DUFRY FINANCIAL STATE- MENTS 2014

FINANCIAL STATEMENTS 2014

CONTENT

CONSOLIDATED INCOME STATEMENT

FOR THE YEAR ENDED DECEMBER 31, 2014

IN MILLIONS OF CHF	NOTE	2014	2013
CONTINUING OPERATIONS			
Net sales	7	4,063.1	3,465.0
Advertising income		133.5	106.7
Turnover		**4,196.6**	**3,571.7**
Cost of sales		(1,733.5)	(1,466.0)
Gross profit		**2,463.1**	**2,105.7**
Selling expenses	8	(1,023.7)	(826.0)
Personnel expenses	9	(609.7)	(538.1)
General expenses	10	(256.4)	(230.5)
Share of result of associates	11	2.3	–
EBITDA[1]		**575.6**	**511.1**
Depreciation, amortization and impairment	12	(249.1)	(192.9)
Other operational result	13	(61.1)	(37.4)
Earnings before interest and taxes (EBIT)		**265.4**	**280.8**
Interest expenses	14	(154.1)	(98.0)
Interest income	14	5.7	3.4
Foreign exchange gain / (loss)		(11.1)	(5.4)
Earnings before taxes (EBT)		**105.9**	**180.8**
Income tax	15	(20.3)	(33.2)
Net earnings from continuing operations		**85.6**	**147.6**
DISCONTINUED OPERATIONS			
Net earnings from discontinued operations		(0.8)	–
Net earnings		**84.8**	**147.6**
ATTRIBUTABLE TO:			
Equity holders of the parent		50.8	93.0
Non-controlling interests		34.0	54.6
EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT			
Basic earnings per share	17	1.53	3.13
Diluted earnings per share	17	1.48	3.12
Weighted average number of outstanding shares in thousands		33,307	29,720
EARNINGS PER SHARE FOR CONTINUING OPERATIONS			
Basic earnings per share attributable to equity holders of the parent	17	1.55	3.13
Diluted earnings per share attributable to equity holders of the parent	17	1.50	3.12

[1] EBITDA is earnings before interest, taxes, depreciation, amortization and other operational result

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED DECEMBER 31, 2014

IN MILLIONS OF CHF	NOTE	2014	2013
Net earnings		**84.8**	**147.6**
OTHER COMPREHENSIVE INCOME			
Actuarial gains/(losses) on defined benefit plans	18	(37.9)	17.4
Income tax	15, 18	4.5	(1.3)
Items not being reclassified to net income in subsequent periods, net of tax		**(33.4)**	**16.1**
Exchange differences on translating foreign operations	18	223.9	(50.2)
Net gain/(loss) on hedge of net investment in foreign operations	18	(102.4)	24.4
Income tax on above positions	15, 18	3.2	–
Items to be reclassified to net income in subsequent periods, net of tax		**124.7**	**(25.8)**
Total other comprehensive income, net of tax		**91.3**	**(9.7)**
Total comprehensive income, net of tax		**176.1**	**137.9**
ATTRIBUTABLE TO:			
Equity holders of the parent		129.9	84.5
Non-controlling interests		46.2	53.4
Total comprehensive income attributable to equity holders of the parent		**129.9**	**84.5**
ATTRIBUTABLE TO:			
Continuing operations		130.7	84.5
Discontinued operations		(0.8)	–

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT DECEMBER 31, 2014

IN MILLIONS OF CHF	NOTE	31.12.2014	31.12.2013
ASSETS			
Property, plant and equipment	19	435.4	313.9
Intangible assets	21	4,723.4	2,734.0
Investments in associates	11	72.9	–
Deferred tax assets	23	195.9	154.9
Other non-current assets	24	106.6	62.1
Non-current assets		**5,534.2**	**3,264.9**
Inventories	25	741.2	524.7
Trade and credit card receivables	26	118.7	42.8
Other accounts receivable	27	227.2	149.7
Income tax receivables		11.0	9.9
Cash and cash equivalents		513.0	246.4
Current assets		**1,611.1**	**973.5**
Assets of discontinued operations held for sale	16	1.8	–
Total assets		**7,147.1**	**4,238.4**
LIABILITIES AND SHAREHOLDERS' EQUITY			
Equity attributable to equity holders of the parent	28	2,292.8	1,137.5
Non-controlling interests	30, 31	165.8	129.9
Total equity		**2,458.6**	**1,267.4**
Financial debt	32	2,821.8	1,693.6
Deferred tax liabilities	23	416.4	261.7
Provisions	33	96.6	51.3
Post-employment benefit obligations	34	37.7	11.5
Other non-current liabilities	35	3.3	5.1
Non-current liabilities		**3,375.8**	**2,023.2**
Trade payables		418.3	277.9
Financial debt	32	45.6	306.2
Income tax payables		33.8	30.5
Provisions	33	54.8	10.1
Other liabilities	35	760.2	323.1
Current liabilities		**1,312.7**	**947.8**
Total liabilities		**4,688.5**	**2,971.0**
Total liabilities and shareholders' equity		**7,147.1**	**4,238.4**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED DECEMBER 31, 2014

2014 IN MILLIONS OF CHF	NOTE	ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT Share capital	Share premium	Treasury shares	Capital reserve for mandatory convert-ible notes	Employee benefit reservew	Translation reserves	Retained earnings	Total	NON-CON-TROLLING INTERESTS	TOTAL EQUITY
Balance at January 1, 2014		**154.5**	**1,207.0**	**(18.1)**	**–**	**0.3**	**(224.5)**	**18.3**	**1,137.5**	**129.9**	**1,267.4**
Net earnings		–	–	–	–	–	–	50.8	50.8	34.0	84.8
Other comprehensive income (loss)		–	–	–	–	(33.2)	112.3	–	79.1	12.2	91.3
Total comprehensive income for the period		**–**	**–**	**–**	**–**	**(33.2)**	**112.3**	**50.8**	**129.9**	**46.2**	**176.1**
TRANSACTIONS WITH OR DISTRIBUTIONS TO SHAREHOLDERS:											
Dividends to non-controlling interests		–	–	–	–	–	–	–	–	(39.5)	(39.5)
Issuance of equity instruments	28	25.0	785.0	–	269.6	–	–	–	1,079.6	–	1,079.6
Transactions costs for equity instruments	28	–	(27.3)	–	(6.8)	–	–	–	(34.1)	–	(34.1)
Net purchase of treasury shares	29.4	–	–	(13.8)	–	–	–	–	(13.8)	–	(13.8)
Assignment of treasury shares	29.4	–	–	17.6	–	–	–	(17.6)	–	–	–
Share-based payment	29	–	–	–	–	–	–	2.4	2.4	–	2.4
Tax effect on equity transactions	15	–	–	–	–	–	–	0.1	0.1	–	0.1
Total transactions with or distributions to owners		**25.0**	**757.7**	**3.8**	**262.8**	**–**	**–**	**(15.1)**	**1,034.2**	**(39.5)**	**994.7**
CHANGES IN OWNERSHIP INTERESTS IN SUBSIDIARIES:											
Changes in particpiation of non-controlling interests	30	–	–	–	–	–	–	(8.8)	(8.8)	29.2	20.4
Balance at December 31, 2014		**179.5**	**1,964.7**	**(14.3)**	**262.8**	**(32.9)**	**(112.2)**	**45.2**	**2,292.8**	**165.8**	**2,458.6**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED DECEMBER 31, 2013

		ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT									
2013 IN MILLIONS OF CHF	NOTE	Share capital	Share premium	Treasury shares	Capital reserve for mandatory convert-ible notes	Employee benefit reservew	Translation reserves	Retained earnings	Total	NON-CON-TROLLING INTERESTS	TOTAL EQUITY
Balance at January 1, 2013		**148.4**	**1,207.0**	**(41.6)**	**–**	**–**	**(199.9)**	**124.9**	**1,238.8**	**128.4**	**1,367.2**
Restatement		–	–	–	–	(15.8)	–	0.1	(15.7)	–	(15.7)
Balance at January 1, 2013 (restated)		**148.4**	**1,207.0**	**(41.6)**	**–**	**(15.8)**	**(199.9)**	**125.0**	**1,223.1**	**128.4**	**1,351.5**
Net earnings		–	–	–	–	–	–	93.0	93.0	54.6	147.6
Other comprehensive income (loss)		–	–	–	–	16.1	(24.6)	–	(8.5)	(1.2)	(9.7)
Total comprehensive income for the period		**–**	**–**	**–**	**–**	**16.1**	**(24.6)**	**93.0**	**84.5**	**53.4**	**137.9**
TRANSACTIONS WITH OR DISTRIBUTIONS TO SHAREHOLDERS:											
Dividends to non-controlling interests		–	–	–	–	–	–	–	–	(39.4)	(39.4)
Issuance of share capital	28	6.1	–	–	–	–	–	–	6.1	–	6.1
Net purchase of treasury shares	29.4	–	–	(17.7)	–	–	–	–	(17.7)	–	(17.7)
Assignment of treasury shares	29.4	–	–	41.2	–	–	–	(41.2)	–	–	–
Share-based payment	29	–	–	–	–	–	–	10.7	10.7	–	10.7
Tax effect on equity transactions	15	–	–	–	–	–	–	1.4	1.4	–	1.4
Total transactions with or distributions to owners		**6.1**	**–**	**23.5**	**–**	**–**	**–**	**(29.1)**	**0.5**	**(39.4)**	**(38.9)**
CHANGES IN OWNERSHIP INTERESTS IN SUBSIDIARIES:											
Changes in particpiation of non-controlling interests		–	–	–	–	–	–	(170.6)	(170.6)	(12.5)	(183.1)
Balance at December 31, 2013		**154.5**	**1,207.0**	**(18.1)**	**–**	**0.3**	**(224.5)**	**18.3**	**1,137.5**	**129.9**	**1,267.4**

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2014

IN MILLIONS OF CHF	NOTE	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES			
Earnings before taxes (EBT)		105.9	180.8
Net earnings from discontinued operations	16	(0.8)	–
Earnings before taxes (EBT) Total		**105.1**	**180.8**
ADJUSTMENTS FOR:			
Depreciation, amortization and impairment	12	249.1	192.9
Loss / (gain) on sale of non-current assets		(0.9)	–
Increase / (decrease) in allowances and provisions		(16.0)	(2.0)
Loss / (gain) on unrealized foreign exchange differences		9.1	7.9
Other non-cash items		2.4	10.7
Share of result of associates	11	(2.3)	–
Interest expense	14	154.1	98.0
Interest income	14	(5.7)	(3.4)
Cash flow before working capital changes		**494.9**	**484.9**
Decrease / (increase) in trade and other accounts receivable		(32.0)	(1.2)
Decrease / (increase) in inventories	25	36.5	(32.8)
Increase / (decrease) in trade and other accounts payable		(43.1)	8.6
Dividends received from associates	11	0.4	–
Cash generated from operations		**456.7**	**459.5**
Income taxes paid	15	(65.2)	(24.4)
Net cash flows from operating activities		**391.5**	**435.1**
CASH FLOW FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment	19,20	(143.7)	(108.1)
Purchase of intangible assets	21, 22	(57.0)	(114.4)
Proceeds from sale of property, plant and equipment		3.1	2.8
Interest received		4.9	2.9
Business combinations, net of cash	6	(1,124.6)	(243.6)
Proceed from sale of interest in subsidiaries, net of cash		0.2	0.9
Net cash flows used in investing activities		**(1,317.1)**	**(459.5)**
CASH FLOW FROM FINANCING ACTIVITIES			
Transaction costs for issuance of financial instruments		(75.9)	(21.3)
Proceeds from issue of new shares	28	810.0	–
Proceeds from mandatory convertible notes	28	275.0	–
Proceeds from bank loans	32	2,177.6	663.0
Repayment of bank loans	32	(1,821.7)	(412.0)
Repayment of 3rd party loans	32	(5.7)	(8.1)
Dividends paid to non-controlling interest	30	(39.5)	(39.4)
Net purchase of treasury shares	29	(13.8)	(17.7)
Net contributions from / (purchase of) non-controlling interests		31.1	(213.9)
Interest paid		(107.8)	(92.9)
Net cash flows (used in) / from financing activities		**1,229.3**	**(142.3)**
Currency translation on cash		(37.1)	(20.9)
(Decrease) / increase in cash and cash equivalents		**266.6**	**(187.6)**
CASH AND CASH EQUIVALENTS AT THE			
– beginning of the period		246.4	434.0
– end of the period		513.0	246.4

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2014

1. CORPORATE INFORMATION

Dufry AG ("Dufry" or "the Company") is a publicly listed company with headquarters in Basel, Switzerland. The Company is the world's leading travel retail company. It operates over 1,650 shops worldwide. The shares of the Company are listed on the Swiss Stock Exchange (SIX) in Zurich and its Brazilian Depository Receipts on the BM&FBOVESPA in Sao Paulo.

The consolidated financial statements of Dufry AG and its subsidiaries ("the Group") for the year ended December 31, 2014 were authorized for public disclosure in accordance with a resolution of the Board of Directors of the Company dated March 4, 2015.

2. ACCOUNTING POLICIES

2.1 BASIS OF PREPARATION

The consolidated financial statements of Dufry AG and its subsidiaries ("the Group") have been prepared in accordance with International Financial Reporting Standards (IFRS).

Dufry AG's consolidated financial statements have been prepared on the historical cost basis, except for financial instruments that are measured at fair values, as explained in the accounting policies below. Historical cost is generally based on the fair value of the consideration given in exchange for assets. The carrying values of recognized assets and liabilities that are hedged items in fair value hedges, and are otherwise carried at amortized cost, are adjusted to record changes in the fair values attributable to the risks that are being hedged.

The consolidated financial statements are presented in Swiss francs and all values are rounded to the nearest one hundred thousand, except when otherwise indicated.

2.2 BASIS OF CONSOLIDATION

The consolidated financial statements incorporate the financial statements of Dufry AG and entities controlled by Dufry (its subsidiaries) as at December 31, 2014 and the respective comparative information.

Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date when such control is lost. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of the subsidiaries are prepared for the same reporting period as the parent company, using uniform accounting policies. All intragroup balances, transactions, unrealized gains and losses resulting from intra-group transactions and dividends are eliminated in full.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it

- derecognizes the assets (including goodwill) and liabilities of the subsidiary, derecognizes the carrying amount of any non-controlling interest as well as derecognizes the cumulative translation differences recorded in equity
- recognizes the fair value of the consideration received, recognizes the fair value of any investment retained as well as recognizes any surplus or deficit in the consolidated income statement and
- reclassifies the parent's share of components previously recognized in other comprehensive income to the consolidated income statement or retained earnings, as appropriate.

For the accounting treatment of associated companies see 2.3 o).

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. For each business combination, the Group selects whether it measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition related transaction costs are expensed and included in other operational result. When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date.

Any contingent consideration to be transferred by the buyer will be recognized at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability will be recognized either in the consolidated income statement or as a change to other comprehensive income. If the contingent consideration is classified as equity, it will not be remeasured. Differences arising by the final settlement are accounted for within equity. In instances where the contingent consideration is not a financial instrument, it is measured in accordance with the appropriate IFRS.

The Group measures goodwill at the acquisition date as:
- the fair value of the consideration transferred;
- plus the recognized amount of any non-controlling interests in the acquiree;
- plus if the business combination is achieved in stages, the fair value of the pre-existing equity interest in the acquiree;
- less the net recognized amount of the identifiable assets acquired and liabilities assumed.

When the excess is negative, a bargain purchase gain is recognized immediately in the consolidated income statement.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination.

Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained, unless there are specific allocations.

b) Turnover

Sales are measured at the fair value of the consideration received, excluding discounts, rebates, sales taxes or duties. Retail sales are settled in cash or by credit card, whereas advertising income is recognized when the services have been rendered.

c) Cost of sales

Cost of sales are recognized when the Company sells a product and comprise the purchase price and the cost incurred until the product arrives at the warehouse, i.e. import duties, transport, inventory valuation adjustments and inventory differences.

d) Foreign currency translation

The consolidated financial statements are expressed in Swiss francs (CHF). Each company in the Group uses its corresponding functional currency and items included in the financial statements of each entity are measured using that functional currency. Transactions in foreign currencies are initially recorded in the functional currency using the exchange rate at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are remeasured to its fair value in the functional currency using the exchange rate at the reporting date and recorded as unrealized foreign exchange gains/losses. Exchange differences arising on the settlement or on the translation of derivative financial instruments are recognized through the consolidated income statement, except where the hedges on net investments allow the recognition in other comprehensive income, until the respective investments are disposed of. Any related deferred tax is also accounted accordingly through other comprehensive income. Non-monetary items are measured at historical cost in the respective functional currency.

At the reporting date, the assets and liabilities of all subsidiaries reporting in foreign currency are translated into the presentation currency of Dufry (CHF) using the exchange rate at the reporting date. The income statements of the subsidiaries are translated using the average exchange rates of the respective month in which the transactions occurred. The net translation differences are recognized in other comprehensive income. On disposal of a foreign entity or when control is lost, the deferred cumulative translation difference recognized within equity relating to that particular operation is recognized in the consolidated income statement as gain or loss on sale of subsidiaries.

Intangible assets and fair value adjustments identified during a business combination (purchase price allocation) are treated as assets and liabilities in the functional currency of such operation.

Principal foreign exchange rates applied for valuation and translation:

	AVERAGE RATES		CLOSING RATES		RATES AT ACQUISITION DATE
IN CHF	2014	2013	31.12.2014	31.12.2013	09.09.2014
1 USD	0.9155	0.9268	0.9939	0.8886	0.9342
1 EUR	1.2144	1.2306	1.2027	1.2250	1.2067

e) Equity instruments
An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group are recognized at the proceeds received, net of direct issue costs. Repurchase of the Company's own equity instruments is recognized and deducted directly in equity. No gain or loss is recognized in the consolidated income statement on the purchase, sale, issue or cancellation of the Company's own equity instruments.

f) Share capital
Ordinary shares are classified as equity. Mandatory convertible notes are classified as compound financial instruments (see g) below.

Costs directly attributable to the issuance of shares or options are shown in the statement of changes in equity as transaction costs for equity instruments, net of tax.

When any subsidiary purchases Dufry shares (treasury shares), the consideration paid, including any directly attributable expenses, net of income taxes, is deducted from equity until the shares are cancelled, assigned or sold. Where such ordinary shares are subsequently sold, any consideration received, net of any direct transaction expenses and income tax, is included in equity.

g) Compound financial instruments
Compound financial instruments issued by the Group comprise convertible notes that can be converted to share capital. The number of shares to be issued is dependent on the changes in their fair value.

The liability component of a compound financial instrument is recognized initially at the fair value of a similar liability that does not have an equity conversion option. The equity component is recognized initially at the difference between the fair value of the compound financial instrument as a whole and the fair value of the liability component. Directly attributable transaction costs are allocated to the liability and equity components in proportion to their initial carrying amounts.

Subsequent to initial recognition, the liability component of a compound financial instrument is measured at amortized cost using the effective interest method. The equity component of a compound financial instrument is not re-measured except on conversion or expiry.

The liability component is classified as current liabilities unless the Group has an unconditional right to defer settlement for at least 12 months after the end of the reporting period.

h) Pension and other post-employment benefit obligations – Pension obligations
The employees of the subsidiaries are eligible for retirement, invalidity and death benefits under local social security schemes prevailing in the countries concerned and defined benefit or defined contribution plans provided through separate funds, insurance plans, or unfunded arrangements. The pension plans are either funded through regular contributions made by the employer and the employee and through the income generated by the capital investments or unfunded.

The cost of providing benefits under defined benefit plans is determined using the projected unit credit method.

Re-measurements, the effect of the asset ceiling (excluding net interest) and the return on plan assets (excluding net interest), are recognized immediately in the statement of financial position with a corresponding debit or credit to other comprehensive income in the period in which they occur. Re-measurements are not reclassified to profit or loss in subsequent periods.

Past service costs are recognized in profit or loss on the earlier of:
– The date of the plan amendment or curtailment, and
– the date that the Group recognizes restructuring related costs

Net interest is calculated by applying the discount rate to the net defined benefit obligation (asset). The Group recognizes the following changes in the net defined benefit obligation in the consolidated income statement:
– Service costs comprising current service costs, past-service costs, gains and losses on curtailments and non-routine settlements under "Personnel expenses"
– Net interest expense or income under "Interest expenses or income"

i) Share-based payments
Equity-settled share-based payments to employees and other third parties providing services are measured at the fair value of the equity instruments at grant date. The fair value determined at grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the estimated number of equity instruments that will eventually vest. At the end of each reporting period, the Group revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognized in the consolidated income statement such that the cumulative expense reflects the revised estimate.

Where the terms of an equity-settled award are modified, the minimum expense recognized is the expense as if the terms had not been modified. An additional expense is recognized for any modification, which increases the total fair value of the share-based payment arrangement, or is otherwise beneficial to the holder of the option as measured at the date of modification.

j) Taxation
Income tax expense represents the sum of the tax currently payable and deferred tax.

Current income tax
Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to the tax authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantially enacted at the reporting date in the countries where the Group operates and generates taxable income.

Current income tax relating to items recognized in other comprehensive income is recognized in the same statement.

Deferred tax
Deferred tax is provided using the liability method on temporary differences between the tax basis of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred tax liabilities are recognized for all taxable temporary differences, except:
– When the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss
– In respect of taxable temporary differences associated with investments in subsidiaries, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future

Deferred tax assets are recognized for all deductible temporary differences, the carry forward of unused tax-credits or tax-losses. Deferred tax assets are recognized to the extent that it is probable that taxable profit will be available, against which the deductible temporary differences and the carry forward of unused tax credits and unused tax losses can be utilized, except:
– When the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss
– In respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow the deferred tax asset to be utilized. Unrecognized deferred tax assets are reassessed at each reporting date and are recognized to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantially enacted at the reporting date.

Deferred tax positions not relating to items recognized in the consolidated income statement, are recognized in correlation to the underlying transaction either in other comprehensive income or equity.

k) Property, plant and equipment

These are stated at cost less accumulated depreciation and any impairment in fair value. Depreciation is computed on a straight-line basis over the shorter of the estimated useful life of the asset or the lease term.
The useful lives applied are as follows:

- Real estate (buildings) 20 to 40 years
- Leasehold improvements the shorter of 10 years or the remaining lease term
- Furniture and fixtures the shorter of 5 years or the remaining lease term
- Motor vehicles the shorter of 5 years or the remaining lease term
- Computer hardware the shorter of 5 years or the remaining lease term

l) Intangible assets

Intangible assets acquired (separately or from a business combination)

These assets mainly comprise of concession rights, brands and goodwill (for goodwill see 2.3 a). Intangible assets acquired separately are capitalized at cost and those from a business acquisition are capitalized at fair value as at the date of acquisition. Following initial recognition, the cost model is applied to intangible assets. The useful lives of these intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortized over the useful economic life. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether indefinite life assessment continues to be supportable. If not, any changes are made on a prospective basis.

m) Impairment of non-financial assets

Intangible assets with indefinite useful life are not subject to amortization and are tested annually for impairment. Assets that are subject to depreciation and amortization are reviewed for impairment whenever events or circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized when the carrying amount of an asset or cash generating unit exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less cost of disposal to sell and its value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows (cash generating units).

n) Non-current assets held for sale or for distribution to equity holders of the parent and discontinued operations

The Group classifies non-current assets or disposal groups as held for sale or for distribution to equity holders of the parent if their carrying amounts will be recovered principally through a sale or distribution rather than through continuing use and measures these at the lower of their carrying amount or fair value less costs to sell or to distribute.

