valora

HALF-YEAR REPORT

2020

GROUP PERFORMANCE

After a good start to the year with positive sales development and profitable results in January and February, business performance of the Valora Group in the first half of 2020 was significantly impacted by the unprecedented worldwide COVID-19 crisis. As a result of official 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. At the height of the lockdown, in April 2020, about 40% of Valora's points of sale (POS) were running with reduced opening hours and about 20% were closed. In June, these numbers were at approximately 45% and 5% respectively. Overall, Food Service formats were more affected than Retail formats because of the stronger measures imposed by the different governments and and their high exposure to the weak out-of-home market as well as the especially low customer frequency at public transportation and city centre locations and less consumption. In its B2B pretzel business, Valora was confronted with a temporary decline in orders due to the low out-of-home market demand . Towards the end of the first half- year, the easing of official orders led to an initial recovery in customer frequency and the B2B order situation.

These developments instigated by the COVID-19 pandemic had a major impact on the revenues of the Valora Group in the first half of 2020. Net revenues amounted to CHF 815.6 million compared to CHF 1,004.8 million in 2019, while external sales came to CHF 1,085.2 million (2019: CHF 1,324.0 million). This corresponds to a decrease of –18.8% and –18.0%, respectively. In the pre-crisis months of January and February, overall external sales had shown an increase of +1.3% in local currency and foodvenience categories – i.e. Group sales excluding press, books and tobacco – had grown by +2.7% in local currency.

To face the new situation, Valora implemented comprehensive measures at an early stage to reduce its cost base and also made use of the governments' financial support, as over half of its employees have been on short-time work since April 2020. The Group thus realised a significant year-on-year cost reduction of –10.3% in the first half of 2020 despite higher rent conditions at Retail CH after the SBB tender. These savings partly compensated for the crisis-related sales decline. Project prioritisation and the further assessment of measures to maximise cost variabilisation as well as network optimisation measures are ongoing.

As a result, EBIT amounted to CHF –10.9 million (2019: CHF 42.8 million) in the first half of 2020 and the Group net profit came to CHF –15.9 million (2019: CHF 27.4 million), both showing a first upward trend after April's low. Valora's EBITDA was CHF 21.7 million (2019: CHF 74.5 million), with a positive contribution in all months apart from April.

The Group earned free cash flow of CHF 11.5 million (2019: CHF 15.7 million) in the first half of 2020. The decrease in EBITDA was largely compensated by crisis-related extraordinary strict net working capital management and lower cash-out from investing activities as a result of prioritisation and the delay of certain investments. The leverage ratio amounted to 2.9x EBITDA (31.12.2019: 2.0x).

Even during the COVID-19 lockdowns, Valora was able to actively contribute to providing basic supplies of the population and to cater to customers' needs. The management is convinced that Valora's foodvenience business model will remain relevant in the future. Valora is strongly positioned in its markets and has a solid financing structure, to which the syndicated credit facility renegotiated in spring 2020 and increased to CHF 150 million makes a substantial contribution. On this basis, Valora is continuing to pursue its strategic priorities:

The conversion of the 262 sales outlets secured in the SBB tender into avec convenience stores and modernised k kiosk outlets with more food was on track at the beginning of the year. Having put conversion work on hold due to the COVID-19 outbreak, Valora is resuming the project at the beginning of July. The refurbishment is expected to be largely completed by the end of 2021.

Valora is making no compromises in the development of new digital convenience solutions in response to changing consumer behavior with focus on automated stores, loyalty and delivery.

The B2B capacity expansion for pretzel production in Germany and the US was fully completed in the first quarter of 2020. With the new capacities at hand, the business unit is developing its product range further and establishing new routes to market via e-commerce as well as a stronger retail presence in the DACH region (Germany, Austria and Switzerland).

A NET REVENUES

Net revenues (NR) in CHF million	2020	2020 share in %	2019	2019 share in %	Change	Change in local currency
Valora Retail CH	516.0	63.3 %	572.0	56.9 %	–9.8 %	–9.8 %
Valora Retail DE/LU/AT	181.4	22.2 %	256.9	25.6 %	–29.4 %	–25.0 %
Valora Retail	697.4	85.5 %	828.9	82.5 %	–15.9 %	–14.3 %
Food Service	112.3	13.8 %	172.3	17.2 %	–34.8 %	–32.2 %
Other	5.9	0.7 %	3.5	0.4 %	+68.5 %	+68.5 %
Total Group	**815.6**	**100.0 %**	**1 004.8**	**100.0 %**	**–18.8 %**	**–17.0 %**
Switzerland	554.6	68.0 %	629.4	62.6 %	–11.9 %	–11.9 %
Elsewhere	261.0	32.0 %	375.4	37.4 %	–30.5 %	–26.2 %

In the first half of 2020, Valora recorded net revenues of CHF 815.6 million compared to CHF 1,004.8 million in the previous year, while external sales came to CHF 1,085.2 million (2019: CHF 1,324 million). This corresponds to a decrease of –18.8 % and –18.0 %, respectively. In the pre-crisis months of January and February overall external sales had shown an increase of +1.3 % and foodvenience categories – i.e. Group sales excluding press, books and tobacco – had grown by +2.7 % in local currency.

Retail CH earned net revenues of CHF 516.0 million compared to CHF 572.0 million in the prior-year period. The drop in sales (–9.8 %) is particularly due to lower frequencies, store closures and reduced opening hours following official orders in March 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, as the average ticket size increased.

