



DUFRY ANNUAL REPORT 2014



ANNUAL REPORT 2014

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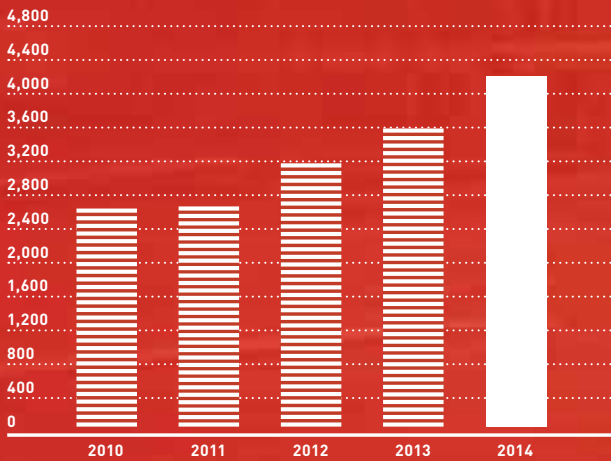
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DUFYR AT A GLANCE

TURNOVER

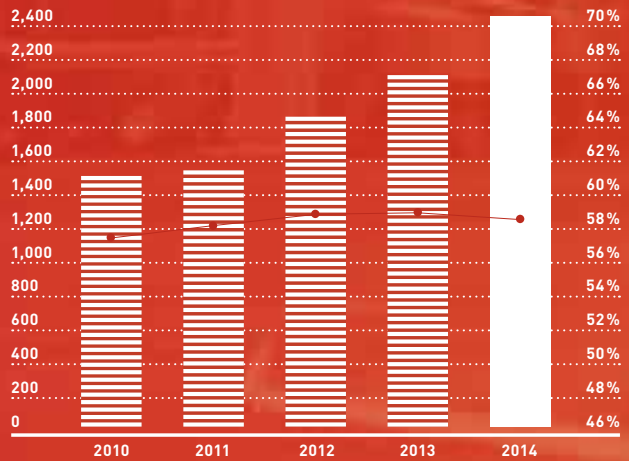
IN MILLIONS OF CHF



GROSS PROFIT

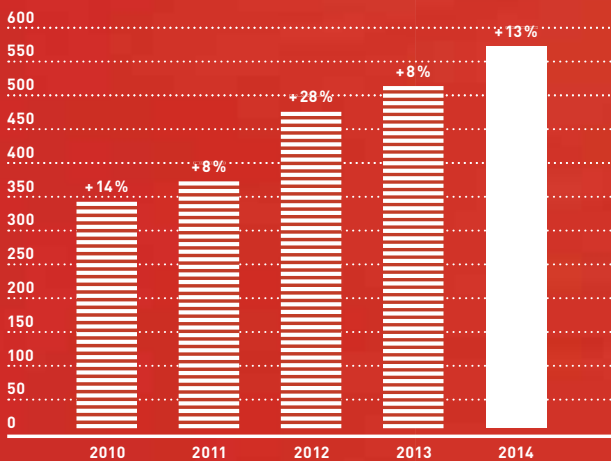
IN MILLIONS OF CHF

MARGIN



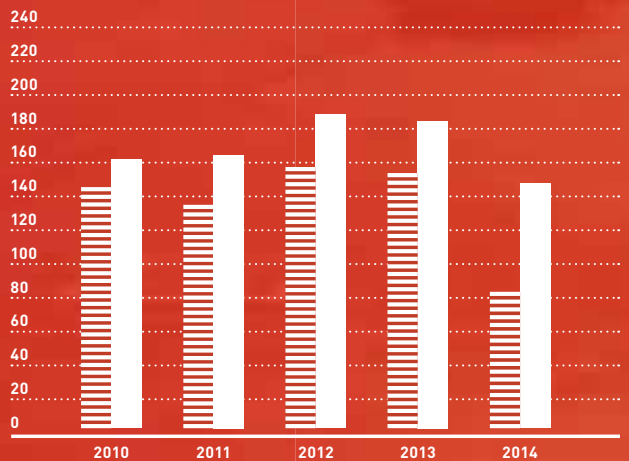
EBITDA¹

IN MILLIONS OF CHF



NET EARNINGS

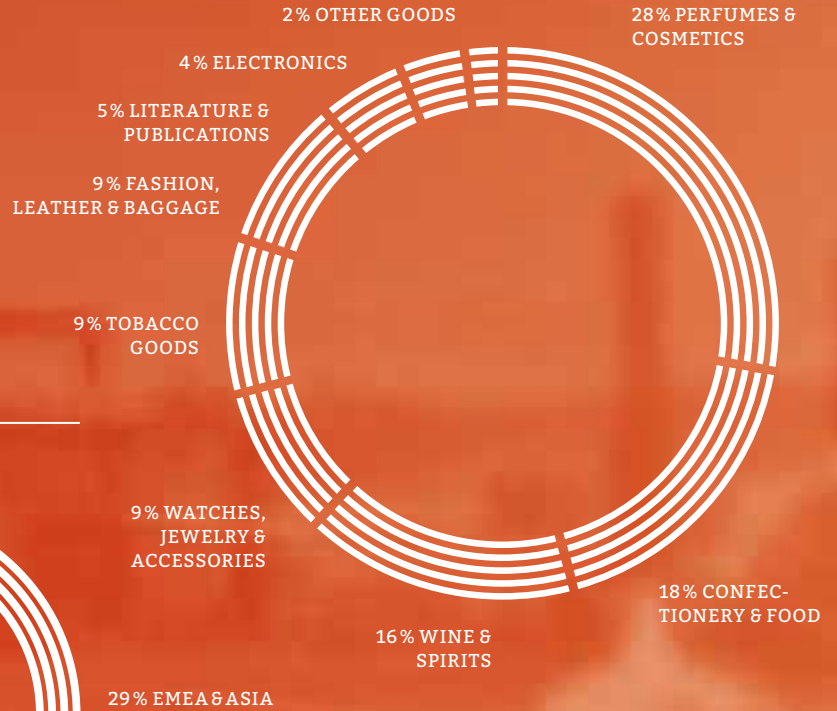
IN MILLIONS OF CHF



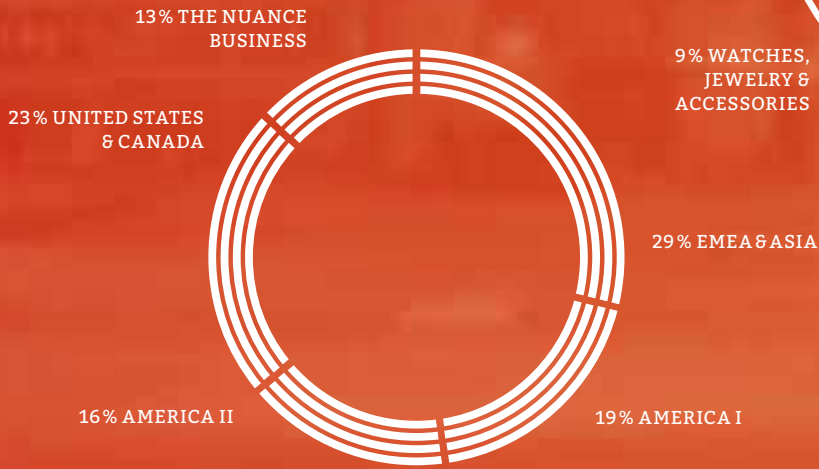
¹ EBITDA before other operational result

■ Adjusted net earnings without other operational result

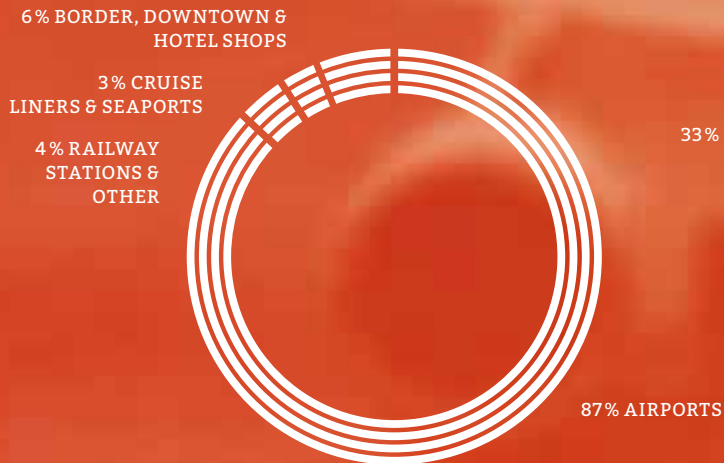
NET SALES BY PRODUCT CATEGORY 2014



NET SALES BY REGION 2014



NET SALES BY CHANNEL 2014



NET SALES BY MARKET SECTOR 2014



HIGHLIGHTS 2014

SALES CROSS CHF 4 BILLION MARK

For the first time in the company's history, Dufry's sales have crossed the mark of 4 billion Swiss Francs reaching CHF 4,197 million.

RETAIL SPACE DOUBLED IN BRAZIL

With the important openings at the Guarulhos airport in São Paulo, as well as the Brasília and the Viracopos airports, Dufry has doubled its retail space in 2014. Considering also the concession renewal at the Tom Jobim International airport in Rio de Janeiro; the majority of the Brazilian business has now been secured for the next 5–10 years.

ISO 14001 CERTIFICATION

Dufry's operation in Brazil has obtained the ISO 14001 certification for its retail operations at Guarulhos airport, one of the largest businesses in Dufry's concession portfolio.

ACKNOWLEDGED EXCELLENCE IN TRAVEL RETAIL

Dufry has been awarded in 2014 several awards, such as the "Americas travel retailer of the year" by Duty Free News International, which Dufry was awarded for the 5th time. A complete overview of the awards won by Dufry in 2014 is displayed on page 34.



UNDISPUTED INDUSTRY LEADERSHIP

The Nuance acquisition closed by Dufry in September 2014 is a milestone for the company and for the travel retail industry over all. It positions Dufry as the unrivaled market leader in the travel retail industry with a market share of 15% in airport retail and creates additional growth potential.

ASIAN FOOTPRINT CONSIDERABLY EXPANDED

In 2014 Dufry considerably improved its market position in the important Asian market, by adding a total of 58 new shops in 14 locations, through new concessions and as a contribution of Nuance.

NEW SUPPORT FOR LOCAL COMMUNITIES

Dufry has been supporting local communities for many years in locations where the company is operating. In 2014, we added the Hand-in-Hand for Haiti Student Sponsorship and also supported the Street Child World Cup initiative in Brazil. In line with our enduring CSR strategy, we continued our longstanding partnership with SOS Children's villages in Brazil, Mexico, Morocco, Cambodia and the Ivory Coast.

150 YEARS OF COMPANY HISTORY

Dufry celebrates in 2015 the 150th anniversary of the incorporation of the Weitnauer AG, in Basel Switzerland, which marks the origin of the company. In addition, 2015 will also mark the 10 year milestone of Dufry as a public company.



MESSAGE FROM THE CHAIRMAN OF THE BOARD OF DIRECTORS

DEAR SHARE- HOLDERS

2014 was more than just another successful year for Dufry – it marked a milestone! The highlight of the year was our announcement of June 4, 2014, when we communicated the signing of the agreement to acquire Nuance Group, at that point in time the 6th biggest airport retailer and most international player after Dufry. This transaction, which was formally closed in September 2014, is the biggest in the history of the travel retail industry and positions Dufry as the unrivaled market leader with double the market share of the biggest competitor. The operational integration, which we will accomplish by the end of 2015, is proceeding as planned and will deliver the CHF 70 million of synergies, which will show their full financial impact by the end of 2016.

Post Nuance, Dufry is present in more than 300 locations in 60 countries and thus has considerably enhanced our geographical diversification. We are extremely happy with this transaction, since it will generate substantial value to our shareholders who continue to support Dufry. Existing shareholder's and new investor's demand supported the capital increase we structured to finance part of the Nuance acquisition.