Assets and liabilities classified as held for sale or for distribution are presented separately in the statement of financial position.

A disposal group qualifies as discontinued operation if it is:

- A major line of business or major geographical area;
- part of a single co-ordinated plan for disposal; or
- a subsidiary acquired exclusively with a view to resale

Discontinued operations are excluded from the results of continuing operations and are presented as a single amount as net earnings after tax from discontinued operations in the consolidated statement of income.

Additional disclosures are provided in Note 16. All other notes to the financial statements mainly include amounts for continuing operations, unless otherwise mentioned.

o) Associates

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of more than 20 % of the voting rights. Investments in associates are accounted for using the equity method of accounting. Under the equity method, the investment is initially recognized at cost. The carrying amount is increased or decreased to recognize the investor's share of the net earnings of the investee after the date of acquisition and decreased by dividends declared. The Group's investment in associates includes goodwill identified on acquisition.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognized in other comprehensive income is reclassified to net earnings where appropriate.

The Group's share of post-acquisition net earnings is recognized in the consolidated income statement, and its share of post-acquisition movements in other comprehensive income is recognized in the consolidated statement of comprehensive income with a corresponding adjustment to the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, the Group does not recognize further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognizes the amount adjacent to share of result of associates in the consolidated income statement.

Profits and losses resulting from upstream and downstream transactions between the Group and its associate are recognized in the Group's financial statements only to the extent of unrelated investor's interests in the associates. Unrealized losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

Dilution gains and losses arising in investments in associates are recognized in the income statement.

p) Cash and cash equivalents

Cash and cash equivalents consist of cash on hand or current bank accounts as well as short-term deposits at banks with initial maturity below 91 days. Short-term investments are included in this position if they are highly liquid, readily convertible into known amounts of cash and subject to insignificant risk of changes in value. Bullet bonds amounting to CHF 23.9 (2013: CHF nil) million, due within 90 days are disclosed here.

Cash and cash equivalents at the end of the reporting period include CHF 54.9 (2013: CHF 22.6) million held by subsidiaries operating in countries with exchange controls or other legal restrictions on money transfer.

q) Inventories

Inventories are valued at the lower of historical cost or net realizable value. The historical costs are determined using the FIFO method. Historical cost includes all expenses incurred in bringing the inventories to their present location and condition. This includes mainly import duties and transport cost. Purchase discounts and rebates are deducted in determining the cost of inventories. The net realizable value is the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale. Inventory allowances are set up in the case of slow-moving and obsolete stock. Expired items are fully written off.

r) Provisions

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognized as a provision is the best estimate at the end of the reporting period of the consideration required to settle the present obligation, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognized as an asset if it is virtually certain that the reimbursement will be received and the amount of the receivable can be measured reliably.

Contingent liabilities acquired in a business combination

Contingent liabilities acquired in a business combination are initially measured at fair value at the acquisition date. At the end of subsequent reporting periods, such contingent liabilities are measured at the higher of the amount that would be recognized in accordance with IAS 37 Provisions, Contingent Liabilities and Contingent Assets and the amount initially recognized less cumulative amortization recognized in accordance with IAS 18 Revenue.

Onerous contracts

Present obligations arising under onerous contracts are recognized and measured as provisions. An onerous contract is considered to exist if the Group has a contract under which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received from the contract.

Restructurings

A restructuring provision is recognized when the Group has developed a detailed formal plan for the restructuring and has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement the plan or announcing its main features to those affected by it. The measurement of a restructuring provision includes only the direct expenditures arising from the restructuring, which are those amounts that are both necessarily entailed by the restructuring and not associated with the ongoing activities of the entity.

s) Financial instruments

Financial assets and financial liabilities are recognized when the Group becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognized immediately in the consolidated income statement.

Effective interest method
The effective interest method is a method of calculating the amortized cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash flows (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

t) Financial assets
Financial assets are classified into the following categories: financial assets at fair value through profit or loss (FVTPL), held-to-maturity financial assets, available-for-sale (AFS) financial assets and loans and receivables. The categorization depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular purchases or sales of financial assets are recognized and derecognized on a trade date basis. Regular purchases or sales of financial assets are those that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Financial assets at FVTPL (fair value through profit or loss)
Financial assets are classified as at FVTPL when the financial asset is either held for trading or it is designated as at FVTPL.

A financial asset is classified as held for trading if:
- it has been acquired principally for the purpose of selling it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

A financial asset other than a financial asset held for trading may be designated as at FVTPL upon initial recognition if:
- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and IAS 39 Financial Instruments: Recognition and Measurement permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognized in the consolidated income statement. The net gain or loss recognized in the consolidated income statement incorporates any dividend or interest earned on the financial asset and is included in the other operating result line item in the consolidated income statement. Fair value is determined in the manner described in note 39.

Trade and other accounts receivable
Trade and other receivables (including credit cards receivables, other accounts receivable, cash and cash equivalents) are measured at amortized cost using the effective interest method, less any impairment.

Impairment of financial assets
Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial asset have been affected.

Certain categories of financial assets, such as trade receivables, are assessed for impairment individually.

Subsequent recoveries of amounts previously written off are credited against the allowance accounts for these categories. Changes in the carrying amount of the allowance account are recognized in the consolidated income statement in the lines selling expenses or other operational result.

Derecognition of financial assets
The Group derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers

nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognizes its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognize the financial asset and also recognizes a collateralized borrowing for the proceeds received.

u) Financial liabilities
Financial liabilities are classified as either financial liabilities at FVTPL or other financial liabilities.

Financial liabilities at FVTPL
These financial liabilities are either held for trading or have been designated as at FVTPL.

A financial liability is classified as held for trading if:
– it has been acquired principally for the purpose of repurchasing it in the near term; or
– on initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
– it is a derivative that is not designated and effective as a hedging instrument.

Other financial liabilities, not held for trading may be designated as at FVTPL upon initial recognition if:
– such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
– the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed together and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
– it forms part of a contract containing one or more embedded derivatives, and IAS 39 Financial Instruments: Recognition and Measurement permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial liabilities at FVTPL are stated at fair value, with any gains or losses arising on re-measurement recognized in the consolidated income statement. The net gain or loss recognized in the consolidated income statement incorporates any interest paid on the financial liability and is included in the financial result in the consolidated income statement. Fair value is determined in the manner described in note 39.

Other financial liabilities
Other financial liabilities (including borrowings) are subsequently measured at amortized cost using the effective interest method (see s).

Derecognition of financial liabilities
The Group derecognizes financial liabilities only when the Group's obligations are discharged, cancelled or they expired. The difference between the carrying amount of the financial liability derecognized and the consideration paid or payable is recognized in the consolidated income statement.

v) Offsetting of financial instruments
Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, to realize the assets and settle the liabilities simultaneously (see Note 39.10).

w) Derivative financial instruments
The Group enters into a variety of derivative financial instruments to manage its exposure to interest rate or foreign exchange rate risks, including foreign exchange forward contracts, interest rate swaps and cross currency swaps. Further details of derivative financial instruments are disclosed in note 39.

Derivatives are initially recognized at fair value at the date the derivative contracts are entered into and are subsequently remeasured to their fair value at the end of each reporting period. The resulting gain or loss is recognized in the consolidated income statement unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in the consolidated income statement depends on the nature of the hedge relationship.

Embedded derivatives
Derivatives embedded in non-derivative host contracts are treated as separate derivatives when their risks and characteristics are not closely related to those of the host contracts and the host contracts are not measured at FVTPL.

x) Hedge accounting
The Group designates certain hedging instruments, which include derivatives, embedded derivatives and non-derivatives in respect of foreign currency risk, as either fair value hedges, cash flow hedges, or hedges of net investments in foreign operations. Hedges of foreign exchange risk on firm commitments are accounted for as cash flow hedges.

At the inception of the hedge relationship, the entity documents the relationship between the hedging instrument and the hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the Group documents whether the hedging instrument is highly effective in offsetting changes in fair values or cash flows of the hedged item attributable to the hedged risk.

Hedge accounting is discontinued when the Group revokes the hedging relationship, when the hedging instrument expires or is sold, terminated, or exercised, or when it no longer qualifies for hedge accounting. Any gain or loss recognized in other comprehensive income and accumulated in equity at that time, is recognized when the underlying hedged item is ultimately de-recognized in the consolidated income statement.

Cash flow hedges

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognized in other comprehensive income and accumulated in the hedging and revaluation reserves. The gain or loss relating to the ineffective portion is recognized in the consolidated income statement, and is included in the interest expenses/income line item. The Group did not utilize cash flow hedges during 2013 and 2014.

Hedges of net investments in foreign operations

Hedges of net investments in foreign operations are accounted for similarly to cash flow hedges. Any gain or loss on the hedging instrument relating to the effective portion of the hedge is recognized in other comprehensive income and accumulated under the heading of translation reserves. The gain or loss relating to the ineffective portion is recognized immediately in the consolidated income statement, and is included in the foreign exchange gains/loss line item (see note 32.2).

2.4 CHANGES IN ACCOUNTING POLICY AND DISCLOSURES

New and amended standards and interpretations

The accounting policies adopted are consistent with those of the previous financial year, except for the following new and amended IFRS and IFRIC interpretations listed below. Dufry did not adopt any Standards and Interpretations significantly affecting the reported financial performance and/or financial position and/or the disclosure during the current reporting period.

Standards and Interpretations adopted with no material effect on the financial statements during the current reporting period

IAS 32
Offsetting Financial Assets and Financial Liabilities – Amendments to IAS 32
(effective January 1, 2014)
These amendments should clarify the meaning of "currently has a legally enforceable right to set-off" and the criteria for non-simultaneous settlement mechanisms of clearing houses to qualify for offsetting. The adoption of the standard did not have a significant impact from the current point of view.

IAS 39
Novation of Derivatives and Continuation of Hedge Accounting – Amendments to IAS 39
(effective January 1, 2014)
These amendments provide relief from discontinuing hedge accounting when novation of a derivative designated as a hedging instrument meets certain criteria.

IFRIC 21
Levies
(effective January 1, 2014)
IFRIC 21 sets out the accounting for an obligation to pay a levy that is not income tax. The interpretation addresses what the obligating event is that gives rise to pay a levy and when a liability should be recognized. The Group is currently not subject to significant levies.

3. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

The preparation of the Group's financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of income, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability in the future.

KEY SOURCES OF ESTIMATION UNCERTAINTY

The key assumptions concerning the future and other key sources of estimation include uncertainties at the reporting date, which may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial periods, are discussed below.

Concession rights
Concession rights acquired in a business combination are measured at fair value as at the date of acquisition. The useful lives of operating concessions are assessed to be either finite or indefinite based on individual circumstances. The useful lives of operating concessions are reviewed annually to determine whether the indefinite useful life assessment for those concessions continues to be sustainable. The Group annually tests the operating concessions with indefinite useful lives for impairment. The underlying calculation requires the use of estimates. The comments and assumptions used are disclosed in note 21.1.2.

Onerous contracts
Some of the long-term concession agreements described above, include clauses to prevent early termination, such as obligations to fulfill guaranteed minimal payments during the full term of the agreement. The conditions for an onerous contract will be met, when such a contract presents a non-profitable outlook. In this event, a provision based on the present value of the unavoidable future negative cash flows expected by the management is established. The unavoidable costs are the lower of the costs of fulfilling it and any compensation or penalties arising from failure to fulfil it. Further details are given in note 33.

Brands and goodwill
The Group tests these items annually for impairment. The underlying calculation requires the use of estimates. The comments and assumptions used are disclosed in note 21.1.

Income taxes
The Group is subject to income taxes in numerous jurisdictions. Significant judgment is required in determining the worldwide provision for income taxes. There are many transactions and calculations for which the ultimate tax assessment is uncertain. The Group recognizes liabilities for tax audit issues based on estimates of whether additional taxes will be payable. Where the final tax outcome is different from the amounts that were initially recorded, such differences will impact the income tax or deferred tax provisions in the period in which such assessment is made. Further details are given in notes 15/23.

Deferred tax assets
Deferred tax assets are recognized for all unused tax losses and deductible temporary differences to the extent that it is probable that taxable profit will be available against which the losses can be utilized. Management judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and level of future taxable profits together with future tax planning strategies. Further details are given in note 23.

Provisions
Management makes assumptions in relation to the expected outcome and cash outflows based on the development of each individual case. Further details are given in note 33.

Share-based payments
The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the grant date. Estimating fair value requires determining the most appropriate valuation model for a grant of equity instruments, which depends on the terms and conditions of the grant. This also requires determining the most appropriate inputs to the valuation model including the expected life probability that the triggering clause will be met, volatility and final quantity of shares to be assigned and making assumptions about them. The assumptions and models used are disclosed in note 29.

Pension and other post-employment benefit obligations
The cost of defined benefit pension plans is determined using actuarial valuations. The actuarial valuation involves assumptions about discount rates (long term return on assets), future salary/pension increases and mortality rates. Due to the long-term nature of these plans, such estimates are subject to significant uncertainty. Further details are given in note 34.

Purchase price allocation
The determination of the fair values of the identifiable assets (especially the concession rights) and the as-

sumed liabilities (especially the contingent liabilities recognized as provisions), resulting from business combinations, is based on valuation techniques such as the discounted cash flow model. Some of the inputs to this model are partially based on assumptions and judgments and any changes thereof would affect the reported values (see note 6).

Consolidation of entities where the Group has control, but holding only minority voting rights
The Group considers to control certain entities, even when it holds less than the majority of the voting rights, when it is exposed to or has the rights to variable returns from the involvements with the investee and has the ability to affect those returns through its power over the entity. These indicators are evaluated at the time of first consolidation and reviewed when there are changes in the statutes or composition of the executive board of these entities. Further details on non-controlling interests are disclosed in note 31 and the annex "Most important subsidiaries".

4. NEW AND REVISED STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET ADOPTED / EFFECTIVE

The standards and interpretations described below are expected to have an impact on the Group's financial position, performance, and / or disclosures. The Group intends to adopt these standards, when they become effective.

IFRS 9
Financial Instruments
(effective January 1, 2018)
Phase 1: Classification and measurement – determines how financial assets and financial liabilities are accounted for and measured on an ongoing basis.
Phase 2: Impairment – a new single expected loss impairment model is introduced that will require more timely recognition of expected credit losses.
Phase 3: Hedge accounting – the new model aligns the accounting treatment with risk management activities, users of the financial statements will be provided with better information about risk management and the effect of hedge accounting on the financial statements.

The adoption of the first phase of IFRS 9 will have an effect on the classification and measurement of the Group's financial assets, but will not impact the financial liabilities. Phase 2 is not expected to significantly impact on the financial statements and Phase 3 is expected to effect the disclosure requirements from a current point of view.

IFRS 15
Revenue from contracts with customers
(effective January 1, 2017)
IFRS 15, Revenue from contracts with customers deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognized when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service.

The standard replaces IAS 18 Revenue and IAS 11 Construction contracts and related interpretations. The Group is assessing the impact of IFRS 15.

Amendments that are considered to be insignificant from a current point of view:

Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
(Proposed amendments to IFRS 10 and IAS 28)
(effective January 1, 2016)
- The gain or loss resulting from the sale to or contribution from an associate of assets that constitute a business as defined in IFRS 3 is recognized in full. The gain or loss resulting from the sale to or contribution from a subsidiary that does not constitute a business as defined in IFRS 3 (i.e. not a group of assets conforming a business) to an associate is recognized only to the extent of unrelated investors' interests in the associate.

Annual Improvements 2010–2012 – issued December 2013
(effective January 1, 2015)
- IFRS 2 Share-based Payment:
  Definition of vesting condition by separately defining a "performance condition" and a "service condition".
- IFRS 3 Business Combination:
  Accounting for contingent consideration in a business combination that is a financial asset or financial liability can only be measured at fair value, with changes in fair value being presented in either profit or loss or other comprehensive income.
- IFRS 8 Operating Segments:
  Aggregation of operating segments requires the disclosure of those factors that are used to identify the entity's reportable segments.
- IAS 24 Related Party Disclosures:
  An entity providing key management personnel services to the reporting entity is a related party of the reporting entity.

Annual Improvements 2012–2014 – issued September 2014
(effective January 1, 2016)

- IFRS 5 Non-current Assets Held for Sale and Discontinued Operations: Changes in methods of disposal are clarified, i.e. whether such a change in a disposal method would qualify as a change to a plan of sale.
- IAS 34 Interim Financial Reporting: Disclosure of information "elsewhere in the interim financial report" is clarified and requires the inclusion of a cross-reference from the interim financial statements to the location of this information.

5. SEGMENT INFORMATION

The Group's risks and returns are predominantly affected by the fact that Dufry operates in different countries. Therefore, the Group presents the segment information as it does internally to the Group Executive Committee, using 4 geographical areas plus the Nuance business and the distribution centers as additional business units.

2014 IN MILLIONS OF CHF	TURNOVER with external customers	with other segments	Total	EBITDA[2]	FULL TIME EQUIVALENTS
EMEA & Asia	1,194.5	–	1,194.5	189.9	4,367
America I	763.0	–	763.0	57.0	3,565
America II	683.3	–	683.3	27.2	2,388
United States & Canada	963.1	–	963.1	121.8	5,669
The Nuance Business[1]	536.6	–	536.6	50.4	3,654
Distribution Centers	56.1	882.5	938.6	129.3	303
Total segments	**4,196.6**	**882.5**	**5,079.1**	**575.6**	**19,946**
Eliminations	–	(882.5)	(882.5)	–	–
Dufry Group	**4,196.6**	**–**	**4,196.6**	**575.6**	**19,946**

2013 IN MILLIONS OF CHF	TURNOVER with external customers	with other segments	Total	EBITDA[2]	FULL TIME EQUIVALENTS
EMEA & Asia	1,174.1	–	1,174.1	192.1	4,867
America I	768.5	–	768.5	46.2	3,604
America II	692.2	–	692.2	49.8	2,084
United States & Canada	876.1	–	876.1	103.7	5,586
The Nuance Business[1]	–	–	–	–	–
Distribution Centers	60.8	858.6	919.4	119.3	282
Total segments	**3,571.7**	**858.6**	**4,430.3**	**511.1**	**16,423**
Eliminations	–	(858.6)	(858.6)	–	–
Dufry Group	**3,571.7**	**–**	**3,571.7**	**511.1**	**16,423**

[1] Includes the share of result of associates (see note 11)
[2] EBITDA before other operational result

The Group generated 4.9 % (2013: 1.0 %) of the turnover with external customers in Switzerland (domicile).

Financial Position and other disclosures

31.12.2014 IN MILLIONS OF CHF	TOTAL ASSETS	TOTAL LIABILITIES	INCOME TAX EXPENSE	CAPITAL EXPENDITURE PAID	DEPRECIATION & AMORTIZATION	OTHER NON-CASH ITEMS
EMEA & Asia	1,391.1	343.8	(20.5)	(44.6)	(52.1)	1.4
America I	1,324.1	208.1	(1.6)	(12.3)	(61.3)	(1.6)
America II	560.6	293.6	6.1	(78.0)	(37.1)	3.7
United States & Canada	729.5	132.8	(0.2)	(54.8)	(49.3)	(0.1)
The Nuance Business[1]	2,367.7	597.7	4.5	(6.5)	(34.3)	(2.7)
Distribution Centers	402.4	189.4	(4.2)	(0.9)	(1.1)	(1.3)
Total segments	**6,775.3**	**1,765.4**	**(15.9)**	**(197.1)**	**(235.2)**	**(0.6)**
Unallocated positions	371.8	2,923.1	(4.4)	(3.6)	(13.9)	(5.5)
Dufry Group	**7,147.1**	**4,688.5**	**(20.3)**	**(200.7)**	**(249.1)**	**(6.1)**

31.12.2013 IN MILLIONS OF CHF	TOTAL ASSETS	TOTAL LIABILITIES	INCOME TAX EXPENSE	CAPITAL EXPENDITURE PAID	DEPRECIATION & AMORTIZATION	OTHER NON–CASH ITEMS
EMEA & Asia	1,435.1	386.8	(24.8)	(50.1)	(50.4)	2.0
America I	1,228.2	184.6	(5.4)	(9.4)	(64.9)	0.9
America II	361.0	106.1	0.6	(80.1)	(28.1)	1.5
United States & Canada	576.5	109.4	2.3	(70.8)	(44.6)	0.4
The Nuance Business	–	–	–	–	–	–
Distribution Centers	246.8	177.9	(2.1)	(3.1)	(1.3)	(1.2)
Total segments	**3,847.6**	**964.8**	**(29.4)**	**(213.5)**	**(189.3)**	**3.6**
Unallocated positions	390.8	2,006.2	(3.8)	(9.0)	(3.6)	13.0
Dufry Group	**4,238.4**	**2,971.0**	**(33.2)**	**(222.5)**	**(192.9)**	**16.6**

[1] Includes associates (see note 11)

Reconciliation of the earnings

IN MILLIONS OF CHF	2014	2013
Segment EBITDA	**575.6**	**511.1**
Depreciation, amortization and impairment	(249.1)	(192.9)
Other operational result	(61.1)	(37.4)
Interest expenses	(154.1)	(98.0)
Interest income	5.7	3.4
Foreign exchange gain / (loss)	(11.1)	(5.4)
Earnings before tax	**105.9**	**180.8**

Reconciliation of assets

IN MILLIONS OF CHF	31.12.2014	31.12.2013
Segment operating assets	**6,775.3**	**3,847.6**
Current assets of Headquarter companies	93.1	101.4
Non-current assets of Headquarter companies	278.7	289.4
Total assets	**7,147.1**	**4,238.4**

Reconciliation of liabilities

IN MILLIONS OF CHF	31.12.2014	31.12.2013
Segment operating liabilities	**1,765.4**	**964.8**
Financial debt of Headquarter companies, short-term	0.5	267.6
Financial debt of Headquarter companies, long-term	2,815.5	1,692.4
Other non-segment liabilities	107.1	46.2
Total liabilities	**4,688.5**	**2,971.0**

6. ACQUISITIONS OF BUSINESSES

2014 TRANSACTIONS

6.1 ACQUISITION OF THE NUANCE GROUP, SWITZERLAND

On September 9, 2014, Dufry acquired 100% of The Nuance Group (TNG) for a net consideration of CHF 1,312.2 million. The acquisition has been accounted for using the acquisition method. The related transaction costs of CHF 11.4 million have been presented in other operational result in the consolidated income statement.