Retail DE/LU/AT posted net revenues of CHF 181.4 million compared to CHF 256.9 million in the first half of 2019. The decline in net revenue of –25.0 % in local currency was steeper than in external sales (–10.7 % in local currency to CHF 367.9 million) as the conversion of own POS to franchise outlets (+40) as planned led to lower net revenues. Growing same-store tobacco sales partially compensated for the decrease in other categories.

Food Service reported net revenues of CHF 112.3 million versus CHF 172.3 million in the first half of 2019, a decrease of –32.2 % with the low in April (–73.0 %). All business units were heavily impacted by the COVID-19 crisis due to their high exposure to the out-of-home market, public transportation and city centre locations that recorded a strong decline in customer frequency and less consumption. However, the easing of the official orders led to an initial recovery towards the end of the first half of the year. Food Service CH and Food Service DE sales dropped by –39.3 % and –37.3 % in local currency, respectively, with a significant impact from closed stores and reduced opening hours. Ditsch B2B sales decreased by –20.4 % 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	in local currency
Valora Retail CH	202.7	57.0 %	39.3 %	226.3	50.2 %	39.6 %	–10.4 %	–10.4 %
Valora Retail DE/LU/AT	62.2	17.5 %	34.3 %	86.2	19.1 %	33.5 %	–27.8 %	–23.3 %
Valora Retail	264.9	74.6 %	38.0 %	312.5	69.3 %	37.7 %	–15.2 %	–13.9 %
Food Service	86.4	24.3 %	76.9 %	135.0	29.9 %	78.3 %	–36.0 %	–33.5 %
Other	4.1	1.1 %	68.4 %	3.5	0.8 %	99.9 %	+15.5 %	+15.5 %
Total Group	**355.3**	**100.0 %**	**43.6 %**	**451.0**	**100.0 %**	**44.9 %**	**–21.2 %**	**–19.4 %**

Gross profit amounted to CHF 355.3 million compared to CHF 451.0 million in the prior-year period. The gross profit margin came to 43.6 % and remained –1.3 percentage points below its level in the first half of 2019 as a result of the lower share of Food Service sales.

Retail CH reported gross profit of CHF 202.7 million (2019: CHF 226.3 million). The margin of 39.3 % remained fairly stable (–0.3 percentage points) supported by resilient promotional income. The slight margin decrease is due in particular to product-mix effects and a lower share of franchise outlets.

Retail DE/LU/AT recorded gross profit of CHF 62.2 million compared to CHF 86.2 million in the prior-year period. Margin improvements of +0.8 percentage points to 34.3 % are attributable to an increased tobacco margin, higher promotional income and a higher share of franchise outlets.

Gross profit in the **Food Service** division came to CHF 86.4 million compared to CHF 135.0 million in the first half of 2019. The gross profit margin remained below the prior-year figure of 78.3 % at 76.9 %, particularly as a result of a higher share of B2B sales.

Gross profit in the **Other** segment increased by +15.5 % to CHF 4.1 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	in local currency
Valora Retail CH	–202.6	55.3 %	–39.3 %	–205.2	50.3 %	–35.9 %	–1.3 %	–1.3 %
Valora Retail DE / LU / AT	–60.8	16.6 %	–33.5 %	–79.7	19.5 %	–31.0 %	–23.7 %	–19.2 %
Valora Retail	–263.5	71.9 %	–37.8 %	–285.0	69.8 %	–34.4 %	–7.5 %	–6.1 %
Food Service	–97.7	26.7 %	–86.9 %	–117.1	28.7 %	–67.9 %	–16.6 %	–13.3 %
Other	–5.1	1.4 %	n.a.	–6.2	1.5 %	n.a.	–18.3 %	–16.4 %
Total Group	**–366.2**	**100.0 %**	**–44.9 %**	**–408.2**	**100.0 %**	**–40.6 %**	**–10.3 %**	**–8.3 %**

Valora implemented comprehensive measures at an early stage to reduce its cost base and made use of the governments' financial support for short-time working. The Group thus decreased its net operating costs by –10.3 % or CHF +42.0 million to CHF –366.2 million despite higher rent conditions at Retail CH after the SBB tender. These savings partly compensated for the crisis-related sales decline.

Retail CH recorded net operating costs of CHF –202.6 million, remaining –1.3 % below their 2019 level. Savings from implemented cost measures and lower variable costs were largely offset by higher rental costs after the SBB tender. In addition, the unit's cost base increased after the conversion of 51 franchise stores into agencies and own stores.

Retail DE / LU / AT reduced costs by –19.2 % in local currency to CHF –60.8 million, driven by measures and lower variable costs. Fewer own operated POS (–59, thereof +40 converted to franchise stores) also decreased costs.

Food Service reduced its net operating costs by –13.3 % in local currency to CHF –97.7 million. Implemented cost measures and lower variable expenses decreased the division's cost base, while temporary support to individual partners in order to secure their economic viability and higher depreciation after the initiation of operations at the new B2B production facilities absorbed part of the realised savings.

Decreased expenses, particularly thanks to short-time work, led to a reduced cost base in the **Other** segment (–18.3 %).

