EBIT outlined above, led to a **Group net profit** of CHF –6.2 million compared to CHF 73.7 million in 2019.

F LIQUIDITY, CASH FLOW AND KEY FINANCIAL DATA

Key financial data in CHF million	2020	2019
EBITDA	**83.4**	**157.4**
Free cash flow / before purchase / sale of subsidiaries	**38.1**	**76.0**
Free cash flow per share in CHF	9.53	19.30
Group net profit	**–6.2**	**73.7**
Earnings per share in CHF	–1.55	18.70
Shareholder's equity	685.0	626.1
Equity Ratio [1]	47.3 %	46.0 %
Net debt	211.8	320.9

[1] Definition of alternative performance measures on page 225.

The Group generated strong free cash flow of CHF 38.1 million (2019: CHF 76.0 million), thanks to solid EBITDA (CHF 83.4 million; 2019: 157.4 million) as well as sustainable and consistent NWC management and a focused approach to investment decisions. Net debt was reduced by CHF –109.1 million to CHF 211.8 million and the leverage ratio amounted to 2.5x EBITDA (31.12.2019: 2.0x).

In the 2020 financial year, Valora generated **free cash flow** of CHF 38.1 million compared to CHF 76.0 million in 2019. The EBITDA amounted to CHF 83.4 million and remained below its 2019 figure of CHF 157.4 million. In particular, the focused prioritisation of investment projects as well as a sustainable and consistent NWC management, that was driven by the renegotiation of payment terms with suppliers, partly compensated for the crisis related decline in EBITDA and led to a fairly stable cash generation ratio in free cash flow of 45.6 % EBITDA (2019: 48.3 %).

Net debt as at 31 December 2020 of CHF 211.8 million remained below its level of 31 December 2019 (CHF 320.9 million), driven by the proceeds of the capital increase and the Group's free cash flow, while it was also supported by the suspension of the dividend for the 2019 financial year. Cash and cash equivalents increased to CHF 229.7 million as at 31 December 2020 (31 December 2019: CHF 122.7 million). The leverage ratio was 2.5x EBITDA (2019: 2.0x). Including lease liabilities, net debt amounted to CHF 1 239.5 million compared to CHF 1 369.1 million at year-end 2019.

The **equity ratio** before lease liabilities as at 31 December 2020 amounted to 47.3 % compared to 46.0 % as at 31 December 2019. Including lease liabilities, the equity ratio was 28.0 % (26.2 % as at 31 December 2019).

Looking forward, Valora strengthened its financing structure in the 2020 financial year comprehensively. In April, the Group renewed the previous syndicated loan facility of CHF 50 million and increased it to CHF 150 million with more attractive conditions at a term of five years with two extension options of one year each. In addition, the Group further increased its financial flexibility, also to take advantage of strategic opportunities, through the successful placement of 440 000 shares, equivalent to approximately CHF 70 million gross proceeds in November. On the basis of this equity transaction, Valora was able to successfully negotiate additional COVID-19 related headroom for the leverage ratio covenant up until and including 30.06.2022. The Group thus benefits from a high degree of financial stability and flexibility as well as a favourable maturity profile across all instruments.

G RETURN ON CAPITAL EMPLOYED

ROCE [1] in %	2020	2020 without Goodwill	2019	Percentage-point change	2020 Capital Employed	2019 Capital Employed	change
Retail CH	11.2 %	17.4 %	19.3 %	–8.1 %	151.8	184.7	–17.8 %
Retail DE / LU / AT	6.9 %	16.2 %	11.0 %	–4.0 %	152.0	167.5	–9.2 %
Retail Division	9.1 %	16.9 %	15.4 %	–6.3 %	303.8	352.3	–13.7 %
Food Service Division	n.a.	n.a.	6.5 %	n.a.	665.7	661.5	0.6 %
Total Group [2]	**1.3 %**	**2.7 %**	**8.4 %**	**–7.0 %**	**1 056.7**	**1 094.0**	**–3.4 %**

[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.

Return on capital employed (ROCE) amounted to 1.3 % for the 2020 financial year and remained below the 2019 figure of 8.4 % as a result of the lower EBIT. Excluding goodwill, the Group's ROCE was 2.7 %.

The return on capital employed (ROCE) is the ratio of the EBIT generated over the past 12 months to the average capital invested (including goodwill). As at 31 December 2020, the Group's ROCE amounted to 1.3 %.

ROCE for **Retail CH** was 11.2 %. Even though the profitability ratio was down on the previous year (19.3 %) due to the decline in EBIT, ROCE remained clearly above the 2019 Group's average of 8.4 %. This was thanks to both a solid EBIT contribution and decreased capital employed driven by NWC improvements. Excluding goodwill, the unit's ROCE was 17.4 %.

Retail DE / LU / AT recorded ROCE of 6.9 % compared to 11.0 % in 2019. Thanks to the solid EBIT contribution during the challenging 2020 financial year, the unit's decline in ROCE was less pronounced than the Group average. Excluding goodwill, ROCE amounted to 16.2 %.

Given its high-exposure to the out-of-home food market, **Food Service** EBIT remained below break-even for the 2020 financial year. Due to the negative result, ROCE was not calculated. Despite the investments in production expansion, the capital employed remained fairly stable.

CONSOLIDATED INCOME STATEMENT

1 January to 31 December, in CHF 000 (except per-share amounts)	Notes	2020	%	2019	%
Net revenue	8	**1 697 448**	**100.0**	**2 029 668**	**100.0**
Cost of goods and materials		–954 111	–56.2	–1 112 467	–54.8
Personnel expenses	9	–203 900	–12.0	–245 850	–12.1
Other operating expenses	10	–353 903	–20.8	–402 834	–19.8
Depreciation, amortisation and impairments	20, 21, 23	–225 626	–13.3	–207 161	–10.2
Other income	11	56 224	3.3	32 759	1.6
Other expenses	11	–2 081	–0.1	–2 659	–0.1
Operating profit (EBIT)	7	**14 051**	**0.8**	**91 458**	**4.5**
Financial expenses	12	–26 433	–1.6	–23 205	–1.1
Financial income	13	2 093	0.1	1 908	0.1
Earnings before income taxes		**–10 289**	**–0.6**	**70 161**	**3.5**
Income taxes	14	4 087	0.2	3 440	0.2
Net (loss)/profit from continuing operations		**–6 202**	**–0.4**	**73 601**	**3.6**
Net profit from discontinued operations		0	0.0	100	0.0
Net (loss)/profit attributable to shareholders of Valora Holding AG		**–6 202**	**–0.4**	**73 701**	**3.6**
Earnings per share					
from continuing operations, diluted and undiluted (in CHF)	15	–1.55		18.68	
from discontinued operations, diluted and undiluted (in CHF)	15	-		0.02	
from continuing and discontinued operations, diluted and undiluted (in CHF)	15	**–1.55**		**18.70**	

The accompanying notes from page 149 to page 204 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

1 January to 31 December, in CHF 000	Notes	2020	2019
Net (loss)/profit		**–6 202**	**73 701**
Remeasurements of defined benefit liability/asset	28	1 310	–2 006
Income taxes	28	–262	401
Items that will not be reclassified to profit or loss		**1 048**	**–1 605**
Currency translation adjustments		–4 004	–10 360
Items that may be reclassified to profit or loss		**–4 004**	**–10 360**
Other comprehensive income for the period		**–2 956**	**–11 965**
Total comprehensive income for the period		**–9 159**	**61 735**
Attributable to shareholders of Valora Holding AG		–9 159	61 735

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

Attributable to shareholders of Valora Holding AG from continuing operations	–9 159	61 635
Attributable to shareholders of Valora Holding AG from discontinued operations	0	100
Attributable to shareholders of Valora Holding AG	**–9 159**	**61 735**

The accompanying notes from page 149 to page 204 form an integral part of these consolidated financial statements.

CONSOLIDATED BALANCE SHEET

ASSETS

in CHF 000	Notes	31.12.2020	%	31.12.2019	%
Current assets					
Cash and cash equivalents	16	229 727		122 651	
Trade accounts receivable	17	58 397		77 080	
Inventories	18	143 168		143 393	
Current income tax receivables		2 508		288	
Current finance lease receivables	22	22 517		23 407	
Other current receivables	19	81 239		65 635	
Total current assets		**537 557**	**22.0%**	**432 455**	**18.1%**
Non-current assets					
Property, plant and equipment	20	261 787		267 924	
Right-of-use assets	21	909 802		938 997	
Goodwill, software and other intangible assets	23	643 643		657 162	
Investment in associates and joint ventures		25		25	
Financial assets	24	6 387		10 229	
Non-current finance lease receivables	22	66 170		68 207	
Deferred tax assets	14	20 512		17 838	
Total non-current assets		**1 908 327**	**78.0%**	**1 960 382**	**81.9%**
Total assets		**2 445 884**	**100.0%**	**2 392 837**	**100.0%**

LIABILITIES AND EQUITY

in CHF 000	Notes	31.12.2020	%	31.12.2019	%
Current liabilities					
Current financial liabilities	25	77 839		153	
Current lease liabilities	21	170 017		160 749	
Trade accounts payable	26	186 617		145 387	
Current income tax liabilities		6 677		9 997	
Other current liabilities	27	82 518		104 469	
Total current liabilities		**523 667**	**21.4 %**	**420 755**	**17.6 %**
Non-current liabilities					
Other non-current liabilities	25	366 917		447 207	
Non-current lease liabilities	21	857 699		887 491	
Non-current pension obligations	28	168		215	
Deferred tax liabilities	14	12 388		11 049	
Total non-current liabilities		**1 237 172**	**50.6 %**	**1 345 962**	**56.2 %**
Total liabilities		**1 760 839**	**72.0 %**	**1 766 718**	**73.8 %**
Equity					
Share capital	35	4 390		3 990	
Treasury shares		–1 002		–12 849	
Retained earnings		772 984		722 300	
Cumulative translation adjustments		–91 328		–87 323	
Total equity attributable to shareholders of Valora Holding AG		**685 045**	**28.0 %**	**626 119**	**26.2 %**
Total liabilities and equity		**2 445 884**	**100.0 %**	**2 392 837**	**100.0 %**

The accompanying notes from page 149 to page 204 form an integral part of these consolidated financial statements.

CONSOLIDATED CASH FLOW STATEMENT

1 January to 31 December, in CHF 000	**Notes**	**2020**	2019
Operating profit (EBIT)		**14 051**	**91 458**
Elimination of non-cash transactions in operating profit (EBIT)			
Depreciation and impairments of property, plant, equipment	20	52 819	48 330
Depreciation and impairments of right-of-use assets	21	156 248	141 183
Amortisation and impairment of intangible assets	23	16 559	17 647
Loss on sales of fixed assets, net	11	56	939
Share-based remuneration	29	2 348	2 664
Other non-cash transactions		703	–1 335
Change in other non-current liabilities		–536	–525
Change in net working capital, excluding the effects of the purchase and sale of business units			
Change in trade accounts receivable		18 287	1 652
Change in inventories		–129	374
Change in other current assets		–15 671	–10 199
Change in trade accounts payable		41 456	10 419
Change in other liabilities		–17 913	10 483
Cash flows from operating activities before interest and tax		**268 279**	**313 090**
Interest paid on financial liabilities		–5 823	–7 916
Interest paid on lease liabilities	21	–20 311	–15 107
Income taxes paid		–2 933	–2 107
Interest received from lease receivables	22	1 783	1 685
Other interest received		131	588
Dividends received		132	35
Cash flows from operating activities from continuing operations		**241 258**	**290 267**
Cash flows from operating activities from discontinued operations		0	100
Cash flows from operating activities		**241 258**	**290 367**
Cash flow from investing activities			
Investment in property, plant and equipment	20	–54 355	–81 044
Proceeds from the sale of property, plant and equipment	20	1 069	700
Acquisition of subsidiaries, net of cash and cash equivalents acquired	6	0	–4 030
Investment in financial assets		–599	–7 321
Proceeds from the sale of financial assets		4 437	7 349
Lease payments received from finance leases	22	22 671	14 524
Acquisition of other intangible assets	23	–6 273	–5 828
Proceeds from the sale of other intangible assets	23	104	105
Cash flows used in investing activities		**–32 946**	**–75 545**

1 January to 31 December, in CHF 000	**Notes**	**2020**	2019
Cash flow from financing activities			
Repayment of current financial liabilities	25	–44	–184 694
Proceeds from non-current financial liabilities	25	215	179 793
Repayment of non-current financial liabilities	25	–1 920	–725
Repayment of lease liabilities	21	–166 412	–142 688
Purchase of treasury shares		–13 595	–15 007
Sale of treasury shares		20 047	16 818
Dividends paid to shareholders		0	–49 257
Share-capital increase of Valora Holding AG		61 635	0
Cash flows used in financing activities		**–100 075**	**–195 760**
Net increase in cash and cash equivalents		**108 236**	**19 063**
Exchange rate effect on cash and cash equivalents		–1 160	–1 186
Cash and cash equivalents at the beginning of year		122 651	104 776
Cash and cash equivalents at year-end	16	**229 727**	**122 651**

Total proceeds from the capital increase amounted to CHF 63.2 million and were reduced by the transaction costs in the amount of CHF 1.6 million.

The accompanying notes from page 149 to page 204 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Equity

in CHF 000	Share capital	Treasury shares	Retained earnings	Cumulative translation differences	Total equity attributable to shareholders of Valora Holding AG
Balance on 1 January 2019	**3 990**	**–15 108**	**699 882**	**–76 962**	**611 802**
Net profit			73 701		73 701
Other comprehensive income			–1 605	–10 360	–11 965
Total comprehensive income			**72 096**	**–10 360**	**61 735**
Share-based remuneration			2 664		2 664
Dividends paid to shareholders			–49 257		–49 257
Purchase of treasury shares		–15 007			–15 007
Sale of treasury shares		17 266	–3 084		14 182
Balance on 31 December 2019	**3 990**	**–12 849**	**722 300**	**–87 322**	**626 119**
Net loss			–6 202		–6 202
Other comprehensive income			1 048	–4 005	–2 957
Total comprehensive income			**–5 154**	**–4 005**	**–9 159**
Share-based remuneration			2 348		2 348
Purchase of treasury shares		–13 595			–13 595
Sale of treasury shares		25 442	–7 743		17 699
Increase of share capital	400		61 235		61 635
Balance on 31 December 2020	**4 390**	**–1 002**	**772 984**	**–91 327**	**685 045**

The accompanying notes from page 149 to page 204 form an integral part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 INFORMATION ABOUT THE GROUP

Valora Holding AG ("Valora") is a publicly listed company on SIX Swiss Exchange with headquarters in 4132 Muttenz, Hofackerstrasse 40, Switzerland. Valora is a leading small-scale retailer in the convenience and food service sector. The Retail business segment of Valora Group operates small-outlet convenience retail units in high-frequency locations. Its Food Service segment maintains an integrated value chain covering all phases from lye bread production to wholesaling (B2B) and the operation of takeaway concepts (B2C).

The consolidated financial statements for Valora for the 2020 financial year were approved by the Board of Directors on 23 February 2021. They are subject to approval by the Ordinary General Meeting on 31 March 2021.

2 BASIS OF ACCOUNTING

Basis of preparation. The consolidated financial statements have been prepared on the historical cost basis, except for other non-current financial assets, equity instruments measured at fair value and contingent considerations. 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).

Going Concern and COVID-19 related measures. Valora's business was heavily impacted by the COVID-19 pandemic and the related collapse in mobility including massive drops in footfall at high-frequency locations of up to -80% during lockdown months. As a result of official governmental orders to contain the virus and the resulting decline in customer frequencies especially at high-traffic locations, Valora was forced to considerably reduce opening hours and temporarily close some of its outlets completely. This has negatively impacted the Valora's financial performance for the year.

In addition to the trading downsides, the COVID-19 pandemic and related measures had the following impacts on the financial performance of Valora:
- Valora has identified sales outlets or group of sales outlets where the current and anticipated future performance does not support the carrying value of the sales outlets. A charge of CHF 8.2 million impairment has been incurred primarily in respect of the impairment on point-of-sales equipment and right-of-use assets associated with these sales outlets.
- The Group received financial support from the government for employees on short-time work. The compensation received of CHF 16.2 million was offset against salaries.
- The Group negotiated rent concessions with its landlords for the majority of its sales outlets leases as a result of the severe impact of the COVID-19 pandemic during the year. The amount recognised in profit or loss for the reporting period to reflect changes in lease payments arising from rent concessions to which the Group has applied the practical expedient for COVID-19-related rent concessions is CHF 23.3 million.
- Valora provided subsidies and additional support to franchisees and agencies in the amount of CHF 5.8 million recognised in the income statement.

There is still uncertainty over how the future development of the outbreak will impact the Valora's business development and customer demand for its products. In particular, the repeated lockdowns at the end of 2020/beginning of 2021 and the associated extension of governmental orders will further impact the performance of Valora. Management has therefore modelled two different cash relevant scenarios considering a period of 12 months from the date of authorisation of these consolidated financial statements. The assumptions modelled take into account the estimated potential impact of COVID-19 restrictions and governmental orders and the expected level of customer frequency, together with management's proposed responses over the course of the period.