TNG is one of the top global travel retailers with headquarters in Switzerland. In 2013, TNG reached a turnover of CHF 2,094.9 million (of which CHF 481.2 million from operations in Australia). Overall at acquisition date, TNG operated about 270 shops in 15 countries and employed approximately 3,900 full time equivalents (FTE's). Among the main locations operated by TNG are airports in Toronto in Canada, Hong Kong and downtown stores in Macau, China, Stockholm in Sweden, Zurich and Geneva in Switzerland, Antalya in Turkey and Heathrow in UK.

This geographical presence of TNG complements the one of Dufry very well. Dufry expects to expand this business and to generate significant cost synergies through the integration of TNG into its marketing model and supply chain as well as through the combination of the global and regional organizations and support functions, which are reflected in the value of the goodwill besides other intangibles that are not recognized individually. The resulting goodwill is not amortized, is not tax deductible and will be subject to annual impairment testing.

The consideration paid for the acquisition, together with the refinancing of TNG's debt and related transaction expenses, was financed through the issuance of (gross proceeds):

- Mandatory convertible notes of CHF 275.0 million on June 18, 2014 (see note 28.3.2)
- Share capital of CHF 810.0 million on July 8, 2014 (see note 28.2)
- Senior Notes of CHF 607.1 million on July 17, 2014 (see note 32)

The transaction costs in relation with the equity component of the mandatory convertible notes and the share capital increase have been accounted through equity, whereas the costs related with the senior notes will be amortized over the term of the debt.

The fair value of the identifiable assets and liabilities of the acquired group at the date of acquisition and the resulting goodwill were determined preliminarily as the Company is in the process of verifying the valuation of these net assets identified as follows:

IN MILLIONS OF CHF	PRELIMINARY FAIR VALUE 09.09.2014
Trade and credit card receivables	54.8
Inventories	211.1
Other current assets	246.2
Property, plant and equipment	45.6
Concession rights	1,091.0
Other intangible assets	19.5
Investments in associates	67.6
Other non current assets	20.5
Deferred tax assets	12.4
Trade payables	(144.3)
Financial debt	(449.7)
Provisions	(96.8)
Contingent liabilities	(1.0)
Other liabilities	(256.4)
Deferred tax liabilities	(175.2)
Identifiable net assets	**645.3**
Fair value of non-controlling interests	(2.6)
Dufry's share in the net assets	642.7
Goodwill	669.5
Total consideration	**1,312.2**

From the date when Dufry took control of the TNG operations in September 2014 until December 2014 these operations contributed CHF 536.6 million in turnover and CHF 14.0 million in EBIT to the consolidated income statement of the Group.

If the business combination would have occurred as of the beginning of 2014, TNG would have generated a turnover of CHF 1,776.4 million and an EBIT of approximately CHF 58 million.

6.2 RECONCILIATION OF CASH FLOWS 2014

Cash flows used for Business Combinations, net of cash

2014 IN MILLIONS OF CHF	TOTAL CONSIDERATION	NET CASH ACQUIRED	SUBTOTAL	CHANGES IN ACCOUNTS PAYABLE	NET CASH FLOW
The Nuance Group, Switzerland	(1,312.2)	188.5	(1,123.7)	–	(1,123.7)
Alliance, Puerto Rico	–	–	–	(0.9)	(0.9)
Total	**(1,312.2)**	**188.5**	**(1,123.7)**	**(0.9)**	**(1,124.6)**

2013 TRANSACTIONS

6.3 ACQUISITION OF HELLENIC DUTY FREE SHOPS, GREECE

Hellenic Duty Free Shops SA (HDFS) is the leading duty-free operator in Greece, which generated in 2013 a turnover of CHF 400.4 million with duty-free and duty-paid retail shops in 47 locations, of which 25 are at airports, 11 at seaports and 11 at border shops. During 2013 the company reached an EBIT of CHF 106.9 million.

On April 22, 2013, Dufry acquired 51 % of shares of HDFS, a newly founded company taking over the carved-out travel retail business from Folli Follie Group for a total consideration of CHF 244.7 (EUR 200.5) million. The acquisition was accounted for using the acquisition method. The transaction costs in relation to this acquisition step amounted to CHF 13.9 million, whereof CHF 7.4 million was included in other operational result of 2013 in the consolidated income statement. The non-controlling interest, resulting from the transaction was measured at the proportionate share in the identifiable net assets.

With this transaction, Dufry significantly increased its presence in the travel retail market in the Mediterranean area. HDFS has agreements granting the rights to operate long-term duty-free concessions in Greece. Dufry integrated the HDFS business into the overall group and generated significant synergies, which are reflected in the value of the goodwill besides other intangibles that are not recognized individually. The resulting goodwill was not amortized, was not tax deductible and is subject to annual impairment testing.

Dufry signed a separate four year agreement with certain representatives ensuring their future continuous assistance developing the business and avoiding direct competition for a fee of CHF 35.1 (EUR 28.0) million. Dufry deferred this fee over the lifetime of the agreement.

These transactions were financed with a capital increase in October 2012. On April 22, 2013, Hellenic Duty Free Shops received from a syndicate of Greek banks a non-recourse bank facility of CHF 408.9 (EUR 335.0) million.

The fair value of the identifiable assets and liabilities of HDFS at the date of acquisition are considered to be final and unchanged from the disclosure in the Group's annual financial statements as of December 31, 2013.

IN MILLIONS OF CHF	FINAL FAIR VALUE 22.04.2013
Trade and credit card receivables	5.5
Inventories	80.2
Other assets	10.7
Property, plant and equipment	36.1
Intangible assets, mainly concession rights	511.7
Trade payables	(35.4)
Other liabilities	(36.3)
Financial debt	(408.9)
Provisions and contingent liabilities	(13.8)
Deferred tax liability	(103.4)
Identifiable net assets	**46.4**
Less: Fair value of the non-controlling interests	(22.7)
Dufry's share in the net assets (51 %)	23.7
Fair value of total consideration (paid in cash)	244.7
Goodwill	**221.0**

6.4 TRANSACTION WITH NON-CONTROLLING INTERESTS IN HELLENIC DUTY FREE SHOPS

On December 11, 2013, Dufry acquired the remaining 49 % of the voting equity interest of HDFS for a total consideration of CHF 400.7 (EUR 328.0) million. The transaction costs of CHF 1.0 million have been included in other operational result in the income statement 2013. Additionally, the Company has refinanced the HDFS Group, so that existing bank arrangement fees of CHF 4.7 million had been expensed.

From the date when Dufry took control of these operations in April 2013 until December 2013 these operations contributed CHF 349.1 million in turnover and CHF 103.3 million in EBIT to the consolidated income statement of the Group.

IN MILLIONS OF CHF	31.12.2013
Consideration paid in cash	213.8
Consideration of 1,231,233 Dufry shares at CHF 151.9 each[1]	186.9
Total consideration	**400.7**
Carrying value of the non-controllling interest in HDFS	(49.3)
Share premium implied in transferred shares	(180.8)
Difference recognized in retained earnings within equity (note 28)	**170.6**

[1] The share issuance costs have been considered in equity

6.5 RECONCILIATION OF CASH FLOWS 2013

Cash flows used for Business Combinations, net of cash

2013 IN MILLIONS OF CHF	TOTAL CONSIDERATION	NET CASH ACQUIRED	SUBTOTAL	CHANGES IN ACCOUNTS PAYABLE	NET CASH FLOW
HDFS, Athens – Greece	(244.7)	2.0	(242.7)	–	(242.7)
Alliance, San Juan – Puerto Rico	–	–	–	(0.9)	(0.9)
Total	**(244.7)**	**2.0**	**(242.7)**	**(0.9)**	**(243.6)**

Purchase of non-controlling interest

IN MILLIONS OF CHF	2013
HDFS, Athens – Greece	(213.8)
Other	(0.1)
Total	**(213.9)**

7. NET SALES

Net sales by product categories:

IN MILLIONS OF CHF	2014	2013
Perfumes and Cosmetics	1,164.5	952.0
Confectionery, Food and Catering	734.9	630.7
Wine and Spirits	634.4	553.7
Watches, Jewelry and Accessories	355.9	323.1
Tobacco goods	380.5	288.1
Fashion, Leather and Baggage	350.3	268.4
Literature and Publications	190.6	199.9
Electronics	152.9	98.4
Toys, Souvenirs and other goods	99.1	150.7
Total	**4,063.1**	**3,465.0**

Net sales by market sector:

IN MILLIONS OF CHF	2014	2013
Duty-free	2,712.4	2,317.4
Duty-paid	1,350.7	1,147.6
Total	**4,063.1**	**3,465.0**

Net sales by channel:

IN MILLIONS OF CHF	2014	2013
Airports	3,539.0	3,005.9
Border, downtown & hotel shops	242.1	192.5
Cruise liners and seaports	121.6	121.8
Railway stations and other	160.4	144.8
Total	**4,063.1**	**3,465.0**

8. SELLING EXPENSES

IN MILLIONS OF CHF	2014	2013
Concession fees and rents	(980.1)	(787.3)
Credit card commissions	(46.1)	(40.8)
Advertising and commission expenses	(24.7)	(21.8)
Packaging materials	(10.8)	(10.2)
Other selling expenses	(18.7)	(13.8)
Selling expenses	**(1,080.4)**	**(873.9)**
Concession and rental income	14.1	15.4
Commission income	7.7	7.5
Commercial services and other selling income	34.9	25.0
Selling income	**56.7**	**47.9**
Total	**(1,023.7)**	**(826.0)**

9. PERSONNEL EXPENSES

IN MILLIONS OF CHF	2014	2013
Salaries and wages	(475.7)	(408.9)
Social security expenses	(85.5)	(77.3)
Retirement benefits (defined contribution plans)	(5.3)	(3.3)
Retirement benefits (defined benefit plans)	8.2	(2.4)
Other personnel expenses	(51.4)	(46.2)
Total	**(609.7)**	**(538.1)**

10. GENERAL EXPENSES

IN MILLIONS OF CHF	2014	2013
Repairs, maintenance and utilities	(48.2)	(44.1)
Legal, consulting and audit fees	(41.6)	(40.6)
Premises	(38.2)	(30.6)
EDP and IT expenses	(25.4)	(21.4)
Office and administration	(21.2)	(18.9)
Travel, car, entertainment and representation	(21.2)	(18.6)
Franchise fees and commercial services	(20.2)	(18.5)
Taxes, other than income taxes	(14.9)	(14.3)
PR and advertising	(10.2)	(9.6)
Bank expenses	(7.3)	(7.1)
Insurances	(8.0)	(6.8)
Total	**(256.4)**	**(230.5)**

11. INVESTMENT IN ASSOCIATES

Set out below are the material associates of the Group. These associates have share capital held by Dufry AG or one of its affiliates consisting solely of ordinary shares. The country of incorporation or registration is also their principal place of business. During 2013, Dufry had no investments in associates.

Nature of investment in associates

Lojas Francas de Portugal SA operates duty-free shops in the airports of Lisbon and 3 other locations in Portugal. The company is a strategic partnership, providing access to new customers and markets in this country. Lojas Francas de Portugal is a non-quoted private company of which Dufry holds 49 %.

Nuance Group (Chicago), LLC. operates a duty-free shop at the O'Hare International Airport of Chicago in Illinois, USA. This company is a non-quoted private company of which Dufry holds 35 %.

Nuance Group (Orlando), LLC. operates a duty-free shop at the Orlando International Airport in Florida, USA. This company is a non-quoted private company of which Dufry holds 37.5 % (see note 40).

There are no contingent liabilities relating to the Group's interest in these associates.

Summarized financial information for associates

Set out below are the summarized financial information for Lojas Francas de Portugal SA, Nuance Group (Chicago), LLC and Nuance Group (Orlando), LLC which are accounted for using the equity method.

Summarized statement of financial position

IN MILLIONS OF CHF	LOJAS FRANCAS DE PORTUGAL SA	NUANCE GROUP (CHICAGO) LLC	NUANCE GROUP (ORLANDO) LLC	OTHER ASSOCIATES	31.12.2014	31.12.2013
Cash and cash equivalents	1.6	2.7	3.5	0.9	8.7	–
Other current assets	25.7	4.1	3.6	1.5	34.9	–
Non-current assets	53.5	30.0	47.7	26.5	157.7	–
Other current liabilities	(17.7)	(1.9)	(1.7)	(0.6)	(21.9)	–
Equity	**63.1**	**34.9**	**53.1**	**28.3**	**179.4**	**–**
Proportion of the Group's ownership	49 %	35 %	37.5 %			
Group's share of the equity	**30.9**	**12.2**	**19.9**	**9.9**	**72.9**	**–**

Summarized statement of comprehensive income

IN MILLIONS OF CHF	LOJAS FRANCAS DE PORTUGAL SA	NUANCE GROUP (CHICAGO) LLC	NUANCE GROUP (ORLANDO) LLC	OTHER ASSOCIATES	2014	2013
Turnover	78.3	8.1	6.8	4.2	97.4	–
Depreciation, amortization and impairment	(0.7)	(0.1)	(0.2)	(0.1)	(1.1)	–
Income tax	(1.1)	–	–	(0.1)	(1.2)	–
Net earnings for the year (continuing operations)	**3.6**	**0.9**	**1.2**	**(2.6)**	**3.1**	**–**
Group's share of the profit for the year *	**1.7**	**0.3**	**0.3**	**–**	**2.3**	**–**
OTHER COMPREHENSIVE INCOME						
Exchange differences on translating foreign operations	0.1	–	–	0.1	0.2	–
Items to be reclassified to net income in subsequent periods	**0.1**	**–**	**–**	**0.1**	**0.2**	**–**
Total comprehensive income	**1.8**	**0.3**	**0.3**	**0.1**	**2.5**	**–**

* Period from September 9, 2014 to December 31, 2014

The information above reflects the amounts presented in the financial statements of the associates (and not Dufry's share of those amounts) adjusted for differences in accounting policies between the Group and the associates.

Reconciliation of the carrying amount of its interest in associates

IN MILLIONS OF CHF	LOJAS FRANCAS DE PORTUGAL SA	NUANCE GROUP (CHICAGO) LLC	NUANCE GROUP (ORLANDO) LLC	OTHER ASSOCIATES	TOTAL
Business combinations September 9, 2014	**28.4**	**11.2**	**18.7**	**9.3**	**67.6**
Net earnings for the period	1.7	0.3	0.3	–	2.3
Dividends received	–	(0.1)	(0.3)	–	(0.4)
Other comprehensive income	0.1	–	–	0.1	0.2
Foreign exchange differences	0.7	0.8	1.2	0.5	3.2
Carrying value December 31, 2014	**30.9**	**12.2**	**19.9**	**9.9**	**72.9**

12. DEPRECIATION, AMORTIZATION AND IMPAIRMENT

IN MILLIONS OF CHF	2014	2013
Depreciation	(86.8)	(71.1)
Impairment	(1.4)	–
Subtotal (note 19)	**(88.2)**	**(71.1)**
Amortization	(159.3)	(121.8)
Impairment	(1.6)	–
Subtotal (note 21)	**(160.9)**	**(121.8)**
Total	**(249.1)**	**(192.9)**

13. OTHER OPERATIONAL RESULT

Other operational expenses and other operational income include non-recurring transactions, impairments of financial assets and changes in provisions.

IN MILLIONS OF CHF	2014	2013
Closing or rebranding of shops / restructuring of operations	(24.3)	(5.6)
Consulting fees, expenses related to projects and start-up expenses	(16.4)	(13.0)
Acquisition-related costs	(13.1)	(8.8)
Impairment of financial assets	(2.9)	(2.0)
Losses on sale of non-current assets	(1.3)	(0.1)
Tax litigations	–	(4.7)
Other operating expenses	(9.8)	(7.3)
Subtotal other operational expenses	**(67.8)**	**(41.5)**

IN MILLIONS OF CHF	2014	2013
Gain on sale of non-current assets	2.2	0.2
Recovery of write offs / release of allowances	–	0.9
Insurance – compensation for losses	0.4	0.3
Other income	4.1	2.7
Subtotal other operational income	**6.7**	**4.1**

IN MILLIONS OF CHF	2014	2013
Other operational expenses	(67.8)	(41.5)
Other operational income	6.7	4.1
Other operational result	**(61.1)**	**(37.4)**

14. INTEREST

IN MILLIONS OF CHF	2014	2013
Interest income on short-term deposits	4.3	3.0
Other finance income	0.4	0.4
Interest income on financial assets	**4.7**	**3.4**
Interest on non-financial instruments	1.0	–
Total interest income	**5.7**	**3.4**
Interest expense	(119.7)	(81.4)
Amortization / write off of arrangement fees	(20.1)	(11.8)
Interest on discounted financial liabilities	–	(0.1)
Other finance expenses [1]	(11.5)	(2.9)
Interest expense on financial liabilities	**(151.3)**	**(96.2)**
Interest on non-financial instruments	(2.8)	(1.8)
Total interest expense	**(154.1)**	**(98.0)**

[1] In 2014 this position mainly includes financial costs related to the acquisition of the Nuance Group.

15. INCOME TAXES

INCOME TAX RECOGNIZED IN THE CONSOLIDATED INCOME STATEMENT

IN MILLIONS OF CHF	2014	2013
Current income taxes	(57.6)	(43.7)
of which corresponding to the current period	(57.1)	(43.4)
of which adjustments recognized in relation to prior years	(0.5)	(0.3)
Deferred income taxes	37.3	10.5
of which related to the origination or reversal of temporary differences	37.3	11.5
of which adjustments due to change in tax rates	–	(1.0)
Total	**(20.3)**	**(33.2)**

IN MILLIONS OF CHF	2014	2013
Consolidated earnings before income tax (EBT)	105.9	180.8
Expected tax rate in %	16.0 %	16.0 %
Tax at the expected rate	(16.9)	(28.9)
EFFECT OF:		
Income not subject to income tax	7.5	4.3
Different tax rates for subsidiaries in other jurisdictions	12.9	5.9
Non deductible expenses	(4.1)	(2.8)
Current year tax loss carry-forwards not recognized	(12.7)	(4.5)
Non recoverable withholding taxes	(7.1)	(6.5)
Adjustments recognized in relation to prior year	(0.5)	(0.3)
Other items	0.6	(0.4)
Total	**(20.3)**	**(33.2)**

The expected tax rate approximates the average of the income tax rates of the countries where Dufry is active, weighted by the EBT of the respective operations. In 2014, there have been no significant changes in the income tax rates applicable to those countries where Dufry is active.

DEFERRED INCOME TAX RECOGNIZED IN OTHER COMPREHENSIVE INCOME / EQUITY

IN MILLIONS OF CHF	2014	2013
RECOGNIZED IN OTHER COMPREHENSIVE INCOME:		
Actuarial gains / (losses) on defined benefit plans	4.5	(1.3)
Net gain / (loss) on hedge of net investment	3.2	–
Total	**7.7**	**(1.3)**
RECOGNIZED IN EQUITY:		
Tax effect on share-based payments	0.1	1.4
Total	**0.1**	**1.4**

16. ASSETS OF DISCONTINUED OPERATIONS HELD FOR SALE

As part of the Nuance acquisition, Dufry acquired the operations in Sydney exclusively with the view to its subsequent disposal.

These assets are presented as held for sale following the approval of the Group's management on September 9, 2014 to sell this operation. The transaction was completed by end of February, 2015.

a) Assets of discontinued operations

IN MILLIONS OF CHF	31.12.2014	31.12.2013
Operational assets in Sydney	1.8	–

In accordance with IFRS 5, the assets held for sale were written down to the value agreed with the buyer and no further costs to sell are expected.

b) Cash flows

IN MILLIONS OF CHF	2014	2013
Operating cash flows	(1.9)	–
Financing cash flows	1.8	–
Currency translation differences	0.1	–
Total cash flows	**–**	**–**

There are no items recognized in equity relating to the assets of discontinued operations classified as held-for-sale.

17. EARNINGS PER SHARE

EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT

BASIC

Basic earnings per share are calculated by dividing the net earnings attributable to equity holders of the parent by the weighted average number of shares outstanding during the year.

IN MILLIONS OF CHF / QUANTITY	2014	2013
Net earnings attributable to equity holders of the parent	50.8	93.0
Weighted average number of ordinary shares outstanding	33,307	29,720
Basic earnings per share in CHF	**1.53**	**3.13**

DILUTED

Diluted earnings per share are calculated by dividing the net earnings attributable to equity holders of the parent by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares.

IN MILLIONS OF CHF / QUANTITY	2014	2013
Net earnings attributable to equity holders of the parent	50.8	93.0
Weighted average number of ordinary shares outstanding adjusted for the effect of dilution	34,303	29,837
Diluted earnings per share in CHF	**1.48**	**3.12**

EARNINGS PER SHARE FOR CONTINUING OPERATIONS

BASIC

IN MILLIONS OF CHF/QUANTITY	2014	2013
Net earnings attributable to equity holders of the parent from continuing operations	51.6	93.0
Weighted average number of ordinary shares outstanding	33,307	29,720
Basic earnings per share in CHF	**1.55**	**3.13**

DILUTED

IN MILLIONS OF CHF/QUANTITY	2014	2013
Net earnings attributable to equity holders of the parent from continuing operations	51.6	93.0
Weighted average number of ordinary shares outstanding adjusted for the effect of dilution	34,303	29,837
Diluted earnings per share in CHF	**1.50**	**3.12**

EARNINGS PER SHARE ADJUSTED FOR AMORTIZATION (CASH EPS)

Cash EPS are calculated by dividing net earnings attributable to equity holders of the parent, adjusted by the amortization effect generated by the intangible assets identified during the purchase price allocations of past acquisitions through weighted average number of ordinary shares outstanding. With this Cash EPS, Dufry aims to facilitate the comparison at EPS level with other companies not having performed such acquisition activities.

IN MILLIONS OF CHF/QUANTITY	2014	2013
Net earnings attributable to equity holders of the parent	50.8	93.0
ADJUSTED FOR:		
Dufry's share of the amortization in respect of acquisitions	122.8	94.5
Adjusted net earnings	**173.6**	**187.5**
Weighted average number of ordinary shares outstanding	33,307	29,720
EPS adjusted for amortization (cash EPS) in CHF	**5.21**	**6.31**

WEIGHTED AVERAGE NUMBER OF ORDINARY SHARES

IN THOUSANDS	2014	2013
Outstanding shares	33,316	29,735
Less treasury shares	(8.7)	(15.0)
Used for calculation of basic earnings per share	**33,307**	**29,720**
EFFECT OF DILUTION:		
Share options	–	117.0
275 million mandatory convertible notes at conversion price of 152	996.0	–
Used for calculation of earnings per share adjusted for the effect of dilution	**34,303**	**29,837**

For movements in shares see note 28-Equity, note 29-Share-based payment and Treasury shares.