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
Valora Retail CH	0.0	–0.5 %	0.0 %	21.1	49.3 %	3.7 %	–99.8 %	–99.8 %
Valora Retail DE / LU / AT	1.4	–12.8 %	0.8 %	6.5	15.1 %	2.5 %	–78.5 %	–76.2 %
Valora Retail	1.4	–13.3 %	0.2 %	27.6	64.4 %	3.3 %	–94.8 %	–94.6 %
Food Service	–11.3	104.0 %	–10.1 %	17.9	41.9 %	10.4 %	n.a.	n.a.
Other	–1.0	9.2 %	n.a.	–2.7	–6.3 %	n.a.	n.a.	n.a.
Total Group	**–10.9**	**100.0 %**	**–1.3 %**	**42.8**	**100.0 %**	**4.3 %**	**n.a.**	**n.a.**

In the first half of 2020, Group EBIT amounted to CHF –10.9 million (2019: CHF 42.8 million) as a result of the significant sales decline related to the COVID-19 crisis. After the easing of the official orders, the EBIT development has shown a first upward trend in the last two months.

Retail CH achieved a break-even EBIT of CHF 0.0 million in a challenging first half of 2020 (2019: CHF 21.1 million), with the unit's periodic operating profit turning positive in May and June. In EBITDA, the unit contributed CHF 11.2 million to the Group's results.

Retail DE / LU / AT recorded positive EBIT of CHF 1.4 million, although it remained below the prior-year figure of CHF 6.5 million. The unit's EBITDA was CHF 7.8 million in the first half of 2020.

Food Service EBIT was CHF –11.3 million compared to CHF 17.9 million in the first half of 2019. The EBIT remained clearly below break-even, also driven by the higher capital intensity of the B2B business and amortisation of intangible assets from acquisition. In EBITDA, the division recorded a profit of CHF 2.1 million, including a positive contribution in June.

Other business increased EBIT by CHF +1.7 million to CHF –1.0 million, whereby the positive development of bob Finance and decreased costs were the main factors for the improvement.

E FINANCIAL RESULT, TAXES AND NET PROFIT

The Group net profit came to CHF –15.9 million (2019: CHF 27.4 million), showing a significant decrease as a result of the lower EBIT and higher IFRS 16 related interest expenses.

The net financial result amounted to CHF –13.0 million compared to CHF –9.0 million in the first half of 2019. Improved financing conditions partly compensated for the increased IFRS 16 interest expense and higher exchange rate losses.

For the first half of 2020, tax income of CHF 8.0 million arose compared to tax expenses of CHF –6.4 million in the prior-year period. The tax income in 2020 is due to the release of a provision and deferred taxation.

These effects plus the EBIT outlined above led to a Group net profit of CHF –15.9 million compared to CHF 27.4 million in the first half of 2019.

F LIQUIDITY, CASH FLOW AND KEY FINANCIAL DATA

The Group earned free cash flow of CHF 11.5 million in the first half of 2020 (2019: CHF 15.7 million). Lower EBITDA was largely compensated by crisis-related extraordinary strict net working capital management and lower cash-out from investing activities as a result of prioritisation and the delay of certain investments. The leverage ratio amounted to 2.9x EBITDA (2019: 2.0x).

In the first half of 2020, free cash flow amounted to CHF 11.5 million compared to CHF 15.7 million in the prior-year period. EBITDA was CHF 21.7 million, remaining below its level of CHF 74.5 million in the first half of 2019 as a result of the significant sales decline due to the COVID-19 crisis. The decrease in EBITDA was largely compensated by crisis-related extraordinary strict net working capital management – also thanks to deferred rental payments – and lower cash-out from investing activities due to the prioritisation and delay of major investments, particularly related to the SBB refurbishments.

Net debt as at 30 June 2020 of CHF 307.4 million remained below its level of 31 December 2019 (CHF 320.9 million), also supported by the suspension of the dividend for the 2019 financial year. Cash and equivalents amounted to CHF 127.5 million compared to CHF 122.7 million as at 31 December 2019. The leverage ratio stood at 2.9x EBITDA (2019: 2.0x). Including lease liabilities, net debt amounted to CHF 1,335.6 million compared to CHF 1,369.1 million at year-end 2019.

The equity ratio before lease liabilities as at 30 June 2020 was 45.0% compared to 46.0% as at 31 December 2019. Including lease liabilities, the equity ratio amounted to 25.8% (26.2% as at 31 December 2019).

Looking forward, Valora strengthened its financing structure in the first half of 2020. The Group renewed the previous syndicated loan facility of CHF 50 million and increased it to CHF 150 million with more attractive conditions, including additional COVID-19-related headroom for the leverage ratio covenant. The new syndicated loan facility has a term of five years with two extension options of one year each. The renewal of the “Multi Currency Revolving Credit Facility” safeguards the financing and liquidity of Valora and increases the company’s overall strategic flexibility.

G RETURN ON CAPITAL EMPLOYED

ROCE [1]	30.06.2020		31.12.2019
in %		without Goodwill	
Valora Retail CH	8.5 %	12.4 %	19.3 %
Valora Retail DE / LU / AT	8.4 %	18.6 %	11.0 %
Valora Retail	8.4 %	14.7 %	15.4 %
Food Service	2.1 %	5.1 %	6.5 %
Total Group [2]	**3.5 %**	**6.9 %**	**8.4 %**

[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 3.5 % and remained below the 2019 figure of 8.4 % as a result of the lower EBIT. The ROCE excluding goodwill was 6.9 %.

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). The Group's ROCE amounted to 3.5 % as at 30 June 2020.

Retail CH recorded ROCE of 8.5 %. The profitability ratio was down on the previous year (19.3 %) due to the decline in EBIT in the first half of the year. Excluding goodwill, the unit's ROCE was 12.4 %.