In 2014 we also significantly developed our existing business by expanding operations in several key regions such as the US and Asia, thus fostering our organic growth. However, the major expansion project was realized in Brazil, where we significantly increased our footprint in a number of airports in the country; the most important being the Guarulhos International Airport in São Paulo. If we also add the new retail spaces and shops opened at other airports, such as Brasília and Viracopos, we have practically doubled our retail space in Brazil. Furthermore, we have already signed the renewal of our concessions at the Rio de Janeiro International Airport, the second most important airport in the country in terms of international passengers. With this renewal

Dufry has secured the core of the Brazilian business for the next 5–10 years.

From a financial market perspective, Dufry's market capitalization grew by 11% to CHF 5.3 billion on December 31, 2014, even though the markets themselves were characterized by a high volatility. Trading volumes in the year under review were also strong and reached a daily average of CHF 24.9 million maintaining the levels of 2013, when volumes grew by 61% as compared to the year before.

In terms of shareholder structure, the syndicate led by long-term shareholder Travel Retail Investments increased its participation in the company to 30% as per December 31, 2014, as compared to the 22.2% reported

The Nuance acquisition is a milestone for Dufry and the travel retail industry.

at the end of 2013. This increase partly reflects the syndicate's participation in the capital increase and is partly the consequence of a new investor joining the syndicate. Consequently, the free float of our shares amounted to 70% as per year-end 2014, thus providing a good trading liquidity.

267,000 m²

Dufry operates
267,000 m²
of retail space.

Dufry also continued to support the communities of locations where we operate. The company focuses its social responsibility engagement on helping disadvantaged children around the world as we believe they are the weakest members in our society. Dufry has been sponsoring projects of SOS Children's Villages for over 9 years now, thus emphasizing the company's long-term commitment. In the past two years, Dufry also endorsed projects of the same organization in Morocco, Cambodia, Mexico and the Ivory Coast. Dufry's support also reached several projects in other parts of the world such as the Student Sponsorship Program launched by the Hand in Hand for Haiti Foundation, donations to schools in Northern Greece, as well as charity organizations in the Philippines and Sweden.

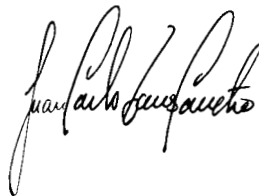
In January 2015, the Swiss National Bank (SNB) decided to terminate the peg of the Swiss Franc to the Euro, causing an immediate appreciation of the Swiss Franc versus all major currencies. As most of our sales are generated in hard currencies outside Switzerland, namely US Dollar and Euros, the movement results only in a translation impact on our financials reported in Swiss Francs. Independently of this specific SNB action, it has always been Dufry's strategy to actively foster natural hedging by matching the currencies of revenues and cash flows with those of expenses and debts.

If 2014 proved to be a volatile year for the financial markets, 2015 will most probably not be much different, as the economic and political situation in large parts of the world remains dynamic. Based on our strong regional diversification, Dufry is well positioned to capitalize on positive trends in specific markets. Overall, considering the ongoing positive forecast projections of passenger growth, we expect a positive development in 2015, which will show some variations across regions.

In 2015, we will integrate Nuance and focus on the generation of efficiencies. We will continue our strategy of profitable growth going forward and we also see further growth opportunities for consolidation in the industry.

I would like to thank all Dufry employees and senior management for their hard work and their exemplary project execution. I also thank our suppliers, landlords, and business partners for their trust and support. Finally, I also extend my thanks to our shareholders and bondholders who continue to share and strongly support our vision to build a great and successful company.

Sincerely,



Juan Carlos Torres Carretero

DUTY FREE STORE





STATEMENT OF THE CHIEF EXECUTIVE OFFICER

DEAR ALL

In the past year Dufry posted once more solid results and achieved great accomplishments. The operational performance was strong with turnover increasing by 17.5% and reaching CHF 4,196.6 million. We preserved our profitability at high levels with EBITDA climbing by 12.6% to CHF 575.6 million. A record number of shops were opened, thanks to the focused execution of our ambitious expansion plans. And most importantly, 2014 will be remembered for the acquisition of The Nuance Group, which reinforced our leadership of the travel retail industry.

Nuance Acquisition –

Dufry reaches 15% market share in airport retail

In June, 2014, Dufry signed an agreement to acquire Nuance – a global travel retailer, operating at that time close to 75,000 square meters of retail space in 66 locations across 19 countries in Europe, Asia and North America.

Nuance's geographic footprint is complementary and further diversifies our global concession portfolio. It also fosters our positions in strategic key markets. In the Mediterranean, the largest and most important tourist destination in the world, Nuance's operations in Turkey, Malta and Portugal complement Dufry's existing operations in the region.

Our positioning in Asia has also been strengthened with Nuance's important presence in the region, which adds concessions in mainland China, Hong Kong, India and Macau. In North America, Nuance operates mostly duty-free formats in locations that fit well into Dufry's existing retail network and reinforces our position in the United States and Canada.

In September 2014, following the closing of the transaction that made Dufry the leader in the travel retail market with a market share of 15% in airport retail, the operational integration of Nuance into Dufry's organization has

immediately been tackled and is proceeding well, according to plan. We expect to complete the integration process by the end of 2015 and annually generate CHF 70 million of synergies. We aim to realize improvements in the gross margin through increased purchasing power and the integration of Nuance's purchasing into our supply chain and logistics platform. Furthermore, we expect that the combination of the global and regional organizations, as well as the overall support functions, will create significant value.

The combined group's retail capabilities and network also offer a stronger proposition when competing for concessions and provide a solid foothold to successfully realize renewals or win new contracts in key strategic areas. Being a larger and more regionally diversified organization, Dufry is well positioned to develop and expand the combined business further on a global scale.

Strong strategy execution –

Expansion in Brazil, Asia and United States

One of our major projects in the year under review was to execute the biggest expansion plan in the history of the company as a result of a number of important contracts signed in the previous year. In total we opened 167 shops with over 25,000 m² of retail space in 2014. We implemented the projects successfully within the tight time frame despite the high degree of complexity some of these expansions posed. This achievement clearly underlines our execution capabilities to develop projects in different regions at the same time. The new shops will be a major driver for organic growth for the years to come.

In 2014 we have executed the biggest expansion plan in the company's history

In Asia, we had a strong development with shops opened in Bali, Cambodia, China, South Korea and Sri Lanka. Adding the combined existing shops of Dufry and Nuance, we are now present in 14 locations in 9 Asian countries, thus operating over 17,000 m² of retail space.

In Brazil, Dufry has nearly doubled its retail space with openings and expansions in several locations, thus lifting the total number of operated space from 15,000 m² to 25,000 m². At São Paulo International airport alone, we

1,688

Dufrey is a real global player operating 1,688 shops throughout all continents.

opened over 7,000m² across 18 shops, mostly located at the new Terminal 3. At Brasilia International airport, the busiest hub for domestic passengers in Brazil, Dufrey inaugurated its first Dufrey Shopping mega store with 1,600m² – a new duty-paid concept designed for markets like Brazil. The first results are promising.

Last but not least, in the United States and Canada we have opened 71 new shops for a total of 5,000m². Openings include 44 Hudson shops, of which 21 in the new format, as well as 18 brand boutiques.

Creating efficiencies –

New procurement and logistics organization

As part of our strategy, we continuously aim to generate efficiencies based on our global exposure. Our goal to leverage on our worldwide organization led us to redesign the structure of our procurement department and to provide suppliers a single point of contact globally. With a single point of contact with our company, we can serve suppliers more efficiently and identify business potential for them throughout Dufrey's network of 1,688 shops in 60 countries. The procurement teams consist of a Global Category Manager assisted by functional specialists. Their responsibility also includes the coordination with the regions, which ultimately are accountable for local deployment.

Furthermore, we have restructured our logistics in order to generate economies of scale and leverage on global reach. The two distribution centers, one in Switzerland and the other in Uruguay, are responsible to consolidate the orders from the entire group, so that suppliers receive a steadier and continuous order flow. This simplifies the planning and supply process and also helps them to better plan their production. From our side, we benefit from a reduced logistics' complexity and lower out-of-stock levels.

A third distribution center is planned to be located in Asia and will be an important step to further enhance our market position in the region. Following our last expansion efforts and the integration of the Nuance operations we have now reached the critical mass for a new distribution center to serve Middle East and Asia.

Recognized excellence in travel retail – Awards in the Americas and Europe

Our retail excellence was once more recognized by the travel retail community. Our operations in the Americas received once more from DFNI (Duty Free News International) the award "The Americas Travel Retailer of the Year" and from the publication Airport Revenue News, Hudson was awarded "Best New & Gift Operator", for the second year in a row. Nuance also received important awards in 2014. From DFNI Product Awards, Nuance won "The Best New Watch Store" with its Timebox shop at Zurich Airport and "The Best New Jewelry Store" with its Bulgari shop at London Heathrow shop at Terminal 2, just to name a few.

2015 – Focus on integrating Nuance and generating efficiencies

In 2015, we will concentrate our efforts on the integration of Nuance. After detailing the integration plan at the end of 2014, we are currently executing the operational integration and we confirm the targeted CHF 70 million to be on track. On top of that we aim to increase the overall productivity at our shops.

We are also committed to continue to develop the business in line with our strategy, which means focusing on the development of our retail operations and to win new concessions with a disciplined approach to costs. From the business development side we have already signed contracts to open over 14,000m² of retail space in 2015 and 2016, mainly in EMEA & Asia and in Brazil. Of course, we will also keep scanning the market for new acquisition opportunities.

Prospects of the travel retail industry continue to show healthy growth. In 2015, the key driver for the business, passenger numbers, is expected to grow by over 6%, according to Air4casts, an external specialist.

However, 2015 is also proving to be a volatile year in the currency markets. Thanks to the natural hedging of our business, we do not expect any important impact in our operational performance. As Dufry reports in Swiss Francs, the appreciation of this currency will result in a translation effect. Nevertheless, we will monitor the situation closely and we are prepared to adjust our business accordingly, if needed.

Thanks to our employees and stakeholders

2014 was for us a year full of achievements, in which the Dufry team has executed important projects at different levels of the organization. Reaching all these targets would not have been possible without the outstanding dedication of all our employees and their skilled work. I sincerely thank all of our employees for their extraordi-

nary commitment to make Dufry a success. I also would like to welcome all employees of Nuance, who have now become part of the Dufry family. Furthermore, it is my pleasure to extend my thanks to landlords, suppliers and business partners for their support, trust and confidence they have put in us in the past year. 2015 holds further opportunities to extend these longstanding relationships. Finally, I thank our Board members and shareholders for their support and contribution to the continuous development of Dufry.