18. COMPONENTS OF OTHER COMPREHENSIVE INCOME

2014 IN MILLIONS OF CHF	ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT Employee benefit reserve	Translation reserves	Total	NON-CONTROLLING INTERESTS	TOTAL EQUITY
Exchange differences on translating foreign operations	–	211.5	211.5	12.4	223.9
Net gain/(loss) on hedge of net investment in foreign operations	–	(102.4)	(102.4)	–	(102.4)
Income tax effect	–	3.2	3.2	–	3.2
Subtotal	**–**	**(99.2)**	**(99.2)**	**–**	**(99.2)**
Actuarial gains/(losses) on defined benefit plans	(37.7)	–	(37.7)	(0.2)	(37.9)
Income tax effect	4.5	–	4.5	–	4.5
Subtotal	**(33.2)**	**–**	**(33.2)**	**(0.2)**	**(33.4)**
Other comprehensive income	**(33.2)**	**112.3**	**79.1**	**12.2**	**91.3**

2013 IN MILLIONS OF CHF	ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT Employee benefit reserve	Translation reserves	Total	NON-CONTROLLING INTERESTS	TOTAL EQUITY
Exchange differences on translating foreign operations	–	(49.0)	(49.0)	(1.2)	(50.2)
Net gain/(loss) on hedge of net investment in foreign operations	–	24.4	24.4	–	24.4
Subtotal	**–**	**24.4**	**24.4**	**–**	**24.4**
Actuarial gains/(losses) on defined benefit plans	17.4	–	17.4	–	17.4
Income tax effect	(1.3)	–	(1.3)	–	(1.3)
Subtotal	**16.1**	**–**	**16.1**	**–**	**16.1**
Other comprehensive income	**16.1**	**(24.6)**	**(8.5)**	**(1.2)**	**(9.7)**

19. PROPERTY, PLANT AND EQUIPMENT

2014 IN MILLIONS OF CHF	LEASEHOLD IMPROVEMENTS	FURNITURE FIXTURE	COMPUTER HARDWARE	VEHICLES	WORK IN PROGRESS	TOTAL
AT COST						
Balance at January 1, 2014	316.5	226.1	59.6	8.8	29.4	640.4
Business combinations (note 6)	34.7	5.2	2.9	0.3	2.5	45.6
Additions (note 20)	21.8	17.0	6.7	1.2	87.0	133.7
Disposals	(38.0)	(10.6)	(2.6)	(1.2)	–	(52.4)
Reclassification within classes	42.8	31.7	1.2	–	(75.7)	–
Currency translation adjustments	27.2	19.7	4.8	0.7	5.1	57.5
Balance at December 31, 2014	**405.0**	**289.1**	**72.6**	**9.8**	**48.3**	**824.8**
ACCUMULATED DEPRECIATION						
Balance at January 1, 2014	(142.7)	(130.7)	(42.4)	(6.0)	–	(321.8)
Additions (note 12)	(48.8)	(29.4)	(7.6)	(1.0)	–	(86.8)
Disposals	36.9	9.6	2.1	1.2	–	49.8
Currency translation adjustments	(12.2)	(9.7)	(3.2)	(0.5)	–	(25.6)
Balance at December 31, 2014	**(166.8)**	**(160.2)**	**(51.1)**	**(6.3)**	**–**	**(384.4)**
IMPAIRMENT						
Balance at January 1, 2014	(2.6)	(1.7)	(0.4)	–	–	(4.7)
Impairment (note 12)	(1.4)	–	–	–	–	(1.4)
Disposals	0.9	–	0.4	–	–	1.3
Currency translation adjustments	(0.1)	(0.1)	–	–	–	(0.2)
Balance at December 31, 2014	**(3.2)**	**(1.8)**	**–**	**–**	**–**	**(5.0)**

2013 IN MILLIONS OF CHF	LEASEHOLD IMPROVEMENTS	FURNITURE FIXTURE	COMPUTER HARDWARE	VEHICLES	WORK IN PROGRESS	TOTAL
AT COST						
Balance at January 1, 2013	267.1	187.5	55.2	7.9	33.0	550.7
Business combinations (note 6)	28.5	6.4	0.5	0.2	0.5	36.1
Additions (note 20)	16.6	13.8	7.6	1.2	80.6	119.8
Disposals	(19.9)	(6.3)	(3.4)	(0.3)	(0.5)	(30.4)
Reclassification within classes	46.8	31.3	1.0	–	(79.1)	–
Reclassification to intangible assets[1]	(16.6)	–	–	–	(3.6)	(20.2)
Currency translation adjustments	(6.0)	(6.6)	(1.3)	(0.2)	(1.5)	(15.6)
Balance at December 31, 2013	**316.5**	**226.1**	**59.6**	**8.8**	**29.4**	**640.4**
ACCUMULATED DEPRECIATION						
Balance at January 1, 2013	(126.3)	(114.3)	(39.0)	(5.4)	–	(285.0)
Additions (note 12)	(37.4)	(25.4)	(7.4)	(0.9)	–	(71.1)
Disposals	18.0	5.2	3.1	0.2	–	26.5
Currency translation adjustments	3.0	3.8	0.9	0.1	–	7.8
Balance at December 31, 2013	**(142.7)**	**(130.7)**	**(42.4)**	**(6.0)**	**–**	**(321.8)**
IMPAIRMENT						
Balance at January 1, 2013	(3.5)	(1.8)	(0.6)	–	–	(5.9)
Disposals	0.9	–	0.2	–	–	1.1
Currency translation adjustments	–	0.1	–	–	–	0.1
Balance at December 31, 2013	**(2.6)**	**(1.7)**	**(0.4)**	**–**	**–**	**(4.7)**
CARRYING AMOUNT						
At December 31, 2014	**235.0**	**127.1**	**21.5**	**3.5**	**48.3**	**435.4**
At December 31, 2013	**171.2**	**93.7**	**16.8**	**2.8**	**29.4**	**313.9**

[1] Based on a review of the investments done in previous years, Dufry reclassified certain investments presented as leasehold improvements to concession rights.

20. CASH FLOW USED FOR PURCHASE OF PROPERTY, PLANT AND EQUIPMENT

IN MILLIONS OF CHF	2014	2013
Payables for capital expenditure at the beginning of the period	(23.8)	(12.4)
Additions of property, plant and equipment (note 19)	(133.7)	(119.8)
Payables for capital expenditure at the end of the period	13.7	23.8
Currency translation adjustments	0.1	0.3
Total Cash Flow	**(143.7)**	**(108.1)**

21. INTANGIBLE ASSETS

2014 IN MILLIONS OF CHF	CONCESSION RIGHTS Indefinite lives	 Finite lives	BRANDS	GOODWILL	OTHER	TOTAL
AT COST						
Balance at January 1, 2014	60.8	1,921.4	158.6	912.8	163.2	3,216.8
Business combinations (note 6)	–	1,091.0	15.0	669.5	4.5	1,780.0
Additions (note 22)	–	182.2	–	–	17.4	199.6
Disposals	(0.4)	(1.3)	–	–	(0.7)	(2.4)
Currency translation adjustments	0.8	134.1	0.7	66.3	8.8	210.7
Balance at December 31, 2014	**61.2**	**3,327.4**	**174.3**	**1,648.6**	**193.2**	**5,404.7**
ACCUMULATED AMORTIZATION						
Balance at January 1, 2014	–	(410.1)	–	–	(72.5)	(482.6)
Additions (note 12)	–	(132.6)	(1.0)	–	(25.7)	(159.3)
Disposals	–	0.7	–	–	0.6	1.3
Reclassification	–	0.4	–	–	(0.4)	–
Currency translation adjustments	–	(34.8)	–	–	(4.5)	(39.3)
Balance at December 31, 2014	**–**	**(576.4)**	**(1.0)**	**–**	**(102.5)**	**(679.9)**
IMPAIRMENT						
Balance at January 1, 2014	–	(0.2)	–	–	–	(0.2)
Impairment (note 12)	–	(0.6)	–	(1.0)	–	(1.6)
Disposals	–	0.3	–	–	–	0.3
Currency translation adjustments	–	0.1	–	–	–	0.1
Balance at December 31, 2014	**–**	**(0.4)**	**–**	**(1.0)**	**–**	**(1.4)**

2013 IN MILLIONS OF CHF	CONCESSION RIGHTS Indefinite lives	Finite lives	BRANDS	GOODWILL	OTHER	TOTAL
AT COST						
Balance at January 1, 2013	60.4	1,376.5	158.8	707.4	99.6	2,402.7
Business combinations (note 6)	–	510.9	–	221.0	0.8	732.7
Additions (note 20)	–	53.4	–	–	59.0	112.4
Disposals	–	(0.5)	–	–	(0.2)	(0.7)
Other adjustments	–	–	–	–	2.6	2.6
Reclassification to property, plant and equipment[1]	–	16.6	–	–	3.6	20.2
Currency translation adjustments	0.4	(35.5)	(0.2)	(15.6)	(2.2)	(53.1)
Balance at December 31, 2013	**60.8**	**1,921.4**	**158.6**	**912.8**	**163.2**	**3,216.8**
ACCUMULATED DEPRECIATION						
Balance at January 1, 2013	–	(318.5)	–	–	(51.3)	(369.8)
Additions (note 12)	–	(102.0)	–	–	(19.8)	(121.8)
Other adjustments	–	–	–	–	(2.6)	(2.6)
Currency translation adjustments	–	10.4	–	–	1.2	11.6
Balance at December 31, 2013	**–**	**(410.1)**	**–**	**–**	**(72.5)**	**(482.6)**
IMPAIRMENT						
Balance at January 1, 2013	–	(0.3)	–	–	–	(0.3)
Disposals	–	0.1	–	–	–	0.1
Balance at December 31, 2013	**–**	**(0.2)**	**–**	**–**	**–**	**(0.2)**
CARRYING AMOUNT						
At December 31, 2014	**61.2**	**2,750.6**	**173.3**	**1,647.6**	**90.7**	**4,723.4**
At December 31, 2013	**60.8**	**1,511.1**	**158.6**	**912.8**	**90.7**	**2,734.0**

[1] Based on a review of the investments done in previous years, Dufry reclassified certain investments presented as leasehold improvements to concession rights.

21.1 IMPAIRMENT TEST

Concession rights with indefinite useful lives, as well as brands and goodwill are subject to impairment testing each year. Concession rights with finite useful lives are tested for impairment whenever events or circumstances indicate that the carrying amount may not be recoverable.

21.1.1 Impairment test of goodwill

For the purpose of impairment testing, goodwill recognized from business combinations has been allocated to the following cash generating units (CGU's). These groups also reflect the reportable segments that are expected to benefit from the synergies of the business combinations:

IN MILLIONS OF CHF	31.12.2014	31.12.2013
EMEA & Asia	318.5	321.2
America I	430.5	382.9
America II	149.8	134.3
United States & Canada	78.3	74.4
The Nuance Business	670.5	–
Total carrying amount of goodwill	**1,647.6**	**912.8**

The recoverable amounts of goodwill for each of the above group of CGU's have been determined based on value-in-use calculations. Such calculations are based on business plans approved by senior management and use cash flow projections covering a five-year period as well as a discount rate, which represents the weighted average cost of capital (WACC) adjusted for regional specific risks.

Cash flows beyond that five-year period have been extrapolated using a steady growth rate that does not exceed the long-term average growth rate for the respective markets in which these CGU's operate. The discounted cash flow model uses net sales as a basis to determine the free cash flow and the value assigned. Net sales projections are based on actual net sales achieved in the year 2014 and latest estimations for the projected years. The intersegment results of the global distribution centers have been assigned / allocated to the respective geographical segments.

GOODWILL IN PERCENTAGE (%)	POST TAX DISCOUNT RATES		PRE TAX DISCOUNT RATES		GROWTH RATES FOR NET SALES	
	2014	2013	2014	2013	2014	2013
EMEA & Asia	10.37	10.74	11.90	12.56	4.2–8.4	4.5–17.7
America I	10.38	9.04	11.67	10.38	5.1–11.1	4.6–9.8
America II	7.98	7.49	8.79	9.76	5.8–16.6	6.6–22.3
United States & Canada	5.65	5.73	7.05	7.48	4.3–7.3	3.9–13.8
The Nuance Group Segment	6.15	–	7.62	–	5.2–5.9	–

As basis for the calculation of these discount rates, the following risk free interest rates have been used (derived from past 5 year average of prime 10-year bonds rates): CHF 0.62 %, EUR 1.56 %, USD 2.13 % (2013: CHF 0.99 %, EUR 2.10 %, USD 2.47 %).

For the calculation of the discount rates and WACC (weighted average cost of capital), the Company used the following re-levered beta:

	2014	2013
Beta factor	0.57	0.88

Sensitivity to changes in assumptions

Management believes that any reasonably possible change (+/– 1 %) in the key assumptions, on which the recoverable amounts are based, would not cause the respective carrying amount to exceed its recoverable amount. The key assumptions used for the determination of the value-in-use are the same as the ones described below for concession rights.

21.1.2 Impairment test of concession rights with indefinite useful lives

Concession rights are tested for impairment purposes at company level, which represents the cash generating unit. For presentation purposes the CGU's are grouped into business units. A business unit is a part of Dufry's business segments. The following table illustrates the existing business units with concession rights with indefinite useful life:

IN MILLIONS OF CHF	31.12.2014	31.12.2013
Italy	48.2	49.1
Middle East and India	13.0	11.7
Total carrying amount of concession rights	**61.2**	**60.8**

The recoverable amounts for each of the CGU's have been determined based on value-in-use calculations. Such calculations are based on business plans approved by senior management and use cash flow projections covering a five-year period as well as a discount rate, which represents the weighted average cost of capital (WACC) adjusted for local specific risks.

Cash flows beyond that five-year period have been extrapolated using a steady growth rate that does not exceed the long-term average growth rate for the respective markets in which these CGU's operate. The discounted cash flow model uses net sales as a basis to determine the free cash flow and subsequently the value assigned.

Net sales projections are based on actual net sales achieved in year 2014 and latest estimations for the years thereafter.

The key assumptions used for determining the recoverable amounts for these business units are:

CONCESSION RIGHTS IN PERCENTAGE (%)	POST TAX DISCOUNT RATES 2014	2013	PRE TAX DISCOUNT RATES[1] 2014	2013	GROWTH RATES FOR NET SALES 2014	2013
Italy	7.43	7.15	8.77	8.29	2.8–3.1	2.7–4.1
Middle East and India	6.50	6.56	6.50	6.56	7.2–8.1	6.3–7.4

[1] Based on the country in which the concession is located

Sensitivity to changes in assumptions

The actual recoverable amount for the CGU subject to impairment testing exceeds its carrying amount by CHF 675.8 (2013: CHF 464.3) million. With regard to the assessment of value-in-use of the CGU, the management believes that no reasonably possible change (+/–1%) in any of the above key assumptions would cause the carrying value of the concession rights to materially exceed its recoverable amount.

21.1.3 Key assumptions used for value-in-use calculations

The calculation of value-in-use is most sensitive to the following assumptions:
- Sales growth
- Gross margin and suppliers prices
- Concession fee levels
- Discount rates
- Growth rate used to extrapolate

Sales growth

Sales growth is based on statistics published by external experts, such as Air4cast or ACI (Airports Council International) to estimate the development of international passenger traffic per country where Dufry is active. For the budget year, the management also takes into consideration specific price inflation factors of the country, the cross currency effect and the expected potential changes to capture clients (penetration) per business unit.

Gross margins

The expected gross margins are based on average product assortment values estimated by the management for the budget 2015. These values are maintained over the planning period or where specific actions are planned. These values have been increased or decreased by up to 1% over the 5 year planning horizon compared to the historical data. The gross margin is also affected by supplier's prices. Estimates are obtained from global negotiations held with the main suppliers for the products and countries for which products are sourced, as well as data relating to specific commodities during the months before the budget.

Concession fee levels

These assumptions regarding the concession fee evolution are important and monitored in the specific market as well as the renewal conditions and competitor behavior where the CGU's are active. For the CGU's subject to a value-in-use calculation, the management expects the competitive position to remain stable over the budget period.

Discount rates

Several factors affect the discount rates:
- For the financial debt part, the rate is based on the average yield of the past 5 years of the respective ten-year government bond and is increased by the company's effective bank margin and adjusted by the effective blended tax rate and country risk of the respective CGU.
- For the equity part, a 5% equity risk premium is added to the base rate commented above and adjusted by the Beta of Dufry's peer group.

The same methodology is used by the management to determine the discount rate used in discounted cash flow (DCF) valuations, which are a key instrument to assess business potential of new or additional investment proposals.

The Group has used a growth rate of 1.6 % – 2.1 % (2013: 2.0 %) to extrapolate the cash flow projections beyond the period covered by the most recent forecasts.

Certain concessions were granted by the non-controlling interest holder. Consequently these concession rights are assessed as having an indefinite useful life.

21.1.4 Brands

The brand name Dufry is allocated to the segment EMEA & Asia, America I and America II for impairment testing purpose. The brand name Hudson is allocated to the CGU's of United States & Canada. The management believes that the synergies from the brands reflecting the economic reality are in accordance with these groupings.

The recoverable amount is determined based on the Relief of Royalty method that considers a steady royalty cash flows of 0.34 % post tax of the net sales projected of EMEA & Asia, America I and America II, and a steady royalty cash flow of 0.91 % post tax of the net sales projected of Hudson. The net sales projections cover a period of five years (2015–2019) with year on year growth rates between 4.3 % and 9.3 % for Dufry (2013: 4.7 %–16.4 %) and 4.3 % and 7.3 % for Hudson (2013: 3.9 %–13.8 %). These growth rates do not exceed the long-term average growth rate for the respective businesses. The discount rate of 7.04 % (2013: 7.54 %) represents the weighted average cost of capital (WACC) at Group level. The recoverable amount exceeds the carrying amount by CHF 289.5 (2013: CHF 270.2) million.

22. CASH FLOWS USED FOR PURCHASE OF INTANGIBLE ASSETS

IN MILLIONS OF CHF	2014	2013
Payables for capital expenditure at January 1	(1.4)	(4.4)
Additions of intangible assets (note 21)	(199.6)	(112.4)
Payables for capital expenditure at December 31	166.5	1.4
Currency translation adjustments	(22.5)	1.0
Total Cash Flow	**(57.0)**	**(114.4)**

23. DEFERRED TAX ASSETS AND LIABILITIES

Temporary differences arise from the following positions:

IN MILLIONS OF CHF	31.12.2014	31.12.2013
DEFERRED TAX ASSETS		
Property, plant and equipment	10.0	9.9
Intangible assets	73.2	71.9
Provisions and other payables	65.2	37.1
Tax loss carry-forward	77.1	44.3
Other	30.0	21.3
Total	**255.5**	**184.5**
DEFERRED TAX LIABILITIES		
Property, plant and equipment	(24.0)	(14.6)
Intangible assets	(433.8)	(263.4)
Provisions and other payables	(2.9)	(7.7)
Other	(15.3)	(5.6)
Total	**(476.0)**	**(291.3)**
Deferred tax liabilities net	**(220.5)**	**(106.8)**

Deferred tax balances are presented in the consolidated statement of financial position as follows:

IN MILLIONS OF CHF	31.12. 2014	31.12. 2013
Deferred tax assets	195.9	154.9
Deferred tax liabilities	(416.4)	(261.7)
Balance at the end of the period	**(220.5)**	**(106.8)**

Reconciliation of movements to the deferred taxes:

IN MILLIONS OF CHF	31.12. 2014	31.12. 2013
Changes in deferred tax assets	41.0	0.8
Changes in deferred tax liabilities	(154.7)	(96.7)
Business combinations (notes 6)	162.8	103.4
Currency translation adjustments	(4.0)	3.1
Deferred tax income (expense) at the end of the period	**45.1**	**10.6**
Thereof recognized in the income statement	37.3	10.5
Thereof recognized in equity	0.1	1.4
Thereof recognized in OCI	7.7	(1.3)

Tax loss carry-forwards

Certain subsidiaries incurred tax losses, which according to the local tax legislation gives rise to a tax credit usable in future tax periods. However, the use of this tax benefit is limited in time (expiration) and by the ability of the respective subsidiary to generate enough taxable profits in future.

Deferred tax assets relating to tax loss carry-forwards or temporary differences are recognized when it is probable that such tax credits can be utilized in the future in accordance with the budget 2015 approved by the Board of Directors and the projections prepared by the management for these entities.

The unrecognized tax loss carry-forwards by expiry date are as follows:

IN MILLIONS OF CHF	31.12.2014	31.12.2013
Expiring within 1 to 3 years	75.4	4.4
Expiring within 4 to 7 years	153.1	75.2
Expiring after 7 years	67.9	70.8
With no expiration limit	41.8	19.3
Total[1]	**338.2**	**169.7**

[1] This amount includes in 2014 CHF 32.0 million added through business combination

24. OTHER NON-CURRENT ASSETS

IN MILLIONS OF CHF	31.12.2014	31.12.2013
Guarantee deposits	38.7	30.7
Loans and contractual receivables	35.9	24.2
Prepaid concession fees	16.5	–
Other	16.8	8.9
Subtotal	**107.9**	**63.8**
Allowances	(1.3)	(1.7)
Total	**106.6**	**62.1**

MOVEMENT IN ALLOWANCES

IN MILLIONS OF CHF	2014	2013
Balance at the beginning of the period	(1.7)	(1.8)
Utilization	0.5	–
Currency translation adjustments	(0.1)	0.1
Balance at the end of the period	**(1.3)**	**(1.7)**

25. INVENTORIES

IN MILLIONS OF CHF	31.12. 2014	31.12. 2013
Purchased inventories at cost	758.0	540.5
Inventory allowances[1]	(16.8)	(15.8)
Total	**741.2**	**524.7**

[1] The inventory impaired has a book value of CHF 55.2 (2013: 17.6) million

CASH FLOW USED FOR INCREASE/FROM DECREASE IN INVENTORIES

IN MILLIONS OF CHF	2014	2013
Balance at the beginning of the period	540.5	441.5
Balance at the end of the period	758.0	540.5
Gross change – at cost	**(217.5)**	**(99.0)**
Business combinations (note 6)	211.1	80.2
Transfer to discontinued operations (note 16)	(1.8)	–
Change in unrealized profit on inventory	0.9	(2.1)
Currency translation adjustments	43.8	(11.9)
Cash Flow – (Increase)/decrease in inventories	**36.5**	**(32.8)**

Cost of sales includes inventories written down to net realizable value and inventory differences of CHF 19.1 (2013: CHF 16.6) million.