Given the solid equity situation, the high amount of cash and cash equivalents and the renewal and increase of the syndicated loan facility to CHF 150 million, management continues to have a reasonable expectation for both scenarios that Valora has adequate resources to continue in operation for at least the next 12 months from the date of authorisation of these financial statements and that the going concern basis of accounting remains appropriate.
This conclusion is supported by actions already taken by management to mitigate the trading downsides brought by COVID-19 such as comprehensive cost measures across the Group, making use of the governments' short-time work programmes and negotiating additional COVID-19 related headroom for the leverage ratio covenant. The development and implementation of sustainable cost measures as well as network optimisation are ongoing.

Compliance with IFRS, the Swiss Code of Obligations. 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.

Principles of consolidation. In addition to the accounts of Valora, Valora's consolidated 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 fully eliminated. 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.

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.

3 CHANGES TO ACCOUNTING POLICIES

Implementation of new International Financial Reporting Standards (IFRS) and Interpretations thereof.

Amendments to IFRS 16 Covid-19 Related Rent Concessions. The Group has early adopted COVID-19-Related Rent Concessions – Amendment to IFRS 16 issued on 28 May 2020. The amendment introduces an optional practical expedient for leases in which the Group is a lessee – i.e. for leases to which the Group applies the practical expedient, the Group is not required to assess whether eligible rent concessions that are a direct consequence of the COVID-19 pandemic are lease modifications. The Group has applied the amendment retrospectively. The amendment has no impact on retained earnings at 1 January 2020.

Amendments to IAS 1, IAS 8, IFRS 7, IFRS 9, IAS 39 and Conceptual Framework for Financial Reporting issued on 29 March 2018
These amendments had no impact on the consolidated financial statements of the Group.

Future implementation of International Financial Reporting Standards (IFRS) The Annual Improvements and other changes in IFRS will become effective in future accounting periods. These amendments are not expected to have a material effect on the Group's financial statements.

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 2020	**Closing rate on 31.12.2020**	Average rate for 2019	Closing rate on 31.12.2019
Euro, EUR 1	1.070	1.081	1.113	1.086
US dollar, USD 1	0.939	0.885	0.994	0.967

Net revenue and revenue recognition. Valora sells goods and services in sales outlets, operates franchise concepts and produces goods for wholesale customers. Net revenue presented in the income statement comprises both revenue from contracts with customers (IFRS 15) and other sources of revenue.

Net revenue from contracts with customers (IFRS 15) includes all proceeds from the sale of goods (including goods produced by Valora) and services, net of any deductions.

Revenue from products and services sold in sales outlets represents the cash payments received and is recognised when the payment is made in cash or charged to a credit card. Customer loyalty programmes are estimated on the basis of empirical values.

Revenue from goods produced and sold by Valora is recognised when the goods are transferred to the customer according to the terms of the contract. The revenue that is recognised is the consideration that Valora expects to be entitled to in exchange for these goods and falls within the scope of IFRS 15.

Valora provides franchisees with access to the Valora network including access to the relevant formats and brands and know-how. Valora recognises the related franchise fees over time as the franchisees receive the benefits of the services performed. Franchisees generally purchase goods on their own behalf and these are therefore not reported within revenues and costs of goods and materials of Valora. In cases franchisees purchase goods via Valora those are reported within revenues and cost of goods and materials. Revenue is recognised when franchisees obtain control of the goods at the sales outlet. Franchise fees are recognised as revenues and qualify as net revenue according to IFRS 15.

Commissions that Valora receives from its suppliers when acting as an agent are also reported as net revenue. These do not, however, fall within the scope of IFRS 15 Revenue from Contracts with Customers.

Cost of goods and materials. The cost of goods and materials includes the acquisition or production costs of the goods and the materials. It includes valuation allowances for non or slow moving goods, but also reimbursements from suppliers for the achievement of certain purchase quantities or reference values, which are recognised as a reduction in expenses. Payments received from suppliers for advertising services and promotional activities are recognised as a reduction of the cost of goods and materials.

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 expected to vest 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 Valora shares (equity settled) is recognised in equity. If the vesting conditions extend over several periods, the expense is spread over the vesting period taking into account the expected achievement of targets.

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 against which the deductible differences can be utilised. The assessment relates to the period for which planning data is available.

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, except when the underlying transaction is recognised outside profit or loss 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.

Financial Assets. Financial assets are classified at initial recognition at amortised cost or fair value through profit and loss. The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and Valora's business model for managing them. With the exception of trade receivables Valora measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables are measured at the transaction price determined under IFRS 15. In order for a financial asset to be classified and measured at amortised cost, it needs to give rise to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstand-

ing. Purchases or sales on financial assets that require delivery of assets within a time frame established by regulation or convention in the market place are recognised on the trade date, i.e. the date that the Group commits to purchase or sell the asset.
For subsequent measurement, financial assets are classified in the following categories:

- Financial assets at amortised cost (debt instruments) They are subsequently measured using the effective interest rate method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired. Valora's financial assets at amortised cost include cash and cash equivalents, trade accounts receivable, receivables from finance leases and other financial receivables.
- Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value such as contingent consideration arrangements entered into as part of business combinations. Financial assets are classified as held for trading if they are acquired for the purpose of selling and repurchasing in the near term. Derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model. Valora's financial assets at fair value through profit or loss include from time to time receivables from contingent consideration arrangements, derivatives and equity investments (unlisted equity interests with a shareholding of less than 20 %).

Financial assets are classified as current unless the due date is more than 12 months after the balance sheet date.

Valora uses the simplified approach when measuring the expected credit loss allowance of trade accounts receivable that do not contain any significant financing components. Under this approach, an impairment loss is recognised at each balance sheet date in the amount of the expected credit losses over the entire term (lifetime expected loss), rather than the change in the default risk. The impairment is determined by using historically observable data as well as forward-looking information. Depending on the credit rating of the customer cluster, the ageing structure of the receivables and historical default rates the expected credit losses are determined.

For lease receivables the expected credit loss allowance is determined by using the general approach so that the 12 month expected credit loss will be recognised, unless a significant change is observable which requires the recognition of the lifetime expected credit loss allowance.

For all other financial assets measured at amortised costs impairments on expected losses are determined according to the general approach.

Cash and cash equivalents. Cash and cash equivalents include cash on hand, demand deposits with banks and short-term money market investments with a maximum term of three months from their date of acquisition which are readily convertible to cash and cash equivalents and are subject to insignificant fluctuations in value.

Trade accounts receivable. Trade accounts receivable are largely attributable to the franchise business, the wholesale business and other deliveries of goods, as well as the provision of services.

Loans, receivables from finance leases and other receivables. Loans, receivables from finance leases and other receivables are classified as current unless the due date is more than 12 months after the balance sheet date.

One Valora Group company sells its accounts receivables to a bank. As risks from the receivables are transferred to the bank upon sale, the corresponding assets and liabilities are derecognised. In certain defined cases the bank would be entitled to reverse transactions or to adjust the risk transfer. In these cases, the risk is limited to the value of the receivables.

Financial liabilities. Financial liabilities are classified, at initial recognition, as subsequently measured at fair value through profit and loss.

Financial liabilities at amortised costs are initially measured at fair value net of transaction costs and subsequently measured at amortised cost using the effective interest rate method. Valora's financial liabilities at amortised cost include current financial liabilities, trade accounts payable, other financial payables and interest bearing debt (non-current financial liabilities). Valora classifies financial liabilities as non-current if it has the unconditional right at the balance sheet date to defer their repayment until at least twelve months after the balance sheet date.

Financial liabilities at fair value through profit or loss include financial liabilities designated upon initial recognition at fair value through profit or loss, or financial liabilities mandatorily required to be measured at fair value. Derivatives fall under this category unless they are designated as effective hedging instruments. Valora's financial liabilities at fair value through profit or loss include financial liabilities from contingent consideration arrangements agreed as part of business combination and derivatives with a negative fair value.

Inventories. Inventories are measured at the lower of acquisition/production cost and net realisable value. At Ditsch/Brezelkönig, semi-finished and finished goods are initially valued at production cost. The other inventories of Ditsch/Brezelkönig and the inventories of all other business units are initially measured at 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 the value of the asset. Repair and maintenance expense is charged directly to the income statement.

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

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

	Years
Land	no depreciation
Building	20–40
Machinery and equipment	6–10
Production facilities	15–20
Vehicles	5
IT hardware	3–5

Leases – Valora as a lessee. Valora assesses whether a contract is or contains a lease at inception of the contract.

The Group recognises a right-of-use asset and a lease liability at the lease commencement date, except for short-term leases up to 12 months or leases of low value assets, which are expensed in the income statement on a straight-line basis over the lease term.

The lease liability is initially measured at the present value of the lease payments to be made over the lease term, discounted by using the incremental borrowing rate specific to the country, term and currency of the contract. The Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is generally not readily determinable. Lease payments include fixed payments, variable lease payments that depend on an index or a rate known at the commencement date and extension option payments, if the Group is reasonably certain to exercise. The lease liability is subsequently measured at amortized cost using the effective interest rate method and remeasured with a corresponding adjustment to the related right-of-use asset when there is a change in future lease payments in the event of renegotiation, changes of an index or rate or in the event of reassessment of options (lease modification relating to an existing rental area).

At inception, the right-of-use asset comprises the initial lease liability and initial direct costs, less any incentives granted by the lessors. The right-of-use asset is depreciated over the shorter of the lease term or the useful life of the underlying asset.

Variable lease payments that do not depend on an index or rate are not included in the measurement of the lease liability and the right-of-use asset. The related payments are recognised as an expense when incurred and are included in 'other operating expenses' (see note 10) in the income statement.

Leases – Valora as a lessor. Where Valora acts as an intermediate lessor, i.e. enters into a head lease and subleases the right-of-use asset to a third party, the sublease is classified as either a finance or operating lease. A finance lease transfers substantially all the risks and rewards of the right-of-use asset to the sub-lessee, which is deemed to be the case when the lease term and present value of the lease payments are substantially the same as those of the head lease agreement. For those subleases qualifying as a finance lease, the right-of-use asset from the head lease is derecognised and a lease receivable is recognised. A difference between the carrying amount of the right-of-use assets and the lease receivable is shown as other income or other expense. As required by IFRS 9, an expected credit loss allowance for lease receivables is recognised. For those subleases classified as operating leases the rental income is recognised in other income.

Intangible assets. Intangible assets are classified as software, intangible assets with finite useful lives and intangible assets with indefinite useful lives.

Software and intangible assets with finite useful lives are recognised at acquisition or production cost, less accumulated amortisation. Amortisation is calculated using the straight-line method over the estimated useful lives of the assets.

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

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

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

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 it expects to benefit from the business combination. Goodwill is subject to an annual impairment test, or whenever there are indications of a possible impairment. For this purpose, the carrying amount of the cash-generating unit to which the goodwill was allocated is compared to 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 loss is recognised. Reversals of goodwill impairment are prohibited.

Impairment of property, plant and equipment, right-of-use assets and intangibles with finite lives. The recoverability of property, plant and equipment, right-of-use assets and intangible assets with finite lives is reviewed whenever there are indications that the carrying amounts may be overstated. The impairment test is carried out at the level of the cash generating unit to which the asset belongs. 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 or amortisation) had no impairment loss been recognised in previous years. A reversal is immediately recognised through profit or loss.

For point-of-sales equipment and right-of-use assets at shop locations, CGUs are defined as single sales outlets or as a group of sales outlets when single sales outlets do not generate largely independent cash inflows due to contractual or factual interdependence with other sales outlets leased from the same lessor.

Triggering events are identified based on backward- and forward-looking considerations, focusing on historic earnings and sales outlets with remaining lease terms of less than two years. The analysis is carried out at least annually, as part of the multi-year planning process. The recoverable amount is based on future operations of certain sales outlets (continued operation, change in operating model, extension options).

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 JUDGEMENTS

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.

Significant 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.

This clause does not invalidate the valuation but implies that there is more uncertainty than under normal market conditions. However Valora's Management assumes that the impact of COVID-19 will not have a long-term impact on its business. 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 lives of property, plant and equipment are determined on historical evidence, taking account of current technical conditions. The actual useful lives may differ from the originally determined useful lives as a result of technological changes and changed market conditions. In the event of such deviations, the remaining useful lives are 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 recoverable amount is mainly affected by estimated net revenue or the expected resale value of the associated assets. The actual values obtained in the future may differ from these estimates. The Group also applies judgments in determining cash generating units (individual sales outlets versus group of sales outlets from the same lessor) when carrying out impairment tests for right-of-use assets.

Goodwill, trademark rights and other intangible assets (Franchises). Goodwill, trademark rights and other intangible assets 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 valuation method) of the respective units (CGUs). The recoverable amount is mainly affected by estimated net revenue, the estimated operating profit margin and the applied discount rate.

Intangible assets with infinite useful lives are tested for impairment when there are indications for impairment.

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. Deferred tax assets are recognised for tax loss carry forwards 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 carry forwards. 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.

Leases. The Group makes judgments that affect the valuation of the right-of-use assets and the lease liabilities. These include determining contracts in scope of IFRS 16, determining the contract term and determining the interest rate used for discounting of future cash flows.
The Group has a large number of lease contracts that include extension and termination options. Evaluating at commencement date whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease requires a certain degree of judgement.

6 ACQUISITIONS AND DISPOSAL OF BUSINESS UNITS

Transactions in 2019.

Acquisition of SuperGuud. Valora acquired SuperGuud, based in Zurich, in an asset deal on 31 January 2019. The acquisition was conducted by BackWerk Switzerland AG and comprised three sales outlets.

The purchase price amounted to CHF 3.7 million and was paid in cash. The consideration was paid for the acquired retail equipment, inventory and goodwill of CHF 2.7 million. At the acquisition date the right-of-use asset and the lease liability amounted to CHF 1.2 million.

7 SEGMENT REPORTING

The Valora Group is an international retail group whose business activities are divided into the following reportable segments:

Retail: Retail operates small sales 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. Retail's brands include the k kiosk, avec, Press & Books, 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 in the USA (Ditsch USA). They are sold both at Ditsch's, Brezelkönig's and BackWerk's own sales outlets and via the wholesale distribution channel. The segment also includes Caffè Spettacolo, one of Switzerland's leading coffee-bar chains.

Other: The Group support functions Finance, Human Resources, Business Development, Digital Product 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 financial instruments listed in note 25.

The reportable segments include various formats and geographic regions. The net revenue for the reportable segments mainly relates to the sale of goods. Non-current assets comprise property, plant and equipment, right-of-use assets, lease receivables 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

2020

in CHF 000	Retail	Food Service	Other	Elimination	Group total
Net revenue					
Total	**1 440 027**	**245 670**	**11 751**	**0**	**1 697 448**
From third parties	1 440 027	245 670	11 751	0	1 697 448
Operating profit (EBIT)					
Total	**27 628**	**–8 535**	**–5 042**	**0**	**14 051**
Depreciation, amortisation and impairments	162 028	59 768	3 830	0	225 626
thereof right-of-use assets	123 363	32 522	363	0	156 248
Rent concessions	21 726	1 589	0	0	23 315
Additions to non-current assets					
Total	**155 455**	**80 469**	**2 689**	**0**	**238 612**
thereof right-of-use assets	122 511	60 557	103	0	183 171
thereof lease receivables	14 417	21 854	0	0	36 270
Segment assets					
Total	**1 477 257**	**946 356**	**699 975**	**–677 704**	**2 445 884**
Segment liabilities					
Total	**1 024 294**	**609 546**	**804 703**	**–677 704**	**1 760 839**
thereof lease liabilities	820 383	206 513	820	0	1 027 716

Depreciation, amortisation and impairments include impairments of CHF 6.0 million in the Retail segment, impairments in the segment Food Service of CHF 0.6 million and impairments in the segment Other of CHF 0.2 million and represent mainly impairments on point-of-sale equipment. Impairment on the right-of-use assets amounts to CHF 1.4 million.

2019

in CHF 000	Valora Retail	Food Service	Other	Elimination	Group total
Net revenue					
Total	**1 669 097**	**353 214**	**7 357**	**0**	**2 029 668**
From third parties	1 669 097	353 214	7 357	0	2 029 668
Operating profit (EBIT)					
Total	**54 094**	**43 068**	**–5 704**	**0**	**91 458**
Depreciation, amortisation and impairments	147 684	56 553	2 923	0	207 161
thereof right-of-use assets	110 361	30 514	309	0	141 183
Additions to non-current assets					
Total	**592 399**	**118 460**	**4 321**	**0**	**715 180**
thereof right-of-use assets	557 661	62 763	215	0	620 638
thereof lease receivables	20 898	35 780	0	0	56 678
Segment assets					
Total	**1 471 247**	**964 393**	**541 396**	**–584 197**	**2 392 837**
Segment liabilities					
Total	**1 019 327**	**586 938**	**744 649**	**–584 197**	**1 766 718**
thereof lease liabilities	841 909	205 278	1 053	0	1 048 240

Depreciation, amortisation and impairments include impairments of CHF 3.0 million in the Retail segment and impairments in the segment Food Service of CHF 0.4 million and represent mainly impairments on point-of-sale equipment. Impairment on the right-of-use assets amounts to CHF 0.4 million.