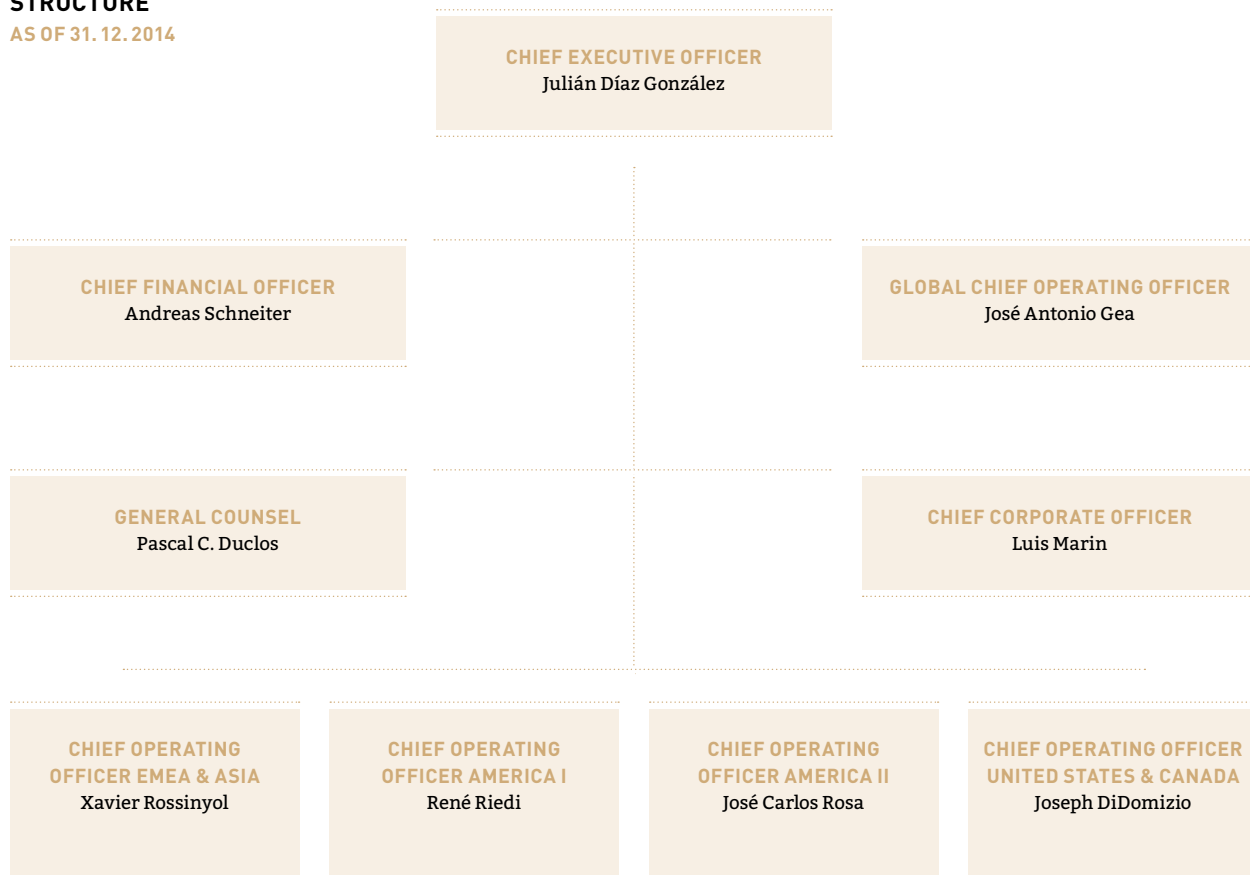
Best regards,



Julián Díaz González

OUR ORGANIZATIONAL STRUCTURE

AS OF 31.12.2014





BOARD OF DIRECTORS MEMBERS

1



2

- 1 Juan Carlos Torres Carretero
- 2 Andrés Holzer Neumann
- 3 Jorge Born
- 4 Xavier Bouton



3



4

5



5 James S. Cohen
6 Julián Díaz González
7 José Lucas Ferreira de Melo
8 George Koutsolioutsos
9 Joaquín Moya-Angeler Cabrera

6



7



8



9



GROUP EXECUTIVE COMMITTEE MEMBERS

1



3



2

- 1 Julián Díaz González
- 2 Andreas Schreier
- 3 José Antonio Gea
- 4 Pascal C. Duclos



4



5



6

7



- 5 Luis Marin
- 6 Xavier Rossinyol
- 7 René Riedi
- 8 José Carlos Costa da Silva Rosa
- 9 Joseph DiDomizio

9



8



DUFYR'S INVESTMENT CASE

1,688

1,688 shops
worldwide

MARKET LEADER OF THE TRAVEL RETAIL INDUSTRY WITH GLOBAL FOOTPRINT

DufyR's market share is twice the size of its next competitor and reaches 15 % in airport retail

Real global player, with 304 locations in 60 countries on all continents

FOCUS ON PROFITABLE GROWTH

Financial discipline observed when tendering for new concessions and executing acquisitions

Strong margin improvement in last years

Existing opportunities to improve gross profit margin and operational efficiency

21%

21% average growth
p. a. since 2005
(in constant FX rates)

STRONG EXECUTION ON ITS GROWTH STRATEGY

Average growth of 4% each for both like-for-like and new concessions p.a. since 2005

Most active player in the consolidation of the industry with track-record of 13% yearly average growth through acquisitions in the last 10 years

14-15%

EBITDA margin level expected as of 2016

ATTRACTIVE EBITDA MARGIN LEVELS GOING FORWARD

EBITDA margins are expected to reach 14%–15% as of 2016, when the full impact of the Nuance acquisition synergies will materialize

Additional efficiency potentials at operational level

4%

4% average passenger growth expected for the next 5 years

INDUSTRY WITH FAST AND SUSTAINED GROWTH

Industry is expected to keep constantly growing in the coming years, mainly driven by increasing passenger numbers

High fragmentation of the industry still offers attractive consolidation opportunities

Appealing customer profile, with above average spending power

HIGHLY DIVERSIFIED CONCESSION PORTFOLIO AND TIGHT SUPPLIER RELATIONSHIPS

Well diversified concession portfolio for duty-free and duty-paid operations allowing to best capture full potential of each individual location

Successful duty-paid concepts “Hudson” and “Dufry Shopping” ready for global deployment

Longstanding relationships with landlords and high contract renewal rates

Only partner for top international brands offering real global market access. Dufry features the largest brand portfolio in the industry

OUR STRATEGY

Dufry's strategy is to grow profitably by operating own shops in travel retail, which cover both the duty-free and the duty-paid environments. To best serve our customers and answer their individual needs on a location or nationality basis our shops are designed according to specific retail concepts. We strongly believe that size and global footprint are key success factors of our industry; that is why we have been strongly focusing on increasing our global market share both through organic growth – which includes like-for-like and new concessions – and acquisitions. Today, Dufry is the undisputed leader of airport retail with a market share of 15%.

Dufry is the undisputed leader in airport retail with 15% market share.

A growth history – in the past ...

Ever since the IPO in 2005, Dufry has consistently executed on its growth strategy, which has resulted in an impressive top line average growth of 21% per annum. This has been achieved through both organic growth and acquisitions.

The most important growth driver of organic growth has been, and will continue to be, the increasing number of domestic and international passenger numbers. In the past ten years, passengers have been growing by around 4–5% p.a. and industry experts expect the trend to continue with the same pace for the future. Increasing passenger numbers allow us to grow organically on a like-for-like basis by implementing attractive shop concepts and new retail tech-

niques, and they also create the opportunity for airports to develop further, which results in new concession opportunities. Dufry's track record of organic growth over the past 10 years shows a yearly top line growth of 8% per annum.

With respect to acquisitions, Dufry has shown even a stronger pace by reaching an average growth of 13% per annum over the last decade. That is why Dufry is considered to be the most active player within industry consolidation. Through a series of different transactions, Dufry has been able to add important businesses to its portfolio, always with a clear focus on returns and with a strong financial discipline.

Overall, our growth strategy has resulted in a value creation for the Dufry shareholders.

... and in the future

Dufry's business model and its growth strategy are sustainable also in the future, since the fundamental drivers – passenger numbers – continue to show robust growth patterns. In this context, industry experts say that the travel retail industry has the potential to generate revenues of USD 85 billion by 2020, which represents an annual average increase of 5% against 2013's volume of USD 60 billion.

Furthermore, airports recognize more and more the importance of non-aeronautical revenues, of which retail space is an important part. Thus, expansions are a reality as airports aim at enlarging and adapting their commercial environment to the increased number of passengers and new trends. New concessions or increases of retail space are a great way to enlarge our footprint even further.

And finally, the industry continues to be highly fragmented, resulting in further opportunities for consolidation. We still see further acquisition targets in the industry and we will be ready should any transaction opportunity materialize.

Considerable growth opportunities going forward

Dufry traditionally has a strong project pipeline, both in the duty-free as well as in the duty-paid sector. Within duty-free, where we currently generate 67% of our revenues, the major growth will continue to be mostly realized in airports. However, we see additional potentials to increase sales by developing the border shop channel, the down-town duty-free operations as well as the cruise ship business in several regional markets across all continents.

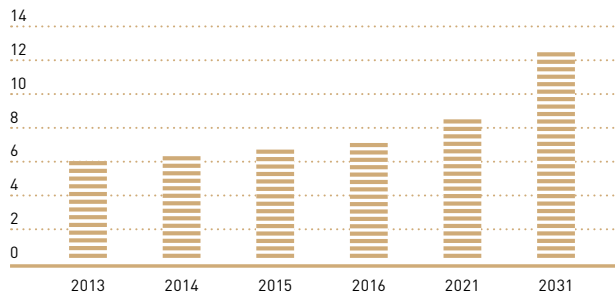
The duty-paid sector – today representing 33% of Dufry's turnover – also presents a considerable development potential, since the expected growth of domestic passengers is similar to the one for international travelers. Furthermore, this sector is still unexplored and therefore presents

GLOBAL PRESENCE



LONG TERM PASSENGER FORECAST

IN BILLIONS OF PASSENGERS

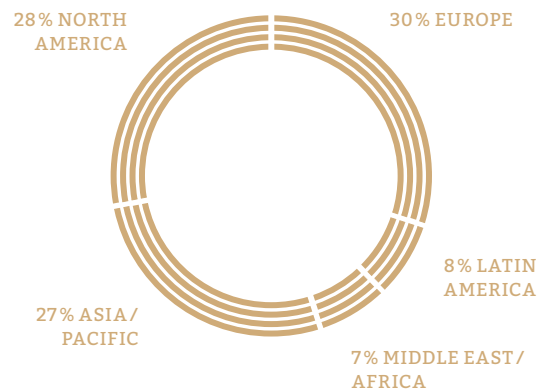


Source: ACI-DKMA

The underlying travel retail market is expected to double in the next 10 years, following the strong growth in air passengers – CAGR of about 4.1% until 2031.

GLOBAL PASSENGERS 2014

BY REGION



attractive new expansion opportunities. Here we have identified several possibilities, which allow us to leverage on successful retail concepts implemented today in specific regions and which have the potential to be deployed on a world-wide scale. These concepts are Hudson International and Dufrey Shopping. Both formats already have an impressive track record of success in their markets of origin and both are ready for international expansion.

Diversification through geographies and a variety of retail channels

Diversification is a key element to continuously develop the business successfully. And for Dufrey there are two relevant dimensions of diversification – a broad geographic footprint and a wide range of shop concepts covering several business channels.

Global Footprint

Our true global footprint allows us to better and quickly evaluate new opportunities and to analyze projects with local knowledge, thus creating competitive advantage. Having an own team on the ground in almost every location in the world also helps understanding the preferences of different nationalities. And finally, a global footprint allows us to mitigate potential impacts of external local factors such as economic downturns, political unrests, natural convulsions or other events alike.

Formats and products to meet operators' needs

Dufrey deeply analyses the customer profiles of a given location and uses it to implement the most suitable concept into a given retail space. A detailed understanding of the customers wishes, allows us to develop the right shop and to tailor the best possible product offering with the final aim to improve our sales.

For both international and domestic passengers, for every travel location, be it airports, seaports, railway stations or border shops, Dufrey can develop the right store concept to best address customer needs. Our most important concepts are the general travel retail shops, specialized shops, brand boutiques and convenience shops, which we can implement accordingly in duty-free and duty-paid environments respectively (see detailed descriptions on pages 26 through 33).

Focus on returns

Dufrey has always applied a disciplined approach to growth opportunities. Every expansion project or other significant investment is carefully analyzed with accurate projections and with a view on investment returns.

Even if several factors are involved in the evaluation of a new opportunity, the most important one is our focus on profitability. It perfectly aligns with the Group's target to

constantly improve efficiencies of our commercial activities: a behavior that has enabled us to substantially improve our gross margin and consequently our EBITDA margin, thus facilitating the achievement of defined return targets.

Local retail with global strategy

Dufrey is headquartered in Basel, Switzerland. The Group's headquarter defines the overall strategies and controls the overall legal and finance aspects of the Group and its subsidiaries. Among the further headquarter tasks are the central management of IT, logistics, procurement and resources as well as the setup of global marketing and retail related strategies and concepts for local deployment. Systems, procedures and guidelines are put in place to ensure a maximum amount of efficiencies and to make sure that our customers can enjoy the same shopping experience wherever they enter one of our shops.

Our local teams in the regions and in the single locations are fully focused on the execution of the commercial plans by adding their invaluable local know-how. They hold the understanding of the local operations, they manage relationships with local suppliers, landlords and airport operators, and they are the most important direct contact with customers and many other stakeholders at single location level. They are directly influencing our sales, through their individual dedication and retail expertise.

The ultimate success of the company, depends on the strong and collaborative interaction of the headquarter functions and the local teams with the focus to optimize sales performance in the shops.