26. TRADE AND CREDIT CARD RECEIVABLES

IN MILLIONS OF CHF	31.12.2014	31.12.2013
Trade receivables	74.4	21.5
Credit card receivables	44.5	21.4
Gross	**118.9**	**42.9**
Allowances	(0.2)	(0.1)
Net	**118.7**	**42.8**

Trade receivables and credit card receivables are stated at their nominal value less allowances for doubtful amounts. These allowances are established based on an individual evaluation when collection appears to be no longer probable.

AGING ANALYSIS OF TRADE RECEIVABLES

IN MILLIONS OF CHF	31.12.2014	31.12.2013
Not due	47.0	9.1
OVERDUE:		
Up to 30 days	19.2	11.1
31 to 60 days	3.4	0.6
61 to 90 days	1.4	–
More than 90 days	3.4	0.7
Total overdue	**27.4**	**12.4**
Trade receivables, gross	**74.4**	**21.5**

MOVEMENT IN ALLOWANCES

IN MILLIONS OF CHF	2014	2013
Balance at the beginning of the period	(0.1)	(0.9)
Creation	(0.2)	(0.1)
Release	0.1	0.1
Utilized	–	0.7
Currency translation adjustments	–	0.1
Balance at the end of the period	**(0.2)**	**(0.1)**

27. OTHER ACCOUNTS RECEIVABLE

IN MILLIONS OF CHF	2014	2013
Sales tax and other tax credits	74.0	42.8
Receivables for refund from suppliers	47.0	37.6
Prepayments	29.8	22.3
Receivables from subtenants and business partners	24.2	13.0
Guarantee deposits	15.1	13.4
Accrued concession fees and rental income	12.0	10.3
Personnel receivables	4.8	1.8
Accrued income	4.2	1.3
Loans receivable	3.2	0.5
Derivative financial assets	0.6	1.5
Other	16.5	8.6
Total	**231.4**	**153.1**
Allowances	(4.2)	(3.4)
Total	**227.2**	**149.7**

MOVEMENT IN ALLOWANCES

IN MILLIONS OF CHF	2014	2013
Balance at the beginning of the period	(3.4)	(6.3)
Creation	(1.6)	(0.6)
Release	0.1	0.1
Utilized	0.6	3.4
Currency translation adjustments	0.1	–
Balance at the end of the period	**(4.2)**	**(3.4)**

28. EQUITY

28.1 ISSUED CAPITAL

IN MILLIONS OF CHF	31.12.2014	31.12.2013
Share capital	179.5	154.5
Share premium	1,964.7	1,207.0
Total	**2,144.2**	**1,361.5**

28.1.1 Fully paid ordinary shares

IN MILLIONS OF CHF	NUMBER OF SHARES	SHARE CAPITAL	SHARE PREMIUM
Balance at January 1, 2013	29,673,823	148.4	1,207.0
Issue of shares	1,231,233	6.1	0.0
Balance at December 31, 2013	**30,905,056**	**154.5**	**1,207.0**
Issue of shares	5,000,000	25.0	785.0
Share issuance costs	–	–	(27.3)
Balance at December 31, 2014	**35,905,056**	**179.5**	**1,964.7**

28.2 AUTHORIZED AND CONDITIONAL SHARE CAPITAL

AUTHORIZED SHARE CAPITAL	NUMBER OF SHARES	IN THOUSANDS OF CHF
Balance at January 1, 2013	2,697,620	13,488
Utilization December 13, 2013	(1,231,233)	(6,156)
Balance at December 31, 2013	**1,466,387**	**7,332**
Expiration May 2, 2014	(1,466,387)	(7,332)
Balance at December 31, 2014	**–**	**–**

CONDITIONAL SHARE CAPITAL	NUMBER OF SHARES	IN THOUSANDS OF CHF
Balance at January 1, 2013	2,697,620	13,488
Balance at December 31, 2013	2,697,620	13,488
Balance at December 31, 2014	**2,697,620**	**13,488**

Share capital increase

2014

The Extraordinary General Meeting held on June 26, 2014, approved the increase of the share capital of Dufry AG from currently CHF 154,525,280 by up to CHF 27,269,160 to a maximum amount of up to CHF 181,794,440 through the issuance of fully paid-in new registered shares with a par value of CHF 5 each.

On July 8, 2014, Dufry AG issued 5,000,000 new registered shares representing 14 % additional shares. After this share issuance, the share capital of the company amounts to CHF 179,525,280 million. The offer price for the rights offering as well as the public offering was set at CHF 162.00 per new share. In the rights offering, 3,623,976 new shares were subscribed for by existing shareholders, while 1,376,024 new shares were purchased by investors in the international offering, resulting in gross proceeds of CHF 810.0 million. The trading of the offered shares on the SIX Swiss Exchange commenced on July 9, 2014. The share issuance costs related with this transaction amounted to CHF 27.3 million and is presented in equity.

2013

On December 13, 2013, Dufry AG utilized part of its authorized share capital and placed 1,231,233 new registered shares representing 3.98 % of the total shares. After this share issuance, the share capital of the company amounts to CHF 154,525,280. The shares were issued to Folli Follie Group as part of the payment for the 49 % acquisition of HDFS. The share issuance costs related with this transaction amount to CHF 0.06 million and have been presented in equity.

28.3 RESERVES

IN MILLIONS OF CHF	31.12.2014	31.12.2013
Employee benefit reserve	(32.9)	0.3
Capital reserve for mandatory convertible notes	262.8	–
Translation reserves	(112.2)	(224.5)
Retained earnings	45.2	18.3
Balance at the end of the year	**162.9**	**(205.9)**

28.3.1 Employee benefit reserve

IN MILLIONS OF CHF	31.12.2014	31.12.2013
Balance at the beginning of the year	0.3	(15.8)
Actuarial gains (losses) on defined benefit plans	(37.7)	17.4
Income tax relating to components of other comprehensive income	4.5	(1.3)
Balance at the end of the year	**(32.9)**	**0.3**

28.3.2 Capital reserve for mandatory convertible notes

IN MILLIONS OF CHF	31.12.2014	31.12.2013
Balance at the beginning of the year	–	–
Issuance of equity instruments	269.6	–
Transactions costs for equity instruments	(6.8)	–
Balance at the end of the year	**262.8**	**–**

Dufry issued CHF 275.0 million Mandatory Convertible Notes (MCN) due June 18, 2015 convertible into ordinary registered shares of Dufry. The notes were issued by Dufry Financial Services B.V. Dufry will issue the shares out of the existing conditional share capital.

The Mandatory Convertible Notes were issued at 100% of the principal amount in denominations of CHF 200,000 per note. The MCN will be convertible into fully paid ordinary shares of Dufry at maturity unless earlier converted at the option of the MCN holders or the issuer or upon the occurrence of specified special events in accordance with the terms and conditions of the MCN. The MCN pay a coupon of 2.0% per annum and the conversion price is set at CHF 152, corresponding to 1,809,210 shares. The issuance costs related with this transaction are CHF 6.8 million and are presented in equity.

The transaction is presented as follows in the statement of financial position at the reporting date:

- The discounted interest payments of CHF 5.4 million are included in the line other liabilities after set-off of transaction costs of CHF 0.1 million. The transaction costs are amortized over 12 months and included in the line interest expenses
- The remaining part of the net proceeds are disclosed in equity in the column MCN amounting to CHF 262.8 million, after set-off of transaction expenses of CHF 6.8 million

28.3.3 Translation reserves

IN MILLIONS OF CHF	31.12.2014	31.12.2013
Balance at the beginning of the year	(224.5)	(199.9)
Exchange differences arising on translating the foreign operations (attributed to equity holders of parent)	211.5	(49.0)
Net gain/(loss) on hedge of net investments in foreign operations (note 32)	(102.4)	24.4
Income tax related to net gains/(losses) on hedge of net investments of foreign operations	3.2	–
Balance at the end of the year	**(112.2)**	**(224.5)**

Foreign exchange gains and losses on financing instruments that are designated as hedging instruments for net investments in foreign operations are included in the translation reserves.

29. SHARE-BASED PAYMENTS

RESTRICTED STOCK UNIT PLAN (RSU)

Up to 2013 Dufry had in place specific restricted stock unit (RSU) plans for members of the Group Executive Committee (GEC) and selected members of the Senior management. These RSU Awards were stock options with an exercise price of nil from an economic point of view. Each RSU represented the right to receive one share if the vesting conditions are met. In 2013, Dufry implemented a long-term incentive plan for the members of the GEC called Performance Share Unit Plan (PSU).

29.1 RSU PLAN OF DUFRY AG

There was no RSU Award 2014.

Under the RSU Award 2013 the members of the GEC and selected members of the Senior management had been granted the right to receive on January 1, 2014, free of charge, 117,104 RSU's on aggregate, based on the market value of the Company's shares on the Swiss Stock Exchange (SIX) on July 29, 2013 (the RSU Awards 2013). The RSU Awards 2013 contained two vesting conditions to be met:
a) the participants had to be employed by the Company from January 1, 2013 until January 1, 2014 and
b) the average price of the Company's shares on the SIX for the ten previous trading days to January 1, 2014 had to be 1% higher than at January 1, 2013. On January 1, 2014 the relevant average share price prior to vesting was CHF 155.44, so that the participants of the RSU award 2013 received 117,104 Dufry shares.

The fair value of the RSU Awards 2013 was estimated at the grant date using a binominal pricing model, taking into account the terms and conditions (risk free interest rate of 1.0%, an expected volatility of 32.4% and the market condition noted above) upon which the awards were granted. The contractual life of the Awards 2013 was five months. The expected volatility reflects assumptions, that the historical volatility is indicative of future trends, which may not necessarily be the actual outcome. There are no cash settlement alternatives. Up to December 2013, the expense recognized for employee services received during the period was CHF 9.8 million and was recorded against equity, based on a fair value of CHF 83.93 per RSU.

29.2 PSU PLAN OF DUFRY AG

On October 1, 2014 Dufry granted 51,486 PSU's Award 2014 to the members of the GEC. One PSU gives the right to receive in 2017, free of charge, a variable quantity of shares, based on the performance achieved by the Group. This performance will be measured as the average yearly growth rate reached by the earnings per share adjusted for amortization of intangible assets identified during business combinations and non-recurrent effects (Cash EPS) of the Group in 2016. The basis for the award 2014 is the Cash EPS of 2013. If the targeted average yearly growth of 7% is achieved, one share will be granted for each PSU, whereas for an average yearly growth rate of 3.5% or less, no shares are granted and an average growth rate of 10.5% or higher will result in two shares per PSU (maximum) with a linear interpolation. The PSU Awards 2014 contain two vesting conditions to be met:
a) the respective participant being employed by the Company from January 1, 2014 until January 1, 2017
b) the minimum targeted average yearly growth rate must be higher than 3.5% on the Cash EPS.

With the PSU Award 2013 Dufry granted to the members of the GEC 42,957 PSU's. One PSU gives the right to receive in 2016, free of charge, a variable quantity of shares, based on the performance achieved by the Group. For the PSU Awards 2013, the performance will be measured as the average yearly growth rate reached by the earnings per share adjusted for amortization of intangible assets identified during business combinations and non-recurrent effects (Cash EPS) of the Group in 2015. The basis for the award 2013 is the Cash EPS of 2012. If the targeted average yearly growth of 7% is achieved, one share will be granted for each PSU, whereas for an average yearly growth rate of 3.5% or less, no shares are granted and an average growth rate of 10.5% or higher will result in two shares per PSU (maximum) with a linear interpolation. The PSU Awards 2013 contain two vesting conditions to be met:
a) the respective participant must be employed by the Company from January 1, 2013 until January 1, 2016
b) in case the minimum targeted average yearly growth rate is below 3.5% on the Cash EPS, the respective award does not vest.

At grant date the fair value of the PSU Awards 2014 represents the market value for one Dufry share i.e. CHF 143.1 (2013: 124.1). At closing 2014 a probability of 73% (2013: 90%) was determined by taking into account the historic development of Dufry's EPS adjusted by amortization of acquisitions and exceptional and one-off events, as well as these EPS for budgeted financials and compared these with the targeted goal. The contractual life of the PSU Awards 2014 is 27 months. There are no cash settlement alternatives for the employees. The related expense in 2014 is made of the accrued cost of PSU Award 2014 plus the PSU Award 2013 totalizing CHF 2.4 (2013: 0.8) million, which has been recorded against equity.

29.3 AGREEMENT WITH A LOCAL PARTNER TO OPERATE IN BRAZIL

In August 2013, Dufry agreed with a Brazilian partner to strengthen the development of the Brazilian duty-free business. The agreement contemplated the assistance of the partner to re-new existing duty-free concession agreements as well as to be awarded with the new duty-free agreements in Brazil with the key contract being the 10-year contract for Terminal 3 at Guarulhos Airport in Sao Paulo.

The renewed and new concessions are operated by Dufry Lojas Francas Ltda (DLF), in which Dufry initially holds 60 % and the partner participated with 40 % as the provision of signing the contract agreement of the above mentioned contract for Terminal 3 was met. The partner made their respective contributions in cash and Dufry contributed existing net assets to the operations. DLF initiated its activities in December 2014.

Dufry entered a call/put option structure with the Brazilian partner, whereby the partner had the right to sell, and Dufry had the right to buy, 20 % of the equity of Dufry Lojas Francas Ltda (DLF) until February 2015 for a value of CHF 162.2 million. This value was based on a formula, which considered the additional performance expected which these operations will contribute in the future as the new and renewed concession agreements consider a significant increase in retail space and was determined at USD 163.2 million. Dufry expects that sales will increase due to the significant additional retail space granted by the new and renewed concessions.

29.4 TREASURY SHARES

Treasury shares are valued at historical cost.

	NUMBER OF SHARES	IN MILLIONS OF CHF
At January 1, 2013	**338,116**	**41.6**
Assigned to holders of RSU- awards 2011	(334,953)	(41.2)
Share purchases	117,106	17.7
At December 31, 2013	**120,269**	**18.1**
Assigned to holders of RSU- awards 2013	(117,104)	(17.6)
Net share purchases	91,000	13.8
At December 31, 2014	**94,165**	**14.3**

30. BREAKDOWN OF TRANSACTIONS WITH NON-CONTROLLING INTERESTS

The following transactions have been recognized in equity attributable to non-controlling interests at fair value:

IN MILLIONS OF CHF	2014	2013
The Nuance Group acquisition through business combination (note 6.1)	2.6	–
Dufry Lojas Francas Ltd 40 %	36.6	–
Dufry Lojas Francas Ltd. 20 % Call option	(19.8)	
Dufry France S.A. 30 % Guadeloupe business	1.7	–
Hellenic Duty Free Shops S.A. Group acquisition through business combination (note 6.3)	–	22.7
Hellenic Duty Free Shops S.A. Group 49 % option (note 6.4)	–	(49.3)
Hudson Group, increase in share capital of several subsidiaries	7.2	14.3
Other	0.9	(0.2)
Total	**29.2**	**(12.5)**

31. INFORMATION ON COMPANIES WITH NON-CONTROLLING INTERESTS

The non-controlling interests (NCI) comprise the portion of equity of subsidiaries that are not owned by Dufry. Although net earnings attributable to non-controlling interests make 40.1 % (2013: 37 %) of total net earnings, Dufry management carefully assessed the significance of each company with non-controlling interests and concluded that none of them is individually material for the Group.

In 2014, the major part of the net earnings attributable to non-controlling interests of CHF 20.0 million (2013: CHF 15.7 million) relates to several legal entities with different non-controlling interest holders within Hudson Group. The remaining CHF 14.0 million belongs to various other subsidiaries of Dufry Group.

In 2013, the major part of the net earnings attributable to non-controlling interests related to Hellenic Duty Free Shops SA (CHF 26.8 million). This company had non-controlling interests throughout the year 2013 but is fully owned by Dufry since December 2013.

32. FINANCIAL DEBT

IN MILLIONS OF CHF	31.12.2014	31.12.2013
Bank debt (overdrafts)	13.7	21.8
Bank debt (loans)	28.7	280.5
3rd party loans	3.2	3.9
Financial debt, short-term	**45.6**	**306.2**
Bank debt (loans)	1,738.3	1,253.5
Senior Notes	1,074.9	435.9
3rd party loans	8.6	4.2
Financial debt, long-term	**2,821.8**	**1,693.6**
Total	**2,867.4**	**1,999.8**
of which are:		
Bank debt	1,780.7	1,555.8
Senior Notes	1,074.9	435.9
Loans payable	11.8	8.1

BANK DEBT

IN MILLIONS OF CHF	31.12.2014	31.12.2013
BANK DEBT DENOMINATED IN:		
US Dollar	1,066.5	896.6
Swiss Franc	110.4	61.3
Euro	602.7	601.6
Other currencies	25.4	15.8
Subtotal	**1,805.0**	**1,575.3**
Deferred bank arrangement fees	(24.3)	(19.5)
Total	**1,780.7**	**1,555.8**

SENIOR NOTES

IN MILLIONS OF CHF	31.12.2014	31.12.2013
SENIOR NOTES DENOMINATED IN:		
US Dollar	496.9	444.3
Euro	601.4	–
Subtotal	**1,098.3**	**444.3**
Deferred arrangement fees	(23.4)	(8.4)
Total	**1,074.9**	**435.9**

The Group negotiates and manages its key credit facilities centrally. Minor credit lines at local level are kept for practical reasons.

MAIN BANK CREDIT FACILITIES IN MILLIONS OF	31.12.2014 FOREIGN CURRENCY	31.12.2014 CHF	31.12.2013 FOREIGN CURRENCY	31.12.2013 CHF
Committed 5-year term loan in EUR	500.0	601.4	500.0	612.5
Committed 5-year term loan in USD	1,010.0	1,003.8	1,000.0	888.6
5-year revolving credit facility in CHF		900.0		650.0
Total		**2,505.2**		**2,151.1**
Drawn amount		1,762.6		1,542.6

SENIOR NOTES IN MILLIONS OF	31.12.2014 FOREIGN CURRENCY	31.12.2014 CHF	31.12.2013 FOREIGN CURRENCY	31.12.2013 CHF
Senior notes in USD	500.0	496.9	500.0	444.3
Senior notes in EUR	500.0	601.4	–	–
Total		**1,098.3**		**444.3**

GUARANTEE FACILITY IN MILLIONS OF	31.12.2014 FOREIGN CURRENCY	31.12.2014 CHF	31.12.2013 FOREIGN CURRENCY	31.12.2013 CHF
Committed 5-year term guarantee in EUR	250.0	300.7	–	–
Total		**300.7**		**–**
Drawn amount		278.5		–

MAIN BANK CREDIT FACILITIES

On June 3, 2014, a syndicate of banks with the London Branch of ING N.V. acting as agent, granted Dufry a committed 5-year term loan of USD 1,010.0 million, EUR 500.0 million and a revolving credit facility (RCF) of CHF 900.0 million which was used to refinance existing debts.

The borrowings under these credit facilities bear interest at a floating rate (EURIBOR or LIBOR) plus spread. At December 31, 2014, the overall weighted average interest rate was 2.6 % (2013: 2.5 %), consisting of USD borrowings at 2.7 % (2013: 2.6 %), EUR borrowings at 2.4 % (2013: 2.4 %) and CHF borrowings at 1.8 % (2013: 1.9 %).

SENIOR NOTES

On July 17, 2014, Dufry placed denominated Senior Notes of EUR 500 (CHF 607.1) million with a maturity of eight years with qualified institutional investors in Switzerland and abroad. The Notes are listed on the Dublin stock exchange. The notes carry a coupon of 4.5 % per annum which will be payable semi-annually in arrears. Dufry used the proceeds to finance the acquisition of The Nuance Group.

On October 26, 2012, Dufry placed denominated Senior Notes of USD 500 (CHF 466.1) million with a maturity of eight years with qualified institutional investors in Switzerland and abroad. The Notes are listed on the Dublin stock exchange. The notes carry a coupon of 5.5 % per annum which will be payable semi-annually in arrears. Dufry used the proceeds to refinance term loans expiring in August 2013.

BANK GUARANTEE FACILITY

On September 9, 2014, a syndicate of banks with Unicredit AG acting as agent granted Dufry a committed 5-year guarantee facility of EUR 250.0 (CHF 300.7) million which was used to refinance existing guarantee lines of The Nuance Group.

The bank credit agreements and the bank guarantee facility contain covenants and conditions customary to this type of financing. During 2014 Dufry complied with the financial covenants and conditions contained in the bank credit agreements.

32.1 HEDGE OF NET INVESTMENTS IN FOREIGN OPERATIONS

At December 31, 2014, an amount of USD 947.2 (2013: USD 947.2) / CHF 941.4 (2013: CHF 841.7) million included in the financial debt has been designated as hedge in net investment held in Dufry do Brasil, Alliance Inc., Interbaires SA, Navinten SA, Blaicor SA, International Operation & Services Corp., Duty Free Ecuador SA and Regstaer Ltd. in accordance with IAS 39, paragraph 102.

32.2 NET INVESTMENT IN FOREIGN OPERATIONS

Dufry granted long-term loans amounting to USD 19.6 (2013: USD 20.4) / CHF 19.5 (2013: CHF 18.1) million to its subsidiary, Dufry America Holding Inc. and a loan of AUD 121.8 (CHF 98.9) million granted to the subsidiary, Nuance Group (Australia) Pty Ltd. Both loans are considered as part of Dufry's net investment in foreign operations in accordance with IAS 21, paragraph 15, as settlement is neither planned nor likely to occur in the foreseeable future.

33. PROVISIONS

IN MILLIONS OF CHF	CONTINGENT LIABILITIES	ONEROUS CONTRACTS	CLOSEDOWN	LAW SUITS AND DUTIES	DISPUTE ON CONTRACTS	LABOR DISPUTES	OTHER	TOTAL
Balance at January 1, 2014	**38.7**	**–**	**1.2**	**15.9**	**–**	**2.4**	**3.2**	**61.4**
Business combinations (note 6)	1.0	80.8	4.1	–	–	–	11.9	97.8
Charge for the year	–	–	0.1	–	–	0.5	6.3	6.9
Utilized	–	(8.3)	(0.8)	(0.1)	–	–	(0.5)	(9.7)
Unused amounts reversed	(1.2)	–	(1.2)	(7.3)	–	–	(1.3)	(11.0)
Interest discounted	–	2.5	–	–	–	–	–	2.5
Currency translation adjustment	3.6	(0.4)	0.2	–	–	0.3	(0.2)	3.5
Balance at December 31, 2014	**42.1**	**74.6**	**3.6**	**8.5**	**–**	**3.2**	**19.4**	**151.4**
Thereof:								
- current	–	27.8	3.6	8.5	–	0.2	14.7	54.8
- non-current	42.1	46.8	–	–	–	3.0	4.7	96.6

Management believes that its provisions are adequate based upon currently available information. However, given the inherent difficulties in estimating liabilities in the areas described below, actual costs may vary from the amounts provisioned.