Segment information by countries

2020

in CHF 000	Switzerland	Germany	Other countries	Group total
Total revenue from contracts with customers (according to IFRS 15)	1 147 794	409 713	101 220	1 658 726
Other revenues	0	37 686	1 036	38 722
Net revenue from third parties	**1 147 794**	**447 399**	**102 255**	**1 697 448**
Non-current assets	979 811	770 252	65 168	1 815 231

2019

in CHF 000	Switzerland	Germany	Other countries	Group total
Total revenue from contracts with customers (according to IFRS 15)	1 277 004	586 353	122 447	1 985 804
Other revenues	0	41 681	2 184	43 865
Net revenue from third parties	**1 277 004**	**628 034**	**124 631**	**2 029 668**
Non-current assets	1 002 167	791 197	70 719	1 864 083

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

8 REVENUE FROM CONTRACTS WITH CUSTOMERS

Disaggregation of sales

2020

in CHF 000	Retail	Food Service	Others	Group total
Revenue from sale of goods [1]	1 313 138	224 673	2 208	1 540 018
Income from services	99 083	10 082	9 543	118 708
Total revenue from contracts with customers (according to IFRS 15)	**1 412 221**	**234 755**	**11 751**	**1 658 726**
Commission income and franchise fees	27 806	10 916	0	38 722
Total net revenue	**1 440 027**	**245 671**	**11 751**	**1 697 448**

[1] Includes wholesale revenue of CHF 109.6 million, which can be attributed to the segment Food Service.

2019

in CHF 000	Retail	Food Service	Others	Group total
Revenue from sale of goods [1]	1 529 553	318 926	5	1 848 484
Income from services	114 149	15 818	7 353	137 320
Total revenue from contracts with customers (according to IFRS 15)	**1 643 702**	**334 744**	**7 357**	**1 985 804**
Commission income and franchise fees	25 395	18 470	0	43 865
Total net	**1 669 097**	**353 214**	**7 357**	**2 029 668**

[1] Includes wholesale revenue of CHF 133.2 million, which can be attributed to the segment Food Service.

9 PERSONNEL EXPENSES

in CHF 000	**2020**	2019
Wages and salaries	165 493	198 302
Social security expenses	28 182	33 622
Share-based remuneration	2 348	2 664
Other personnel expenses	7 876	11 262
Total personnel expenses	**203 900**	**245 850**
Headcount in full-time equivalents as at 31 December	3 578	3 906

The Group received financial support from governments for employees on short-time work. The compensation received of CHF 16.2 million was offset against salaries.

Social security expenses include expenses for defined contribution plans of TCHF 120 (2019: TCHF 131). Other personnel expenses include, in particular, compensation paid to recruiters or temporary staff and expenses for training and staff recruitment.

10 OTHER OPERATING EXPENSES

in CHF 000	**2020**	2019
Agency fees	171 189	181 335
Lease expenses	19 170	37 675
Ancillary rental costs and property expenses	35 320	38 605
Shipping	32 981	40 460
Management and administration	24 612	28 975
Communication and IT	24 712	25 017
Advertising and sales	10 464	16 435
Impairment losses on accounts receivables	6 938	2 737
Other operating expenses	28 517	31 595
Total other operating expenses	**353 903**	**402 834**

Received rent concession are presented as other income (see note 11).

11 OTHER INCOME AND OTHER EXPENSES

in CHF 000	**2020**	2019
Lease income	23 634	27 442
Gain on derecognition of right-of-use asset subject to finance lease	1 198	434
Gain from disposal of non-current assets	669	279
Rent concessions received	23 315	0
Other income	7 408	4 605
Total other income	**56 224**	**32 759**

in CHF 000	**2020**	2019
Loss on finance lease	–635	–193
Selling loss from the disposal of non-current assets	–725	–1 218
Other expenses	–720	–1 248
Total other expenses	**–2 081**	**–2 659**

12 FINANCIAL EXPENSE

in CHF 000	**2020**	2019
Interest expenses on bank loans and liabilities	6 121	6 919
Interest expense on lease liabilities	20 311	15 107
Foreign exchange losses, net	0	1 178
Total financial expense	**26 433**	**23 205**

13 FINANCIAL INCOME

in CHF 000	**2020**	2019
Interest income from cash and cash equivalents, loans and receivables	110	187
Interest income from lease receivables	1 783	1 685
Dividend income from other non-current financial assets	132	35
Foreign exchange gains, net	67	0
Total financial income	**2 093**	**1 908**

14 INCOME TAXES

Income tax is broken down as follows:

in CHF 000	**2020**	2019
Current tax	–2 554	6 629
Deferred tax	–1 533	–10 068
Total income taxes	**–4 087**	**–3 440**

The reconciliation of income taxes at the expected Group tax rate with the reported income tax can be reconciled as follows:

in CHF 000	**2020**	2019
Earnings before income taxes	–10 289	70 161
Expected average Group tax rate	34.9%	20.2%
Income taxes at the expected Group tax rate	**–3 593**	**14 151**
Expenses not recognised for tax purposes / non-taxable income	1 575	3 039
Utilisation of previously unrecognised tax loss carryforwards	–4 068	–3 553
Effects on current income taxes from prior periods	–2 564	–2 350
Recognition of valuation allowances for deferred tax assets	3 441	2 616
Reversal of valuation allowances for deferred tax assets	0	–286
Intragroup transfer of assets	0	–17 382
Changes in tax rates	580	–571
Other effects	541	896
Total reported income taxes	**–4 087**	**–3 440**
Effective tax rate	39.7%	–4.9%

In calculating the expected Group tax rate, the individual tax rates for the taxable entities are taken into account on a weighted basis. For the calculation of the tax rate of 34.9%, profits and losses of the subsidiaries have been included. Compared to the previous year, the expected average Group tax rate increased as the tax rate applicable to profitable entities is inferior to the tax rate applicable to loss making entities.
The low effective tax rate in previous year arises due to a one-time effect from an intragroup transfer of assets, which resulted in a change in tax base.
Corporate restructuring measures in 2020 enabled an utilisation of previously unrecognised tax loss carryforwards which has a positive impact on income taxes of CHF –4.1 million.

The change in deferred income taxes is as follows:

Change in deferred tax assets / liabilities in CHF 000	Deferred tax assets	Deferred tax liabilities	Net assets / (net liabilities)
Balance on 1 January 2019	**11 106**	**– 14 495**	**– 3 389**
Deferred taxes recognised in the income statement	4 348	5 641	9 989
Deferred taxes recognised in other comprehensive income	0	401	401
Currency translation differences	– 645	433	– 212
Offsetting	3 029	– 3 029	0
Balance on 31 December 2019	**17 838**	**– 11 049**	**6 790**
Deferred taxes recognised in the income statement	3 524	– 1 990	1 533
Deferred taxes recognised in other comprehensive income	0	– 262	– 262
Currency translation differences	– 199	264	65
Offsetting	– 650	650	0
Balance on 31 December 2020	**20 512**	**– 12 388**	**8 126**

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

Deferred tax assets by origin of the difference in CHF 000	**2020**	2019
Current assets	925	922
Property, plant and equipment	990	1 078
Goodwill, software and other intangible assets	11 457	11 122
Non-current lease receivables	0	89
Current lease liabilities	38 321	28 332
Non-current lease liabilities	179 865	203 371
Other liabilities	881	1 576
Tax loss carryforwards	16 172	14 639
Total	**248 611**	**261 130**
Deferred tax liabilities by origin of the difference		
Current assets	– 3 739	– 5 208
Current lease receivables	– 3 362	– 3 332
Property, plant and equipment	– 3 914	– 34 393
Right-of-use assets	– 185 584	– 168 009
Goodwill, software and other intangible assets	– 21 526	– 18 930
Non-current lease receivables	– 20 499	– 8 611
Other liabilities	– 1 860	– 15 856
Total	**– 240 484**	**– 254 340**
Reported in the balance sheet		
Deferred tax assets	20 512	17 838
Deferred tax liabilities	– 12 388	– 11 049
Total deferred tax assets, net	**8 126**	**6 790**

Tax loss carryforwards total to an amount of CHF 348.9 million (2019: CHF 388.8 million). Utilisation of CHF 283.9 million (2019: CHF 304.3 million) of these tax losses is not considered probable and therefore no deferred taxes have been recognised. The predominant part of these tax loss carryforwards does not expire or has its expiration date in more than 5 years. The Group recognized deferred tax assets (net) of CHF 1.4 million (2019: CHF 1.4 million) regarding entities recording a net loss in current and previous period. The Group expects to recover the deferred tax assets (net) in future periods.

Deferred tax liabilities on temporary differences related to investments in subsidiaries are not recognised to the extent that, Valora Holding AG as the parent company, is able to control the timing of the reversal of temporary differences and it is not probable that these differences will reverse in the foreseeable future (e.g. through the sale of the investment). Since a reversal is not expected at present, no deferred tax liabilities are recognised for the outside basis difference.

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.

in CHF 000	**2020**	2019
Net (loss)/profit from continuing operations	–6 202	73 601
Net profit from discontinued operations	0	100
Net (loss)/profit from continuing and discontinued operations attributable to Valora Holding AG shareholders	**–6 202**	**73 701**
Average number of outstanding shares	3 992 578	3 940 440
Earnings per share from continuing operations (in CHF)	–1.55	18.68
Earnings per share from continuing operations and discontinued operations (in CHF)	**–1.55**	**18.70**

In 2020 and 2019 there were no dilutive effects.

16 CASH AND CASH EQUIVALENTS

in CHF 000	**2020**	2019
Cash on hand and sight deposits	229 727	122 651
Total cash and cash equivalents	**229 727**	**122 651**
of which restricted cash	1 394	6 060

Valora places significant sight deposits with banks that have a good credit rating (Standard & Poor’s rating of A and higher) or with banks that are considered system-relevant. Under IFRS 9, demand deposits are measured at amortised cost.

17 TRADE ACCOUNTS RECEIVABLE

in CHF 000	**2020**	2019
Trade accounts receivable, gross	63 953	81 189
Allowance for expected credit loss	–5 556	–4 109
Total trade accounts receivable, net	**58 397**	**77 080**

Trade receivables are non-interest bearing.

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

in CHF 000	**2020**	2019
Balance on 1 January	**4 109**	**3 308**
Recognition of loss allowances through profit or loss	3 388	2 596
Reversal of loss allowances through profit or loss	–1 312	–692
Utilisation of loss allowances	–622	–762
Currency translation differences	–7	–341
Balance on 31 December	**5 556**	**4 109**

The trade receivables have been impaired by using a provision matrix. The calculation of the expected credit loss allowance is based on the amount of overdue trade receivables and the relevant percentages for the respective category.

Total impairments (including reversals of impairment losses) amounted to CHF 6.9 million (2019: CHF 2.7 million). Impairment losses were charged to trade accounts receivables and other current receivables.

As of the balance sheet date, the ageing structure of trade accounts receivable is as follows:

in CHF 000	**2020**	2019
Not yet due	43 774	63 855
Less than one month overdue	12 427	9 644
More than one month, but less than two months overdue	782	1 260
More than two months, but less than four months overdue	149	1 150
More than four months overdue	1 266	1 172
Total trade accounts receivable, net	**58 397**	**77 080**

The payment terms for trade receivables are 30 to 90 days. The underlying contracts have no significant financing components and the amount of the consideration is essentially not determined on the basis of variable external factors. No significant components are based on estimates.

The Group considers trade accounts receivable in default when internal or external information indicates that it is unlikely to receive the outstanding contractual amount in full. The impairment loss is recognised taking into account any existing collaterals for this contractual amount.

Trade accounts receivable were allocated to different clusters. The expected credit losses on trade accounts receivable not yet due and less than one month overdue were derived from the credit rating of these clusters (0.3 % to 1.3 % of the relevant outstanding amount). Additional expected credit losses were recognised depending on the expected default rate of the ageing bucket of the outstanding amount (more than one month but less than two months overdue: 1.3 % to 2.3 %; more than two months but less than four months overdue: 33 %; more than four months overdue: 66 %).

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

in CHF 000	**2020**	2019
CHF	21 059	33 627
EUR	35 367	41 985
USD	1 973	1 468
Total trade accounts receivable, net	**58 397**	**77 080**

18 INVENTORIES

in CHF 000	**2020**	2019
Merchandise	135 570	134 178
Semi-finished and finished products	4 753	6 169
Other inventories	2 845	3 046
Total inventories	**143 168**	**143 393**

During the financial year, write-downs on inventories of CHF 11.5 million (2019: CHF 9.2 million) were charged to the cost of goods and materials.

19 OTHER CURRENT RECEIVABLES

in CHF 000	**2020**	2019
Value-added taxes and withholding tax receivables	817	1 001
Prepaid expenses and accrued income	37 724	35 751
Other receivables	42 699	28 883
Total other current receivables	**81 239**	**65 635**

In particular, other receivables include claims for short-time work as well as receivables due from social security and insurance companies.

All other receivables measured at amortised cost had good credit ratings (stage 1). The default risk, which in this case is derived from the credit rating, is not material.

20 PROPERTY, PLANT AND EQUIPMENT

in CHF 000	Land	Building	Machinery and equipment	Projects in progress	Total
Acquisition costs					
Balance on 1 January 2019	**8 601**	**36 612**	**482 684**	**22 345**	**550 242**
Consolidation scope additions	0	0	658	0	658
Additions	0	19 969	49 439	18 079	87 487
Disposals	0	0	–21 934	–92	–22 027
Reclassifications	0	1 675	12 146	–13 820	0
Currency translation differences	–150	–1 125	–7 524	–704	–9 504
Balance on 31 December 2019	**8 451**	**57 129**	**515 468**	**25 808**	**606 857**
Additions	0	3 948	41 585	4 614	50 148
Disposals	–2	–11	–29 300	–137	–29 450
Reclassifications	0	240	18 516	–18 757	0
Currency translation differences	–56	–328	–1 999	–358	–2 740
Balance on 31 December 2020	**8 393**	**60 978**	**544 271**	**11 172**	**624 813**
Accumulated depreciation / impairments					
Balance on 1 January 2019	**0**	**–11 303**	**–303 541**	**0**	**–314 844**
Additions	0	–2 029	–42 896	0	–44 925
Impairments	0	0	–3 405	0	–3 405
Disposals	0	0	20 470	0	20 470
Currency translation differences	0	156	3 616	0	3 772
Balance on 31 December 2019	**0**	**–13 175**	**–325 757**	**0**	**–338 932**
Additions	0	–2 770	–43 459	0	–46 229
Impairments	0	0	–6 590	0	–6 590
Disposals	0	8	28 317	0	28 325
Currency translation differences	0	24	374	0	398
Balance on 31 December 2020	**0**	**–15 913**	**–347 113**	**0**	**–363 027**
Carrying amount					
On 31 December 2019	8 451	43 954	189 711	25 808	267 924
On 31 December 2020	**8 393**	**45 065**	**197 157**	**11 172**	**261 787**

Impairments on machinery and equipment mainly relate to point-of-sale equipment in both years.

21 VALORA AS A LESSEE

A) LEASE ACTIVITIES

Sales outlets. Valora holds around 2800 lease contracts, mainly for sales outlets, comprising both fixed and variable sales-based lease payments. Lease terms contain a wide range of different terms and conditions and are negotiated either for individual sales outlets or group of sales outlets. Leases are typically made for a fixed period of 5–10 years and may include extension and termination options which provide operational flexibility.

The Group negotiated rent concessions with its landlords for the majority of its sales outlets leases as a result of the impact of the COVID-19 pandemic during the year. The Group applied the practical expedient for COVID-19-related rent concessions consistently to eligible rent concessions relating to its sales outlets leases.

The amount recognised in profit or loss for the reporting period to reflect changes in lease payments arising from rent concessions to which the Group has applied the practical expedient for COVID-19-related rent concessions is CHF 23.3 million (2019: 0). Further information relating COVID-19 measures are presented in chapter Basis of accounting.

Vehicles leases. The Group leases cars for management and sales functions. The average lease term is 3–4 years.