Business intelligence

In order to best serve our customers and to maximize sales, Dufrey has always given high priority of gathering business intelligence and to develop the respective proprietary software applications. Information is collected on a no-name basis around the world and allows us to assess purchasing habits and preferences of specific customer clusters. The market intelligence is consistently used when analyzing new projects overall or when designing individual shop layouts as it represents the fundamental information needed to best define the correct product mix and assortments.

Many other systems also play an important role for the ongoing definition and monitoring of commercial activities. The most important is the system used to forecast sales volumes on a product by product bases, thus avoiding out-of-stock situations. In travel retail this is a crucial factor, since we have always only one chance to make the sale. Other tools provide aggregated information from our locations or help to structure logistics and purchasing processes.

THE NUANCE ACQUISITION – A MILESTONE

Within Dufry's track record of M&A transactions, the Nuance acquisition in 2014 has to be considered as a milestone not only for Dufry's external growth strategy but also for the ongoing consolidation of the travel retail industry itself. The acquisition clearly demonstrates the level of synergies that can be generated by combining two leaders in the sector and how acquisitions can create value in the long-term and generate additional growth potential through market strength and know-how.

Attractive synergy potential to create substantial shareholder value

With the integration, Dufry expects to generate cost synergies starting in Q2 2015, with the full run-rate impact of approximately CHF 70 million of pre-tax synergies per year at the Nuance level being reached by 2016. We have a strong track record in realizing synergies and have substantial expertise in transferring best-practices across our businesses to maximize commercial impact. Thus, we plan to realize an improvement in the gross margin through the integration of Nuance's purchasing into its supply chain and logistics platform. Furthermore, Dufry believes that the integration will be beneficial for turnover growth, and that the implementation of best practices from both companies on the global and regional level will create significant value.

Increased negotiating power

Through the strong geographic fit and the complementary operations of the two companies, Dufry has become the undisputed global leader in travel retail with a broadly diversified concession portfolio in 5 continents, 60 countries, 304 locations and with over 1,650 shops.

This strong market position increases Dufry's negotiating power both with landlords and vendors. With respect to suppliers Dufry can offer an unrivaled global market access to launch brands and products on a worldwide

scale with only one partner. A partner, that has a strong footprint, both in mature and emerging markets and who has the skills to successfully run operations in these challenging environments. For global brands this is a unique opportunity to increase brand recognition and to gain market share.

**Implementation
of best practices
will create
significant value.**

Strengthening Europe and extending the base for Asian growth

As a result of the transaction, Dufry emerged with a leading position in the Mediterranean, in several European countries and strengthened its diversified business in Asia with attractive locations that will provide a strong basis for further growth in the region. This in addition to its existing leadership positions in Latin America and North America.



DUFREY
FREY

CHANEL

CH

poço rebanne

CH



DESCONTOS
20%
40%

SELEÇÃO IMPERDÍVEL
AS MELHORES MARCAS
COM OS MELHORES PREÇOS
40%

GENERAL TRAVEL RETAIL SHOPS

Dufry's general travel retail shops are typically located in central areas with high passenger flow, mostly in airports, but also in seaports. They can serve both departure or arrival areas. Every aspect of the shop is tailored to provide travelers with the most suitable shop layout and product assortment, in order to ensure the highest attractiveness to the respective customer profiles and spending patterns. In the duty-free segment, the shops are operated under the Dufry brand or many others like Nuance, Hellenic Duty Free, etc. On the duty-paid side, we mostly operate under the brand Dufry Shopping.

The shops offer a large selection of different products and cover a wide range of product categories, including perfumes & cosmetics, food & confectionary, wine & spirits, watches & jewelry, fashion & leather, tobacco goods, souvenirs, electronics and other accessories.

In 2014, the concept was the most dynamic in terms of expansion, as we added more than 58,000m² across 155 shops. Nuance contributed the most to the expansion, with 113 shops in 14 countries. Organically, the expansion was most notable in Brazil, where we added close to 11,000m², mostly by the opening of new shops in São Paulo Guarulhos Airport.

Dufry will continue to grow this shop concept and already signed contracts to operate an additional 9,600m² of retail space that will become operational during 2015 and 2016. One of these projects is for example at Tom Jobin International Airport in Rio de Janeiro, where we will double our current commercial area from 4,000m² to 8,000m² until March 2016.



BRAND BOUTIQUES

Brand boutiques are a unique tool to enhance retail environments as they help to create a comprehensive shopping mall experience. Dufry is a partner of choice for global brands to showcase their products in a singular retail space, mirroring the look-and-feel of the high street shops of the respective brand. Depending on the location, we design these shops as stand-alone boutiques or integrate them as a shop-in-shop concept within our own general travel retail stores. They can be found in either duty-free or duty-paid areas.

We operate brand boutiques from the world's most prestigious brands including Armani, Burberry, Coach, Etro, Ferragamo, Gap, Hermès, Hugo Boss, Lacoste, L'Occitane, Michael Kors, Montblanc, Swarovski, Tumi, Versace, Victoria's Secret, Zegna.

In 2014, we opened more than 50 brand boutiques in all regions, representing close to 5,000m² of commercial space. The United States saw the largest development in this regard, with the addition of 18 stores at several locations, followed by Brazil, where we added 14 brand boutiques at São Paulo airport.



- | | | |
|----------------------------------|---|--------------------------------|
| MICHAEL KORS | BURBERRY | VICTORIA'S SECRET |
| TOMMY HILFINGER | Superdry. | BVLGARI |
| SHANG XIA | RIP CURL | COACH
EST. 1941
NEW YORK |
| VERSACE | PINK
TOWERS FROM
HEALTH STREET LONDON | SWAROVSKI |
| PANDORA
UNFORGETTABLE MOMENTS | ETRO | HERMÈS
PARIS |
| Chopard | BOSS
HUGO BOSS | Kiehl's
SINCE 1851 |
| MONTBLANC | EMPORIO ARMANI | L'OCCITANE
EN PROVENCE |
| DUNHILL | LACOSTE | Eddie Bauer |
| | Salvatore Ferragamo | TUMI |
| | MAC | Ermenegildo Zegna |

MICHAEL KORS



Hudson





CONVENIENCE STORES

Operated under the "Hudson" brand, Dufry's well-known convenience format offers a wide assortment of products ranging from soft drinks, confectionary, travel accessories, electronics, personal items or souvenirs, to classical publication items such as newspapers, magazines and books. Hudson is a duty-paid concept mainly located at the departure or arrival areas of airports, railway stations and other transit areas.

Starting in 2013, Dufry has introduced the new Hudson format. The fresh concept sets more focus on the convenience side of the business and less on publications. Dufry currently operates 55 Hudson shops under this new identity.

With around 450 stores across North America, Hudson is the region's largest airport newsstand retailer. In 2014, the largest expansion of this concept has been realized again in North America, where we opened 44 new shops with a total retail space of 2,900 m².

Ever since 2009, Dufry has been developing the Hudson network not only in North America, but also internationally; currently there are 77 Hudson shops in 12 countries. Brazil and Spain were the countries that received the concept for the first time in 2014 and results are promising. For 2015, we already signed contracts to open 25 shops covering close to 1,500 m² of retail space.



SPECIALIZED SHOPS/ THEME STORES

Specialized stores and theme stores are particular shop concepts where we offer a variety of different brands belonging to one specific product category, like watches & jewelry, sunglasses or food, destination merchandise, or where we carry a broad product range relating to a special theme. These shops are located in airports, seaports, on-board cruise liners as well as in hotels or downtown locations.

Examples of such specialized shop concepts include "Colombian Emeralds International", a dedicated watches & jewelry format used in the Caribbean market, or "Dufry Do Brasil" for local Brazilian goods or "Kids Works" offering a wide selection of toys, dolls, games, books and apparel for children.



COLOMBIAN EMERALDS INTERNATIONAL

● sunglasses hut

● LUXURY WATCHES

KIDS WORKS

● DUBRAZIL

TECH ON THE GO SOLSTICE

TRAVEL PLEASURE

DKNY

BREITLING

SKAGEN DENMARK

RIMOWA

Marky Jones

SONY

BAUME & MERCIER GENEVE 1830

GUESS Watches

BRIC'S

TAG Heuer

ty

Samsonite

Disney

Ray-Ban PRADA

ZENITH SWISS WATCH MANUFACTURE 1865

HUBLOT

IWC SCHAFFHAUSEN

OAKLEY VICTORINOX

COLOMBIAN EMERALDS INTERNATIONAL



CUSTOMERS

Dufre – Your travel companion

“Are you a frequent flyer? Planning holidays with the family? We invite you to visit us in one of our over 1,650 shops worldwide! Our staff will do their best so that you have a tremendous retail experience!” Our primary goal is to offer travelers a comprehensive choice of products from the most prestigious brands. And we are also known for outstanding services!

The best shop for the right moment

Shopping at a Dufre shop is a unique and prime retail experience. Our staff will help you to navigate through the constellation of brands and assist you to make the right choice, be it for you or for your loved ones. Our shops are located in airports, railway stations, seaports, on cruise ships in border areas and other high-frequency travel areas. And since Dufre is the leading travel retailer with operations in 60 countries, customers are most likely to come across one of our shops when travelling.

Services complementing the retail experience

Our efforts to constantly better serve our customers are not only limited to the shops and the core retail activity. The journey of our customers starts in our website, where we provide a vast array of services; in several languages such as: Chinese, English, French, German, Portuguese and Spanish. There you can check our travel tips to more than 50 destinations. We provide information which help you to plan your trips, including tourist attractions, accommodation and shopping locations.

If you know already what to buy, it has never been as easy as now to shop at Dufre. Our pre-order service allows you to select your products on Dufre’s website and collect them directly at our shops once you travel. Our pre-order service is already available in Argentina, Australia, Brazil, Greece, India, Russia and Uruguay, where in certain locations you also enjoy the convenience of an exclusive dedicated cashier desk to collect your products.

We also continue to excel in customer service: we offer the only truly global customer service that refunds or exchanges faulty products. With Dufre you can shop comfortably with the confidence that wherever you are you can contact us by phone, by email or online, and benefit from the guarantee of getting a refund in 30 days.

Awards that confirm our retail excellence

Dufre continues to be recognized internationally for its retail capabilities and customer relations. Our operations in the Americas received once more from DFNI the award “The Americas Travel Retailer of the Year” and from the publication Airport Revenue News, Hudson was awarded “Best New & Gift Operator”, for the second year in a row, which impressively underlines the success of our convenience concept in the United States.

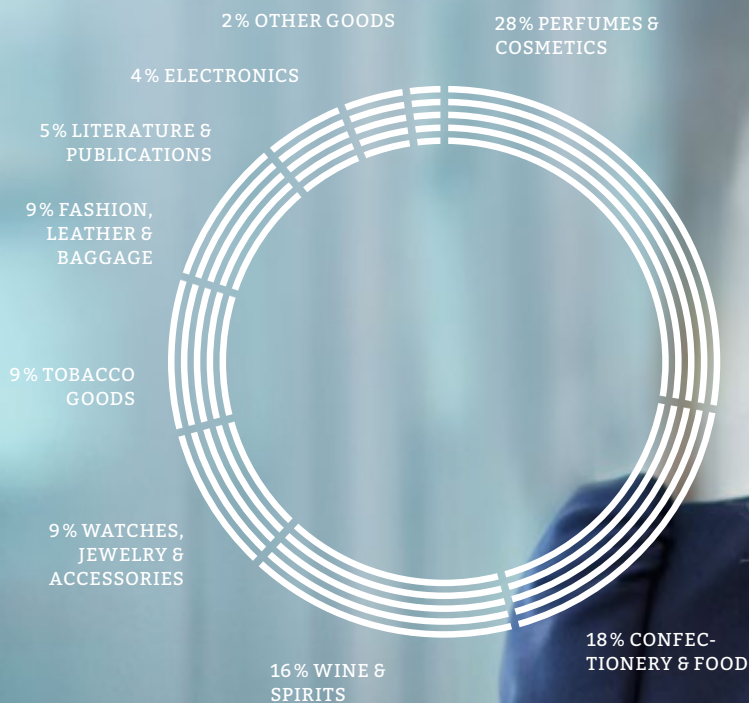
Nuance Group, which we acquired in 2014, also received important awards in 2014. From DFNI Product Awards, Nuance won “The Best New Watch Store” with its Timebox shop at Zurich Airport and “The Best New Jewelry Store” with its Bulgari shop at London Heathrow Terminal 2. The excellence of Nuance operations was also confirmed with different prizes for specialized category concepts, such as the “Moodie Report Dream Store”, which awarded Nuance for its sunglasses offering at Antalya Airport, Turkey, and its wine selection at Sydney Airport, Australia.