CONTINGENT LIABILITIES

In 2014, the contingent liabilities increased by CHF 1.0 million based on findings in Europe, Asia and Australia recognized during the due diligence process made for the acquisition of The Nuance Group. In 2013 during the due diligence process made for the acquisition of companies in South America, Central America and Asia contingent liabilities with a fair value of CHF 38.7 million were determined.

IFRS 3 Business combinations requires to reflect these liabilities with uncertain amounts in the statement of financial position although the risk exposure for some of these positions has been regarded as medium or low. The identified risks include a variety of potential liabilities from past periods, mainly related to the import and sale of merchandise by entities under common control or regarding contributions owed based on the contractual situation of employees. As the identified risks implied in these contingent liabilities are subject to interpretations and uncertainties in the respective regulations, the management made an estimation of the fair value.

ONEROUS CONTRACTS

Concession agreements usually fix the fee for the locations as a percentage on net sales. Some of these long-term concession agreements, which Dufry has entered into, include clauses to ensure a minimal concession fee during the full term of the agreement. However, in certain circumstances the economic environment around an activity deteriorates thereafter in such a way, that it doesn't allow the operation to foresee becoming profitable during the remaining concession duration. In such cases Dufry does impair the assets subject to amortization or depreciation and creates a provision for onerous contracts. This provision reflects the present value of the unavoidable cost (losses) of meeting the contractual obligation. At balance sheet date, an amount of CHF 74.6 million has been provided in relation to operations in Australia, Asia and Europe.

CLOSE DOWN

The provision of CHF 3.6 (2013: CHF 1.2) million relates to the closing of operations in Australia, Asia and Europe.

LABOR DISPUTES

The provision of CHF 3.2 (2013: CHF 2.4) million relates mainly to claims presented by sales staff based on disputes related to the termination of temporary labor contracts in Brazil.

LAW SUITS AND DUTIES

These provisions of CHF 8.5 (2013: CHF 15.9) million cover uncertainties dependent on the outcome of law suits in relation to taxes, duties or other claims in Brazil, Greece and Italy.

The decrease in 2014 are reversals of provisions built for legal dispute with custom authorities in Greece, after a positive resolution of the court in favor of the Company.

The increase in 2013 mainly related to a litigation process against the Italian tax and custom authorities that allege that the Company used incorrectly the VAT ceiling to compensate the tax credit in the years 2000 and 2001. Although in previous sentences for similar disputes the Italian Corte di Cassazione ruled in favor of Dufry, at the end of 2013 the Corte ruled against the Company, imposing the payment of the VAT, interest and a fine, whereby the fine could amount up to the same sum alleged as the incorrectly compensated VAT, estimated at CHF 7.1 million. The management of the Company is of the opinion that the amount of the fine is excessive and cannot be justified to be proportional to the damage caused, as required by the Italian legislation. However, according to the wording of the ruling, it can be understood that the tax authority has been enacted to claim such a fine. The Company has created an allowance of CHF 2.3 million on a first fine already paid and has raised an additional provision of CHF 2.4 million.

The expected timing of the related cash outflows of non-current provisions as of December 31, 2014 is currently projected as follows:

IN MILLIONS OF CHF	EXPECTED CASH OUTFLOW
2016	10.6
2017	46.0
2018	10.8
2019+	29.2
Total non-current	**96.6**

34. POST-EMPLOYMENT BENEFIT OBLIGATIONS

The Group provides retirement benefits through a variety of arrangements comprised principally of stand-alone defined benefit and defined contribution plans or state administered plans that cover most of the employees in accordance with local regulations and practices. The most significant plans in terms of the benefits accrued to date by participants are cash balance and final salary plans, and around 94 % (2013: 83 %) of the total defined benefit obligation and 100 % (2013: 100 %) of the plan assets refer to two pension funds in Switzerland.

			2014			2013
IN MILLIONS OF CHF	Funded	Unfunded	Total	Funded	Unfunded	Total
SWITZERLAND:						
Fair value of plan assets	181.1		181.1	63.8		63.8
Present value of defined benefit obligation	205.3		205.3	62.7		62.7
Financial (deficit) surplus	**(24.2)**	**–**	**(24.2)**	**1.1**	**–**	**1.1**
GREECE:						
Fair value of plan assets	–	–	–	–	–	–
Present value of defined benefit obligation	–	6.2	6.2	–	5.5	5.5
Financial (deficit) surplus	**–**	**(6.2)**	**(6.2)**	**–**	**(5.5)**	**(5.5)**
ITALY:						
Fair value of plan assets	–	–	–	–	–	–
Present value of defined benefit obligation	–	4.6	4.6	–	4.4	4.4
Financial (deficit) surplus	**–**	**(4.6)**	**(4.6)**	**–**	**(4.4)**	**(4.4)**
OTHER PLANS:						
Fair value of plan assets			–			–
Present value of defined benefit obligation		2.7	2.7		2.6	2.6
Financial (deficit) surplus	**–**	**(2.7)**	**(2.7)**	**–**	**(2.6)**	**(2.6)**
TOTAL:						
Fair value of plan assets	181.1	–	181.1	63.8	–	63.8
Present value of defined benefit obligation	205.3	13.5	218.8	62.7	12.6	75.3
Total net book value employee benefits	**(24.2)**	**(13.5)**	**(37.7)**	**1.1**	**(12.6)**	**(11.5)**

A description of the significant retirement benefit plans is as follows:

34.1 SWITZERLAND

Reconciliation to the Swiss Pension Obligation

IN MILLIONS OF CHF	2014	2013
Net defined asset / (obligation) at January 1	1.1	(16.4)
Net defined asset / (obligation) of acquired companies	0.5	–
Pension expense through income statement	8.2	(2.6)
Remeasurements through other comprehensive income	(29.7)	17.7
Allocation of the "Altrentner"	(8.0)	–
Contributions paid by employer	3.7	2.4
Net defined asset / (obligation) at December 31	**(24.2)**	**1.1**

The Group operates two company sponsored pension funds in form of foundations in Switzerland that provide contribution-based cash balance retirement and risk benefits to employees. The Pension Fund Nuance (PVN) was integrated in the current year to the financial reporting. Pension plans in Switzerland are governed by the Federal Law on Occupational Retirement, Survivors' and Disability Pension Plans (BVG), which stipulates that pension plans are to be managed by independent, legally autonomous units. Pension plans are reviewed by a regulator as well as by a state supervisory body. A pension plan's most senior governing body (Board of Trustees) must be composed of equal numbers of employee and employer representatives. The various insurance benefits are governed in regulations, with the BVG specifying the minimum benefits that are to be provided. The employer and employees pay contributions to the pension plan. In case of an underfunding, various measures can be taken such as the adjustment of the pension benefits, by altering the actuarial assumptions or increasing future contributions. The employer can also make additional restructuring contributions. The BVG prescribes how employees and employer have to jointly fund potential restructurings.

All actuarial risks are borne by the Pension funds PKW or PVN. These risks consist of demographic risks, primarily life expectancy and financial risks, the discount rate, future increases in salaries / wages, and the return on plan assets. These risks are regularly assessed by the Board of Trustees. In addition, two annual actuarial reports are drawn up, one in accordance with the requirements of the BVG, the other in accordance with IFRS requirements.

The investment strategy is defined in form of a long-term target asset-, currency- and risk- structure (investment policy), which takes into account requirements from BVG, and aim to obtain a high long-term return on plan assets. The Board of Trustees is responsible for the investment of the assets, reviewing the investment portfolio as often as necessary – especially in the case of significant changes in the expectations of market developments and at least once a year. When reviewing the investment portfolio, it takes into account the limitations set in the strategy. The Board of Trustees delegates the implementation of the investment policy – in accordance with the investment strategy as well as various principles and objectives – to an Investment Committee, which consists of two members of the Board of Trustees. They supervise the entire investment process. The plan assets are managed by several external specialized and independent asset managers in accordance with the investment strategy, whereby the investments in properties are directly managed by the fund.

Under Swiss pension law the Group cannot recover any surplus from the pension funds, because those belong to the foundations.

The pension funds currently invest in a diverse portfolio of asset classes including equities, bonds, property and commodities but do not currently use any more explicit asset-liability matching strategy instruments such as annuity purchase products or longevity swaps.

There have been the following changes made to the Swiss retirement benefit arrangements in the periods covered by these consolidated financial statements:

- There has been a final allocation of the "Altrentner", i.e. retirement pensioners of the Pension Fund Weitnauer (PKW) with pension starting before May 31, 2003, as of December 31, 2014. This final allocation is included in the census data of current year disclosure which resulted in a transfer of CHF 17.5 million in assets and CHF 25.5 million in liabilities.
- In September 2014, the PKW decided to change its plan from a defined benefit plan (Leistungsprimat) to a cash balance plan (Beitragsprimat) starting on January 1, 2015. The new plan intends to keep the benefits granted at levels similar to the previous plan. Where this was not possible a one-time compensation was granted from the reserves of the pension fund. From this change of plan a net gain of CHF 12.3 million resulted, presented in the line pension expenses in the income statement.
- Through the acquisition of The Nuance Group, the Group added the Pension Fund Nuance (PVN) to its financial positions in 2014. PKW and PVN have been measured using the same actuarial assumptions. The net defined benefit obligation at the acquisition date was an asset of CHF 0.5 million and the total assets represented CHF 89.9 million.
- In 2013, there was no amendment in the main Swiss plan.

The following table summarizes the components of pension expenses recognized in the consolidated income statement:

Cost of defined benefit plans

IN MILLIONS OF CHF	2014	2013
SERVICE COSTS:		
Current service costs	(3.7)	(3.1)
Change to cash balance plan	12.3	–
Transfers	–	1.0
Fund administration	(0.3)	(0.3)
Net interest	(0.1)	(0.2)
Total pension expenses recognized in the income statement	**8.2**	**(2.6)**

The current service costs, the change to cash balance plan and costs of funds administration of the Group are included in personnel expenses (see note 9 retirement benefits).

Remeasurements employee benefits

IN MILLIONS OF CHF	2014	2013
Actuarial gains (losses) – experience	(1.2)	(0.3)
Actuarial gains (losses) – financial assumptions	(33.2)	14.2
Return on plan assets exceeding expected interest	4.7	3.8
Total remeasurements recorded in other comprehensive income	**(29.7)**	**17.7**

Remeasurements recorded in other comprehensive income for the current financial year is an expense of CHF 29.7 (2013: CHF 17.7) million for pension plans in Switzerland, an allocation of the "Altrentner" of CHF 8.0 million and an expense of CHF 0.2 (2013: CHF 0.3) million for pension plans of other countries.

In view of the latest tendency regarding long-term interest rates development, a lower discount rate was used in the measurement of the defined benefit obligation in 2014, resulting in a negative adjustment.

The following tables summarize the components of the funded status and amounts recognized in the consolidated statement of financial position for the plan:

Change in the fair value of plan assets

IN MILLIONS OF CHF	2014	2013
Fair value of plan assets at beginning of period	63.8	43.0
Interest income	2.1	0.8
Return on plan assets (excluding interest based on discount rate)	4.7	3.8
Contributions paid by employer	3.7	2.4
Contributions paid by employees	2.1	1.4
Benefits paid	(2.7)	(1.0)
Allocation of the "Altrentner"	17.5	13.4
Transfer from PVN	89.9	–
Fair value of plan assets at end of period	**181.1**	**63.8**

Change in present value of defined benefit obligation

IN MILLIONS OF CHF	2014 Funded	2013 Funded
Defined benefit obligation-beginning	62.7	59.4
Current service costs	3.7	3.1
Interest costs	2.1	1.0
Contributions paid by employees	2.1	1.4
Accrual of expected future administration costs	0.3	0.3
Actuarial losses (gains) – experience	1.2	0.3
Actuarial losses (gains) – financial assumptions	33.2	(14.2)
Benefits paid	(2.7)	(1.0)
Past service cost – plan amendments	(12.2)	–
Allocation of the "Altrentner"	25.5	12.4
Transfer from PVN	89.4	–
Defined benefit obligation-end	**205.3**	**62.7**
Net defined benefit asset / (obligation)	**(24.2)**	**1.1**

Actuarial assumptions

The present value of the defined benefit obligation is determined annually by independent actuaries using the projected unit credit method. The main actuarial assumptions used are:

IN PERCENTAGE (%)	2014	2013
Discount rates	1.25	2.50
Interest on net defined benefit asset/ obligation	1.25	2.50
Future salary increases	1.50	1.00
Future pension increases	0.50	0.50
Average retirement age (in years)	63–64	64
Mortality table (generational tables)	2010	2010

The mortality table takes into account changes in the life expectancy.

Plan asset structure

The categories of plan assets in percentage of total value are as follows:

IN PERCENTAGE (%)	2014	2013	2012	2011
Shares	30.1	26.8	24.0	25.0
Bonds	33.3	39.6	43.0	44.0
Rented properties	23.5	22.9	25.0	25.0
Other[1]	13.1	10.7	8.0	6.0
Total	**100.0**	**100.0**	**100.0**	**100.0**

[1] Includes liquid positions, alternative investments as well as the assets of the management plan

All assets held by the PKW and PVN are fair-value-level 1 (quoted prices in active markets), except directly held rented properties which are fair-value-level 2 (significant observable inputs) representing 23.5 % of the total assets (2013: 22.9 %).

The net outflow of funds due to pension payments can be planned reliably. Contributions are paid regularly to the funded pension plans in Switzerland. Furthermore, the respective investment strategies take account of the need to guarantee the liquidity of the plan at all times. The Group does not make use of any assets held by pension plans.

Plan participants

IN THOUSANDS OF CHF	2014	2013
Active participants		
Number at closing (persons)	1,015	242
Average annual plan salary	59.9	93
Average age (years)	40.2	39.4
Average benefit service (years)	8.8	8.6
Benefit receiving participants		
Number (persons)	123	19
Average annual plan rent	26.2	19.0

IN MILLIONS OF CHF	2015
Expected contributions for the period ending December	
Employer	3.6
Employee	2.0
Weighted average duration of defined benefit obligation (years)	19.9
Maturity profile of defined benefit obligation	
expected payments in 2015	7.5
expected payments in 2016	7.8
expected payments in 2017	7.9
expected payments in 2018	8.0
expected payments in 2019	7.8
expected payments in 2020 up to 2024	41.6

Sensitivities of significant actuarial assumptions

The discount rate and the future salary increase were identified as significant actuarial assumptions.

The following impacts on the defined benefit obligation are to be expected:

IN MILLIONS OF CHF	INCREASE	DECREASE
A CHANGE OF 0.5 % IN THE FOLLOWING ASSUMPTIONS WOULD IMPLY		
Discount rate	(13.2)	14.4
Salary increase rate	2.8	(2.8)

The sensitivity analysis is based on realistically possible changes as of the end of the reporting year. Each change in a significant actuarial assumption was analyzed separately as part of the test. Interdependencies were not taken into account.

Expected costs

IN MILLIONS OF CHF	2015
Current service cost	8.9
Fund adminstration exp.	0.7
Net interest expense	0.2
Cost to be recognized in income statement	**9.8**

35. OTHER LIABILITIES

IN MILLIONS OF CHF	31.12.2014	31.12.2013
Payables for capital expenditure[1]	180.2	25.2
Other service related vendors	173.1	69.2
Concession fee payables	136.0	83.2
Personnel payables	134.4	75.3
Sales tax and other tax liabilities	47.7	29.6
Interest payables	27.6	14.5
Payables for projects	18.1	–
Accrued liabilities	15.9	15.5
Payables to local business partners	6.3	5.7
Payables for acquisitions	–	0.9
Financial derivative liabilities	0.1	0.7
Other payables	24.1	8.4
Total	**763.5**	**328.2**
THEREOF:		
– current liabilities	760.2	323.1
– non-current liabilities	3.3	5.1
Total	**763.5**	**328.2**

[1] Includes in 2014 CHF 162.2 million related to the Put option (see note 29.3)

36. RELATED PARTIES AND RELATED PARTY TRANSACTIONS

A party is related to the Group if the party directly or indirectly controls, is controlled by, or is under common control with Dufry, has an interest in the Group that gives it significant influence over the Group, has joint control over the Group or is an associate or a joint venture of the Group. In addition, members of the key management personnel of Dufry or close members of the family are also considered related parties as well as post-employment benefit plans for the benefit of employees of the Group. Transactions with related parties are conducted on an at-arm's-length basis.

The related party transactions and relationships for the Dufry Group are the following:

Dufry Group purchased during 2014 goods from the following related parties: Hudson Wholesale for CHF 18.9 (2013: CHF 21.2) million and from Hudson RPM CHF 4.0 (2013: CHF 4.4) million. The purchase prices used in these transactions were at arm's length. At December 31, 2014, the Dufry Group had open invoices with the following related parties: Hudson Wholesale CHF 2.2 (2013: CHF 1.8) million and with Hudson RPM CHF 0.4 (2013: CHF 0.3) million.

Two members of the Group's Board of Directors are also members of the Board of Directors of Latin American Airport Holding Ltd. which controls Inmobiliaria Fumisa SA de CV and Aeropuertos Dominicanos Siglo XXI, SA.

Dufry Mexico SA de CV operated duty-free shops at the International Airport Benito Juarez in Mexico City based on a sub-concession provided by Inmobiliaria Fumisa SA de CV until 2013. During 2013, the local operations accrued concession fees of CHF 20.6 million. The concession fee payable at December 2013 was CHF 2.5 million. Although Dufry is operating in 2014 the same shops in Mexico City, the concession is now provided by a third party.

Dufry's subsidiary, Inversiones Tunc SA, operates shops at several airports in the Dominican Republic under concession agreements with Aeropuertos Dominicanos Siglo XXI, SA. According to these agreements, Inversiones Tunc SA accrued in 2014 concession fees of CHF 6.8 (2013: CHF 6.5) million. The concession fee payable at the closing date amounted to CHF 0.9 (2013: CHF 0.7) million.

On February 1, 2014 and on February 1, 2013, Transportes Aereos de Xalapa SA de CV, a subsidiary of Aeropuertos Dominicanos Siglo XXI, SA agreed to provide air transport services to Dufry. During 2014, Dufry received services for CHF 3.4 (2013: CHF 3.8) million. The outstanding amount at the closing date amounted to CHF 1.3 (2013: CHF 2.4) million.

Mr. George Koutsolioutsos, member of the Board of Directors of the Group is also CEO and shareholder of the Folli Follie Group. Dufry had the following transactions with companies of this group:

IN MILLIONS OF CHF	2014	2013
Purchase of goods from Folli Follie Group	4.9	4.2
Sales of goods to Folli Follie Group	0.7	0.3
Rent of building from Folli Follie Group	0.8	0.5
Amounts receivable at December 31	4.6	3.8
Amounts payable at December 31	5.3	7.0

During 2014, the Swiss entities of Dufry made contributions to the Pension Fund Weitnauer (PKW) in the amount of CHF 2.5 (2013: CHF 2.4) million and have at December 31, 2014 outstanding balances of CHF 0.5 (2013: CHF 0.4) million.

From the acquisition up to December 2014, the Nuance Group AG made contributions to the Pension Fund Nuance (PVN) in the amount of CHF 1.2 million, and has at December 31, 2014 outstanding balances of CHF 0.6 million.

The compensation to members of the Board of Directors and the Group Executive Committee for the services provided during the respective years includes all forms of consideration paid, payable or provided by Dufry, including such made in company shares is as follows:

IN MILLIONS OF CHF	2014	2013
BOARD OF DIRECTORS		
Number of directors	9	8
Short-term employee benefits[1]	4.9	4.6
Post-employment benefits	0.3	0.2
Share-based payments	–	–
Total compensation	**5.2**	**4.8**
GROUP EXECUTIVE COMMITTEE		
Number of members	9	8
Short-term employee benefits	16.9	10.2
Post-employment benefits	1.9	2.0
Share-based payments	2.4	4.3
Total compensation	**21.2**	**16.5**

[1] The short-term employee benefit of the Board of Directors includes a compensation for the strategic consulting service provided by Mr. Bouton of CHF 0.3 (2013: CHF 0.3) million. This service agreement was terminated on December 31, 2014.

For further information regarding participations and compensations to member of the Board of Directors or Group Executive Committee, please refer to the remuneration report at the end of the annual report.

37. COMMITMENTS AND CONTINGENCIES

GUARANTEE COMMITMENTS

Some long-term concession agreements, which Dufry has entered into, include obligations to fulfill minimal fee payments during the full term of the agreement. Some of these commitments have been backed with guarantees provided by Dufry or a financial institution. As at December 31, 2014 and December 31, 2013, no party has exercised their right to call upon such guarantees.

38. FAIR VALUE MEASUREMENT

FAIR VALUE OF FINANCIAL INSTRUMENTS CARRIED AT AMORTIZED COST

Except as detailed in table Quantitative disclosures fair value measurement hierarchy for assets below, the Group considers that the carrying amounts of financial assets and financial liabilities recognized in the consolidated financial statements approximate their fair values.

The following tables provide the fair value measurement hierarchy of the Group's assets and liabilities, that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable:

- **Level 1** fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.
- **Level 2** fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- **Level 3** fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Quantitative disclosures fair value measurement hierarchy for assets

DECEMBER, 31, 2014 IN MILLIONS OF CHF	DATE OF VALUATION	Total	FAIR VALUE MEASUREMENT USING Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	BOOK VALUES
ASSETS MEASURED AT FAIR VALUE:						
Derivative financial assets (Note 39.5.2)						
Foreign exchange forward contracts – USD	31.12.2014	0.6		0.6		0.6
Financial assets valued at FVTPL (Note 39.2)						
Short-term deposits	31.12.2014	23.9	23.9	–		23.9
ASSETS FOR WHICH FAIR VALUES ARE DISCLOSED:						
Loans and receivables						
Credit card receivables	31.12.2014	43.7		43.7		44.5

DECEMBER, 31, 2013 IN MILLIONS OF CHF	DATE OF VALUATION	Total	FAIR VALUE MEASUREMENT USING Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	BOOK VALUES
ASSETS MEASURED AT FAIR VALUE:						
Derivative financial assets (Note 39.5.2)						
Foreign exchange forward contracts – USD	31.12.2013	1.5		1.5		1.5
ASSETS FOR WHICH FAIR VALUES ARE DISCLOSED:						
Loans and receivables						
Credit card receivables	31.12.2013	21.1		21.1		21.4

There were no transfers between the Level 1 and 2 during the period.