B) RIGHT-OF-USE ASSETS

in CHF 000	Right-of-use assets sales outlets	Right-of-use assets vehicles	Total right-of-use assets
At cost			
Balance on 1 January 2019	**541 053**	**1 724**	**542 777**
Additions	619 073	1 565	620 638
Disposals	–75 923	–160	–76 083
Currency translation differences	–12 415	–61	–12 477
Balance on 31 December 2019	**1 071 788**	**3 068**	**1 074 856**
Additions	182 865	559	183 424
Disposals	–65 054	–455	–65 509
Currency translation differences	–878	–8	–886
Balance on 31 December 2020	**1 188 720**	**3 165**	**1 191 885**
Accumulated depreciation			
Balance on 1 January 2019	**0**	**0**	**0**
Additions	–139 642	–1 117	–140 759
Impairments	–424	0	–424
Disposals	4 041	15	4 056
Currency translation differences	1 251	18	1 269
Balance on 31 December 2019	**–134 774**	**–1 084**	**–135 858**
Additions	–153 643	–1 163	–154 805
Impairments	–1 443	0	–1 443
Reversal of impairment charges	0	0	0
Disposals	9 879	379	10 258
Currency translation differences	–233	–2	–235
Balance on 31 December 2020	**–280 213**	**–1 870**	**–282 083**
Carrying amount			
On 31 December 2019	937 014	1 984	938 997
On 31 December 2020	**908 507**	**1 295**	**909 802**

The increase in the right-of-use assets in 2020 is mainly attributable to new rental agreements with the Swiss Federal Railways. The significant increase in 2019 is explained by the renewal of existing and the conclusion of new rental agreements over a lease term of 10 years.

C) LEASE LIABILITIES

in CHF 000	**2020**	2019
Balance on 1 January	**1 048 240**	**619 406**
Additions	173 756	602 781
Interest on lease liabilities	20 311	15 107
Lease payments	– 186 723	– 157 795
Early termination of contracts	– 26 327	– 16 533
Currency translation differences	– 1 542	– 14 727
Balance on 31 December	**1 027 716**	**1 048 240**
Thereof current portion	170 017	160 749
Thereof non-current portion	857 699	887 491

Maturity analysis - contractual undiscounted cash flows in CHF 000	**2020**	2019
Within one year	187 047	179 292
Within 1 – 5 years	566 650	568 233
More than 5 years	350 215	384 893
Total undiscounted lease liabilities	**1 103 912**	**1 132 418**
Effect of discounting	– 76 194	– 84 178
Total lease liabilities included in the balance sheet	**1 027 718**	**1 048 240**

Variable lease payments based on sales. Some leases of sales outlets contain variable lease payments that are based on sales generated from the store. Variable payment terms are used to link rental payments to store cash flows and minimise fixed costs. Fixed and variable lease payments are summarised below.

2020

	No. of Leases	Fixed lease payments	Variable lease payments	Total
Total	**2 818**	**191 589**	**14 304**	**205 893**

2019

	No. of Leases	Fixed lease payments	Variable lease payments	Total
Total	**2 876**	**173 075**	**23 382**	**196 457**

Due to the lower sales in the reporting year, the Group is operating within the minimum rent for most leases, which is why a 3% increase in sales would result in virtually no increase in the variable rent component. In the previous year, a 3% increase in sales would have increased total lease payments by approximately CHF 7.9 million.

Extension options. Some leases of sales outlets contain extension options exercisable by the Group up to one year before the end of the non-cancellable contract period. Where practicable, Valora seeks to include extension options in new leases to provide operational flexibility. The extension options held are exercisable only by Valora and not by the lessors. The Group assesses at lease commencement whether it is reasonably certain to exercise the extension options.

The impact of exercised extension options in 2020 amounted to CHF 18.8 million (2019: CHF 22.6 million). The table below shows the potential future lease payments due to exercised extension options.

2020

Segment	Number of leases with options due to exercise in the current year	Total lease liability due to extension options in the current year	Number of extension options recognised in the current year	Total lease liability recognised due to extension options in the current year (NPV)	Number of leases with extension options due in future periods	Total lease liability due to extension options in future periods (NPV)
Retail	82	19 421	29	5 321	330	81 412
Food Service	59	20 272	35	13 475	400	133 715
Other	0	0	0	0	1	22 621
Total	**141**	**39 694**	**64**	**18 796**	**731**	**237 747**

2019

Segment	Number of leases with options due to exercise in the current year	Total lease liability due to extension options in the current year	Number of extension options recognised in the current year	Total lease liability recognised due to extension options in the current year (NPV)	Number of leases with extension options due in future periods	Total lease liability due to extension options in future periods (NPV)
Retail	104	17 031	54	10 803	385	83 094
Food Service	57	20 036	32	11 846	430	142 595
Other	0	0	0	0	1	22 621
Total	**161**	**37 067**	**86**	**22 649**	**816**	**248 310**

If Valora exercised all extension options not currently included in the lease liabilities, the additional payments would amount to CHF 237.7 million at 31 December 2020 (2019: CHF 248.3 million).

D) OTHER DISCLOSURES

Lease expenses:

in CHF 000	**2020**	2019
Variable lease payments	14 304	23 382
Lease expenses short term leases	4 353	13 738
Lease expenses low value assets	513	555
Total lease expenses presented within operating expenses	**19 170**	**37 675**

in CHF million	**2020**	2019
Interest expense on lease liabilities	20 311	15 107
Total cash outflow for leases	205 893	195 470
Lease commitment for short-term leases	1 248	6 696

The lease commitments for leases not commenced at year-end amount to CHF 54 million (2019: CHF 95 million) and relate to concluded contracts for new rental spaces with Swiss Federal Railways.

22 VALORA AS A LESSOR

A) LEASE RECEIVABLES

in CHF 000	**2 020**	2 019
Balance on 1 January	**91 613**	**71 598**
Additions	36 270	56 678
Interest on lease receivables	1 784	1 685
Repayments	–24 454	–16 209
Early termination of contracts	–16 131	–18 795
Currency translation differences	–394	–3 343
Balance on 31 December	**88 687**	**91 613**
Thereof current portion	22 517	23 407
Thereof non-current portion	66 170	68 207

More repayments lead to a decrease in lease receivables compared to previous year. The decrease in lease receivables is the result of the decreased number of franchisees.

Maturity analysis of lease payment receivable

in CHF 000	**2020**	2019
Within one year	24 056	25 024
Within 1 – 2 years	20 659	20 781
Within 2 – 3 years	16 887	17 502
Within 3 – 4 years	12 715	13 579
Within 4 – 5 years	8 835	9 583
After more than 5 years	10 262	10 154
Total undiscounted lease payments to be received	**93 414**	**96 624**
Unearned finance income	–4 728	–5 011
Total lease receivables	**88 687**	**91 613**

B) OPERATING LEASES

Subleases not qualifying as finance lease. Subleases are classified as operating lease when not substantially all of the risks and rewards of ownership are transferred.

The following table shows the future minimum lease payments under non-cancellable operating subleases as at 31 December:

Payments from operating subleases in CHF 000	**2020**	2019
Income from subleases recognised during the reporting period	13 359	16 858
Due dates of future payments		
Within one year	5 207	6 539
Within 1 – 2 years	3 471	4 349
Within 2 – 3 years	2 706	3 137
Within 3 – 4 years	1 415	2 387
Within 4 – 5 years	377	1 141
After more than 5 years	437	1 128
Total undiscounted payments to be received	**13 612**	**18 682**

Other operating leases. The Group leases out some facilities, machinery and equipment to franchisees predominantly in Germany. These leases have been classified as operating leases, because they do not transfer substantially all of the risks and rewards incidental to the ownership of the assets.

The following table shows the undiscounted lease payments to be received after the reporting date.

Payments from other operating leases in CHF 000	**2020**	2019
Income recognised during the reporting period	10 275	10 584
Due dates of future payments		
Within one year	7 153	8 274
Within 1 – 2 years	7 029	6 638
Within 2 – 3 years	5 085	5 781
Within 3 – 4 years	4 113	4 887
Within 4 – 5 years	2 966	3 829
After more than 5 years	3 834	5 158
Total undiscounted future payments from other operating leases	**30 179**	**34 567**

C) OTHER DISCLOSURES

The Group has a finance income on lease receivables of CHF 1.8 million (2019: CHF 1.7 million). Selling profit or loss resulting from sublease arrangements is disclosed in other income or expense.

23 GOODWILL, SOFTWARE AND OTHER INTANGIBLE ASSETS

in CHF 000	Goodwill	Intangible assets with indefinite useful lives	Software and intangible assets with finite useful lives	Projects in progress	Total
Acquisition costs					
Balance on 1 January 2019	**546 205**	**47 068**	**213 750**	**5 557**	**812 580**
Additions to the scope of consolidation	2 677	0	0	0	2 677
Additions	0	0	2 997	4 058	7 054
Disposals	0	0	–405	–7	–412
Reclassifications	0	0	1 910	–1 910	0
Currency translation differences	–13 121	–819	–4 083	–138	–18 162
Balance on 31 December 2019	**535 761**	**46 249**	**214 169**	**7 560**	**803 738**
Additions	0	0	2 695	2 599	5 294
Disposals	0	0	–66	–638	–705
Reclassifications	0	0	5 706	–5 706	0
Currency translation differences	–1 715	–90	–388	–50	–2 242
Balance on 31 December 2020	**534 046**	**46 159**	**222 115**	**3 765**	**806 084**
Accumulated amortisation / impairments					
Balance on 1 January 2019	**–1 236**	**0**	**–129 800**	**0**	**–131 036**
Additions	0	0	–17 595	0	–17 595
Impairments	0	0	–52	0	–52
Disposals	0	0	306	0	306
Currency translation differences	44	–0	1 756	0	1 800
Balance on 31 December 2019	**–1 192**	**0**	**–145 385**	**0**	**–146 577**
Additions	0	0	–16 397	0	–16 397
Impairments	0	0	–162	0	–162
Disposals	0	0	601	0	601
Currency translation differences	5	–0	91	0	96
Balance on 31 December 2020	**–1 187**	**0**	**–161 254**	**0**	**–162 441**
Carrying amount					
On 31 December 2019	534 569	46 249	68 784	7 560	657 162
On 31 December 2020	**532 859**	**46 159**	**60 861**	**3 765**	**643 643**

Intangible assets with indefinite useful lives. The intangible assets with indefinite useful lives include the brands Ditsch (CHF 22.2 million) and Brezelkönig (CHF 24.0 million). The trademarks were tested for impairment by calculating the value in use of the cash-generating unit Food Service Europe. The revenues used in this calculation are based on three-year business plans. A long-term growth rate of 0.1 % was assumed (2019: 0.2 %). The pre-tax discount rate applied is 6.5 % (2019: 6.7 %).

Software and intangible assets with finite useful lives. Software and intangible assets with finite useful lives include CHF 12.5 million (2019: CHF 9.7 million) for software and CHF 48.4 million (2019: CHF 59.1 million) for intangible assets with finite useful lives, of which CHF 6.1 million (2019: CHF 9.6 million) relate to Ditsch / Brezelkönig customer relationships and CHF 37.8 million (2019: CHF 43.1 million) to BackWerk franchise contracts.

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

Cash-generating units in CHF 000	**2020**	2019
Retail Switzerland	53 730	53 730
Retail Germany	87 553	87 909
Food Service Europe	388 543	389 620
Ditsch USA	3 032	3 311
Total carrying amount as at 31 December	**532 859**	**534 569**

Goodwill is tested for impairment based on the estimated future free cash flows (DCF method) taken from the respective business plan of the cash-generating units. These business plans were approved by the Board of Directors and reflect the management's assumptions. For cash flows arising after this period a terminal value derived from the third planning year is used.

The following key assumptions were used:

Cash-generating units in CHF 000	Planning horizon	long-term growth rate 2020[1]	long-term growth rate 2019[1]	Pre-tax discount rate 2020	Pre-tax discount rate 2019	Net Revenue trend	Margin Trend
Retail Switzerland	3 years	0.0%	0.0%	5.8%	6.0%	rising	rising
Retail Germany [2]	3 years	0.2%	0.0%	7.3%	7.6%	falling	rising
Food Service Europe	3 years	0.1%	0.4%	6.5%	6.7%	rising	stable
Ditsch USA	3 years	2.0%	2.0%	9.4%	10.4%	rising	stable

[1] Beyond the planning horizon
[2] The impairment test assumes falling revenues but increased margin as a result of the increased focus on franchise model in the business plan.

The calculation of value-in-use is most sensitive to following assumptions: revenue growth as well as the discount rate. The discount rates are set based on the Group's weighted cost of capital, reflecting country and currency-specific risks affecting the cash flows.

Results and sensitivity of impairment tests

Retail Switzerland and Ditsch USA
As of the measurement date, the impairment tests for Retail Switzerland and Ditsch USA show that even in the event of an increase in the discount rate of 1.0% percentage points, which is considered to be possible, or assuming revenues are 20 % lower, the resulting values in use exceed the carrying amounts.

Retail Germany
As of the date of the impairment test, no impairment of goodwill resulted. The recoverable amount exceeded the carrying amount by CHF 52 million. In the prior year, the difference amounted to CHF 80 million.

The impairment test for 2020 shows that even in the event of an increase in the discount rate of 1.4 percentage points or assuming a decrease of the average revenue growth rate from –1.6% to –7.7% over the planning horizon, the resulting value in use would equal the carrying amount. This analysis is based on changing one of the assumptions holding the other assumption unchanged. The impairment test assumes a recovery from the prevailing COVID-19 pandemic and a return to pre-COVID EBIT levels in 2022/2023.

Food Service Europe
As of the date of the impairment test, no impairment of goodwill resulted. The recoverable amount exceeded the carrying amount by CHF 167 million. In the prior year, the difference amounted to CHF 255 million.

The impairment test for 2020 shows that even in the event of an increase in the discount rate of 1.4 percentage points or assuming a decrease of the average revenue growth rate from 18.1% to 9.9% over the planning horizon, the resulting value in use would equal the carrying amount. This analysis is based on changing one of the assumptions holding the other assumption unchanged. The impairment test assumes a recovery from the prevailing COVID-19 pandemic and a return to pre-COVID EBIT levels in 2022/2023.

24 FINANCIAL ASSETS

in CHF 000	**2020**	2019
Loans	3 876	4 112
Other non-current receivables	1 862	5 468
Other non-current financial assets	649	649
Total financial assets	**6 387**	**10 229**

Other non-current financial assets comprise unlisted equity securities measured at fair value through profit or loss.

25 CURRENT FINANCIAL LIABILITIES AND OTHER NON-CURRENT LIABILITIES

Current financial liabilities in CHF 000	**2020**	2019
Current bank debt and current portion of long-term debt	77 839	153
Total current financial liabilities	**77 839**	**153**

Other non-current liabilities in CHF 000	**2020**	2019
Promissory notes	355 040	433 644
Other non-current liabilities	11 877	13 563
Total other non-current liabilities	**366 917**	**447 207**

The promissory note of CHF 78 million with maturity date 29 April 2021 is reported in 2020 under current interest-bearing liabilities.
The syndicated loan facility of CHF 150 million is currently not being utilised.

The promissory notes are structured as follows:

in CHF 000	**Maturity**	**31.12.2020**	31.12.2019
EUR 72 million	29.04.2021	77 832	78 106
EUR 170 million	11.01.2023	183 920	184 351
EUR 100 million	11.01.2024	108 120	108 187
CHF 63 million	11.01.2024	63 000	63 000

Other non-current liabilities include financial liabilities (mainly deposits) in the amount of TCHF 8 639 (2019: TCHF 9 733) and other liabilities (jubilee benefits and others) in the amount of TCHF 3 238 (2019: TCHF 3 830).

Maturities at year end are as follows in CHF 000	**2020**	2019
Within one year	77 839	153
Within 1 – 2 years	1 270	78 147
Within 2 – 3 years	184 592	1 121
Within 3 – 4 years	172 013	185 680
Within 4 – 5 years	1 326	172 429
After more than 5 years	4 478	6 000
Total financial liabilities	**441 518**	**443 530**
Current portion of financial liabilities	– 77 839	– 153
Total non-current portion of financial liabilities	**363 679**	**443 377**

The interest rates on financial liabilities ranged between 0.0% and 1.8% (2019: between 0.0% and 3.0%). The weighted average interest rate on financial liabilities was 1.4% (2019: 1.4%). Non-current financial liabilities are denominated in the following currencies:

in CHF 000	**2020**	2019
CHF	63 610	63 698
EUR	296 584	375 874
USD	3 485	3 806
Total non-current financial liabilities	**363 679**	**443 377**
Other non-current liabilities	3 238	3 830
Total other non-current liabilities	**366 917**	**447 207**

Financing activities

in CHF 000	Current bank debt	Current portion of long-term debt	Current portion of lease liabilities	**Total current financial liabilities**	Promissory notes	Other non-current financial liabilities	Non-current portion of lease liabilities	**Total non-current financial liabilities**
Balance on 1 January 2019	**97 093**	**88 040**	**0**	**185 133**	**271 976**	**6 245**	**619 406**	**897 627**
Lease liability additions		0	0	0	0	0	617 888	617 888
Financing cash inflow	0	0	0	0	175 279	4 514	0	179 793
Financing cash outflow	–94 439	–90 255	–142 688	–327 382	0	–725	0	–725
Other cash flows	0	0	–15 107	–15 107	0	0	0	0
Reclass	0	0	320 363	320 363	0	0	–320 363	–320 363
Non-cash transactions	0	124	0	124	240	0	–16 533	–16 293
Currency translation differences	–2 501	2 092	–1 818	–2 227	–13 851	–301	–12 909	–27 061
Balance on 31 December 2019	**153**	**0**	**160 749**	**160 903**	**433 644**	**9 733**	**887 491**	**1 330 868**
Lease liability additions				0			194 068	194 068
Financing cash inflow	0	0	0	0	0	215	0	215
Financing cash outflow	–44	0	–166 412	–166 456	–960	–960	0	–1 920
Other cash flows	0	0	–20 311	–20 311	0	0	0	0
Reclass	0	78 106	196 289	274 395	–78 106	0	–196 289	–274 395
Non-cash transactions	0	42	0	42	1 647	0	–26 327	–24 680
Currency translation differences	–101	–316	–298	–715	–1 185	–349	–1 244	–2 778
Balance on 31 December 2020	**8**	**77 832**	**170 017**	**247 857**	**355 040**	**8 639**	**857 699**	**1 221 378**

26 TRADE ACCOUNTS PAYABLE

Trade accounts payable are denominated in the following currencies:

in CHF 000	**2020**	2019
CHF	144 242	99 872
EUR	42 159	43 771
Other	216	1 744
Total trade accounts payable	**186 617**	**145 387**

27 OTHER CURRENT LIABILITIES

in CHF 000	**2020**	2019
Value-added tax and other taxes	3 940	3 852
Personnel and social security	1 341	1 892
Accruals for overtime, vacation and variable salary components	7 701	7 838
Liabilities to pension funds	1 564	1 021
Accrued expenses and prepaid income	41 760	49 288
Liabilities for investments in property, plant and equipment and intangible assets	8 617	13 815
Other current liabilities	17 595	26 762
Total other current liabilities	**82 518**	**104 469**

Accrued expenses primarily include accruals for agency fees, goods and services purchased as well as accrued interest. Other current liabilities mainly comprise liabilities in regard to variable lease payments and ancillary lease costs.