ROCE for **Retail DE / LU / AT** was 8.4 %, –2.6 percentage points below its 2019 levels. The unit's decline in ROCE was less pronounced than the Group average thanks to the strong EBIT contribution of Retail DE/LU/AT in the second half of 2019. Excluding goodwill, ROCE amounted to 18.6 %.

Food Service ROCE came to 2.1 % as at 30 June 2020 compared to 6.5 % as at 31 December 2019. Besides the decline in EBIT in the first half of 2020, the division recorded slightly increased capital employed after the conclusion of the production capacity expansion in B2B. Over the coming years, capacity utilisation of the production expansion is expected to increase, exploiting the potential of the unit's ROCE further. Excluding goodwill, ROCE was 5.1 %.

Valora Holding AG

Franz Julen
Chairman

Michael Mueller
CEO

KEY FINANCIAL DATA

		30.06.2020	30.06.2019	Change
External sales	CHF million	**1 085.2**	**1 324.0**	– 18.0 %
Net revenues	CHF million	**815.6**	**1 004.8**	– 18.8 %
EBITDA	CHF million	**21.7**	**74.5**	– 70.9 %
in % of net revenues		2.7	7.4	
Operating (loss) / profit (EBIT)	CHF million	**– 10.9**	**42.8**	n.a.
in % of net revenues		– 1.3	4.3	
Net (loss) / profit	CHF million	**– 15.9**	**27.4**	n.a.
in % of net revenues		– 1.9	2.7	
in % of equity [1]		– 5.1	9.1	
Net cash provided by (used in)				
Operating activities	CHF million	114.9	120.4	– 4.5 %
Investment in property, plant, equipment and intangible assets	CHF million	– 35.6	– 41.2	– 13.6 %
Proceeds from sales of property, plant, equipment and intangible assets	CHF million	0.5	0.5	– 5.2 %
Repayments of lease liabilities	CHF million	– 79.5	– 74.7	+ 6.3 %
Lease payments received from finance leases	CHF million	11.2	10.6	+ 6.6 %
Free cash flow	CHF million	**11.5**	**15.7**	– 26.5 %
Earnings per share	CHF	**– 4.02**	**6.95**	n.a.
Number of outlets operated by Valora		**1 834**	**1 845**	– 0.6 %
of which agencies		1 146	1 115	+ 2.8 %
Number of franchise outlets		**871**	**872**	– 0.1 %
		30.06.2020	31.12.2019	
Share price	CHF	**181.20**	**270.00**	– 32.9 %
Market capitalisation	CHF million	**714**	**1 064**	– 32.9 %
Cash and cash equivalents	CHF million	**127.5**	**122.7**	+ 4.0 %
Interest-bearing debt	CHF million	**1 463.1**	**1 491.8**	– 1.9 %
Equity	CHF million	**605.5**	**626.1**	– 3.3 %
Total liabilities and equity	CHF million	**2 350.4**	**2 392.8**	– 1.8 %
Number of employees	FTE	**3 588**	**3 906**	– 8.2 %

All totals and percentages are based on unrounded figures from the consolidated financial statements.
[1] Annualised net profit as % of the average equity

VALORA HALF-YEAR FINANCIAL STATEMENTS 2020

CONSOLIDATED INCOME STATEMENT

1 January to 30 June, in CHF 000 (except per-share amounts)	Notes	2020	%	2019	%
Net revenues	6	**815 616**	**100.0 %**	**1 004 762**	**100.0 %**
Cost of goods and materials		– 460 280	– 56.4 %	– 553 733	– 55.1 %
Personnel expenses		– 106 827	– 13.1 %	– 125 277	– 12.5 %
Other operating expenses	7	– 172 513	– 21.2 %	– 200 870	– 20.0 %
Depreciation, amortisation and impairments		– 108 130	– 13.3 %	– 97 346	– 9.7 %
Other income	8	21 796	2.7 %	16 008	1.6 %
Other expenses		– 536	– 0.1 %	– 754	– 0.1 %
Operating (loss) / profit (EBIT)		**– 10 873**	**– 1.3 %**	**42 789**	**4.3 %**
Financial expenses	9	– 13 965	– 1.7 %	– 10 319	– 1.0 %
Financial income	9	948	0.1 %	1 354	0.1 %
Earnings before income taxes		**– 23 890**	**– 2.9 %**	**33 824**	**3.4 %**
Income taxes		8 034	1.0 %	– 6 427	– 0.6 %
Net (loss) / profit		**– 15 856**	**– 1.9 %**	**27 397**	**2.7 %**
Attributable to shareholders of Valora Holding AG		– 15 856	– 1.9 %	27 397	2.7 %
Earnings per share					
Diluted and undiluted (in CHF)		**– 4.02**		**6.95**	

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

1 January to 30 June, in CHF 000	**2020**	2019
Net (loss)/profit	**–15 856**	**27 397**
Remeasurement gains	1 832	115
Income taxes	–366	–23
Items that will not be reclassified to profit or loss	**1 466**	**92**
Currency translation adjustments	–5 894	–3 680
Items that may be reclassified to profit or loss	**–5 894**	**–3 680**
Other comprehensive income	**–4 429**	**–3 588**
Total comprehensive income	**–20 285**	**23 808**