MORE THAN

50,000

items are available in our portfolio that our customers can choose from.

NET SALES BY PRODUCT CATEGORY 2014



30 DAYS

replace or refund guarantee offered by Dufry is unique in the travel retail industry.

SUPPLIERS

Dufry offers travelers an array of the most respected global brands. Our over 1,650 shops are a tremendous window to enhance brand recognition on a worldwide scale. With only one distribution channel suppliers can reach consumers of more than 100 nationalities.

Fast growing channel for brands

Travel retail has been one of the fastest growing retail channels in the consumer industry, with a CAGR of 10% in the last years. This is an additional feature that is of interest for international brands, since travel retail also offers an attractive consumer profile in terms of purchasing power and provides access to the most affluent segment of the population.

Suppliers can also benefit from Dufry's vast network in order to launch new products or to promote them with events, with in-shop communication or other marketing activities. Most recently Dufry has developed another service for suppliers which offers them a full set of marketing activities aimed at promoting their brands over a medium and long-term perspective. Thus, suppliers benefit from coordinated campaigns across our global locations network.

Working together to create efficiencies

Our interaction with our suppliers goes beyond the classic buyer-seller relationship. We work together to improve the efficiency of the entire supply chain. To achieve this, we adapted our internal procurement organization in order to offer suppliers a single point of contact throughout the Group. For each category we have defined a global manager who is responsible to coordinate the supplier relationships across all regions. This important change improved the overall coordination of promotional campaigns and product launches as well as the definition of pricing strategies.

While Dufry's global category managers are responsible for supplier relationships on a world-wide basis, our local teams in the regions and the single locations hold the responsibility of the implementation of the procurement strategy as well as the responsibility for the relationship with local suppliers.

Dufry's global network of over 1,650 shops is a tremendous window for brands to showcase their products.

Our logistics platforms receive orders from the Dufry locations, for which they are responsible; then aggregate and consolidate the orders and transmit them to the suppliers. This is a substantial efficiency win for both partners, as it considerably simplifies the ordering process.

Logistics will also increase efficiency for both sides as the unified ordering system allows to aggregate orders and to deliver directly to our distribution centers. Suppliers benefit from a simplified logistics process and Dufry unlocks more opportunities to better manage its inventory positions across locations.

AIRPORT AUTHORITIES & LANDLORDS

As travel retailer with over 1,650 shops being operated in 60 different countries and with our long-lasting experience, we are the partner of choice for airport authorities and other landlords. We aim to grow the business together with the facility owners by offering them comprehensive packages that enhance their location and create additional incentives and revenues – for the long-term benefit of the facility owner as well as for us.

Shopping is about fun and convenience for the traveler

Dufry is held in high regard within the travel retail sector and we like to build a reputation as very innovative retail space designers and reliable retail operators. We offer our business partners a broad variety of solutions from our portfolio of shop concepts and top-ranked brands and combine them to create customized retail environments where shopping is fun and pleasure for any traveler. Our concepts will help the facility owners to maximize their commercial revenues and increase the attractiveness of

the facility – be it an airport, a railway station, a cruise liner or a downtown shopping-mall.

Our track record as a successful high-quality operator is important for the long-term relationship with airport authorities and other facility owners. Given that a large portion of concession payments are driven by sales in the shops, the landlords are clearly benefitting to rent their retail space out to a very successful operator and a reliable partner. We are enjoying very high renewal rates of existing concessions and a high success rate of getting new concession.

High-quality and broadly diversified concession portfolio

Over the years, Dufry has consistently built a high quality and diversified portfolio of concession contracts. In 2014, we added nearly 51,000 m² of net retail space to the existing portfolio through the acquisition of Nuance. In addition, we also opened over 25,000 m² through new concessions,

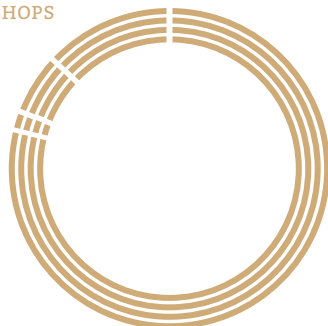
RETAIL SPACE BY CHANNEL

267,000 m²

13% BORDER, DOWNTOWN,
HOTEL SHOPS

6% CRUISE LINERS,
SEAPORTS

2% RAILWAY
STATIONS,
OTHER

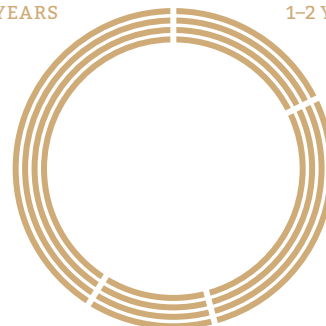


79% AIRPORTS

NET SALES 2014 BY DURATION OF CONTRACTS

41%
9+ YEARS

18%
1-2 YEARS



28%
3-5 YEARS

13%
6-8 YEARS

25,000 m²

of gross retail space
added in 2014 from
new concessions.

such as South Korea, Sri Lanka, USA, and through important expansions (e.g. Brazil, USA) also leading to the opening of new shops. At December 31, 2014, our concession portfolio spread across 60 countries and included a total retail space of over 267,000 m² in airports, seaports, railway stations and other locations.

Concessions and Partnerships

There are different ways to grow the concession portfolio: Concessions can be won in a tender process or negotiated directly with airport authorities, be structured as joint ventures with the airport operator or be bought

Dufry provides
airports access to
world-class
prestigious brands.

through acquisitions. Dufry has a clear policy whenever looking at expanding the concession portfolio: We will analyze the opportunity, where concession fee levels and the duration of the contract are key factors. We will also factor in the investments required for the project and assess the development potential of the location from retail as well as travel perspectives. Through a strict evaluation of these criteria and our disciplined focus on returns, we ensure that our concession portfolio remains of the highest quality and that each concession offers attractive returns for our group.

Actively managing the concession portfolio

Evaluating new opportunities and negotiating contract renewals is part of our daily work: We actively manage our concession portfolio to renew and extend existing contracts and to win new ones. On average, we renew every year contracts that in total generate 7% to 10% of our sales. In addition, we add new contracts every year. In 2014, Dufry added 4% of sales growth through new concessions.

Our concession portfolio also includes a substantial number of long-term contracts with durations of ten or more years. For example, our operations in Italy at Milan airports have concession contracts until 2041 and our operations in Greece have a duty-free license until 2048. Other long-term contracts include airports in Sharjah, Puerto Rico, Dominican Republic, Brazil (São Paulo) or Argentina, where remaining concession durations lie above 10 years.

Based on net sales generated in 2014, more than half of sales were generated from concessions with a remaining term of more than five years.

INVESTORS

Dufry's long-term strategy of profitable growth is designed to create sustainable value for shareholders and bondholders alike. Our top management and the investor relations team keep close interaction with investors and analysts worldwide. Being located in Switzerland and Brazil, our IR team organizes regular road shows and investor meetings globally and is always ready to take questions from the financial community.

For Investor Relations contact details see page 187 of this Annual Report.

Market capitalization reaches CHF 5.3 billion

Following substantial share price performances with an average increase of 40% over the past five years, our share price in 2014 remained largely unchanged (-4.9%) and closed at CHF 149.00 by year-end.

New equity

As part of the Nuance acquisition, Dufry issued newly registered shares in June 2014. The capital increase of 5 million new registered shares was performed in July 2014 at an offer price of CHF 162 per share, which resulted in CHF 810 million of new equity capital for Dufry.

Furthermore, in June 2014, Dufry entered the convertible bond market for the first time and successfully issued CHF 275 million of Mandatory Convertible Notes ("MCN"). The MCN are due June 18, 2015, and will be convertible into fully paid ordinary shares of Dufry AG at the conversion price of CHF 152. The MCN carry a coupon of 2.0% per annum.

The issuance of Mandatory Convertible Bonds and the capital increase, which was largely sustained by both, existing investors as well as new local and international investors, allowed Dufry to broaden its bond- and shareholder base.

Long-term financing supports growth strategy

In order to further support its long-term growth strategy and also in connection with the Nuance acquisition, Dufry further decided to issue senior notes, thereby adding some flexibility in its portfolio of financing instruments. With this enhanced financing strategy, Dufry has established a long-term Group financing which will see first repayments only in 2019.

Market capitalization of CHF 5.3 billion.

Launch of senior notes

The EUR 500 million of Senior Notes were placed in July 2014 with a large number of private and institutional investors in Switzerland and abroad; they generate an annual interest of 4.5% and will mature on July 15, 2022.

The issuing of senior notes was done in Euros in order to better match debt and revenue generation after the acquisition of Nuance, thus safeguarding Dufry's financial solidity in case of currency shifts.

Together with the existing USD 500 million 5.5% Senior Notes maturing on October 15, 2020, and further bank credit facilities, Dufry has a well-balanced financing structure with a net debt/EBITDA ratio of 3.40x (at December 31, 2014) and financial debt mainly spread across the time horizon between 2019 and 2022.

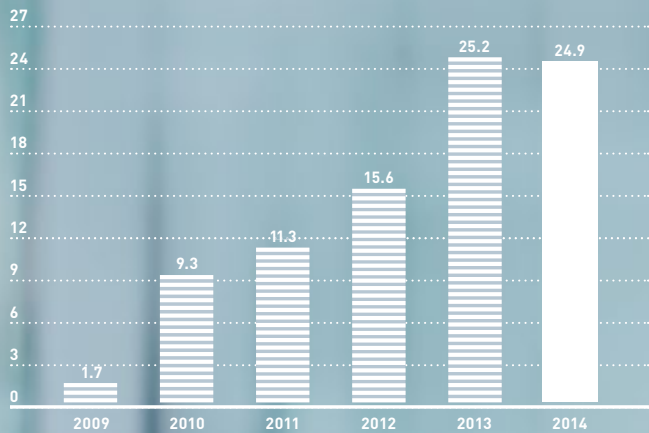
Dufry's Senior Notes are currently rated by Standard & Poors (BB+), Fitch (BB) and Moody's (Ba3).

70%

free float of our shares at year-end 2014

DAILY AVERAGE VOLUME

MILLIONS OF CHF



Note: Since April 2011 including trading volumes of Dufry AG BDR

SHAREHOLDER STRUCTURE

AT DECEMBER 31, 2014

57.1% OTHER SHAREHOLDERS

29.7% GROUP OF SHAREHOLDERS LED BY TRAVEL RETAIL INVESTMENTS SCA

7.1% CREDIT SUISSE GROUP

3.1% GROUP OF SHAREHOLDERS REPRESENTED BY TARPON GESTORA DE RECURSOS S.A.