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 5.70% (2019: 6.00%). The conversion rate will be reduced by 0.20% to 5.50% in 2021 and by 0.20% to 5.30% in 2022. 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 2020. 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.

Change in liabilities and assets in CHF 000	**2020**	2019
Present value of defined benefit obligation at the beginning of the year	492 325	487 870
Service cost	6 559	6 463
Employee contributions	2 709	4 680
Interest costs	1 210	2 559
Plan amendments, curtailments, settlements	–3 085	–9 998
Additions to the scope of consolidation	2 225	2 136
Benefits paid	–25 336	–31 590
Actuarial losses/(gains) from obligations	10 793	30 214
Currency translation differences	–1	–8
Present value of defined benefit obligation at year-end	**487 399**	**492 325**
Market value of pension assets at the beginning of the year	572 957	558 878
Interest income	1 395	2 929
Employer contributions	3 657	6 363
Employee contributions	2 709	4 680
Plan amendments, curtailments, settlements	–799	–7 177
Additions to the scope of consolidation	2 183	2 060
Benefits paid	–25 288	–31 538
Actuarial (losses)/gains from assets	10 997	37 477
Other pension costs	–654	–715
Market value of pension assets at year-end	**567 157**	**572 957**

Additions to the scope of consolidation relate to changes from agencies to own outlets. The pension assets calculated at fair value all relate to the Swiss pension schemes. The Group expects to pay employer contributions of CHF 6.6 million in 2021.

Balance sheet values in CHF 000	**2020**	2019
Present value of funded pension obligations	–487 231	–492 110
Fair value of pension assets	567 157	572 957
Excess/(shortfall) of fund-financed plans	**79 926**	**80 847**
Asset ceiling effect	–79 926	–80 847
Present value of unfunded pension obligations	–168	–215
Total net pension obligation	**–168**	**–215**

The weighted average duration of the defined benefit obligation is 12.6 years (2019: 12.7 years).

The net pension obligation developed as follows:

in CHF 000	**2020**	2019
1 January	–215	–274
Additions to the scope of consolidation	–42	–76
Pension expense, net in profit or loss	–4 969	–4 359
Employer contributions	3 705	6 415
Actuarial gains/(losses) in other comprehensive income	1 352	–1 930
Currency translation differences	1	8
31 December	**–168**	**–215**

Income statement in CHF 000	**2020**	2019
Service cost	–6 559	–6 463
Interest costs	–1 210	–2 559
Plan amendments, curtailments, settlements	2 286	2 821
Interest on effect of asset ceiling	–227	–372
Interest income	1 395	2 929
Other pension costs	–654	–715
Actuarial net pension expense	**–4 969**	**–4 359**

Income from plan amendments in the amount of CHF 2.3 million are primarily due to the reduction in the conversion rate.

Actuarial gains / losses in CHF 000	**2020**	2019
Changes in financial assumptions	–5 711	–30 033
Experience adjustment on defined benefit obligation	–5 124	–257
Gain on pension assets (excluding interest based on the discount rate)	10 997	37 477
Asset ceiling effect	1 148	–9 193
Actuarial gains / (losses) of the period	**1 310**	**–2 006**

Total actuarial gains / losses recognised in other comprehensive income in CHF 000	**2020**	2019
1 January	–93 363	–91 758
Actuarial gains / (losses)	1 310	–2 006
Deferred taxes	–262	401
31 December	**–92 315**	**–93 363**

Significant actuarial assumptions in CHF 000	**2020**	2019
Discount rate (Switzerland only)	0.10%	0.20%
Future salary increases (Switzerland only)	1.00%	1.00%

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

Sensitivity analysis in CHF 000	**2020**	2019
Discount rate (+0.25 %)	–15 449	–15 027
Discount rate (– 0.25 %)	13 853	13 954
Change in salaries (+0.50 %)	616	648
Change in salaries (–0.50 %)	–643	–674

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

Asset allocation in CHF 000	**2020**	2019
Cash and cash equivalents	6.0 %	5.3 %
Bonds	32.7 %	31.8 %
Equities	27.0 %	29.0 %
Real estate	30.8 %	30.5 %
Other	3.5 %	3.4 %
Total	**100.0 %**	**100.0 %**

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

The effective income from plan assets is CHF 11.7 million (2019: CHF 39.7 million). The effective return for 2020 was 2.0 % (2019: 7.1 %). 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. Generally, 20 % of the individual total compensation of members of the Board of Directors is 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.

Long term incentive plan (LTIP) for Group Executive Management. With effect from 1 January 2019 a long-term incentive plan was introduced which is a performance share unit plan. PSUs granted in 2019 were subject to a service period ending on 31 December 2019 and are converted into Valora shares after a two year period ending 2021, which is then followed by a further two year blocking period during which transfer restrictions apply. The number of shares that the plan participants will eventually receive is determined by multiplying the PSUs that vested on 31 December 2019 with a conversion multiple. This multiple is based on the achievement of performance targets related to the Group's return on capital employed ("ROCE") and earnings per Share ("EPS"), equally weighted at 50%, over the performance period 2019 to 2021. The fair value per PSU reflects Valora's share price at the grant date and the probability of goal achievement. In the current year for the Group Executive Management 8172 PSUs were granted at a fair value of CHF 193.56. In 2020, CHF 1.3 million personnel expense was recognised in the income statement (2019: CHF 1.4 million).

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 following 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 subject to a blocking period of three years. In 2020, total 2159 shares are acquired from this participation programme (2019: 2303).

The proceeds of these sales to employees are credited directly to equity.

Recognised personnel expense for share-based remuneration for personnel and the Board of Directors in CHF 000	**2020**	2019
Expenses for Valora Group employees and management share participation plans (equity settled)	2 348	2 664
Total expense recognised for share-based remuneration	**2 348**	**2 664**

30 CONTINGENT LIABILITIES AND OTHER OBLIGATIONS

Contingent liabilities in CHF 000	**2020**	2019
Guarantees	3 417	4 786
Total contingent liabilities	**3 417**	**4 786**

Valora's contingent liabilities primarily relate to outstanding guarantees (tender guarantees, warranties and performance bonds) for projects in joint ventures, parent guarantees for ongoing projects for own account and for tax disputes/litigation.

The Swiss Competition Commission (ComCo) has started the investigations in the regional market for food services against Valora and many other retail companies. The investigation is at an early stage. The Secretariat of ComCo has not yet issued a statement of objections. At this stage it is not possible to give an assessment on the outcome of the investigation. In particular, it is unclear whether Valora Schweiz AG might be fined and if it was fined in what amount. We do not believe, however, that the investigation will have an outcome that is material for Valora Schweiz AG.

Future obligations from other agreements

in CHF 000	**2020**	2019
Due dates of future obligations from other agreements		
Within one year	20 595	34 033
Within 1 – 2 years	4 848	5 313
Within 2 – 3 years	4 062	4 769
Within 3 – 4 years	2 834	3 596
Within 4 – 5 years	984	2 700
After more than 5 years	0	984
Total future obligations from other agreements	**33 323**	**51 395**

The future obligations from other agreements relate to commodity contracts and IT outsourcing agreements.

31 RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

By virtue of the 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 risks, 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 their 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 the transactions in their 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 risks arise 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 from time to time analysed and the risks are measured using the volatilities of the corresponding currencies. These analyses show that the translation risks are 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.

Currency sensitivity analysis in CHF 000	**Hypothetical change (percent) 2020**	**Impact on earnings before income tax 2020**	**Impact on other comprehensive income 2020**	Hypothetical change (percent) 2019	Impact on earnings before income tax 2019	Impact on other comprehensive income 2019
CHF/EUR	+/–3.7%	+/–1 108	+/–7 121	+/–4.0%	+/–1 815	+/–7 603

Interest rate risks. The Group's interest-bearing assets mainly comprise 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. In order to achieve the desired balance of fixed and variable interest rates, the Group enters from time to time into interest rate hedges where needed. Interest-bearing liabilities consist mainly of a promissory note (see Note 25).

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.

Interest rate sensitivity analysis in CHF 000	**Hypothetical change (basis points) 2020**	**Impact on earnings before income tax 2020**	Hypothetical change (basis points) 2019	Impact on earnings before income tax 2019
CHF	+/–3	+/–171	+/–6	+/–417
EUR	+/–2	+/–64	+/–6	+/–194

Liquidity risks. Liquidity risk management refers to the Group's ability to meet its payment obligations in full and in a timely manner at all times. 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 are designed to 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 closing interest rates are used to calculate variable interest payments.

in CHF 000	Up to 1 month	From 1 to 3 months	From 3 months to 1 year	From 1 to 5 years	More than 5 years	Total
As at 31 December 2020						
Current financial liabilities	5	0	78 600	0	0	78 605
Current lease liabilities	14 584	45 646	126 817	0	0	187 047
Trade accounts payable	142 221	41 599	2 797	0	0	186 617
Other current liabilities (financial instruments only)	37 426	15 829	10 554	0	0	63 809
Non-current lease liabilities	0	0	0	566 650	350 215	916 865
Non-current financial liabilities	3 049	14	1 386	397 788	15 377	417 614
Total	**197 284**	**103 088**	**220 154**	**964 439**	**365 592**	**1 850 557**
As at 31 December 2019						
Current financial liabilities	150	0	0	0	0	150
Current lease liabilities	11 741	44 155	123 395	0	0	179 292
Trade accounts payable	138 639	3 113	3 635	0	0	145 387
Other current liabilities (financial instruments only)	33 690	30 442	17 985	0	0	82 116
Non-current lease liabilities	0	0	0	568 233	384 893	953 126
Non-current financial liabilities	2 868	0	1 605	446 250	9 406	460 129
Total	**187 088**	**77 710**	**146 620**	**1 014 483**	**394 299**	**1 820 200**

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.

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 2020 and 2019, the Valora Group had no receivables from individual customers representing more than 6% of total trade accounts receivable.

The Group works with a selected number of reputable banking institutions. Specific situations may require subsidiaries to transact business with other banks. 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 450.5 million (2019: CHF 353 million) corresponds to its carrying amounts (see Note 32).

In addition, there is a default risk in connection with accounts receivables sold to a bank (Note 4), the maximum default risk corresponds to the entire amount derecognized.

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.

Demand deposits and fixed term deposits with maturities of less than three months in CHF 000	**2020**	2019
AAA and / or state guarantee (AAA countries)	4	137
AA	23 931	3 349
A	169 169	78 816
BBB	9 097	5 571
No Rating	1 407	2 703
Total demand deposits and fixed term deposits with maturities of less than three months [1)]	**203 608**	**90 576**

[1)] 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). From time to time 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.

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:

in CHF 000	**2020**	2019
Total assets	2 445 884	2 392 837
Total equity	**685 045**	**626 119**
Equity ratio	**28.0%**	**26.2%**

The equity ratio without effects from IFRS16 (Lease) amounts 47.3 % (2019: 46.0 %).

With the exception of bob Finance, a branch of Valora Schweiz AG, Muttenz, 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 SSD.

bob Finance 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 must amount to at least CHF 250 000 or 8 % of outstanding consumer loans.

32 FINANCIAL INSTRUMENTS

Carrying amounts, fair value and measurement categories under IFRS 9 in CHF 000	Measurement category IFRS 9	**Carrying amount 2020**	**Fair Value 2020**	Carrying amount 2019	Fair Value 2019
Assets					
Cash and cash equivalents	At amortised cost	229 727	229 727	122 651	122 651
Trade accounts receivable	At amortised cost	58 397	58 397	77 080	77 080
Current lease receivables	At amortised cost	22 517	n.a.	23 407	n.a.
Other current receivables (financial instruments only)	At amortised cost	67 305	67 305	51 852	51 852
Non-current lease receivables	At amortised cost	66 170	n.a.	68 207	n.a.
Non-current interest-bearing financial assets	At amortised cost	3 876	3 876	4 112	4 112
Other non-current receivables	At amortised cost	1 862	1 862	5 468	5 468
Total at amortised cost		**449 855**	**n.a.**	**352 777**	**n.a.**
Other non-current financial assets (hierarchy level 3)	**At fair value through profit or loss**	**649**	**649**	**649**	**649**
Liabilities					
Current financial liabilities	At amortised cost	77 839	77 839	153	153
Current lease liabilities	At amortised cost	170 017	n.a.	160 749	n.a.
Trade accounts payable	At amortised cost	186 617	186 617	145 387	145 387
Other current liabilities (financial instruments only)	At amortised cost	63 801	63 801	82 097	82 097
Non-current financial liabilities	At amortised cost	363 679	363 679	443 377	443 377
Non-current lease liabilities	At amortised cost	857 699	n.a.	887 491	n.a.
Total at amortised cost		**1 719 652**	**n.a.**	**1 719 256**	**n.a.**

For all current financial instruments measured at amortised cost, the carrying amounts represent a reasonable approximation of their fair value. Any discounting effects are immaterial. Information on the measurement of other non-current financial assets can be found in Notes 4, 24 and 33. 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.

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

in CHF 000	**2020**	2019
Other non-current financial assets - Asset		
Balance on 1 January	**649**	**649**
Balance on 31 December	**649**	**649**

Other non-current financial assets. Other non-current financial assets comprise unlisted equity securities measured at fair value through profit or loss.

Contingent considerations. The contingent consideration in the amount of CHF 382 thousand related to the acquisition of Presse+Buch Grauert and was paid in March 2019.

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:

Goods and services sold to related parties in CHF 000	**2020**	2019
Services sold to		
Associates and joint ventures	44	0
Other related parties	0	152
Total goods and services sold	**44**	**152**

Goods and services purchased from related parties in CHF 000	**2020**	2019
Services purchased from		
Associates and joint ventures	19	451
Other related parties	205	196
Total goods and services purchased	**224**	**647**

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 (see Note 29).

Remuneration to management and the Board of Directors in CHF 000	**2020**	2019
Salaries and other short-term benefits	4 412	5 515
Pension plans	560	490
Share participation plans	1 582	1 681
Total remuneration to management and the Board of Directors	**6 554**	**7 686**

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.

Receivables from related parties in CHF 000	**2020**	2019
Receivables from associates	3	964
Total receivables	**3**	**964**

Liabilities to related parties in CHF 000	**2020**	2019
Liabilities towards other related parties	1 496	947
Total liabilities	**1 496**	**947**

Contingent liabilities and guarantees. All outstanding balances with these related parties are priced on an arm's length basis. None of the balances is secured. No expense has been recognised in the current year or prior year for bad or doubtful debts in respect of amounts owed by related parties. No guarantees have been given or received.

35 EQUITY

Outstanding shares in number of shares	2020	2019
Total registered shares	**4 390 000**	**3 990 000**
Of which treasury shares		
Position as at 1 January	47 462	53 615
Additions	72 360	57 099
Disposals	– 114 184	– 63 252
Total treasury shares as at 31 December	**5 638**	**47 462**
Total outstanding shares (after deduction of treasury shares) as at 31 December	**4 384 362**	**3 942 538**
Average number of outstanding shares (after deduction of treasury shares)	**3 992 578**	**3 940 440**

In 2020, no dividend was paid for the financial year 2019 (2019: CHF 12.50 per share for financial year 2018). The dividend distribution is usually based on the annual profit and the profit carried forward of Valora Holding AG.

The share capital comprises 4 390 000 shares with a par value of CHF 1.00 each.