CONSOLIDATED BALANCE SHEET

ASSETS

in CHF 000	Notes	30.06.2020	%	31.12.2019	%
Current assets					
Cash and cash equivalents		127 515		122 651	
Trade accounts receivable		50 911		77 080	
Inventories		140 460		143 393	
Current income tax receivables		0		288	
Current lease receivables	11	21 785		23 407	
Other current receivables		86 235		65 635	
Total current assets		**426 907**	**18.2 %**	**432 455**	**18.1 %**
Non-current assets					
Property, plant and equipment		262 111		267 924	
Right-of-use assets	10	913 289		938 997	
Goodwill, software and other intangible assets		641 758		657 162	
Investment in associates and joint ventures		25		25	
Financial assets		14 192		10 229	
Non-current lease receivables	11	69 401		68 207	
Deferred income tax assets		22 889		17 838	
Total non-current assets		**1 923 665**	**81.8 %**	**1 960 382**	**81.9 %**
Total assets		**2 350 571**	**100.0 %**	**2 392 837**	**100.0 %**

LIABILITIES AND EQUITY

in CHF 000	Notes	30.06.2020	%	31.12.2019	%
Current liabilities					
Current financial liabilities	13	76 573		153	
Current lease liabilities	10	164 496		160 749	
Trade accounts payable		156 101		145 387	
Current income tax liabilities		7 165		9 997	
Other current liabilities		103 793		104 469	
Total current liabilities		**508 128**	**21.6 %**	**420 755**	**17.6 %**
Non-current liabilities					
Other non-current liabilities		362 252		447 207	
Non-current lease liabilities	10	863 700		887 491	
Non-current pension obligations		194		215	
Deferred income tax liabilities		10 824		11 049	
Total non-current liabilities		**1 236 971**	**52.6 %**	**1 345 962**	**56.2 %**
Total liabilities		**1 745 099**	**74.2 %**	**1 766 718**	**73.8 %**
Equity					
Share capital		3 990		3 990	
Treasury shares		– 11 268		– 12 849	
Retained earnings		705 967		722 300	
Cumulative translation adjustments		– 93 216		– 87 322	
Total equity		**605 473**	**25.8 %**	**626 119**	**26.2 %**
Total liabilities and equity		**2 350 571**	**100.0 %**	**2 392 837**	**100.0 %**

CONSOLIDATED CASH FLOW STATEMENT

1 January to 30 June, in CHF 000	**2020**	2019
Operating (loss)/profit (EBIT)	**–10 873**	**42 789**
Cash flow from operating activities		
Depreciation and impairments of property, plant and equipment	24 417	22 813
Depreciation and impairments of right-of-use assets	75 577	65 665
Amortisation and impairment of intangible assets	8 136	8 868
Other non-cash transactions	2 410	3 038
Change in net working capital	29 233	–12 458
Cash flows from operating activities before interests and taxes	**128 900**	**130 715**
Interest paid on financial liabilities	–4 317	–5 124
Interest paid on lease liabilities	–10 006	–5 582
Income taxes paid	–470	–714
Interest received from lease receivables	901	793
Other interest and dividends received	–115	401
Cash flows from operating activities	**114 894**	**120 490**
Cash flows from investing activities		
Acquisition of subsidiaries, net of cash acquired	0	–4 036
Investment in property, plant, equipment and intangible assets	–35 560	–41 175
Proceeds from the sale of property, plant, equipment and intangible assets	470	499
Lease payments received from finance leases	11 222	10 563
Proceeds from sale of/(investment in) financial assets	–4 007	1 463
Cash flow used in investing activities	**–27 875**	**–32 687**
Cash flow from financing activities		
Repayments of current financial liabilities	–550	–157 214
Repayments of lease liabilities	–79 505	–74 729
Proceeds from non-current financial liabilities	–661	175 818
Repayments of non-current financial liabilities	–434	–592
Purchase of treasury shares	–7 974	–8 751
Sale of treasury shares	7 613	9 964
Dividends paid	0	–49 257
Cash flows from financing activities	**–81 512**	**–104 762**
Net decrease in cash and cash equivalents	**5 507**	**–16 959**
Exchange rate differences on cash and cash equivalents	–644	–303
Cash and cash equivalents at the beginning of the year	122 651	104 776
Cash and cash equivalents at 30 June	**127 515**	**87 514**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Equity

in CHF 000	Share capital	Treasury shares	Retained earnings	Cumulative translation adjustments	Total equity
Balance on 31 December 2018	**3 990**	**– 15 108**	**701 860**	**– 76 962**	**613 781**
Cumulative effect of initial application of IFRS 16			– 1 979		– 1 979
Opening balance on 1 January 2019	**3 990**	**– 15 108**	**699 882**	**– 76 962**	**611 802**
Net profit			27 397		27 397
Other comprehensive income			92	– 3 680	– 3 588
Total comprehensive income	**0**	**0**	**27 489**	**– 3 680**	**23 808**
Share-based remuneration			1 760		1 760
Dividend paid to shareholders			– 49 257		– 49 257
Purchase of treasury shares		– 8 751			– 8 751
Sale of treasury shares		10 501	– 2 297		8 204
Distributions to providers of hybrid capital					
Balance on 30 June 2019	**3 990**	**– 13 358**	**677 577**	**– 80 643**	**587 566**
Balance on 31 December 2019	**3 990**	**– 12 849**	**722 300**	**– 87 322**	**626 119**
Net loss			– 15 856		– 15 856
Other comprehensive income			1 466	– 5 894	– 4 429
Total comprehensive income	**0**	**0**	**– 14 391**	**– 5 894**	**– 20 285**
Share-based remuneration			1 033		1 033
Purchase of treasury shares		– 7 974			– 7 974
Sale of treasury shares		9 555	– 2 975		6 580
Balance on 30 June 2020	**3 990**	**– 11 268**	**705 967**	**– 93 216**	**605 473**

NOTES TO THE HALF-YEAR FINANCIAL STATEMENTS

1 INFORMATION REGARDING THE GROUP

Valora Holding AG is a publicly listed company with headquarters in Muttenz, Switzerland. Valora is a leading small-scale retailer in the retail and food service sector. The Retail business segment of Valora operates small-outlet convenience retail units in heavily frequented 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).