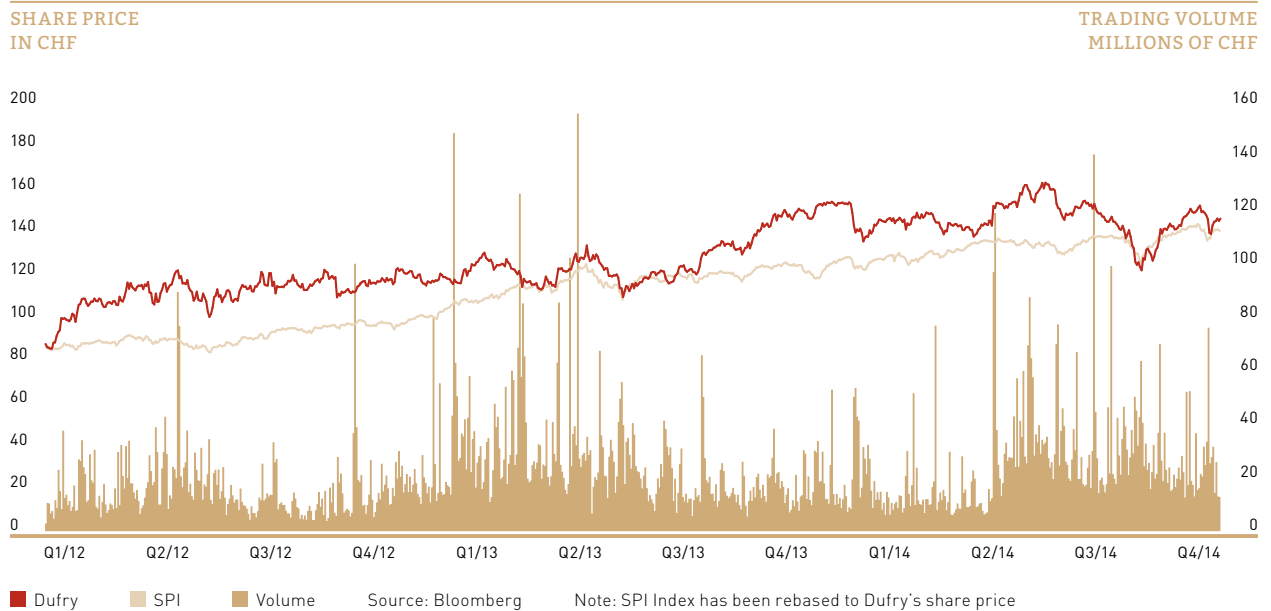
3.0% T. ROWE PRICE ASSOCIATES, INC.

Strong, supportive reference shareholders

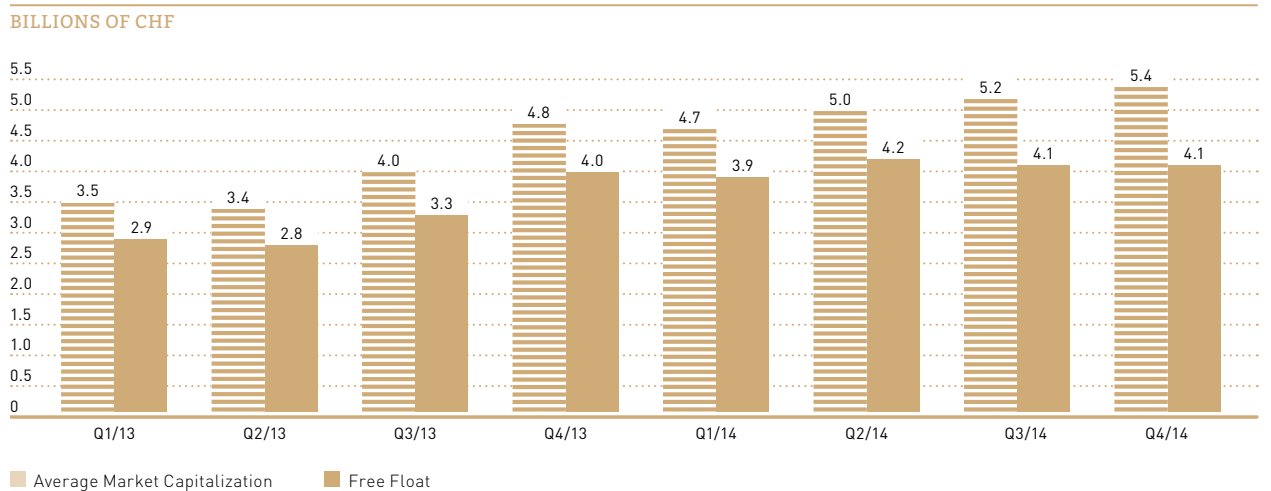
The commitment and support of our long-term anchor shareholders' group¹ was fortified by their participation in the share capital increase and in the Mandatory Convertible Notes. This group of shareholders held 29.7% of Dufrey's share capital at December 31, 2014, through registered shares and Mandatory Convertible Notes.

The free float of our shares reached 70% at year-end 2014, which translates into a nominal free float of over CHF 3.8 billion (CHF 3.7 billion at year-end 2013). The higher amount of tradable volume further increased Dufrey's recognition in the financial markets. Due to the increased market size we are able to reach new investor segments, which will also be supportive to our share price in the future. Currently, the largest amounts of Dufrey shares are held by the following nationalities: Brazil, US, UK and Switzerland.

DUFREY AG SHARE PRICE AND TRADING VOLUME



MARKET CAPITALIZATION AND FREE FLOAT



¹ Group of shareholders led by Travel Retail Investment SCA indirectly includes the interests of Andrés Holzer Neumann, Julián Díaz González, Juan Carlos Torres, James S. Cohen, Dimitrios Koutsolioutsos and Nucleo Capital Co-Investment Fund I Ltd.

Further information on this group of shareholders is available in the Corporate Governance Report on page 158.

EMEA AND ASIA

115 LOCATIONS

381 Shops
67,000 m² Sales area
4,367 Employees
1,194.5 Million CHF Turnover



1 CANARY ISLANDS
GRAN CANARIA AIRPORT



2 MILAN
MILAN MALPENSA AIRPORT



3 BUSAN
GIMHAE INTERNATIONAL
AIRPORT



4 BALI
BALI NGURAH RAI
INTERNATIONAL
AIRPORT

Duty-free general travel retail shop with 1,183 m² of sales area. Located in the departure area of the airport.

AMERICA I

3,565 EMPLOYEES

251 Shops
61 Locations
60,000 m² Sales area
763.0 Million CHF Turnover



1 PUERTO VALLARTA
GUSTAVO DÍAZ ORDAZ
INTERNATIONAL AIRPORT



2 PUERTO RICO
SAN JUAN INTERNATIONAL
AIRPORT



3 GUAYAQUIL
JOSÉ JOAQUIN DE OLMEDO
INTERNATIONAL AIRPORT



4 BUENOS AIRES
EZEIZA MINISTRO
PISTARINI INTER-
NATIONAL AIRPORT

Duty-free general travel retail shop with 3,016 m² of sales area. Located in the departure area of the airport.

AMERICA II

26,000 m² SALES AREA

82 Shops
20 Locations
2,388 Employees
683.3 Million CHF Turnover



1 SÃO PAULO
GUARULHOS INTERNATIONAL
AIRPORT



2 SÃO PAULO
GUARULHOS INTERNATIONAL
AIRPORT



3 RIO DE JANEIRO
GALEÃO INTERNATIONAL
AIRPORT



 **DUFRY SHOPPING**
www.dufry.com



4 BRASÍLIA
PRES. J. KUBITSCHK
INTERNATIONAL
AIRPORT

Duty-paid general travel retail store with 1,600 m² of sales area. Located in the domestic departure area Terminal 1.

UNITED STATES AND CANADA

713 SHOPS

65 Locations
63,000 m² Sales area
5,669 Employees
963.1 Million CHF Turnover



1 LOS ANGELES
LOS ANGELES INTERNATIONAL
AIRPORT



2 NEW YORK
JOHN F. KENNEDY (JFK)
INTERNATIONAL AIRPORT



3 CHICAGO
CHICAGO O'HARE
INTERNATIONAL AIRPORT



4 CHICAGO CHICAGO O'HARE INTERNATIONAL AIRPORT

The first walk-through duty-free store in the US, with 771 m² of prime selling space, and four adjacent standalone boutiques (Emporio Armani, Salvatore Ferragamo, Michael Kors and Luxury Watches). Located just past Security in Terminal 5.

SUSTAINABILITY REPORT

Dufry strongly believes that sustainability is one of the cornerstones of corporate culture to increase the long-term value of the company and to minimize risks for the company's future development. Social responsibility is an integral part of this sustainability concept and Dufry is committed to further develop its framework step-by-step throughout the Group.

Dufry operates in all countries according to local legislation and regulations. It has incorporated across the Group an "Integrity in Business Transaction Policy" that sets guidelines in the fair dealings with our business partners and particularly prohibits any kind of passive or active bribery or corruption. The Board of Directors, the Group Executive Committee and all Dufry employees are to fully comply with these rules at all times. In case

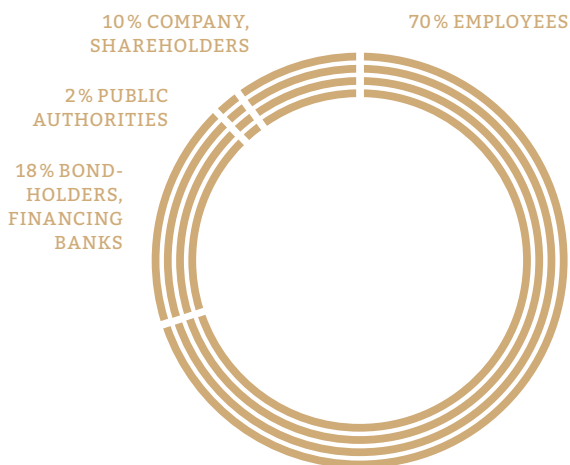
of any question regarding the said Policy or suspicion of a violation of the Policy, any Dufry employee can contact a centralized contact point through a dedicated Dufry email address or follow the hierarchical reporting line. Wrongdoing concerns can also be reported directly to the CEO. The identity of an employee reporting concerns or possible violations against the Policy will be kept confidential, unless the disclosure of the identity is required by law. Insider information and security trading policies are also in place and signed by all employees concerned.

The Nuance Group, which was acquired by Dufry in the year 2014, has incorporated the principles of the UN Global Compact Initiative into its own Code of Conduct. These refer to areas such as employees, customers, shareholders, business partners and society.

STAKEHOLDER VALUE ALLOCATION BY DUFRY IN 2014

The stakeholder value allocation by Dufry corresponds to corporate output less third-party inputs. The calculation is based on Dufry's EBIT plus personnel costs. It does not comprise of values allocated to business stakeholders, such as suppliers and landlords.

The value allocated reached CHF 875.1 million in 2014 (CHF 818.9 million in 2013). Of this amount, 70 % accrued to our employees in form of remuneration and social security payments. About 18% was for interest payments to our bondholders and financing banks, and 2 % for taxes paid to the public authorities and communities in countries in which our group companies are located around the world. 10 % of the respective value is allocated to shareholders of Dufry AG and to the Company through retained earnings.



ENVIRONMENT

Dufry operates over 1,650 retail stores worldwide, where it sells products and accessories sourced from over 1,000 suppliers. As a pure retailer, the company does not have any production sites. The stores are operated in four major retail concepts. For examples of our retail concepts, see pages 26 to 33. The logistics operations (Global Distribution Centers) are centralized in two main platforms: Basel/Switzerland, serving region EMEA & Asia and Montevideo/Uruguay, attending the Americas. These main distribution centers receive the long-haul and major shipments and secure the further dispatch of the goods into the local entities at country and single shop level.

Energy Savings

As a travel retailer, our shops are mostly operated in premises and buildings such as airports or seaports and downtown resorts, which are owned by third party landlords. Therefore, a large part of the utilities consumption, such as energy or water in the shops cannot be influenced by Dufry as these factors are predetermined by the landlords and the building construction. Wherever possible, we use latest and most energy-efficient lighting systems and electronic devices in our stores as well as in our Basel head office and in the regional operations centers.

CO₂ reduction

Transportation of goods is usually done by shipping containers on sea-ships whenever possible, thereby choosing the most CO₂-efficient way of transportation. Through reconfiguration of goods in our Global Distribution Centers and regional logistics stations, we reduce intercompany transportation of the goods to a minimum. The distribution to the individual shop locations is usually done by road whereby Dufry outsources the transportation to specialized national or international logistics partners, who partly have their own worldwide environmental strategies in place.

Dufry employees are encouraged to use public transport not only for business trips but also for their daily journeys to and from work. In specific locations, the company grants contributions to employees using public transport for commuting.