On 19 November 2020, Valora Holding AG completed the private placement of 400 000 newly registered shares with a nominal value of CHF 1.00 per share sourced from existing authorized shares. Following the placement, the number of Valora shares issued increased from 3 990 000 to 4 390 000.

On 11 May 2000, the General Meeting approved the creation of conditional capital in the amount of CHF 84 000. At the Ordinary General Meeting held on 11 June 2020, Valora Holding AG shareholders approved to increase the conditional capital in the amount of CHF 400 000 up to CHF 484 000. Consequently, the share capital of the company may be increased by up to CHF 484 000 through the issue of up to 484 000 fully paid-up registered shares, each with a nominal value of CHF 1.00,

a) up to the amount of CHF 84 000 through the exercise of option rights granted to employees of the company or group companies, and
b) up to the amount of CHF 400 000 through the exercise of conversion rights and / or option rights granted in connection with the issuance of newly or already issued bonds or other financial market instruments by the company or one of its group companies. As of 31 December 2020, no corresponding shares had been issued.

36 SUBSEQUENT EVENTS

There are no subsequent events after the balance sheet date to disclose.

37 KEY COMPANIES OF THE VALORA GROUP

	Currency	Share capital in million	Share-holding in %	Corporate	Valora Retail	Food Service
Switzerland						
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, Muttenz	CHF	0.1	100.0	•		
Valora Digital AG, Muttenz	CHF	0.1	100.0	•		
Brezelkönig International AG, Muttenz	CHF	0.1	100.0			•
BackWerk CH AG, Emmen	CHF	1.0	100.0			•
Germany						
Valora Holding Germany GmbH, Hamburg	EUR	0.4	100.0	•	•	
Stilke Buch & Zeitschriftenhandels GmbH, Hamburg	EUR	3.8	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			•
Valora Food Service Deutschland GmbH, Essen	EUR	0.1	100.0			•
Luxembourg						
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
Austria						
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			•
The Netherlands						
BackWerk NL B.V., Huizen	EUR	0.1	100.0			•
USA						
Valora Holding USA Inc., Wilmington, Delaware	USD	0.1	100.0	•		
Ditsch USA LLC, Cincinnati, Ohio	USD	–	100.0			•

REPORT OF THE STATUTORY AUDITOR TO THE GENERAL MEETING OF VALORA HOLDING AG, MUTTENZ

STATUTORY AUDITOR'S REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Opinion. We have audited the consolidated financial statements of Valora Holding AG and its subsidiaries (the Group), which comprise the consolidated balance sheet as of 31 December 2020 and the consolidated income statement, consolidated statement of comprehensive income, consolidated cash flow statement and consolidated statement of changes in equity for the year then ended, and notes to the consolidated financial statements (pages 142 – 204), including a summary of significant accounting policies.

In our opinion the accompanying consolidated financial statements give a true and fair view of the consolidated financial position of the Group as of 31 December 2020, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) and comply with Swiss law.

Basis for opinion. We conducted our audit in accordance with Swiss law, International Standards on Auditing (ISAs) and Swiss Auditing Standards. Our responsibilities under those provisions and standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report.

We are independent of the Group in accordance with the provisions of Swiss law and the requirements of the Swiss audit profession, as well as the IESBA Code of Ethics for Professional Accountants, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters. Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the consolidated financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

VALUATION OF GOODWILL AND OTHER INTANGIBLES WITH INDEFINITE USEFUL LIVES

Area of focus. As of the balance sheet date, goodwill and other intangible assets with indefinite useful lives represented 24% of Valora Group's total assets and 85% of Valora Group's total equity. Key assumptions for the impairment test and identified cash generating units are disclosed in notes (notes 5 and 23). Due to the significance of the carrying amounts and the judgment involved in performing the impairment test, this matter was considered significant to our audit.

Our audit response. We examined Valora Group's valuation model and analysed the underlying key assumptions, including future revenues and margins, long-term growth and discount rates. We assessed the assumptions based on historical data and considered Valora's ability to produce accurate mid- and long-term forecasts by evaluating the Group's budgeting process and considering the impact of the COVID-19 pandemic. To assess estimates of future net cash flows, we reconciled approved budgets with the valuations provided to us. Further, we evaluated the sensitivity in the valuations resulting from changes to the key assumptions applied and compared these assumptions to corroborating information such as analyst reports. We involved valuation specialists to assist in examining the Group's valuation model and analysing the underlying key assumptions, including future long-term growth and discount rates. We compared identified cash generating units to how management reviews the company's operations. Our audit procedures did not lead to reservations concerning the valuation of goodwill and other intangibles with indefinite useful lives.

VALUATION OF POINT-OF-SALES EQUIPMENT AND RIGHT-OF-USE ASSETS AT SALES OUTLETS

Area of focus. The recoverability of point-of-sales equipment and right-of-use assets at sales outlets is reviewed for triggering events of impairment at least annually at the level of cash-generating units (CGUs). CGUs are defined as single sales outlet or a group of sales outlets, when single sales outlets do not generate largely independent cash inflows due to contractual or factual interdependencies with other sales outlets leased from the same lessor. See note 4 for Valora's definition of a CGU. To determine the value in use of a CGU, the Group applies judgment when assessing future revenues and margins as well as future operations of sales outlets, including extension options under current lease contracts, where applicable. As disclosed in notes 2, 7 and 20, Valora recognised impairment charges of CHF 6.6 million for point-of-sales equipment and CHF 1.4 million for right-of-use assets in the current year. Due to the significance of the carrying values of point-of-sales equipment and right-of-use assets at sales outlets and the level of judgment involved in determining the recoverable amounts, this matter was considered significant to our audit.

Our audit response. We examined Valora's process for defining CGUs, identifying triggering events and conducting the impairment tests. We assessed the Group's documentation of legal or factual interdependencies of sales outlets when defining the CGUs. We agreed the carrying values of the point-of-sales equipment and right-of-use assets at sales outlets included in the assessment of triggering events to subledger data and tested other data points used on a sample basis. We recalculated the Group's assessment of triggering events and analyzed Valora's backward- and forward-looking considerations, focusing on sales outlets with remaining lease term of less than two years. We inquired management about the future operation of certain sales outlets (continued operation, change in operating model, extension options) and compared their responses to corroborating information, where applicable. Considering the impairment charges referred to above, our audit procedures did not lead to reservation concerning the valuation of point-of-sales equipment and right-of-use assets at sales outlets.

OTHER INFORMATION IN THE ANNUAL REPORT

The Board of Directors is responsible for the other information in the annual report. The other information comprises all information included in the annual report, but does not include the consolidated financial statements, the stand-alone financial statements and our auditor's reports thereon.

Our opinion on the consolidated financial statements does not cover the other information in the annual report and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information in the annual report and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITY OF THE BOARD OF DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The Board of Directors is responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRS and the provisions of Swiss law, and for such internal control as the Board of Directors determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Board of Directors is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Swiss law, ISAs and Swiss Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

A further description of our responsibilities for the audit of the consolidated financial statements is located at the website of EXPERTsuisse: http://www.expertsuisse.ch/en/audit-report-for-public-companies. This description forms part of our auditor's report.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In accordance with article 728a para. 1 item 3 CO and the Swiss Auditing Standard 890, we confirm that an internal control system exists, which has been designed for the preparation of consolidated financial statements according to the instructions of the Board of Directors.

We recommend that the consolidated financial statements submitted to you be approved.

Ernst & Young AG

André Schaub Licensed audit expert (Auditor in charge)	Ina Braun Licensed audit expert

Basle, 23 February 2021

BALANCE SHEET

ASSETS

As at 31 December, in CHF 000	Note	2020	2019
Current assets			
Cash and cash equivalents		168 779	59 860
Securities		18	18
Other current receivables			
Third parties		163	193
Group companies	2.2	287 068	86 962
Accruals			
Third parties		139	47
Total current assets		**456 167**	**147 080**
Non-current assets			
Loans to Group companies		755 526	765 245
Investments	2.1	224 982	224 882
Discount / issuance costs for syndicated loans / bonds		1 324	743
Total non-current assets		**981 832**	**990 870**
Total assets		**1 437 999**	**1 137 950**

LIABILITIES AND EQUITY

As at 31 December, in CHF 000	Note	2020	2019
Liabilities			
Current interest-bearing liabilities			
Promissory notes	2.3	79 200	-
Other current liabilities			
Third parties		782	502
Group companies	2.2	363 893	154 131
Accruals			
Third parties		4 846	3 982
Total current liabilities		**448 721**	**158 615**
Non-current interest-bearing liabilities			
Promissory notes	2.3	374 982	454 182
Total non-current liabilities		**374 982**	**454 182**
Total liabilities		**823 703**	**612 797**
Equity			
Share capital	2.4	4 390	3 990
Statutory capital reserves			
General statutory reserves		798	798
Reserves from capital contributions	2.5	130 100	68 723
Unrestricted reserves		201 426	206 821
Retained earnings available for distribution			
Retained earnings carried forward		257 670	209 149
Net profit for the year		20 914	48 521
Treasury shares	2.6	–1 002	–12 849
Total equity		**614 296**	**525 153**
Total liabilities and equity		**1 437 999**	**1 137 950**

INCOME STATEMENT

1 January to 31 December, in CHF 000	**Note**	**2020**	2019
Income			
Investment income	2.7	30 100	30 964
Financial income	2.8	8 115	18 290
Other income	2.9	-	22 000
Total income		**38 215**	**71 254**
Expenses			
Financial expenses	2.10	–7 282	–18 544
Remuneration of the Board of Directors		–1 493	–1 484
Other operating expenses	2.11	–2 622	–2 544
Valuation allowance on loans		–5 500	-
Direct taxes		–404	–161
Total expenses		**–17 301**	**–22 733**
Net profit for the year		**20 914**	**48 521**

NOTES TO THE FINANCIAL STATEMENTS

1. BASIS OF PRESENTATION

1.1 GENERAL. The annual financial statements for Valora Holding AG, based in Muttenz, have been prepared in accordance with the provisions of Swiss accounting law (Title 32 of the Swiss Code of Obligations).
The material accounting principles which have been applied and which are not required by law are described below.

1.2 NON-INCLUSION OF THE CASH FLOW STATEMENT AND OTHER INFORMATION IN THE NOTES. Valora Holding AG prepares its consolidated financial statements in accordance with IFRS. For this reason, it has not included information about interest-bearing liabilities and audit fees or its cash flow statement in these annual financial statements.

1.3 LOANS TO GROUP COMPANIES. Loans granted in a foreign currency are measured at the current exchange rate on the reporting date, with unrealised losses recognised, but unrealised gains not reported (imparity principle).

1.4 TREASURY SHARES. Treasury shares are recognised at acquisition cost with no subsequent valuation. Upon resale, the profit or loss is recognised directly in the unrestricted reserves.

1.5 SHARE-BASED COMPENSATION. If treasury shares are used for share-based compensation paid to board members or the Group Executive Management, the fair value at grant date is recognised as a personnel expense.

1.6 NON-CURRENT INTEREST-BEARING LIABILITIES. Interest-bearing liabilities are recognised at their nominal value. A discount and the issuance costs of bonds are recognised under assets and amortised on a straight-line basis over the term of the bond. A premium (less issuance costs) is recognised as accrued liabilities and amortised on a straight-line basis over the term of the bond. Interest-bearing liabilities in a foreign currency are measured at the current exchange rate on the reporting date, with unrealised losses recognised, but unrealised gains not reported.

2. INFORMATION ON BALANCE SHEET AND INCOME STATEMENT POSITIONS

2.1 INVESTMENTS

	Currency	31.12.2020 Capital in TCHF	31.12.2020 Holding in %	31.12.2019 Capital in TCHF	31.12.2019 Holding in %
Switzerland					
Valora International AG, Muttenz	CHF	20000	100.0	20000	100.0
Valora Management AG, Muttenz	CHF	500	100.0	500	100.0
Brezelkönig AG, Emmen	CHF	1000	100.0	1000	100.0
Alimarca AG, Muttenz	CHF	100	100.0	100	100.0
k Kiosk AG, Muttenz	CHF	50	100.0	50	100.0
Valora Lab AG, Muttenz	CHF	100	100.0	100	100.0
bob Finance AG, Muttenz	CHF	100	100.0	0	0
Germany					
Valora Holding Germany GmbH, Hamburg	EUR	400	5.1	400	5.1
Zweite Brezelkönig Verwaltungs GmbH	EUR	30	100	0	0
Luxembourg					
Valora Europe Holding S.A., Luxembourg	EUR	31	100.0	31	100.0

Significant direct and indirect investments in Group companies by Valora Holding AG are detailed in Note 37 of the consolidated financial statements. The participation percentage listed in the table also corresponds to the number of shares in these companies with voting rights.

2.2 OTHER CURRENT RECEIVABLES AND LIABILITIES. Other current receivables and liabilities to Group companies primarily involve receivables and liabilities to subsidiaries which are affiliated with the Valora Holding AG cash pool.

2.3 PROMISSORY NOTES

in CHF 000	Coupon	Maturity	31.12.2020	31.12.2019
EUR 72 million[1)]	fixed/variable	29.04.2021	79200	79200
EUR 170 million	fixed/variable	11.01.2023	199238	199238
EUR 100 million	fixed/variable	11.01.2024	112744	112744
CHF 63 million	fixed/variable	11.01.2024	63000	63000

[1)] The promissory note with maturity date 29 April 2021 is reported in 2020 under current interest-bearing liabilities.

2.4 SHARE CAPITAL. The share capital of TCHF 4390 (2019: 3990) is comprised of 4390000 (2019: 3990000) registered shares with a par value of CHF 1.00 each.

Authorised capital: At the Ordinary General Meeting held on 11 June 2020, Valora Holding AG shareholders approved the renewal of the authorised capital of CHF 400000 for a further two years until 11 June 2022.

Changes in share capital: On 19 November 2020, Valora Holding AG completed the private placement of 400000 newly registered shares with a nominal value of CHF 1.00 per share sourced from existing authorized shares. Following the placement, the number of Valora shares issued increased from 3990000 to 4390000.

Conditional capital: On 11 May 2000, the General Meeting approved the creation of conditional capital in the amount of CHF 84000. At the Ordinary General Meeting held on 11 June 2020, Valora Holding AG shareholders approved to increase the conditional capital in the amount of CHF 400000 up to CHF 484000, each with a nominal value of CHF 1.00,
a) up to the amount of CHF 84000 through the exercise of option rights granted to employees of the company or group companies, and
b) up to the amount of CHF 400000 through the exercise of conversion rights and/or option rights granted in connection with the issuance of newly or already issued bonds or other financial market instruments by the company or one of its group companies. As of 31 December 2020, no corresponding shares had been issued.

2.5 RESERVES FROM CAPITAL CONTRIBUTIONS. The statutory reserves from capital contributions include the premium from the capital increases since 1 January 2000, reduced by the previous dividend distributions.

2.6 TREASURY SHARES

	2020 Number of shares	**2020 Carrying amount in CHF 000**	2019 Number of shares	2019 Carrying amount in CHF 000
Opening balance (1 January)	**47 462**	**12 849**	**53 615**	**15 108**
Sales	–114 184	–20 047	–63 252	–17 266
Purchases	72 360	13 595	57 099	15 007
Closing balance (31 December)	**5 638**	**1 002**	**47 462**	**12 849**

In 2020, Valora Holding AG purchased 72 360 shares at CHF 187.88 and sold 114 184 shares at 222.82 (average prices).

As of 31 December 2020, the number of treasury shares as a percentage of total share capital was 0.1 % (2019: 1.2 %).

2.7 INVESTMENT INCOME

1 January to 31 December, in CHF 000	**2020**	2019
Valora International AG	30 000	30 000
Valora Management AG	100	100
Valora Holding Germany GmbH	-	864
Total investment income	**30 100**	**30 964**

2.8 FINANCIAL INCOME

1 January to 31 December, in CHF 000	2020	2019
Interest income on loans to Group companies	5 563	14 041
Other financial income	2 377	936
Currency translation gains	175	3 313
Total financial income	**8 115**	**18 290**

2.9 OTHER INCOME

1 January to 31 December, in CHF 000	2020	2019
Adjustment to impairment charge on investments	-	22 000
Total other income	**-**	**22 000**

2.10 FINANCIAL EXPENSES

1 January to 31 December, in CHF 000	2020	2019
Interest expense on bonds and syndicated loans	4 458	5 427
Discount (bond, hybrid, syndicated loan)	379	364
Bank interest and fees	680	918
Currency translation losses	1 765	11 835
Total financial expenses	**7 282**	**18 544**

2.11 OTHER OPERATING EXPENSES

1 January to 31 December, in CHF 000	2020	2019
Audit expenses	190	194
Other advisory fees	416	266
Management fees	1 000	1 000
Other administrative costs	1 016	1 085
Total other operating expenses	**2 622**	**2 544**

3. OTHER INFORMATION

3.1 FULL-TIME EQUIVALENTS. Valora Holding AG does not have any employees.

3.2 COLLATERAL PROVIDED FOR THIRD-PARTY LIABILITIES. On 31 December 2020, contingent liabilities – comprised of guarantees, letters of subordination and comfort, as well as warranty and other contingent liabilities – to subsidiaries totalled CHF 108.8 million (2019: CHF 104.3 million), with none to third parties (2019: none).