2 SIGNIFICANT ACCOUNTING POLICIES

The consolidated interim financial statements for the six months to 30 June 2020 were prepared in accordance with the International Accounting Standard "IAS 34 Interim Financial Reporting" and are presented in Swiss francs (CHF). The interim consolidated financial statements do not include all information and disclosures required for annual financial statements and should be read in conjunction with the consolidated annual financial statements for the financial year ended 31 December 2019.

The consolidated interim financial statements were prepared in accordance with the accounting policies described in Valora's 2019 consolidated financial statements and the accounting principles adopted on 1 January 2020.

3 CHANGES TO ACCOUNTING POLICIES

In May 2020, the International Accounting Standards Board (IASB) issued Covid-19-Related Rent Concessions, which amended IFRS 16 Leases. The amendment permits lessees, as a practical expedient, not to assess whether particular rent concessions occurring as a direct consequence of the covid-19 pandemic are lease modifications and instead to account for those rent concessions as if they were not lease modifications. Valora has early adopted the practical expedient as from 1 January 2020. Consequently, the group presented rent concessions due to COVID-19 in other income for the period they were granted.

Other amendments to existing IFRS adopted on 1 January 2019 had no material impact on these financial statements.

4 IMPACT OF COVID-19 ON THESE FINANCIAL STATEMENTS

Business performance of the Valora Group in the first half of 2020 was significantly impacted by the unprecedented worldwide Covid-19 crisis. As a result of official 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. These developments instigated by the Covid-19 pandemic had a major impact on the revenues of the Valora Group in the first half of 2020. To face the new situation, Valora implemented comprehensive measures at an early stage to reduce its cost base and also made use of the governments' financial support, as almost half of its employees have been on short-time work since April 2020. The Group thus realised a significant year-on-year cost reduction in the first half of 2020 despite higher rent conditions at Retail CH after the SBB tender. These savings partly compensated for the crisis-related sales decline.

The overall decline in customer frequencies, as well as ongoing economic uncertainty, have led to a decreased overall demand in the short term. As a result, Valora performed an impairment test as at 30 June 2020 for the cash generating units containing goodwill, based on updated projected cash flows reflecting the current Covid-19 related social and economic environment (see note 12).

Rent concessions received from various landlords were recognised in accordance with IFRS 16 directly in the profit and loss for the period for which the rent concessions apply (see notes 3, 8).

Government grants received from the short-time working program were directly offset against personnel expenses (see note 7).

5 SEGMENT REPORTING

Segment data by division

in CHF 000	Valora Retail	Food Service	Others	Elimination	Total Group
Segment information for the six months to 30.06.2020					
Net revenues					
Total	**697 348**	**112 341**	**5 927**	**0**	**815 616**
From third parties	697 348	112 341	5 927	0	815 616
Depreciation, amortisation and impairments	76 804	29 575	1 751	0	108 130
thereof right-of-use assets	59 244	16 150	183	0	75 577
Operating (loss) / profit (EBIT)					
Total	**1 441**	**–11 310**	**–1 005**	**0**	**–10 873**
Operating profit (EBIT) in % of net revenues	0.2	–10.1			–1.3
Segment assets					
Total	**1 454 456**	**951 988**	**563 743**	**–619 617**	**2 350 571**
Segment liabilities					
Total	**1 012 671**	**595 277**	**756 767**	**–619 617**	**1 745 099**
Segment information for the six months to 30.06.2019					
Net revenues					
Total	**828 912**	**172 341**	**3 509**	**0**	**1 004 762**
From third parties	828 912	172 341	3 509	0	1 004 762
Depreciation, amortisation and impairments	68 195	27 795	1 356	0	97 346
thereof right-of-use assets	50 749	14 779	137	0	65 665
Operating profit (EBIT)					
Total	**28 022**	**17 910**	**–3 143**	**0**	**42 789**
Operating profit (EBIT) in % of net revenues	3.4	10.4			4.3
Segment assets					
Total	**1 002 614**	**934 630**	**503 486**	**–533 173**	**1 907 557**
Segment liabilities					
Total	**559 200**	**563 820**	**730 145**	**–533 173**	**1 319 992**

The significant increase in the segment assets and liabilities is mainly attributable to the renewal of existing rental agreements with the Swiss Federal Railways.

6 REVENUE FROM CONTRACTS WITH CUSTOMERS

Disaggregation of sales

2020

in CHF 000	Valora Retail	Food Service	Others	Group total
Revenue from sale of goods [1]	635 939	102 125	1 949	740 013
Income from services	48 142	4 901	3 978	57 022
Total revenue from contracts with customers (according to IFRS 15)	**684 082**	**107 026**	**5 927**	**797 035**
Commission income and franchise fees	13 267	5 314	0	18 581
Total net revenues	**697 349**	**112 341**	**5 927**	**815 616**

[1] Includes wholesale revenues of CHF 48.9 million, which can be attributed to the Food Service segment.