Waste and recycling

Avoiding any waste in the first place or recycling it if it occurs is an effective way to save valuable resources. The European Distribution Center is outsourced and run by a specialized logistics company and packaging material which mainly consists of cardboard, paper, plastic film, wood as well as electronic and plastic consumables such as neon lamps and PET are sorted out in different containers and sent for recycling. The recycling is outsourced to specialized service providers. If these providers have a climate program in place, Dufry's Swiss logistics provider supports their program by paying a surcharge on the transports, which is devolved to "myclimate" (www.myclimate.org). In the shops, the waste produced by our operations is mostly packing material handled through the landlord's waste disposal system and recycled accordingly where possible.

In August 2014, our operations in Guarulhos, São Paulo, have received ISO 14001 (environment) certification. Guarulhos is one of the major airports within Dufry's concession portfolio and is therefore to be considered as a flagship operation not only with respect to shop design but also from a logistics and environmental perspective. Through the implementation of several initiatives like the construction of a groundwater treatment facility, optimization of water and energy consumption and the creation of specific containers for waste collection, the company was able to change processes in order to reduce the environmental impact from its operations at Guarulhos airport.

EMPLOYEES

Every Dufrey employee is an important ambassador of our company. Their friendliness, team spirit, commitment on giving our customers a first-class service and close collaboration with our business partners, make us one of the most successful and innovative travel retailer in the world. Dufrey offers attractive working environments, interesting tasks, targeted employee training and fair compensation to ensure that we continue to reinforce our leading position in the travel retail industry.

Unique cultural diversity with over 70 nationalities

At December 31, 2014, the total workforce of Dufrey amounted to 19,946 people (FTE) compared to 16,423 at year-end 2013. The main increase in the number of employees is related to the integration of Nuance into Dufrey, which added 3,654 FTE at year-end 2014. The combined workforce of Dufrey and Nuance now comprises people from more than 70 nationalities across all functions.

We strongly believe that this broad cultural diversity represents a unique competitive advantage and that it is a key element in the successful development of the Group and the implementation of our growth strategy. At the same time, this diversity creates an engaging and truly international working environment within the entire Group. Employees in the regions and especially in the local shops of each country are to a very high extent local people. Dufrey know-how on operating local businesses in many regions around the world, makes the company a strong contributor to job creation in a large number of cities; many of them being in emerging markets.

Our global Human Resources strategy continues to be focused on the key pillars of Training & Development as well as Reward & Recognition. We foster a general working atmosphere that is characterized by mutual respect and appreciation for each individual. And we systematically invest in our people's development by supporting a

broad range of in-house as well as external training and development opportunities.

The Human Resources policy contains annual performance reviews of the employees aimed at evaluating their performance and identifying further personal development potentials for the next career steps.

Training and professional development

We are developing and growing the management potential within our Group through job enrichment, coaching and targeted management trainings. We aim to fill new or open management positions with internal talents whenever possible. In order to ensure that our professionals and managers obtain the skills and knowledge necessary to operate our business and lead their teams, we have developed a training strategy with different programs tailored to our main professional groups:

Dufrey Sales Academy

Dufrey Sales Academy includes two training programs: Out in Front and Dufrey +1.

Starting in 2012, we introduced the Out in Front program for our shop managers and supervisors on the shop floor. After having trained over 560 retail managers in 2012/2013, a further 220 Dufrey Certified Trainers were trained in 10 locations in 2014, in order to deliver ongoing education to over 1,000 sales professionals monthly. Currently Out in front is running in 29 countries, 14 business units and over 33 locations, which represent more than 75% of Group sales in 2014 (without Nuance). Thus it provides education to 5,500 sales professionals monthly. Initiatives and programs like this are seen as an effective way to increase our own, internal pool of travel retail professionals from which vacant or new management positions can be filled in upcoming years.

In addition, under the Dufrey +1 program we trained 4,682 new shop floor hires on our foundational sales and service course during 2014. The Dufrey +1 course is taught in 46 countries. The total number of Dufrey Certified Trainers worldwide is 800.

Step Ahead Retail Management Training Program

We strongly believe that managers running important segments in our value chain, such as commercial, logistics, procurement, marketing or retail functions, require specific training in order to succeed in their roles, and run the company according to the Group's performance expectations.

The Step Ahead program was launched in 2013 to ensure that managers are formally trained on Dufrey's business model and processes, as well as on critical people man-

19,946

Dufry employed 19,946 people (FTE) at December 31, 2014, an increase of 21.5% to year-end 2013. Organically, the number of employees declined by 2%, the Nuance acquisition added 22%.

EMPLOYEES BY FUNCTION

80% RETAIL OPERATIONS

8% LOGISTICS

6% FINANCE, IT, HR

4% PROCUREMENT, BUSINESS DEVELOPMENT AND MARKETING

1% CORPORATE AND SUPPORT FUNCTIONS

1% OTHERS



EMPLOYEES BY REGION

USA & CANADA

29%

37%

AMERICA II

14%

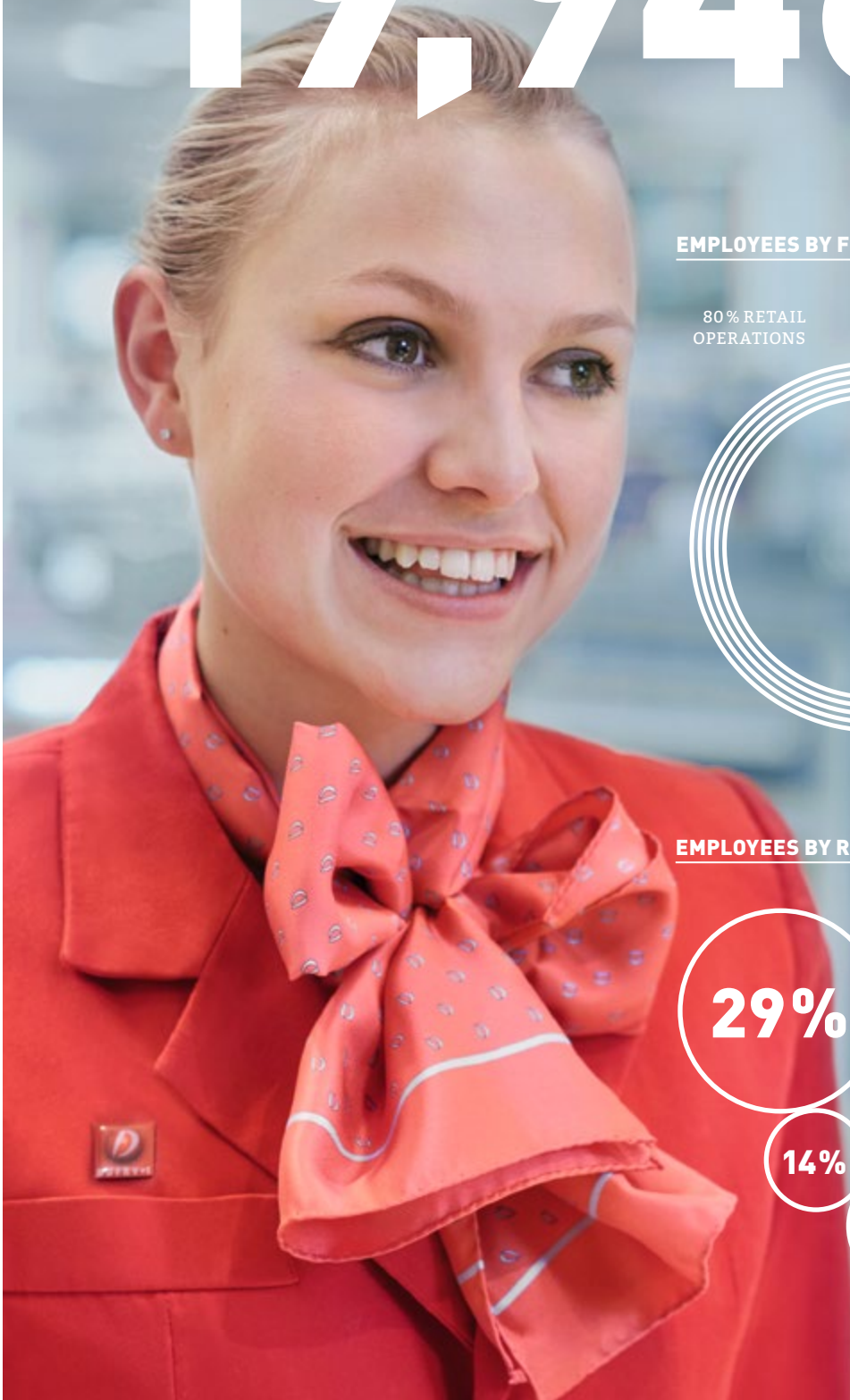
2%

GLOBAL DISTRIBUTION CENTERS

EMEA & ASIA

18%

AMERICA I



agement skills. As is our policy, all training is delivered by other Dufry managers, ensuring that best practices are exchanged among peers and know-how remains within the company.

In 2014, in Step Ahead Management Skills we delivered training to 741 managers and in Step Ahead Retail Operations training we have trained 28 new team members in their various role, totalling to 50 employees in this program since 2013.

Talent Management

Dufry ensures that future and long-term management needs are getting addressed by an optimal balance of new internal high-level personnel and external talent (for example in new countries where we start operations). In all cases, we ensure that we make a particular develop-

Dufry is developing and growing the management potential within the Group.

ment effort on the key positions we need and on the managers qualified to fill them in the future. In 2013, Dufry started piloting a global, systematic integrated process to identify high-potential talents in our organization and develop them toward the key roles in our business model. The program was continuously developed and expanded in 2014. Overall, we have identified internal candidates that are specifically trained within this "talent pool". This is complemented and reinforced by many local development initiatives carried out by the different regional operations.

Equal opportunities

Dufry is an equal opportunities employer and offers career opportunities without discrimination. We offer and promote a work environment where everyone receives equal treatment, regardless of gender, color, ethnic or national origins, disability, age, marital status, sexual orientation or religion.

With regards to remuneration, Dufry fulfills local legislation and regulations for all employees. The company is committed to provide employees with fair and competitive wages based on the individual's background and experience as well as her/his performance.

Awards program

Dufry runs a global recognition program, the "Dufry One Awards", demonstrating outstanding improvements in

productivity, customer service or a remarkable innovation. The awards are always granted after the publication of the full year results, that is why in this annual report, we present the awards for the business year 2013.

The three categories in which the awards are granted are:

1. The One Productivity Award – Recognizing year on year measurable improvement across Sales, Number of Tickets, Organic Growth and Average Spend per Ticket. Winners 2013:

- 1st Place Hellenic Duty Free Shops Heraklion
- 2nd Place Chicago Duty Free
- 3rd Place Dufry Belgrade

2. The One Customer Award – Open to all shops participating in the global Mystery Shopper program, this award recognises individual shop performance across the specific customer impact segments of the Mystery Shop. Winners 2013 were:

- 1st Place ADF Shops CJSC – Armenia
- 2nd Place Dufry Argentina – Ezeiza Airport
- 3rd Place Dominican Republic & Puerto Rico

3. The One Innovation Award – Recognizes innovations that have delivered positive and measurable results for the business.

- 1st Place 2013: "Dufry Media Experience" Marketing Services A&P Brazil

This team saw an opportunity to create a cutting edge tool that generates direct impact on improving the customer buying experience. The digital signage system allows the respective audience to receive a focused message and align with luxury retail trends. Moreover, it allows us to communicate key promotions, institutional information and services in different languages allowing higher visual impact, flexibility and control over the material delivery and timing. This intelligent media system allows Dufry to be using today's available technology and deliver a truly unique shopping experience to our customer profile base.

The Dufry Media Experience project creates a new media opportunity for suppliers and partners allowing dynamic messages to be displayed with ease and immediately change for the next flight capitalizing on key promotions that are relevant to each customer base. Implementation of campaigns has been reduced by 5 days, a cost saving in production of campaign material has been seen and an increase in advertising revenue is forecasted.

9,500

In 2014, a total of 9,500 employees participated in employee engagement surveys.

The number of submissions and the enthusiasm of the participants clearly show the initiative and commitment that exists within the business to improving the way Dufry does things. This is key as we look to further foster our Dufry success story.

Internal communication

Dufry regularly reports on important news in its corporate E-magazine "Dufry World", which is published in 5 languages. This ensures that important trends in our industry and the development of our Group are communicated to our staff members in full. The magazine is issued 4 times per year.