3.3 SIGNIFICANT SHAREHOLDERS. The statutory registration restriction of 5% set out in the Articles of Incorporation (restricted transferability) was abolished at the 2010 Ordinary General Meeting.

As of 31 December 2020, 5% of registered shares equalled 219 500 registered shares.

According to the share register, as of 31 December 2020, Ernst Peter Ditsch held 742 197 registered shares, which represented 16.91% (2019: 15.93%) of the shares issued.

As of 31 December 2020, Credit Suisse Funds AG held 231 609 registered shares representing 5.28% of the shares issued (2019: 5.46%).

3.4 PARTICIPATIONS. As of 31 December 2020 and 2019, the individual members of the Board of Directors and the Group Executive Management (including related parties) held the following number of shares of Valora Holding AG:

	2020 Number of shares	**2020** Share of total voting rights in %	**2020** of which subject to a lock-up period	2019 Number of shares	2019 Share of total voting rights in %	2019 of which subject to a lock-up period
Board of Directors						
Franz Julen Chairman	4 000	0.09	1 328	3 462	0.09	1 172
Sascha Zahnd Vice-Chairman	313	0.01	313	123	0.00	123
Michael Kliger Member and Chairman of Nomination and Compensation Committee	562	0.02	424	380	0.01	357
Markus Bernhard Member and Chairman of Audit Committee since AGM 2020	382	0.01	182	n/a	n/a	n/a
Insa Klasing Member	291	0.01	291	123	0.00	123
Karin Schwab Member since AGM 2020	168	-	168	n/a	n/a	n/a
Suzanne Thoma Member since AGM 2020	168	-	168	n/a	n/a	n/a
Markus Fiechter until AGM 2020	n/a	n/a	n/a	2 500	0.06	541
Ernst Peter Ditsch until AGM 2020	n/a	n/a	n/a	635 599	15.93	0
Cornelia Ritz Bossicard until AGM 2020	n/a	n/a	n/a	1 090	0.03	391
Total Board of Directors	**5 884**	**0.13**		**4 088**	**0.10**	
Group Executive Management						
Michael Mueller CEO	11 826	0.27	4 731	11 826	0.30	8 872
Beat Fellmann CFO since July 2020	450	0.01	0	n/a	n/a	n/a
Thomas Eisele Head Food Service	1 570	0.03	1 456	1 570	0.04	1 456
Roger Vogt Head Retail	685	0.02	685	685	0.02	685
Total Group Executive Management	**14 531**	**0.33**		**14 081**	**0.36**	
Total Board of Directors and Group Executive Management	**20 415**	**0.46**		**18 169**	**0.46**	

3.5 LOANS. As of 31 December 2020 and 2019, there were no loans to members of the Board of Directors or Group Executive Management or to related parties.

3.6 PARTICIPATION RIGHTS FOR MEMBERS OF THE BOARD OF DIRECTORS. 20% of the individual total compensation of the members of the Board of Directors, is generally paid out in the form of blocked registered shares. The number of registered shares allocated to the members of the Board of Directors is calculated on the basis of the volume-weighted average price of Valora registered shares for the 20 trading days prior to the allocation. No discount is granted blocked shares.

3.7 NET RELEASE OF HIDDEN RESERVES. In financial year 2020, no hidden reserves were released (2019: CHF 22.0 million).

3.8 SUBSEQUENT EVENTS. There are no subsequent events after the balance sheet date.

APPROPRIATION OF NET INCOME AND CAPITAL DISTRIBUTION

Proposed appropriation of net income

in CHF 000	**2020**	2019
Net profit for the year	**20 914**	**48 521**
Retained earnings carried forward from the previous year	257 670	209 149
Retained earnings available for distribution by the Annual General Meeting	**278 584**	**257 670**
The Board of Directors proposes the following appropriation		
Allocation to the general statutory reserves	–80	-
Dividend payable on shares entitled to dividend	-	-
Balance to be carried forward	**278 504**	**257 670**

No dividend was approved by AGM and paid out during 2020.

REPORT OF THE STATUTORY AUDITOR TO THE GENERAL MEETING OF VALORA HOLDING AG, MUTTENZ

REPORT OF THE STATUTORY AUDITOR ON THE FINANCIAL STATEMENTS

As statutory auditor, we have audited the accompanying financial statements of Valora Holding AG, which comprise the balance sheet, income statement and notes (pages 208 to 216), for the year ended 31 December 2020.

Board of Directors' responsibility. The Board of Directors is responsible for the preparation of the financial statements in accordance with the requirements of Swiss law and the company's articles of incorporation. This responsibility includes designing, implementing and maintaining an internal control system relevant to the preparation of financial statements that are free from material misstatement, whether due to fraud or error. The Board of Directors is further responsible for selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility. Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Swiss law and Swiss Auditing Standards. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal control system relevant to the entity's preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control system. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion. In our opinion, the financial statements for the year ended 31 December 2020 comply with Swiss law and the company's articles of incorporation.

Report on key audit matters based on the circular 1/2015 of the Federal Audit Oversight Authority. Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditor's responsibility section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

VALUATION OF INVESTMENTS IN AND LOANS TO SUBSIDIARIES

Risk. As of 31 December 2020, investments in and loans to Group companies represented 68% of the Company's total assets and amounted to CHF 986 million. Valora generally assesses the valuation of its investments and loans on an individual basis in accordance with the Swiss Code of Obligations. Under specific circumstances, certain investments in and loans to Group companies are combined for this assessment to the extent deemed appropriate.

Due to the significance of the carrying amount of the investments in and loans to Group companies and the judgment involved in the assessment of the valuation, this matter was considered significant to our audit.

Our audit response. We examined the Company's valuation model and analyzed the underlying key assumptions, including future revenues and margins, long-term growth and discount rates. We also assessed the historical accuracy of the Company's estimates and considered its ability to produce accurate long-term forecasts. Further, we evaluated the sensitivity in the valuation resulting from changes to the key assumptions applied and compared these assumptions to corroborating information, including expected inflation rates and market growth. Our audit procedures did not lead to any reservation concerning the valuation of investments in and loans to subsidiaries.

Report on other legal requirements. We confirm that we meet the legal requirements on licensing according to the Auditor Oversight Act (AOA) and independence (article 728 CO and article 11 AOA) and that there are no circumstances incompatible with our independence.

In accordance with article 728a para. 1 item 3 CO and Swiss Auditing Standard 890, we confirm that an internal control system exists, which has been designed for the preparation of financial statements according to the instructions of the Board of Directors.

We further confirm that the proposed appropriation of available earnings complies with Swiss law and the company's articles of incorporation. We recommend that the financial statements submitted to you be approved.

Ernst & Young AG

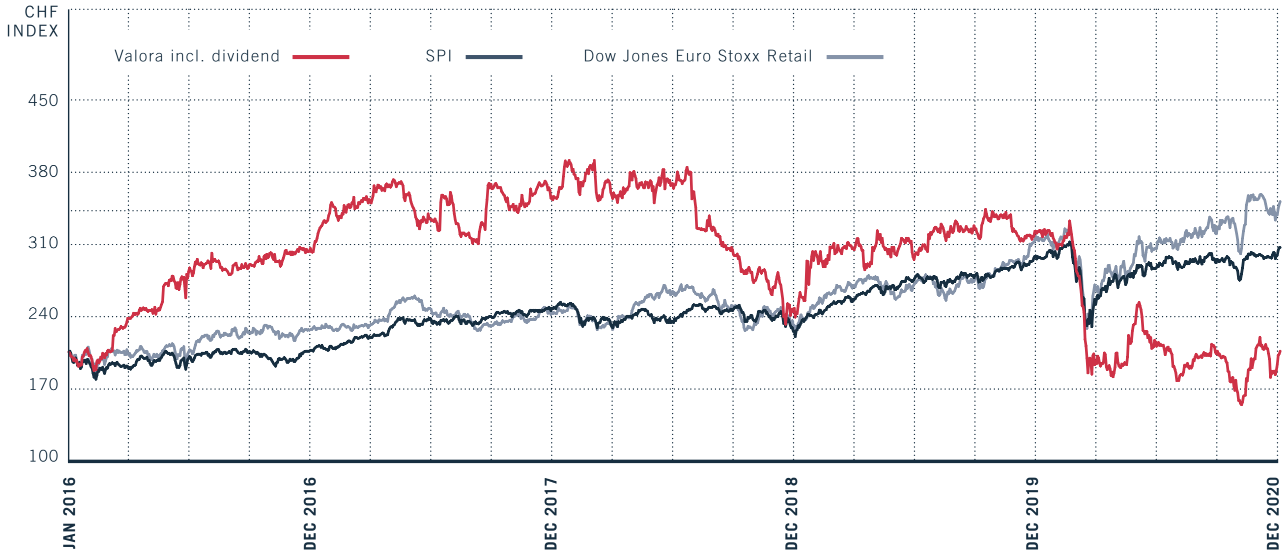
André Schaub Licensed audit expert (Auditor in charge)	Ina Braun Licensed audit expert

Basle, 23 February 2021

VALORA SHARE

1 5-YEAR SHARE PRICE TREND

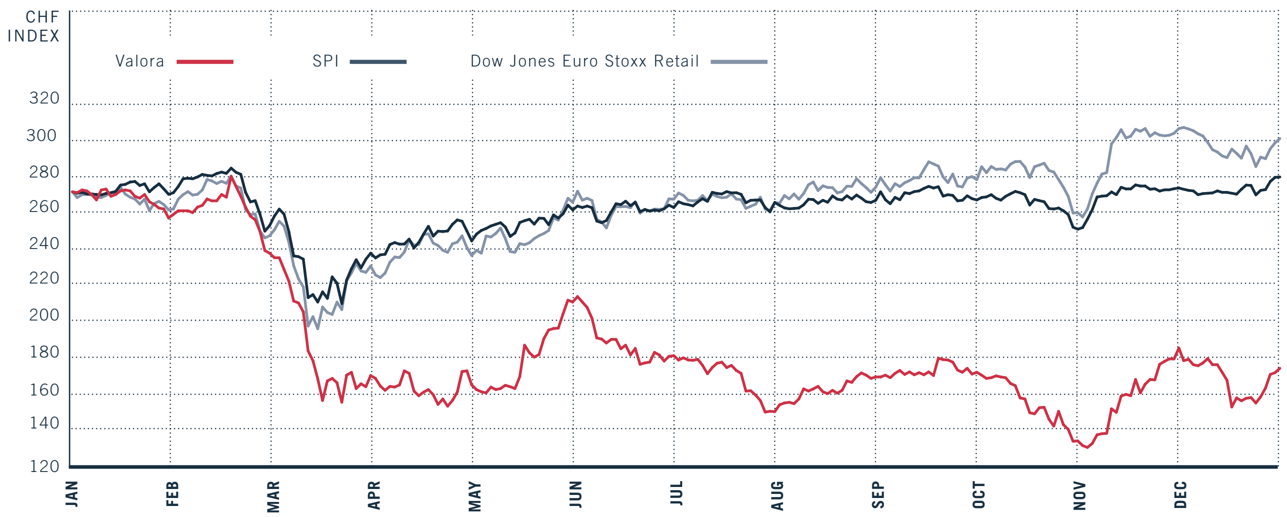
VALORA SHARE PERFORMANCE TREND 2016 – 2020



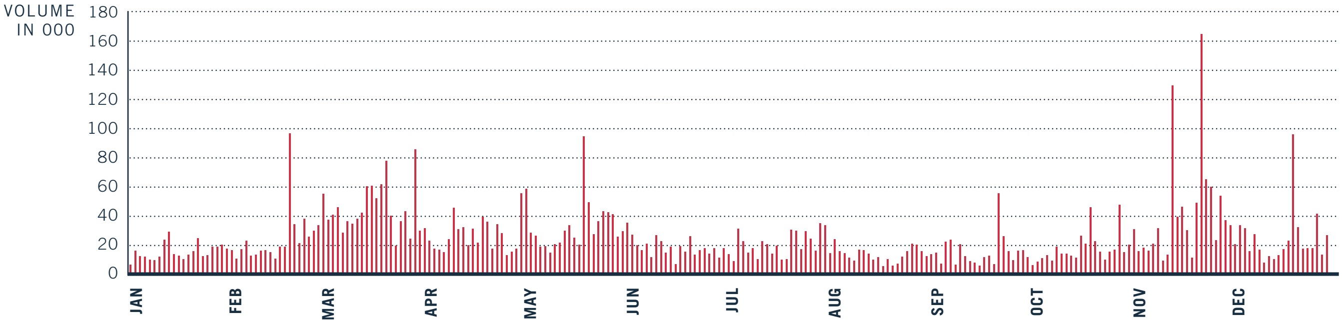
2 SHARE PERFORMANCE 2020

The Valora share reached its highest closing price of CHF 280 on 19 February, when the 2019 annual results were published. Thereafter, the Valora share was dragged down by the general uncertainty surrounding the Corona pandemic and lost significant ground in March. There was a sideways movement until the end of the year with some ups and lows following the easing and tightening of COVID-19 related measures with impact on mobility. On 2 November, the Valora share reached its lowest closing level of CHF 130 in 2020. News around effective vaccines posed tailwinds for the Valora's stock. Following the publication of a Q3 2020 trading update, Valora announced the placement of new shares at an offer price of CHF 158 on 16 November. Compared to the broad-based Swiss SPI Index (+ 3.8 %) and the Dow Jones Euro Stoxx Retail index (+ 10.9 %), the Valora share closed the year 2020 with a negative performance of – 35.6 %, as Valora was more affected by the pandemic due to lower mobility and frequencies.

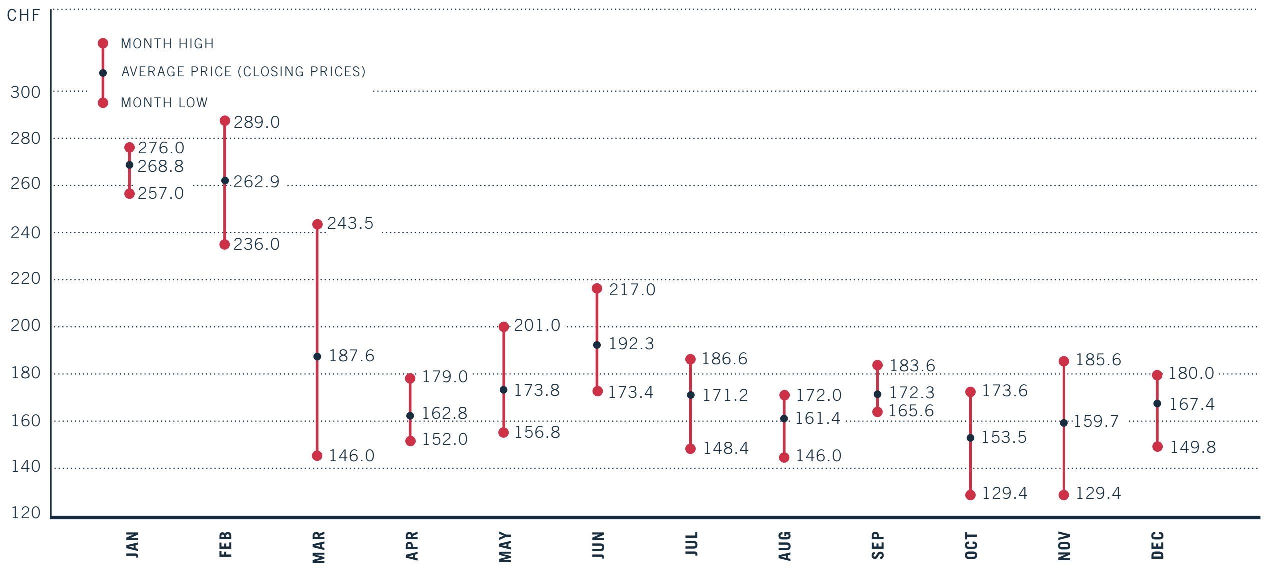
VALORA SHARE PERFORMANCE TREND 2020



VALORA SHARE VOLUME 2020



MONTH HIGHS/LOWS IN 2020



3 SHAREHOLDER RETURNS

		2020	2019	2018	2017	2016
Share price						
Year-end	CHF	173.80	270.00	215.00	325.00	289.25
Distributions to shareholders						
Dividends	CHF	[1] 0.00	0.00	12.50	12.50	12.50
Dividend yield	%	0.0 %	0.0 %	5.8 %	3.8 %	4.3 %
Annual return						
excluding dividend	%	–35.6 %	25.6 %	–33.8 %	12.4 %	38.4 %
including dividend	%	–35.6 %	31.5 %	–30.0 %	16.7 %	44.4 %
Average return		2020 1 year	2019–2020 2 years	2018–2020 3 years	2017–2020 4 years	2016–2020 5 years
excluding dividend	%	–35.6 %	–19.2 %	–46.5 %	–39.9 %	–16.8 %
including dividend	%	–35.6 %	–15.4 %	–41.8 %	–31.8 %	–0.5 %

[1] Proposed

4 KEY SHARE DATA

		2020	2019	2018	2017	2016
Operating profit (EBIT) per share [1] [2]	CHF	3.52	23.21	22.84	23.05	21.64
Free cash flow per share [1] [2] [3]	CHF	9.53	19.30	12.47	23.93	21.74
Earnings per share [1] [2]	CHF	–1.55	18.68	15.28	15.26	17.27
Equity per share [1]	CHF	171.58	158.90	156.07	215.27	158.97
P / E Ratio [1] [2]	31.12.	n.a.	14.46	14.07	21.29	16.75

[1] Based on average number of shares outstanding
[2] Continuing operations
[3] Free cash flow: net cash provided by operating activities less net cash used in ordinary investing activities

5 SHAREHOLDER DATA AND CAPITAL STRUCTURE

Registered shareholder data		31.12.2020	31.12.2019
Composition	Significant shareholders > 5 %	22.2 % of shares	15.9 % of shares
	10 largest shareholders	32.1 % of shares	32.2 % of shares
	100 largest shareholders	41.2 % of shares	42.9 % of shares
Origin	Switzerland	67.9 % of shares	67.5 % of shares
	Elsewhere	32.1 % of shares	32.5 % of shares

The share capital of Valora Holding AG in the amount of CHF 4.39 million is divided in the form of registered shares with a nominal value of CHF 1.00 each.