2019

in CHF 000	Valora Retail	Food Service	Others	Group total
Revenue from sale of goods [1]	762 268	155 668	0	917 936
Income from services	55 186	7 686	3 509	66 381
Total revenue from contracts with customers (according to IFRS 15)	**817 454**	**163 353**	**3 509**	**984 317**
Commission income and franchise fees	11 457	8 987	0	20 445
Total net revenues	**828 912**	**172 341**	**3 509**	**1 004 762**

[1] Includes wholesale revenues of CHF 60.9 million, which can be attributed to the Food Service segment.

7 OTHER OPERATING EXPENSES

1 January to 30 June, in CHF 000	**2020**	2019
Agency fees	81 590	88 565
Rental expenses	10 094	20 122
Ancillary rental costs and property expenses	17 193	19 306
Shipping	16 315	19 619
Management and administration	13 738	15 807
Communication and IT	12 817	12 110
Advertising and sales	5 732	8 996
Impairment losses on accounts receivable	2 510	1 033
Other operating expenses	12 523	15 313
Total other operating expenses	**172 513**	**200 870**

8 OTHER INCOME

1 January to 30 June, in CHF 000	**2020**	2019
Rental income	12 110	13 699
Gain from disposal of non-current assets	135	20
Other income	9 551	2 289
Total other income	**21 796**	**16 008**

Covid-19 related rent concessions recognised in other income on a pro-rata basis amount to CHF 7 million.

9 FINANCIAL INCOME AND EXPENSES

1 January to 30 June, in CHF 000	**2020**	2019
Interest expense on financial liabilities	3 064	4 027
Interest expense on lease liabilities	10 006	5 582
Foreign exchange losses	896	710
Total financial expenses	**13 965**	**10 319**
Interest income from financial assets	32	136
Interest income from lease receivables	901	793
Dividend income	15	35
Foreign exchange gains	0	390
Total financial income	**948**	**1 354**

10 VALORA AS A LESSEE

A) 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 2020	**1 071 788**	**3 068**	**1 074 856**
Additions	82 032	131	82 164
Disposals	– 32 657	– 139	– 32 796
Currency translation differences	– 5 855	– 36	– 5 891
Balance on 30 June 2020	**1 115 308**	**3 024**	**1 118 332**
Accumulated depreciation			
Balance on 1 January 2020	**– 134 774**	**– 1 084**	**– 135 858**
Additions	– 74 652	– 494	– 75 146
Impairments	– 431	0	– 431
Disposals	5 282	115	5 398
Currency translation differences	980	14	994
Balance on 30 June 2020	**– 203 595**	**– 1 448**	**– 205 043**
Carrying amount			
Balance on 30 June 2020	**911 713**	**1 576**	**913 289**

New contracts and exercised extension options are recognised as additions to the right-of-use assets.

Disposals relate either to the early termination of contracts, exercised termination options or head lease contracts that become part of sublease arrangements (finance leases).

B) LEASE LIABILITIES

in CHF 000	2020	2019
Balance on 1 January	**1 048 240**	**619 406**
Additions	72 222	74 956
Interest on lease liabilities	10 006	5 582
Lease payments	–89 511	–80 311
Early termination of contracts	–5 956	–5 816
Currency translation differences	–6 805	–6 142
Balance on 30 June	**1 028 196**	**607 675**
Thereof current portion	164 496	148 305
Thereof non-current portion	863 700	459 370

11 VALORA AS A LESSOR

in CHF 000	2020	2019
Balance on 1 January	**91 613**	**71 598**
Additions	21 701	32 255
Interest on lease receivables	901	793
Repayments	–12 123	–11 356
Early termination of contracts	–9 108	–5 948
Currency translation differences	–1 798	–1 476
Balance on 30 June	**91 186**	**85 866**
Thereof current portion	21 785	25 816
Thereof non-current portion	69 401	60 050

12 IMPAIRMENT TESTING OF GOODWILL AND INTANGIBLE ASSETS WITH INDEFINITE LIVES

The Group performs its annual impairment tests in December and whenever circumstances indicate that the carrying values may be impaired. The overall decline in commuter streams and customer frequencies in our outlets as a result of Covid-19, as well as ongoing economic uncertainty, have led to a decreased overall demand in the short term. As a result, Valora performed an impairment test as at 30 June 2020 for the cash generating units containing goodwill, based on updated projected cash flows reflecting the current Covid-19 related social and economic environment. As a result of this analysis, all carrying amounts were still covered and no impairment was identified. However, a sustained significant decline in future cash flows, or major changes in other key assumptions, might lead to an impairment in the future.

13 FINANCIAL INSTRUMENTS AND FAIR VALUES

The carrying amounts of the financial assets and liabilities in the scope of IFRS 7 and IFRS 13 correspond to their fair values.

On 11 January 2019, Valora placed two promissory notes with a face value of EUR 100 million and CHF 63 million respectively, resulting in net proceeds of CHF 175 million, both with a five-year term. Through this transaction, Valora refinanced a maturing EUR 78 million promissory note, which was due in April 2019. In addition, Valora repaid CHF 69.4 million of its short term bank loans during the first six months of 2019.

Hierarchy levels applied to fair values. Fair values are allocated to three hierarchy levels. Currently all of Valora's financial instruments that are subsequently measured at fair value are allocated to level three and therefore all fair values of financial instruments are determined on the basis of estimates.