Quantitative disclosures fair value measurement hierarchy for liabilities

DECEMBER, 31, 2014 IN MILLIONS OF CHF	DATE OF VALUATION	Total	FAIR VALUE MEASUREMENT USING Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	BOOK VALUES
LIABILITIES MEASURED AT FAIR VALUE:						
Derivative financial liabilities (Note 39.5.2)						
Foreign exchange forward contracts – USD	31.12.2014	0.1		0.1		0.1
LIABILITIES FOR WHICH FAIR VALUES ARE DISCLOSED:						
At amortized cost						
Senior Notes USD	31.12.2014	518.4	518.4			489.0
Senior Notes EUR	31.12.2014	642.7	642.7			585.9
Floating rate borrowings USD	31.12.2014	1,068.4		1,068.4		1,053.5
Floating rate borrowings EUR	31.12.2014	652.5		652.5		601.4
Floating rate borrowings CHF	31.12.2014	112.2		112.2		110.0

DECEMBER, 31, 2013 IN MILLIONS OF CHF	DATE OF VALUATION	Total	FAIR VALUE MEASUREMENT USING Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	BOOK VALUES
LIABILITIES MEASURED AT FAIR VALUE:						
Derivative financial liabilities (Note 39.5.2)						
Foreign exchange forward contracts – USD	31.12.2013	0.7		0.7		0.7
LIABILITIES FOR WHICH FAIR VALUES ARE DISCLOSED:						
At amortized cost						
Senior Notes USD	31.12.2013	458.7	458.7			458.7
Floating rate borrowings USD	31.12.2013	878.9		878.9		883.1
Floating rate borrowings EUR	31.12.2013	596.7		596.7		599.5
Floating rate borrowings CHF	31.12.2013	59.9		59.9		60.0

There were no transfers between the Level 1 and 2 during the period.

39. FINANCIAL INSTRUMENTS

Significant accounting policies are described in note 2.3s and following notes.

39.1 CAPITAL RISK MANAGEMENT

Capital comprises equity attributable to the equity holders of the parent less hedging and revaluation reserves for unrealized gains or losses on net investment, plus other equity-linked or equity-like instruments attributable to the parent.

The primary objective of the Group's capital management is to ensure that it maintains an adequate credit rating and sustainable capital ratios in order to support its business and maximize shareholder value.

The Group manages its financing structure and makes adjustments to it in light of its strategy and the long-term opportunities and costs of each financing source. To maintain or adjust the financing structure, the Group may adjust dividend payments to shareholders, return capital to shareholders, issue new shares or issue equity-linked instruments or equity-like instruments.

The Group monitors the financing structure using a combination of ratios, including a gearing ratio, cash flow considerations and profitability ratios. As for the gearing ratio the Group includes within net debt, interest bearing loans and borrowings, less cash and cash equivalents, excluding discontinued operations.

39.1.1 Gearing ratio

The following ratio compares owner's equity to borrowed funds:

IN MILLIONS OF CHF	31.12.2014	31.12.2013
Cash and cash equivalents	(513.0)	(246.4)
Financial debt, short-term	45.6	306.2
Financial debt, long-term	2,821.8	1,693.6
Net debt	**2,354.4**	**1,753.4**
Equity attributable to equity holders of the parent	2,292.8	1,137.5
ADJUSTED FOR:		
Accumulated hedged gains / (losses)	42.0	(57.3)
Effects from transactions with non-controlling interests[1]	692.6	683.8
Total capital[2]	**3,027.4**	**1,764.0**
Gearing ratio	**43.7%**	**49.8%**

[1] Represents the excess paid (received) above fair value of non-controlling interests on shares acquired (sold) as long as there is no change in control (IFRS10.23)
[2] Includes all capital and reserves of the Group that are managed as capital

The Group did not hold collateral of any kind at the reporting dates.

39.2 CATEGORIES OF FINANCIAL INSTRUMENTS

AT DECEMBER 31, 2014 IN MILLIONS OF CHF	FINANCIAL ASSETS Loans and receivables	at FVTPL[1]	Subtotal	NON-FINANCIAL ASSETS[2]	TOTAL
Cash and cash equivalents	489.1	23.9	513.0	–	513.0
Trade and credit card receivables	118.7	–	118.7	–	118.7
Other accounts receivable	109.7	0.6	110.3	116.9	227.2
Other non-current assets	73.6	–	73.6	33.0	106.6
Total	**791.1**	**24.5**	**815.6**		

IN MILLIONS OF CHF	FINANCIAL LIABILITIES at amortized cost	at FVTPL[1]	Subtotal	NON-FINANCIAL LIABILITIES[2]	TOTAL
Trade payables	418.3	–	418.3	–	418.3
Financial debt short-term	45.6	–	45.6	–	45.6
Other liabilities	695.9	0.1	696.0	64.2	760.2
Financial debt long-term	2,821.8	–	2,821.8	–	2,821.8
Other non-current liabilities	3.3	–	3.3	–	3.3
Total	**3,984.9**	**0.1**	**3,985.0**		

AT DECEMBER 31, 2013 IN MILLIONS OF CHF	FINANCIAL ASSETS Loans and receivables	at FVTPL[1]	Subtotal	NON-FINANCIAL ASSETS[2]	TOTAL
Cash and cash equivalents	246.4	–	246.4	–	246.4
Trade and credit card receivables	42.8	–	42.8	–	42.8
Other accounts receivable	72.3	1.5	73.8	75.9	149.7
Other non-current assets	54.0	–	54.0	8.1	62.1
Total	**415.5**	**1.5**	**417.0**		

IN MILLIONS OF CHF	FINANCIAL LIABILITIES at amortized cost	at FVTPL[1]	Subtotal	NON-FINANCIAL LIABILITIES[2]	TOTAL
Trade payables	277.9	–	277.9	–	277.9
Financial debt short-term	306.2	–	306.2	–	306.2
Other liabilities	276.5	0.7	277.2	45.9	323.1
Financial debt long-term	1,693.6	–	1,693.6	–	1,693.6
Other non-current liabilities	4.8	–	4.8	0.3	5.1
Total	**2,559.0**	**0.7**	**2,559.7**		

[1] Financial assets and liabilities at fair value through consolidated income statement

[2] Non-financial assets and liabilities comprise prepaid expenses and deferred income, which will not generate a cash outflow or inflow as well as sales tax and other tax positions

39.2.1 Net income by IAS 39 valuation category

Financial Assets at December 31, 2014

IN MILLIONS OF CHF	LOANS AND RECEIVABLES	AT FVTPL	TOTAL
Interest income	4.3	–	4.3
Other finance income	0.4	–	0.4
From interest	**4.7**	**–**	**4.7**
Fair values gain (loss)	–	4.8	4.8
Foreign exchange gain (loss)[1]	137.8	–	137.8
Impairments/allowances[2]	(2.9)	–	(2.9)
Total – from subsequent valuation	**134.9**	**4.8**	**139.7**
Net income	**139.6**	**4.8**	**144.4**

[1] This position includes the foreign exchange gain (loss) recognized on third party and intercompany financial assets and liabilities through consolidated income statement
[2] This position includes the income from the release of impairments and allowances and recoveries during the period less the increase of impairments and allowances and write-offs

Financial Liabilities at December 31, 2014

IN MILLIONS OF CHF	AT AMORTIZED COST	AT FVTPL	TOTAL
Interest expenses	(139.8)	–	(139.8)
Other finance expenses	(11.5)	–	(11.5)
From interest	**(151.3)**	**–**	**(151.3)**
Fair values gain (loss)	–	(1.0)	(1.0)
Foreign exchange gain (loss)[1]	(139.9)	–	(139.9)
Impairments/allowances[2]	–	–	–
Total – from subsequent valuation	**(139.9)**	**(1.0)**	**(140.9)**
Net expense	**(291.2)**	**(1.0)**	**(292.2)**

Financial Assets at December 31, 2013

IN MILLIONS OF CHF	LOANS AND RECEIVABLES	AT FVTPL	TOTAL
Interest income	3.0	–	3.0
Other finance income	0.4	–	0.4
From interest	**3.4**	**–**	**3.4**
Fair values gain (loss)	–	1.5	1.5
Foreign exchange gain (loss)[1]	(11.2)	–	(11.2)
Impairments/allowances[2]	(1.2)	–	(1.2)
Total – from subsequent valuation	(12.4)	1.5	(10.9)
Net income	**(9.0)**	**1.5**	**(7.5)**

Financial Liabilities at December 31, 2013

IN MILLIONS OF CHF	AT AMORTIZED COST	AT FVTPL	TOTAL
Interest expenses	(93.3)	–	(93.3)
Other finance expenses	(2.9)	–	(2.9)
From interest	**(96.2)**	**–**	**(96.2)**
Fair values gain (loss)	–	(1.0)	(1.0)
Foreign exchange gain (loss)[1]	5.3	–	5.3
Impairments / allowances[2]	–	–	–
Total – from subsequent valuation	**5.3**	**(1.0)**	**4.3**
Net income	**(90.9)**	**(1.0)**	**(91.9)**

[1] This position includes the foreign exchange gain (loss) recognized on third party and intercompany financial assets and liabilities through consolidated income statement
[2] This position includes the income from the release of impairments and allowances and recoveries during the period less the increase of impairments and allowances and write-offs

39.3 FINANCIAL RISK MANAGEMENT OBJECTIVES

As a global retailer, Dufry has worldwide activities which need to be financed in different currencies and are consequently affected by fluctuations of foreign exchange and interest rates. The Group treasury manages the financing of the operations through centralized credit facilities to ensure an adequate allocation of these resources and simultaneously minimize the potential currency financial risk impacts.

Dufry continuously monitors the market risk, such as risks related to foreign currency, interest rate, credit, liquidity and capital. The Group seeks to minimize the currency exposure and interest rates risk using appropriate transaction structures or alternatively, using derivative financial instruments to hedge the exposure to these risks. The treasury policy forbids entering or trading financial instruments for speculative purposes.

39.4 MARKET RISK

Dufry's financial assets and liabilities are mainly exposed to market risk in foreign currency exchange and interest rates. The Group's objective is to minimize the consolidated income statement impact and to reduce fluctuations in cash flows through structuring the respective transactions to minimize market risks. In cases, where the associated risk cannot be hedged appropriately through a transaction structure, and the evaluation of market risks indicates a material exposure, the Group may use financial instruments to hedge the respective exposure.

The Group may enter into a variety of financial instruments to manage its exposure to foreign currency risk, including forward foreign exchange contracts, currency swaps and over the counter plain vanilla options.

During the current financial year the Group utilized foreign currency forward contracts and options for hedging purposes.

39.5 FOREIGN CURRENCY RISK MANAGEMENT

Dufry manages the cash flow surplus or deficits in foreign currency of the operations through FX-transactions in the respective local currency. Major imbalances in foreign currencies at Group level are hedged through foreign exchange forwards contracts. The terms of the foreign currency forward contracts have been negotiated to match the terms of the forecasted transactions.

39.5.1 Foreign currency sensitivity analysis

Among various methodologies to analyze and manage risk, Dufry utilizes a system based on sensitivity analysis. This tool enables Group Treasury to identify the level of risk of each entity. Sensitivity analysis provides an approximate quantification of the exposure in the event that certain specified parameters were to be met under a specific set of assumptions.

Foreign Currency Exposure:

IN MILLIONS OF CHF	USD	EURO	BRL	OTHER	TOTAL
DECEMBER 31, 2014					
Monetary assets	1,253.6	1,427.7	44.3	275.5	3,001.1
Monetary liabilities	2,317.8	1,562.3	72.2	163.4	4,115.7
Net exposure before hedging	**(1,064.2)**	**(134.6)**	**(27.9)**	**112.1**	**(1,114.6)**
Hedging	922.0	–	–	(79.1)	842.9
Net exposure after hedging	**(142.2)**	**(134.6)**	**(27.9)**	**33.0**	**(271.7)**
DECEMBER 31, 2013					
Monetary assets	191.5	698.6	18.2	69.2	977.5
Monetary liabilities	989.4	723.7	43.4	92.9	1,849.4
Net exposure before hedging	**(797.9)**	**(25.1)**	**(25.2)**	**(23.7)**	**(871.9)**
Hedging	824.3	–	–	–	824.3
Net exposure after hedging	**26.4**	**(25.1)**	**(25.2)**	**(23.7)**	**(47.6)**

The sensitivity analysis includes all monetary assets and liabilities irrespective of whether the positions are third party or intercompany. Dufry has considered some intercompany long-term loans as net investment in foreign operations (IAS 21, paragraph 15). Consequently, the related exchange differences are presented in other comprehensive income and therafter as translation reserve in equity.

The foreign exchange rate sensitivity is calculated by aggregation of the net foreign exchange rate exposure of the Group entities at December 31 of the respective year. The values and risk disclosed here are the hedged and not hedged positions assuming a 5 % appreciation of the CHF against all other currencies.

A positive result indicates a profit, before tax in the consolidated income statement or in the hedging and revaluation reserves when the CHF strengthens against the relevant currency.

IN MILLIONS OF CHF	31.12.2014	31.12.2013
Effect on the Income Statement – profit (loss) of USD	7.2	(1.3)
Other comprehensive income – profit (loss) of USD	46.0	41.2
Effect on the Income Statement – profit (loss) of EUR	6.7	1.3

Reconciliation to categories of financial instruments:

IN MILLIONS OF CHF	31.12.2014	31.12.2013
FINANCIAL ASSETS		
Total financial assets held in foreign currencies (see above)	3,001.1	977.5
less intercompany financial assets in foreign currencies	(2,758.6)	(882.9)
Third party financial assets held in foreign currencies	242.5	94.6
Third party financial assets held in reporting currencies	573.1	322.4
Total third party financial assets[1]	**815.6**	**417.0**
FINANCIAL LIABILITIES		
Total financial liabilities held in foreign currencies (see above)	4,115.7	1,849.4
less intercompany financial liabilities in foreign currencies	(2,057.9)	(124.9)
Third party financial liabilities held in foreign currencies	2,057.8	1,724.5
Third party financial liabilities held in reporting currencies	1,927.2	835.2
Total third party financial liabilities[1]	**3,985.0**	**2,559.7**

[1] See note 39.2 Categories of financial instruments

39.5.2 Forward foreign exchange contracts and foreign exchange options at fair value

As the management of the company actively pursues to naturally hedge the positions in each operation, the policy of the Group is to enter into foreign exchange forward and options contracts only where needed.

The following table shows the contracts or underlying principal amounts and fair values of derivative financial instruments. Contracts or underlying principal amounts indicate the volume of business outstanding at the balance sheet date. The fair values are determined by reference to market prices or standard pricing models that used observable market inputs at December 31 of each year.

IN MILLIONS OF CHF	CONTRACT OR UNDERLYING PRINCIPAL AMOUNT	POSITIVE FAIR VALUES	NEGATIVE FAIR VALUES
December 31, 2014	13.1	0.6	0.1
December 31, 2013	59.5	1.5	0.7

39.6 INTEREST RATE RISK MANAGEMENT

The Group manages the interest rate risk through interest rate swaps and options to the extent that the hedging cannot be implemented through managing the duration of the debt drawings. The levels of the hedging activities are evaluated regularly and may be adjusted in order to reflect the development of the various parameters. The Group did not utilize interest rate swap contracts during 2013 or 2014.

39.6.1 Interest rate sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to interest rates derivatives and non-derivative instruments at the reporting date. The risk analysis provided here assumes a simultaneous increase of 100 basis points of the interest rate of all interest bearing financial positions.

If interest rates had been 100 basis points higher whereas all other variables were held constant, the Group's net earnings for the year 2014 would decrease by CHF 15.9 (2013: CHF 10.1) million.

39.6.2 Allocation of financial assets and liabilities to interest classes

AT DECEMBER 31, 2014	average variable interest rate (IN %)	average fixed interest rate (IN %)	Variable interest rate (IN MILLIONS OF CHF)	Fixed interest rate	Total interest bearing	Non-interest bearing	Total
Cash and cash equivalents	0.0%	0.3%	400.4	41.5	441.9	71.1	513.0
Trade and credit card receivables			–	–	–	118.7	118.7
Other accounts receivable	0.0%		10.1	–	10.1	100.2	110.3
Other non-current assets	3.2%	1.1%	8.4	25.8	34.2	39.4	73.6
Financial assets			**418.9**	**67.3**	**486.2**	**329.4**	**815.6**
Trade payables			–	–	–	418.4	418.4
Financial debt, short-term	3.0%	3.0%	40.5	4.7	45.2	0.4	45.6
Other liabilities		1.8%	–	0.1	0.1	695.9	696.0
Financial debt, long-term	2.1%	5.0%	1,738.2	1,083.5	2,821.7	–	2,821.7
Other non-current liabilities			–	–	–	3.3	3.3
Financial liabilities			**1,778.7**	**1,088.3**	**2,867.0**	**1,118.0**	**3,985.0**
Net financial liabilities			**1,359.8**	**1,021.0**	**2,380.8**	**788.6**	**3,169.4**

AT DECEMBER 31, 2013	average variable interest rate (IN %)	average fixed interest rate (IN %)	Variable interest rate (IN MILLIONS OF CHF)	Fixed interest rate	Total interest bearing	Non-interest bearing	Total
Cash and cash equivalents	1.9%	0.5%	204.1	0.5	204.6	41.8	246.4
Trade and credit card receivables			–	–	–	42.8	42.8
Other accounts receivable			–	–	–	73.8	73.8
Other non-current assets	5.7%	0.5%	13.3	0.8	14.1	39.9	54.0
Financial assets			**217.4**	**1.3**	**218.7**	**198.3**	**417.0**
Trade payables			–	–	–	277.9	277.9
Financial debt, short-term	3.1%	5.7%	301.4	3.5	304.9	1.3	306.2
Other liabilities			–	–	–	277.2	277.2
Financial debt, long-term	3.0%	5.5%	1,253.4	440.2	1,693.6	–	1,693.6
Other non-current liabilities			–	–	–	4.8	4.8
Financial liabilities			**1,554.8**	**443.7**	**1,998.5**	**561.2**	**2,559.7**
Net financial liabilities			**1,337.4**	**442.4**	**1,779.8**	**362.9**	**2,142.7**

39.7 CREDIT RISK MANAGEMENT

Credit risk refers to the risk that counterparty may default on its contractual obligations resulting in financial loss to the Group.

Almost all Groups' sales are retail sales made against cash or internationally recognized credit/debit cards. Dufry has policies in place to ensure that other sales are only made to customers with an appropriate credit history or that the credit risk is insured adequately. The remaining credit risk is in relation to taxes, refunds from suppliers and guarantee deposits.

The credit risk on cash deposits or derivative financial instruments relates to banks or financial institutions. The Group monitors the credit ranking of these institutions and does not expect defaults from non-performance of these counterparties.

39.7.1 Maximum credit risk

The carrying amount of financial assets recorded in the financial statements, after deduction of any allowances for losses, represents the Group's maximum exposure to credit risk.

39.8 LIQUIDITY RISK MANAGEMENT

The Group evaluates this risk as the ability to settle its financial liabilities on time and at a reasonable price. Beside its capability to generate cash through its operations, Dufry mitigates liquidity risk by keeping unused credit facilities with financial institutions (see note 32).

39.8.1 Remaining maturities for non-derivative financial assets and liabilities

The following tables have been drawn up based on the undiscounted cash flows of financial assets and liabilities (based on the earliest date on which the Group can receive or be required to pay). The tables include principal and interest cash flows.

AT DECEMBER 31, 2014

IN MILLIONS OF CHF	1–6 MONTHS	6–12 MONTHS	1–2 YEARS	MORE THAN 2 YEARS	TOTAL
Cash and cash equivalents	513.6	–	–	–	513.6
Trade and credit card receivables	117.8	0.9	–	–	118.7
Other accounts receivable	109.6	0.1	–	–	109.7
Other non-current assets	0.8	0.9	4.5	76.6	82.8
Total cash inflows	**741.7**	**1.9**	**4.5**	**76.6**	**824.8**
Trade payables	418.1	0.2	–	–	418.3
Financial debt, short-term	47.1	2.3	–	–	49.4
Other liabilities	695.0	0.9	–	–	695.9
Financial debt, long-term	46.9	46.3	152.4	3,195.0	3,440.6
Other non-current liabilities	–	–	–	3.3	3.3
Total cash outflows	**1,207.1**	**49.7**	**152.4**	**3,198.3**	**4,607.5**

AT DECEMBER 31, 2013

IN MILLIONS OF CHF	1–6 MONTHS	6–12 MONTHS	1–2 YEARS	MORE THAN 2 YEARS	TOTAL
Cash and cash equivalents	246.4	–	–	–	246.4
Trade and credit card receivables	42.7	0.1	–	–	42.8
Other accounts receivable	72.1	0.3	–	–	72.4
Other non-current assets	–	0.5	–	54.0	54.5
Total cash inflows	**361.2**	**0.9**	**–**	**54.0**	**416.1**
Trade payables	278.0	–	–	–	278.0
Financial debt, short-term	47.4	271.3	–	–	318.7
Other liabilities	273.7	1.2	–	0.1	275.0
Financial debt, long-term	80.1	19.9	308.6	1'520.6	1,929.2
Other non-current liabilities	–	–	–	4.8	4.8
Total cash outflows	**679.2**	**292.4**	**308.6**	**1,525.5**	**2,805.7**

39.8.2 Remaining maturities for derivative financial instruments

The Group has derivative financial instruments at year-end of net CHF 0.5 million with maturities below 6 month.

39.9 OTHER FINANCIAL ASSETS AND LIABILITIES

In 2014, Dufry acquired 6 % of the shares of Dufry Cyprus (II) Ltd, the holding company of Hellenic Duty Free Shops SA, after the execution of a third party call option on these shares. The transaction was structured as a net cash settlement deal.

39.10 OFFSETTING FINANCIAL ASSETS AND FINANCIAL LIABILITIES

Dufry's notional cash pool is operated by a major finance institute. The respective balances at the end of the period have been set-off as follows, based on enforceable master netting agreement:

IN MILLIONS OF CHF	BALANCE BEFORE GLOBAL POOLING	SET-OFF	NET BALANCE
31.12.2014			
Cash and cash equivalents	848.5	(335.5)	513.0
Financial debt, short-term	381.1	(335.5)	45.6
31.12.2013			
Cash and cash equivalents	525.8	(279.4)	246.4
Financial debt, short-term	585.6	(279.4)	306.2

40. EVENTS AFTER REPORTING DATE

In connection with the acquisition of The Nuance Group, Dufry made a sale / purchase offer to partners of affiliated companies in the United States of America based on change of control clauses of the respective bylaws. On December 12, 2014, such partners informed Dufry of their intention to buy the shares of Nuance Group (Orlando) LLC, as well as the shares of Broward Duty Free LLC for a total consideration for both transactions of USD 30.0 million. The transactions are expected to be completed in the first quarter of 2015 (see note 11).

On December 17, 2014, Dufry signed an extension on the call / put option to buy 20 % of the equity of Dufry Lojas Francas (DLF) in Brazil until February 2015. This option was finally exercised on January 28, 2015. For further information about this option see note 29.3.