According to the Articles of Incorporation of Valora Holding, the financial structure compromises conditional share capital of CHF 484 000 compromising 484 000 registered shares with a nominal value of CHF 1.00. The conditional capital would allow Valora to issue financial market instruments such as convertible bonds, thereby benefiting from attractive options to procure capital on the market.

At the Ordinary General Meeting of Valora Holding AG on 11 June 2020, shareholders approved to renew the creation of authorised share capital of up to CHF 400 000 by issuing a maximum of 400 000 registered shares with a nominal Valora of CHF 1.00 by no later than 11 June 2022. On 19 November 2020 Valora successfully completed the placement of these 400 000 shares with a nominal value of CHF 1.00 per share sourced from the authorised capital by way of an accelerated bookbuilding.

Non-Swiss shareholders are registered in the share register in the same way as Swiss shareholders.

6 SHARE CAPITAL

		2020	2019	2018	2017	2016
Total registered shares [1]	Shares	4 390 000	3 990 000	3 990 000	3 990 000	3 435 599
Number of treasury shares [1]	Shares	5 638	47 462	53 615	61 495	77 078
Number of shares outstanding [1]	Shares	4 384 362	3 942 538	3 936 385	3 928 505	3 358 521
Market capitalisation [1] [2]	CHF million	762	1 064	846	1 277	972
Average number of shares outstanding	Shares	3 992 578	3 940 440	3 932 706	3 427 949	3 339 499
Number of registered shareholders [1]		11 951	10 551	8 713	7 470	6 990

[1] As at 31 December
[2] Based on the number of shares outstanding as at 31 December

7 TAX VALUES

	Securities no.	As at 31.12.2020	As at 31.12.2019	As at 31.12.2018	As at 31.12.2017	As at 31.12.2016
Registered shares of CHF 1.00	208 897	173.80	270.00	215.00	325.00	289.25
2.5 % bond 2012 – 2018	14 903 902	-	-	-	102.41 %	102.65 %
4.0 % hybrid bond	21 128 255	-	-	-	102.85 %	105.60 %

8 ANALYST COVERAGE

Broker / Bank	**Rating**
Baader Bank	Reduce
Credit Suisse	Neutral
Kepler Cheuvreux	Buy
Research Partner	Hold
Stifel	Hold
Vontobel	Hold
Zürcher Kantonalbank	Outperform

Status: 31.12.2020

At the end of December 2020, the average target price was CHF 173.00.

FIVE-YEAR SUMMARY

		31.12.2020	31.12.2019	31.12.2018	31.12.2017	31.12.2016
Net revenue [1] [2]	**CHF million**	**1 697.4**	**2 029.7**	**2 074.9**	**2 001.6**	**2 095.0**
Change	%	–16.4	–2.2	+3.7	–4.5	+0.8
EBITDA [1] [3]	**CHF million**	**83.4**	**157.4**	**156.0**	**133.7**	**127.6**
Change	%	–47.0	+0.9	+16.7	+4.8	+8.5
in % of net revenue	%	4.9	7.8	7.5	6.7	6.1
Operating profit (EBIT) [1]	**CHF million**	**14.1**	**91.5**	**89.8**	**79.0**	**72.3**
in % of net revenue	%	0.8	4.5	4.3	3.9	3.4
Change	%	–84.6	+1.8	+13.7	+9.3	+31.1
Net profit from continuing operations	**CHF million**	**–6.2**	**73.6**	**64.1**	**57.1**	**62.5**
Change	%	–108.4	+14.8	+12.2	–8.6	+33.5
in % of net revenue	%	–0.4	3.6	3.1	2.9	3.0
in % of equity	%	–0.9	11.8	10.4	7.7	11.8
Net cash provided by (used in) [1]						
Operating activities	CHF million	241.3	290.3	116.0	114.2	113.0
Lease payments, net	CHF million	–143.7	–128.2	n.a.	n.a.	n.a.
Ordinary investment activities	CHF million	–59.5	–86.1	–67.0	–32.1	–40.4
Free cash flow [1] [3]	**CHF million**	**38.1**	**76.0**	**49.0**	**82.0**	**72.6**
Earnings per share [1]	**CHF**	**–1.55**	**18.68**	**15.28**	**15.26**	**17.27**
Change	%	–108.3	+22.3	+0.1	–11.6	+38.0
Free cash flow per share [1] [3]	**CHF**	**9.53**	**19.30**	**12.47**	**23.93**	**21.74**
Change	%	–50.6	+54.8	–47.9	+10.1	–11.3
Cash and cash equivalents	**CHF million**	**229.7**	**122.7**	**104.8**	**152.5**	**159.4**
Equity	**CHF million**	**685.0**	**626.1**	**613.8**	**737.9**	**530.9**
Equity ratio	%	28.0	26.2	46.3	52.4	45.5
Number of employees at December 31	**FTE**	**3 578**	**3 906**	**4 230**	**4 265**	**4 228**
Change	%	–8.4	–7.7	–0.8	+0.9	–2.8
Net revenue per employee [2]	**CHF 000**	**474**	**520**	**490**	**469**	**495**
Change	%	–8.7	+5.9	+4.5	–5.3	+3.7
Number of outlets operated by Valora		**1 827**	**1 796**	**1 868**	**1 882**	**1 872**
of which agencies		1 148	1 133	1 105	1 031	1 014
Number of franchise outlets		**846**	**929**	**881**	**872**	**543**

All totals and percentages are based on unrounded figures from the consolidated financial statements.
[1] From continuing operations
[2] 2017 and 2018 revised according to IFRS 15
[3] Definition of alternative performance measures on page 225

ALTERNATIVE PERFORMANCE MEASURES

Valora's financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS). In addition to the information and figures required by these standards, Valora publishes alternative performance measures (APMs) that are not defined or specified in these standards and for which there are no generally accepted reporting formats. Valora determines the APMs with the aim of making it possible to compare the performance indicators over time and across sectors. This is achieved by making certain adjustments to the balance sheet, income statement and cash flow statement items prepared in accordance with the applicable accounting standards. Such adjustments may result from different calculation and valuation methods as well as special effects that affect the meaningfulness of these items. The APMs determined in this way apply to all periods and are used both internally for business management purposes and externally to assess the company's performance by analysts, investors and rating agencies.

This document has been prepared in conformity with the Directive on the Use of Alternative Performance Measures issued by SIX Exchange Regulation Ltd.
The main alternative performance measures used by the Group are explained in this document.

- External sales
- Change in sales – FX- and POS-adjusted (same store)
- Gross profit (margin)
- EBITDA
- EBIT
- Free Cash Flow
- Net financial debt
- Leverage Ratio
- Return on Capital Employed (ROCE)
- Equity ratio
- Net Working Capital

External sales [1)]

External sales are defined as Valora's net revenue plus the sales generated by its contracted sales outlets. External sales, on the other hand, do not include deliveries to these points of sale, franchise fees and other income from operating agreements. This indicator ensures that sales can be compared despite changing distribution models.

Change in net revenue – FX- and POS-adjusted (same store)

The currency-adjusted change in net revenue shows the percentage change in net revenue excluding the impact of exchange rate effects. The POS-adjusted change is calculated for the respective business unit on the basis of unchanged POS, i.e. without openings and closings. In the case of exchange rate effects, the functional currency valid in the respective country is used for the calculation.

Gross profit (margin) [1)]

Gross profit is calculated as net revenue less cost of goods and materials.
The gross profit margin is the gross profit as a % of net revenue.

[1)] See reconciliations for calculation

EBITDA [1]

EBITDA stands for earnings before interest, taxes, depreciation and impairment of property, plant and equipment, impairment of goodwill, and amortization and impairment of other intangible assets. EBITDA is EBIT plus the amortisation of intangible assets and the depreciation of property, plant and equipment, plus impairment losses and minus impairment loss reversals, recognised in profit or loss during the reporting period. Valora uses an EBITDA not considering depreciation on right-of-use assets arising from lease agreements.

Free Cash Flow [1]

Valora uses cash flow before acquisitions and dividends as a free cash flow measure. Cash flow before acquisitions and dividends is calculated as cash flow from operating activities less net capital expenditure (investments in property, plant, equipment and intangible assets less proceeds from the sale of property, plant, equipment and intangible assets), less repayments of lease liabilities, adding lease payments received from finance leases.

Net financial debt [1]

Net financial debt is used both internally and externally in assessing Valora's liquidity, capital structure and financial flexibility. Cash, cash equivalents and derivate assets, less financial liabilities (current and non-current) and derivative liabilities.

Net debt II [1]

Net debt II additionally takes into account the current and non-current lease liabilities but does not include lease receivables.

Leverage Ratio [1]

The leverage ratio puts EBITDA in relation to net debt. This ratio indicates how many years the company needs to pay off its current net debt. Valora uses this indicator in connection with financing instruments.

Return on Capital Employed (ROCE) [1]

Valora uses ROCE as a key performance indicator. It combines the view on business profitability and capital efficiency. ROCE is the ratio of the EBIT generated by the Group over the last twelve months to its average capital employed during the same period. Capital employed is defined as non-current assets excluding right-of-use assets and lease receivables less deferred tax assets plus net working capital plus operating cash.

Equity Ratio [1]

The equity ratio shows the ratio of equity to total assets excluding right-of-use assets and lease receivables.

Net Working Capital [1]

Net working capital is capital invested in the Group's operating activities. Net working capital equals trade accounts receivable, other current receivables and inventories less trade accounts payable and other current liabilities.

[1] See reconciliations for calculation

RECONCILIATIONS

External Sales

in CHF 000	2020	2019
Net revenue	1 697 448	2 029 668
Sales franchisees and other contractual bounded partners [1]	535 836	650 957
External sales	**2 233 283**	**2 680 626**

[1] Net of deliveries from Valora to franchise points of sale, franchise fees and other income from operating agreements

Gross profit (margin)

in CHF 000	2020	2019
Net revenue	1 697 448	2 029 668
Cost of goods and materials	–954 111	–1 112 467
Gross Profit	**743 337**	**917 201**
Gross Profit Margin	**43.8%**	**45.2%**

EBITDA

in CHF 000	2020	2019
EBIT	**14 051**	**91 458**
Depreciation and impairment of property, plant and equipment	52 819	48 330
Amortisation and impairment of intangible assets	16 559	17 647
EBITDA	**83 429**	**157 435**

Free Cash Flow

in CHF 000	2020	2019
Cash Flow from operating activities	**241 258**	**290 267**
Investments in property, plant and equipment	–54 355	–81 044
Proceeds from the sale of property, plant and equipment	1 069	700
Investments in intangible assets	–6 273	–5 828
Proceeds from the sale of intangible assets	103	105
Repayments of lease liabilities	–166 412	–142 688
Lease payments received from finance leases	22 671	14 524
Free Cash Flow	**38 061**	**76 036**

Net financial debt

in CHF 000	**2020**	2019
Cash and cash equivalents	229 727	122 651
Current financial and derivative liabilities	–77 839	–153
Non-current financial liabilities	–363 679	–443 378
Net financial debt	**–211 791**	**–320 879**

Net debt II

in CHF 000	**2020**	2019
Net financial debt	**–211 791**	**–320 879**
Current lease liabilities	–170 017	–160 749
Non-current lease liabilities	–857 699	–887 491
Net debt II	**–1 239 507**	**–1 369 120**

Leverage Ratio

in CHF 000	**2020**	2019
Net financial debt	**211 791**	**320 879**
EBITDA	83 429	157 435
Normalisation for acquisitions/divestitures	0	0
Relevant EBITDA for the Group	**83 429**	**157 435**
Leverage ratio	**2.54x**	**2.04x**

Return on Capital Employed (ROCE)

in CHF 000	**2020**	2019	2018
Non-current assets	1 908 327	1 960 383	937 977
Right-of-use assest	–909 802	–938 997	0
Non-current lease receivables	–66 170	–68 207	0
Deferred tax assets	–20 512	–17 838	–10 212
Trade accounts receivable	58 397	77 080	80 235
Inventories	143 168	143 393	145 585
Other current receivables	81 239	65 635	55 938
Trade accounts payable	–186 617	–145 387	–136 546
Other current liabilities	–82 518	–104 469	–84 599
Operating cash [1]	85 000	85 000	85 000
Capital Employed	**1 010 513**	**1 056 593**	**1 073 377**
Average on a monthly basis [2]	**1 056 744**	**1 093 952**	
EBIT	**14 051**	**91 458**	
ROCE	**1.3%**	**8.4%**	

[1] Operating cash means the least amount of available cash to maintain in cash planning and is only considered on Group level.
[2] Capital employed is the average measured over the preceding 13 months.

Equity Ratio

in CHF 000	**2020**	2019
Total Equity	685 045	626 119
Total assets excluding right-of-use assets and lease receivables	1 447 396	1 362 227
Equity Ratio	**47.3%**	**46.0%**

Net Working Capital

in CHF 000	**2020**	2019
Trade accounts receivables	58 397	77 080
Inventories	143 168	143 393
Other current receivables	81 239	65 635
Trade accounts payable	–186 617	–145 387
Other current liabilities	–82 518	–104 469
Net Working Capital	**13 669**	**36 253**

MAIN ADDRESSES

VALORA GROUP

VALORA HOLDING AG
Hofackerstrasse 40
4132 Muttenz, Switzerland
Fon +41 61 467 20 20
www.valora.com
info@valora.com

VALORA CORPORATE COMMUNICATIONS
Hofackerstrasse 40
4132 Muttenz, Switzerland
Fon +41 61 467 24 53
media@valora.com

VALORA CORPORATE INVESTOR RELATIONS
Hofackerstrasse 40
4132 Muttenz, Switzerland
Fon +41 61 467 21 23
annette.carrer@valora.com

ADDRESSES

RETAIL

VALORA RETAIL SWITZERLAND
Hofackerstrasse 40
4132 Muttenz, Switzerland
www.kkiosk.ch
www.avec.ch
www.pressbooks.ch
www.okpunktstrich.ch

VALORA RETAIL GERMANY
Danziger Strasse 35a
20099 Hamburg, Germany
www.pressandbooks.de
www.okpunktstrich.de

VALORA RETAIL LUXEMBOURG
24, rue de Strasbourg
2560 Luxembourg, Luxembourg
www.okpunktstrich.lu

VALORA RETAIL AUSTRIA
Daniel-Gran-Strasse 48/EG
3100 St. Pölten, Austria
www.okpunktstrich.at
www.pressbooks.at

FURTHER

BOB FINANCE
Branch of Valora Schweiz AG
Hardturmstrasse 161
8005 Zurich, Switzerland
www.bob.ch

FOOD SERVICE

VALORA FOOD SERVICE GERMANY
Limbecker Strasse 25–37
45127 Essen, Germany
www.back-werk.de
www.ditsch.de

BACKWERK NETHERLANDS
Oude Utrechtseweg 20
3743 KN Baarn, Netherlands
www.back-werk.nl

BACKWERK AUSTRIA
Josefsplatz 12, Top 122
2500 Baden, Austria
www.back-werk.de

VALORA FOOD SERVICE SWITZERLAND
Neuenkirchstrasse 91
6020 Emmenbrücke, Switzerland
www.brezelkoenig.ch
www.spettacolo.ch
www.back-werk.de

DITSCH PRODUCTION/B2B

BREZELBÄCKEREI DITSCH
Robert-Bosch-Strasse 44
55129 Mainz, Germany
www.ditsch.de

DITSCH USA
311 Northland Boulevard
Cincinnati, Ohio 45246, USA
www.ditsch.com

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