Level 3. Other non-current financial assets as per 30 June 2020 were CHF 649 thousand (2019: CHF 649 thousand).

14 SEASONAL EFFECTS

Typically some 40 – 45 % of EBIT is generated in the first half of the year, with the remaining 55 – 60 % being generated in the second six months. However, the coronavirus (Covid-19) pandemic has significantly affected these interim financial statements and caused sharp declines in revenues due to regulatory and organisational mandates and changes in consumer behavior. With the easing of regulatory constraints, we expect a steady recovery in revenues and a substantial improvement in profitability in the second half of the year.

15 DIVIDENDS PAID

The Board of Directors decided to propose to the 2020 Annual General Meeting a one-time waiver of the dividend for the 2019 financial year (2019: a dividend of CHF 12.50 per registered share for the previous year). The Annual General Meeting approved the Board of Directors' proposal to waive the dividend for the 2019 financial year on 11 June 2020.

16 MAJOR FOREIGN CURRENCIES

Translation rates used for Valora's major foreign currencies

	Average rate for 6 months to 30.06.2020	**Closing rate on 30.06.2020**	Average rate for 6 months to 30.06.2019	Closing rate on 30.06.2019	Closing rate on 31.12.2019
Euro, EUR 1	1.064	1.064	1.130	1.110	1.086
US dollar, USD 1	0.966	0.947	1.000	0.976	0.967

Rounding. Due to rounding, this report may contain minor discrepancies between totals and percentages and their component elements.

17 AFTER BALANCE SHEET EVENTS

The Board of Directors of Valora Holding AG approved the issuance of these consolidated interim financial statements on 20 July 2020.

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 revenues 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 revenues – FX- and POS-adjusted (same store)

The currency-adjusted change in net revenues shows the percentage change in net revenues 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 revenues less cost of goods and materials.
The gross profit margin is the gross profit as a % of net revenues.

[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 revenues	815 616	1 004 762
Sales franchisees and other contractual bounded partners [1]	269 566	319 221
External sales	**1 085 182**	**1 323 983**

[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 revenues	815 616	1 004 762
Cost of goods and materials	– 460 280	– 553 733
Gross Profit	**355 336**	**451 028**
Gross Profit Margin	**43.6 %**	**44.9 %**

EBITDA

in CHF 000	2020	2019
EBIT	**– 10 873**	**42 789**
Depreciation and impairment of property, plant and equipment	24 417	22 813
Amortisation and impairment of intangible assets	8 136	8 868
EBITDA	**21 680**	**74 470**

Free Cash Flow

in CHF 000	2020	2019
Cash Flow from operating activities	**114 894**	**120 490**
Investments in property, plant and equipment	– 32 619	– 38 212
Proceeds from the sale of property, plant and equipment	464	428
Investments in intangible assets	– 2 941	– 2 964
Proceeds from the sale of intangible assets	6	71
Repayments of lease liabilities	– 79 505	– 74 729
Lease payments received from finance leases	11 222	10 563
Free Cash Flow	**11 521**	**15 647**

Net financial debt

in CHF 000	**2020**	2019
Cash and cash equivalents	127 515	122 651
Current financial and derivative liabilities	– 76 573	– 153
Non-current financial liabilities	– 358 349	– 443 378
Net financial debt	**– 307 408**	**– 320 879**

Net debt II

in CHF 000	**2020**	2019
Net financial debt	**– 307 408**	**– 320 879**
Current lease liabilities	– 164 496	– 160 749
Non-current lease liabilities	– 863 700	– 887 491
Net debt II	**– 1 335 604**	**– 1 369 120**

Leverage Ratio

in CHF 000	**2020**	2019
Net financial debt	**307 408**	**320 879**
EBITDA	104 645	157 435
Normalisation for acquisitions / divestitures	0	0
Relevant EBITDA for the Group	**104 645**	**157 435**
Leverage ratio	**2.94x**	**2.04x**

Return on Capital Employed (ROCE)

in CHF 000	**2020**	2019	2018
Non-current assets	1 923 667	1 960 383	937 977
Right-of-use assest	– 913 289	– 938 997	0
Non-current lease receivables	– 69 401	– 68 207	0
Deferred tax assets	– 22 889	– 17 838	– 10 212
Trade accounts receivable	50 911	77 080	80 235
Inventories	140 460	143 393	145 585
Other current receivables	86 232	65 635	55 938
Trade accounts payable	– 156 101	– 145 387	– 136 546
Other current liabilities	– 103 791	– 104 469	– 84 599
Operating cash [1)]	85 000	85 000	85 000
Capital Employed	**1 020 799**	**1 056 593**	**1 073 377**
Average on a monthly basis [2)]	**1 080 368**	**1 093 952**	
EBIT	**37 796**	**91 458**	
ROCE	**3.5 %**	**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	605 472	626 119
Total assets excluding right-of-use assets and lease receivables	1 345 967	1 362 227
Equity Ratio	**45.0 %**	**46.0 %**

Net Working Capital

in CHF 000	**2020**	2019
Trade accounts receivables	50 911	77 080
Inventories	140 460	143 393
Other current receivables	86 232	65 635
Trade accounts payable	– 156 101	– 145 387
Other current liabilities	– 103 791	– 104 469
Net Working Capital	**17 711**	**36 253**

valora

The next Ordinary General Meeting of shareholders of Valora Holding AG
will be held on 24 March 2020.

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