MOST IMPORTANT SUBSIDIARIES

H = HOLDING R = RETAIL D = DISTRIBUTION CENTER

AS OF DECEMBER 31, 2014	LOCATION	COUNTRY	TYPE	OWNERSHIP IN %	SHARE CAPITAL IN THOUSANDS	CURRENCY
HEADQUARTERS						
Dufry International AG	Basel	Switzerland	H	100	1,000	CHF
Dufry Management AG	Basel	Switzerland	H	100	100	CHF
Dufry Holdings & Investments AG	Basel	Switzerland	H	100	1,000	CHF
Dufry Financial Services B.V.	Amsterdam	Netherlands	H	100	0	EUR
EMEA & ASIA						
ADF Shops CJSC	Yerevan	Armenia	R	100	553,834	AMD
Dufry Cambodia Ltd	Phnom Pen	Cambodia	R	80	1,231	USD
Dufry (Shanghai) Commercial Co., Ltd	Shanghai	China	R	100	19,497	CNY
Dufry CE sro	Prague	Czech Republic	R	51	21,370	CZK
Sovenex SAS	Fort-de-France	France	R	100	40	EUR
Dufry France SA	Nice	France	R	100	5,800	EUR
Hellenic Duty Free Shops S.A.	Athens	Greece	R	100	397,535	EUR
PT Dufrindo International	Bali	Indonesia	R	100	62	USD
Dufrital SpA	Milan	Italy	R	60	258	EUR
Dufry Maroc SARL	Casablanca	Morocco	R	80	2,500	MAD
Dufry East OOO	Moscow	Russia	R	100	712	USD
Regstaer Ltd	Moscow	Russia	R	51	3,991	EUR
Dufry Moscow Sheremetyevo	Moscow	Russia	R	90	420	USD
Dufry D.O.O.	Belgrade	Serbia	R	100	693,078	RSD
Dufry Thomas Julie Korea Co. Ltd	Busan	South Korea	R	70	100,000	KRW
Dufry Basel-Mulhouse AG	Basel	Switzerland	R	100	100	CHF
Dufry Sharjah FZC	Sharjah	U. Arab. Emirates	R	51	2,054	AED
AMERICA I						
Interbaires SA	Buenos Aires	Argentina	R	100	306	USD
Dufry Aruba N.V.	Oranjestad	Aruba	R	80	1,900	USD
DFC Ltd - Barbados	Barbados	Barbados	R	60	5,000	USD
Inversiones Tunc, SA	Santo Domingo	Dominican Republic	R	100	0	USD
Inversiones Pánamo, SA	Santo Domingo	Dominican Republic	R	100	0	USD
Dufry Mexico SA de CV	Mexico City	Mexico	R	100	27,429	USD
Dufry Yucatan SA de CV	Mexico City	Mexico	R	100	1,141	USD
Alliance Duty Free, Inc.	San Juan	Puerto Rico	R	100	2,213	USD
Colombian Emeralds Int. Ltd	Castries	St. Lucia	R	100	50	USD
Dufry Trinidad Ltd	Port of Spain	Trinidad and Tobago	R	60	392	USD
Navinten SA	Montevideo	Uruguay	R	100	126	USD
Flagship Retail Services Inc	Miami	USA	R	100	0	USD
AMERICA II						
Dufry Brasil Duty Free Shop Ltda	Rio de Janeiro	Brazil	R	100	3,175	USD
Dufry Lojas Francas Ltda	Sao Paulo	Brazil	R	60	99,745	USD

AS OF DECEMBER 31, 2014	LOCATION	COUNTRY	TYPE	OWNERSHIP IN %	SHARE CAPITAL IN THOUSANDS	CURRENCY
UNITED STATES & CANADA						
Hudson Group Canada Inc	Vancouver	Canada	R	100	0	CAD
Dufry O'Hare T5 JV	Chicago	USA	R	80	0	USD
Hudson-JRE Midway JV	Chicago	USA	R	70	0	USD
HG-Multiplex-Regali Dallas JV	Dallas	USA	R	75	0	USD
National Air Ventures	Dallas	USA	R	70	0	USD
HG Denver JV	Denver	USA	R	76	0	USD
AMS of South Florida JV	Fort Lauderdale	USA	R	62	0	USD
Dufry Houston Duty Free and Retail Partnership	Houston	USA	R	100	1	USD
AMS Hudson Las Vegas JV	Las Vegas	USA	R	73	0	USD
HG Magic Concourse TBIT	Los Angeles	USA	R	70	0	USD
Hudson-Magic Johnson Ent. CV LLC	Los Angeles	USA	R	91	0	USD
LAX Retail Magic 2 JV	Los Angeles	USA	R	80	0	USD
LAX Retail Magic 3-4 JV	Los Angeles	USA	R	82	0	USD
AMS-Olympic Nashville JV	Nashville	USA	R	83	0	USD
Hudson Group (HG) Retail, LLC	New Jersey	USA	H/R	100	0	USD
New Orleans Air Ventures II	New Orleans	USA	R	85	0	USD
Airport Management Services LLC	New York	USA	H/R	100	0	USD
JFK Air Ventures II JV	New York	USA	R	80	0	USD
HG-KCGI-TEI JFK T8 JV	New York	USA	R	85	0	USD
Hudson-NIA JFK T1 JV	New York	USA	R	90	0	USD
Hudson-Retail NEU LaGuardia JV	New York	USA	R	80	0	USD
Hudson-Keelee JFK 7 JV	New York	USA	R	83	0	USD
Dufry Newark Inc	Newark	USA	R	100	1,501	USD
AMS-BW Newark JV	Newark	USA	R	70	0	USD
Seattle Air Ventures	Olympia	USA	R	75	0	USD
Dufry Seattle JV	Seattle	USA	R	88	0	USD
Hudson News O'Hare JV	Springfield	USA	R	70	0	USD
HG St Louis JV	St. Louis	USA	R	70	0	USD
HG National JV	Washington	USA	R	70	0	USD
NUANCE BUSINESS						
Nuance Group (Canada) Inc.	Toronto	Canada	R	100	13,260	CAD
Nuance Group (HK) Ltd	Hong Kong	China	R	100	0	HKD
Nuance-Watson (Macau) Ltd	Macau	China	R	100	49	HKD
Nuance Group (India) Pvt. Ltd	Bangalore	India	R	50	828,200	INR
Nuance Group Fashion & Luxury Duty Free Pvt. Ltd	Mumbai	India	R	50	100	INR
Nuance Group (Malta) Ltd	Malta	Malta	R	52	2,796	EUR
Lenrianta CSJC	St. Petersburg	Russia	R	80	315	EUR
Nuance Group (Sverige) AB	Stockholm	Sweden	R	100	100	SEK
Nuance Group AG	Zürich	Switzerland	H/R	100	89,100	CHF
Net Magaza Isletm. ve Ticaret A.S.	Antalya	Turkey	R	100	3,886	EUR
Nuance Group (UK) Ltd	Southampton	United Kingdom	R	100	50	GBP
Nuance Group Las Vegas Partnership	Las Vegas	USA	R	73	850	USD
Nuance Group (Australia) Pty Ltd	Sydney	Australia	R	100	210,000	AUD
GLOBAL DISTRIBUTION CENTERS						
Dufry Travel Retail AG	Basel	Switzerland	D	100	5,000	CHF
International Operation & Services Corp.	Montevideo	Uruguay	D	100	50	USD
Dufry America Services, Inc.	Miami	USA	D	100	398	USD

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To the General Meeting of

Dufry AG, Basel

Basel, 4 March 2015

Report of the statutory auditor on the consolidated financial statements

As statutory auditor, we have audited the consolidated financial statements of Dufry AG, which comprise the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of financial position, consolidated statement of changes in equity, consolidated statement of cash flows and notes (pages 68 to 143), for the year ended 31 December 2014.

Board of Directors' responsibility
The Board of Directors is responsible for the preparation of these consolidated financial statements in accordance with International Financial Reporting Standards (IFRS) and the requirements of Swiss law. This responsibility includes designing, implementing and maintaining an internal control system relevant to the preparation of consolidated 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 consolidated financial statements based on our audit. We conducted our audit in accordance with Swiss law and Swiss Auditing Standards and International Standards on Auditing. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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 consolidated financial statements for the year ended 31 December 2014 give a true and fair view of the financial position, the results of operations and the cash flows in accordance with IFRS and comply with Swiss law.

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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 paragraph 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 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 Ltd

Patrick Fawer	Olaf Reich
Licensed audit expert	Licensed audit expert
(Auditor in charge)	

INCOME STATEMENT

FOR THE YEAR ENDED DECEMBER 31, 2014

IN THOUSANDS OF CHF	2014	2013
Dividend income	30,000	34,150
Financial income	9,795	7,073
Management and franchise fee income	8,867	11,000
Total income	**48,662**	**52,223**
Personnel expenses	7,731	17,690
General and administrative expenses	4,039	3,531
Management and franchise fee expenses	13,704	11,064
Amortization of intangibles	5,755	5,755
Financial expenses	421	607
Expenses related with capital increase	29,297	–
Taxes	3,181	775
Total expenses	**64,128**	**39,422**
Net result (loss)	**(15,466)**	**12,801**

STATEMENT OF FINANCIAL POSITION

AT DECEMBER 31, 2014

IN THOUSANDS OF CHF	NOTE	31.12.2014	31.12.2013
ASSETS			
Cash and cash equivalents		730	23,866
Marketable securities	4	14,100	18,444
Accounts receivables, intercompany		1,748	41,086
Accounts receivables, third party		118	46
Loan receivables Dufry International AG		373,000	320,000
Other accounts receivables		14	–
Current assets		**389,710**	**403,442**
Investments	1	1,892,671	1,082,671
Intangible assets		87,761	93,515
Non-current assets		**1,980,432**	**1,176,186**
Total assets		**2,370,142**	**1,579,628**
LIABILITIES AND SHAREHOLDERS' EQUITY			
Accounts payables, intercompany		10,665	9,203
Accounts payables, related party		746	647
Accounts payables, third party		942	522
Bank debt		6,811	517
Other accounts payables		11,093	23,388
Current liabilities		**30,257**	**34,277**
Total liabilities		**30,257**	**34,277**
Share capital	3	179,525	154,525
Legal reserves:			
Share premium (capital contribution reserves)	3	2,030,305	1,245,305
General reserves		5,927	5,927
Reserve for treasury shares		14,276	18,108
Available earnings	10	109,852	121,486
Shareholders' equity		**2,339,885**	**1,545,351**
Total liabilities and shareholders' equity		**2,370,142**	**1,579,628**

NOTES TO THE FINANCIAL STATEMENTS

1. SIGNIFICANT INVESTMENTS

SUBSIDIARY IN THOUSANDS OF CHF	PARTICIPATION	BOOK VALUE 2014	2013	SHARE CAPITAL 2014	2013
Dufry International AG, Switzerland	100 %	1,162,896	352,896	1,000	1,000
Dufry Management AG, Switzerland	100 %	100	100	100	100
Dufry Corporate AG, Switzerland	100 %	100	100	100	100
Dufry Holdings & Investments AG, Switzerland	100 %	729,575	729,575	1,000	1,000
Total		**1,892,671**	**1,082,671**		

2. SIGNIFICANT SHAREHOLDERS' PARTICIPATION

IN PERCENTAGE (%)	31.12.2014	31.12.2013
Group of shareholders consisting of various companies and legal entities representing the interests of Andrés Holzer Neumann, Julián Díaz González, Juan Carlos Torres Carretero, Dimitrios Koutsolioutsos, James S. Cohen, Nucleo Capital Co-Investment Fund I Ltd. and James S. Cohen Family Dynasty Trust	26.80 %	22.24 %
Credit Suisse Group	7.10 %	
Group of shareholders represented by Tarpon Gestora de Recursos S.A.	3.13 %	4.81 %
T. Rowe Price Associates, Inc.	3.01 %	
Franklin Resources, Inc.		5.08 %
Norges Bank (the Central Bank of Norway)		3.01 %

3. SHARE CAPITAL

3.1. ORDINARY SHARES

IN THOUSANDS OF CHF	NUMBER OF SHARES	SHARE CAPITAL	SHARE PREMIUM [1]
Balance at January 1, 2013	29,673,823	148,369	1,245,305
Issue of shares	1,231,233	6,156	0
Balance at December 31, 2013	**30,905,056**	**154,525**	**1,245,305**
Issue of shares	5,000,000	25,000	785,000
Balance at December 31, 2014	**35,905,056**	**179,525**	**2,030,305**

[1] The amount of the share premium (capital contribution reserve) is subject to a formal confirmation by the Swiss tax authorities. As of 31 December 2014, CHF 1,245,305 of the total amount disclosed are recognized by the Swiss federal tax authorities (2013: CHF 1,243,305). Once the capital contribution reserves are authorized by the Swiss tax authorities, any dividend distribution made out of the recognized part of the capital contribution reserve is neither subject to Swiss withholding tax nor subject to income tax on individual shareholders resident in Switzerland.

On June 26, 2014 the Extraordinary General Meeting approved the increase of the share capital of Dufry from CHF 154,525,280 by up to CHF 27,269,160 to a maximum amount of up to CHF 181,794,440 through the issuance of fully paid-in new registered shares with a par value of CHF 5 each.

On July 8, 2014, Dufry AG issued 5,000,000 new registered shares representing 14% additional shares. The price obtained during the public offering was CHF 162.00 per share. During the rights offering, 3,623,976 shares were subscribed by existing shareholders, while 1,376,024 shares were purchased by third party investors resulting in a gross proceeds of CHF 810.0 million. The trading of the shares commenced on July 9, 2014. The share issuance costs related with this transaction of CHF 29.3 million have been expensed.

3.2. AUTHORIZED SHARE CAPITAL

IN THOUSANDS OF	SHARES	CHF
Balance at January 1, 2013	2,697.6	13,488
Utilization December 13, 2013	(1,231.2)	(6,156)
Balance at December 31, 2013	**1,466.4**	**7,332**
Expiration May 2, 2014	(1,466.4)	(7,332)
Balance at December 31, 2014	**–**	**–**

On December 13, 2013, Dufry AG utilized part of its authorized share capital and placed 1,231,233 new registered shares representing 3.98% of the total shares. The shares were issued as partial payment for the acquisition of the remaining 49% of Hellenic Duty Free Shops. The share issuance costs related with this transaction of CHF 0.1 million have been expensed.

3.3. CONDITIONAL SHARE CAPITAL

IN THOUSANDS OF	SHARES	CHF
Balance at January 1, 2013	2,697.6	13,488
Balance at December 31, 2013	2,697.6	13,488
Balance at December 31, 2014	**2,697.6**	**13,488**

Dufry issued CHF 275.0 million Mandatory Convertible Notes (MCN) due June 18, 2015 convertible into ordinary registered shares of Dufry. The notes were issued by Dufry Financial Services B.V. Dufry will issue the shares out of the conditional share capital.

The Mandatory Convertible Notes were issued at 100 % of the principal amount in denominations of CHF 200,000 per note. The MCN will be convertible into fully paid ordinary shares of Dufry at maturity unless earlier converted at the option of the MCN holders or the issuer or upon the occurrence of specified special events in accordance with the terms and conditions of the MCN. The MCN pay a coupon of 2.0 % per annum and the conversion price is set at CHF 152, corresponding to 1,809,210 shares. The net proceeds from the MCN issue amounted to CHF 268.3 million after deducting transaction expenses of CHF 6.7 million.

4. TREASURY SHARES

IN THOUSANDS OF	SHARES	CHF
At January 1, 2013	**338.1**	**40,537**
Assigned to holders of RSU- awards 2012	(334.9)	(40,261)
Share purchases	117.1	17,721
Revaluation	–	447
At December 31, 2013	**120.3**	**18,444**
Assigned to holders of RSU- awards 2013	(117.1)	(18,327)
Share purchases	340.1	54,102
Share sales	(249.1)	(40,303)
Revaluation	–	183
At December 31, 2014	**94.2**	**14,100**

5. ENTERPRISE RISK MANAGEMENT

In accordance with the article 663b of the Swiss Code of Obligations, the Board of Directors of Dufry AG reviewed and assessed the risk areas of the Group and where necessary, updated the key controls performed to ensure an adequate risk monitoring.

6. PLEDGED ASSETS

In 2014 and 2013, Dufry AG had no pledged assets.

7. GUARANTEE COMMITMENT REGARDING SWISS VALUE ADDED TAX (VAT)

The following companies form a tax group for the Swiss Federal Tax Administration – Main division VAT:

- DUFRY International AG
- DUFRY Travel Retail AG
- DUFRY Samnaun AG
- DUFRY Participations AG
- DUFRY Russia Holding AG
- DUFRY Trading AG
- DUFRY Basel Mulhouse AG
- DUFRY Management AG
- DUFRY Corporate AG
- DUFRY Holdings & Investments AG
- DUFRY AG
- DUFRY Altay AG

8. CONTINGENT LIABILITES

Dufry AG jointly and severally with Dufry Holdings & Investments AG, Dufry International AG and Hudson Group (HG), Inc., guaranteed the following credit facilities:

	31.12.14		31.12.13	
IN MILLION	FOREIGN CURRENCY	CHF	FOREIGN CURRENCY	CHF
Committed 5-year term loan in EUR	500.0	601.4	500.0	612.5
Committed 5-year term loan in USD	1,010.0	1,003.8	1,000.0	888.6
5-year revolving credit facility in CHF		900.0		650.0
Senior notes in USD	500.0	497.0	500.0	444.3
Total		**3,002.2**		**2,595.4**

Dufry AG jointly and severally with Dufry Holdings & Investments AG, Dufry International AG, Hudson Group (HG), Inc. and Dufry Financial Services B.V. guaranteed the following credit facility:

	31.12.14		31.12.13	
IN MILLION	FOREIGN CURRENCY	CHF	FOREIGN CURRENCY	CHF
Senior notes in EUR	500.0	601.4	–	–
Committed 5-year term guarantee in EUR	250.0	300.7	–	–
Total		**902.1**		**–**

From the above mentioned contingent liabilities of CHF 3,904.3 (2013: 2,595.4) million, the participating companies have drawn as of December 31, 2014 CHF 2,041.1 (2013: 1,542.6) million in form of cash.

9. PARTICIPATIONS OF THE MEMBERS OF THE BOARD OF DIRECTORS AND THE GROUP EXECUTIVE COMMITTEE IN DUFRY AG

The following members of the Board of Directors or of the Group Executive Committee of Dufry AG (including related parties) hold directly or indirectly shares or share options of the Company as at December 31, 2014 or December 31, 2013:

		DECEMBER 31, 2014			DECEMBER 31, 2013	
IN THOUSANDS	Shares	Financial instruments[1]	Particip.	Shares	Financial instruments[1]	Particip.
MEMBERS OF THE BOARD OF DIRECTORS						
Juan Carlos Torres Carretero, Chairman	743.0	164.4	2.53 %	540.0	–	1.75 %
Andrés Holzer Neumann, Vice-Chairman	3,708.8	468.2	11.63 %	3,294.6	–	10.66 %
Jorge Born, Director	–	30.9[2]	0.09 %	–	–	0.00 %
James S. Cohen, Director	2,089.0	93.4	6.08 %	1,506.7	–	4.88 %
Julian Diaz Gonzalez, Director and CEO	286.9	43.8	0.92 %	210.3	10.8	0.72 %
George Koutsolioutsos, Director[3]	1,536.1	272.3	5.04%	–	–	0.00 %
Joaquin Moya-Angeler Cabrera, Director	6.0	–	0.02 %	6.0	–	0.02 %
Total Board of Directors	**8,369.8**	**1'073.0**	**26.31 %**	**5,557.6**	**10.8**	**18.02 %**
MEMBERS OF THE GROUP EXECUTIVE COMMITTEE						
Julián Díaz Gonzalez, CEO	286.9	43.8	0.92 %	210.3	10.8	0.72 %
Andreas Schneiter, CFO	6.1	–	0.02 %	3.6	2.5	0.02 %
Jose Antonio Gea, GCOO	4.1	–	0.01 %	3.0	6.5	0.03 %
Pascal Duclos, General Counsel	–	–	0.00 %	–	4.7	0.02 %
Luis Marin, CCO[4]	1.5	–	0.00 %	–	–	0.00 %
Xavier Rossinyol, COO Region EMEA & Asia	27.0	–	0.08 %	20.4	6.6	0.09 %
Rene Riedi, COO America I	–	–	0.00 %	–	2.3	0.01 %
Jose C. Rosa, COO America II	4.6[5]	–	0.01 %	–	2.2	0.01 %
Joseph Didomizio, COO United States & Canada	9.5	–	0.03 %	9.5	5.2	0.05 %
Total Group Executive Committee	**339.7**	**43.8**	**1.07 %**	**246.8**	**40.8**	**0.93 %**

[1] The detailed terms of the various financial instruments disclosed below are as disclosed to the SIX Swiss Exchange and published on November 26, 2014.

[2] European Capped Calls on 30,940 shares of Dufry AG. The transaction is devided into 5 tranches of 6,188 shares each, which expire on 29.07.2019, 30.07.2019, 31.07.2019, 04.08.2019, and 05.08.2019, respectively. Each tranche is automatically exercised, and the differences are to be cash settled. The strike price for each option is CHF 160, and the cap is CHF 260 per option.

[3] Director as of April 29, 2014.

[4] Member as of January 1, 2014.

[5] Includes 4.5 shares and 0.1 BDRs.

In addition to the above, the shareholders' group consisting of different legal entities controlled by Andrés Holzer Neumann, Juan Carlos Torres, Julían Díaz González, James S. Cohen, James S. Cohen Family Dynasty Trust and Dimitrios Koutsolioutsos holds sale positions of 10.80 % through options (3,877,480 voting rights).

The detailed terms of these financial instruments are as disclosed to the SIX Swiss Exchange and published on November 26, 2014.

Disclosure notices are available on the SIX Swiss Exchange website:

http://www.six-swiss-exchange.com/shares/companies/major_shareholders_de.html

10. APPROPRIATION OF AVAILABLE EARNINGS

IN THOUSANDS OF CHF	2014	2013
Retained earnings	121,486	77,207
Movement in reserves for treasury shares	3,832	23,497
Reclassification from share premium	–	7,981
Net result (loss) for the year	(15,466)	12,801
Available earnings at December 31	**109,852**	**121,486**
To be carried forward	**109,852**	**121,486**

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To the General Meeting of

Dufry AG, Basel

Basel, 4 March 2015

Report of the statutory auditor on the financial statements

As statutory auditor, we have audited the financial statements of Dufry AG, which comprise the balance sheet, income statement and notes (pages 146 to 153), for the year ended 31 December 2014.

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 2014 comply with Swiss law and the company's articles of incorporation.

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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 paragraph 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 Ltd

Patrick Fawer	Olaf Reich
Licensed audit expert	Licensed audit expert
(Auditor in charge)	

The financial reports are available under:

http://www.dufry.com/en/Investors/FinancialReports/index.htm

For the Investor Relations and Corporate Communications contacts as well as a summary of anticipated key dates in 2015 please refer to pages 186/187 of this Annual Report.