In addition, all internal and external information are also made available in Dufry's intranet "Dufry Gate", which can also be accessed via the "Dufry Cloud". The Dufry Cloud is an online platform which allows employees to connect remotely to the company's internal communication channels which is continuously improved to maximize the connectivity, thus improving employee's reachability around the world.

Employee satisfaction

Dufry does employee engagement surveys across its operations. The potential for improvements that these surveys identify is then discussed at regional and Group level and corrective measures are initiated where necessary. The employee survey carried out in 2014 included about 9,500 people. The response rate of 62% exceeds the global benchmark of 60% for engagement surveys, thus underlying the strong engagement level of our employees. Survey data:

Region EMEA & Asia

- 1,223 employees
- 931 responses

Region America II

- 2,153 employees
- 1,180 responses

Region USA & Canada

- 6,130 employees
- 4,705 responses

Safety, security and health

The majority of our workforce operates in airport and cruise-ship environments, where employees have to comply and follow the respective airport's, seaport's or vessel's safety regulations. Regular training courses, among others in fire safety and first aid, are provided for the prevention and quick, correct reaction in cases of emergencies.

SOCIAL RESPONSIBILITY

Dufrey is committed to its social and cultural involvement and has been concentrating its contributions to charitable organizations mainly on supporting disadvantaged children. Over the past years, Dufrey supported a number of projects. The latest additions to our list of projects is the Street Child World Cup in 2014, and the signing of a student sponsorship program in Haiti, which was signed in December 2014. Dufrey also supports various cultural and sports events and contributes to charitable organizations to help victims of natural disasters.

Hand in Hand for Haiti

Dufrey decided in December 2014 to join the Student Sponsorship Program launched by the Hand in Hand for Haiti Foundation and to support children of an entire class of 25 students at their school complex in Saint Marc, North of the capital of Haiti, Port-au-Prince. The donation by Dufrey will enable the sponsored students to receive free trilingual education in French, English and Creole. Additionally, it provides them with meals, health services, uniforms and school supplies as well as bus transportation to and from school. After-school programs are organized daily for all children as well as day-camps during the Easter and summer breaks.

Street Child World Cup

Dufrey proudly was a main sponsor of the Street Child World Cup (SCWC), a global campaign for street children to receive the protection and opportunities they deserve. The Cup, held in March 2014, was called a "festival of friendship, fair play and street children's rights" and ended after ten spectacular days with 230 children from 19 countries playing football and forming new friendships. The event put children's rights on a spotlight and the organizers were confident that it will lead to significant changes for street children around the world.

Support programs in Morocco, Cambodia, Mexico and Ivory Coast

In Morocco, our two sponsored projects of the SOS Children's Villages foundation started in 2013 in Agadir by providing support to 100 children and provide housing, school, technical and tactical training. Dufrey's annual donations cover all expenses for food, medical

Helping the weakest members of our society – disadvantaged children.

cost and clothing. In the year under review the program also supported 40 children at SOS Children's Village in Casablanca.

In Cambodia, the Battambang Hermann Gmeiner School, Battambang, receives donations to cover the costs for school materials, office work, transportation and repairs. The school has a capacity of up to 440 students and offers all three levels of school education: primary, secondary, higher secondary. This project support was also started in 2013.

The SOS Children's Villages' Family strengthening program in Tehuacan, Mexico, focusses on the work with families to enlarge the potential for a quality life inside their families and in groups. Our donations, which we started in 2013, cover the annual expenses for food as well as educational staff expenditures in the social center. Dufrey's contributions supported 250 families in the year 2013 and 240 families in 2014. Our support of the SOS Children's Villages Youth Facility project in Abobo-Gare





(Abidjan), Ivory Coast, covers the running costs of this facility, which provides housing, education and support programs for vulnerable young people in the Abidjan area. The donations help to support about 34 young people and were started in 2014.

Long-time projects in Brazil

Dufry initiated its successful partnership with the SOS Children's Villages with a program in Igarassu, Brazil, in 2009. At that time, we funded the construction of a social center for more than 680 infants, young children and teenagers and their mothers, and we have continued to finance the running costs of this center and training classes ever since. In 2013, we started an additional financing channel for this center by installing coin collection boxes in various Dufry shops all over the world in order to give our customers and business partners an opportunity to participate in donating to this support program.

The by far longest project that we are sponsoring is a social promotion program in Rio de Janeiro that has been receiving Dufry's support for the past 19 years. The program offers free professional education to thirty young people every year. The program can be attended by 16 to 18 year-old girls or boys and covers subjects, such as English, computer classes, retail operations, professional orientation, teamwork, leadership, ethics and citizenship modules. Students also receive free meals, medical and dental care, life insurance, uniforms, educational material and transportation assistance. Dufry employees regularly participate in the program as volunteers, serving as mentors to these teenagers.

Further donations and cultural events

Dufry supports many other projects with local activities in the regions, in some cases making substantial contributions. In 2014, these included for example donations to several schools in Northern Greece municipalities, where

fuel costs were covered to heat the schools' premises. The operations in Greece also collaborate with various local foundations, putting items they produce on sale in our shops. All revenues achieved from such sales go directly to the foundations involved, without Dufry making a profit on these transactions. Nuance operations donated to DFP CARES to help the victims of the Philippines typhoon Haiyan that devastated portions of South East Asia, particularly the Philippines at the end of 2013, and supported several cancer societies in various countries. They also donated to the NABI Switzerland organization, which built new sanitary installations for children at the orphanage in Begoro, Ghana. Furthermore, their Swedish operations sustained the national money raise program "Musikhjälpen" for the battle against HIV and Nuance Head Office supported the "Doctors without borders/ Médecin sans frontière" organization.

Our cultural sponsorship to the Swiss Indoors (tennis tournament) in Basel, as well as the Baloïse Session was also continued during 2014.

Using our worldwide footprint, we encourage customers globally to participate in support activities for specific programs or victims of natural disasters by maintaining donation boxes in our shops. We would like to thank our customers for all the donations in 2014, which have been greatly welcomed by the different charities.



STRONG PERFORMANCE IN A HISTORIC YEAR

DEAR ALL

2014 was an important year for the development of Dufrey. In addition to completing the acquisition of Nuance and some important projects on the operational side, we delivered a strong financial performance. Turnover increased by 17.5% and reached CHF 4,196.6 million. EBITDA amounted to CHF 575.6 million, while EBITDA margin reached 13.7%. Free cash flow went to CHF 193.9 million.

In September 2014, Dufrey successfully closed the Nuance acquisition, valued at CHF 1.55 billion, which represents the biggest transaction for Dufrey to date and which clearly positions us at the top in our industry. We started to conso-

The Nuance acquisition is Dufrey's biggest transaction to date.

olidate Nuance in September 2014. Through the integration we expect to generate significant synergies and we plan to achieve CHF 70 million from gross profit improvements and cost reduction by 2016. Once completed, the combined group will be a powerhouse in the travel retail industry, commercially and financially.

Dufrey financed the Nuance acquisition through a combination of debt and equity. On the debt side, we issued a EUR 500 million bond and re-set our bank facilities. On the equity side we increased our equity by CHF 810 million and also placed a mandatory convertible bond of CHF 275 million. Overall, we have further strengthened our balance sheet with this financing structure and have created a solid base for Dufrey's growth in the future.

Another important step to further foster our organic growth in the coming years was the considerable number of new shop openings and retail space extension we realized in Brazil and the United States. These also resulted in a higher volume of capital expenditure as compared to normal levels.

On January 15, 2015, the Swiss National Bank decided to abandon their floor for the Euro/Swiss Franc exchange rate, which caused an immediate appreciation of the Swiss Franc versus the main global currencies. As Dufrey generates more than 90% of its sales as well as costs in foreign currencies, we benefit from a natural hedge that protects the profitability of our business and as such, the movement of the Swiss Franc will not impact our profit margins. We have actively pursued this natural hedging in the past, which means that we largely match revenues and costs by currency across our locations. The main effect that will materialize is only notional: Because we do report in Swiss Francs, there will be a translation effect converting the different local statements into Swiss Francs. On the balance sheet side, we have also mostly matched positions in terms of currencies, which again protect our business and financing structure from such currency swings.

Overall, currency fluctuations have been a characterizing factor all along the year under review and, together with some political instability, resulted in some divergent development in some of our geographies and business regions.

TURNOVER INCREASES BY 17.5% IN 2014

Turnover of Dufrey reached an all-time high at CHF 4,196.6 million in 2014, representing a growth of 17.5% from CHF 3,571.7 million reported in 2013. Excluding the negative translational effect of -1.4% from the strengthening of the Swiss Franc in the year, turnover growth was 18.9%. While

the consolidation of Hellenic Duty Free and Nuance acquisitions contributed 16.4%, like-for-like growth and contribution from new concessions added 1.1% and 4.4%, respectively.

Turnover in **Region EMEA & Asia** increased by 1.7% and reached CHF 1,194.5 million, versus CHF 1,174.1 million in 2013. Growth was influenced by various elements which partially balanced each other out. Whereas Hellenic Duty Free (HDF) generated a positive consolidation effect in the first quarter of 2014, the discontinuation of operations in Spain in the second quarter and Tunisia from October onwards had a negative scope effect.

In Western Europe performance was positive in countries like France and Switzerland, with steady passenger growth and productivity improvements, and we also saw a strong performance in selected Eastern European markets, such as Czech Republic and Serbia. The devaluation of the Russian Ruble that started in January 2014 led to a change in the buying behavior of Russian passengers and impacted several of our operations, most notably our business in Moscow. It also affected our performance in Greece, which however has a highly diversified passenger profile.

Africa continued to be challenging throughout 2014 and all Northern African locations were affected by political instability in the region. In Asia, existing operations performed well, and the new openings in China, Indonesia, Kazakhstan, South Korea and Sri Lanka positively contributed to the results.

Region America I's turnover was practically flat in constant exchange rates (CER) and reached CHF 763.0 million in 2014 (2013: CHF 768.5 million). Central American locations did generally well including Mexico and the Caribbean. The British Caribbean turned around and saw positive trends in recent quarters. In South America, Argentina held up well, especially in local currency, despite the ongoing devaluation of the Argentinean Peso. Furthermore, trading was also positive in Uruguay and Ecuador.

Turnover in **Region America II** was also flat in 2014 in CER, and reached CHF 683.3 million in the reporting currency for the year under review (2013: CHF 692.2 million). Overall performance measured in local currencies was positive throughout the year and stood at 8% by December. After a short recovery the Brazilian Real further weakened towards the end of the year (-12% in the fourth quarter) impacting reported sales.

Region United States & Canada's turnover grew by 11.7% in CER and reached CHF 963.1 million compared to CHF 876.1 million in 2013. We were able to substantially outperform domestic passenger growth of 2.9% through productivity improvements and the opening of over 10,000m² of additional retail space in H2 2013 and throughout 2014.

Nuance generated a consolidated turnover of CHF 536.6 million from September to December 2014. Nuance's most important sales contributors are located in Canada, Hong Kong, Singapore, Sweden, Switzerland and Turkey.

CONSOLIDATION OF NUANCE INFLUENCES COST STRUCTURE

Gross profit

Gross profit grew by 17.0% to CHF 2,463.1 million compared to CHF 2,105.7 million in 2013. Gross margin reached 58.7% from 59.0% one year earlier. Excluding the effects of the HDF and the Nuance acquisitions the gross profit margin improved by 30 basis points.

Selling expenses

Selling expenses amounted to CHF 1,023.7 million in the year under review compared to CHF 826.0 million in 2013. As a percentage of turnover they were 24.4% in 2014, compared to 23.1% one year earlier. The increase is a result of the consolidation of Nuance which has higher concession fees.

Personnel and general expenses

Both personnel and general expenses were substantially reduced by 60 and 40 basis points, respectively in 2014 compared to the previous year: As a percentage of 2014 turnover they were 14.5% for personnel expenses and 6.1% for general expenses and the main driver for the reduced cost was the consolidation of Nuance. In reported terms, personnel expenses reached CHF 609.7 million in 2014 while general expenses dropped to CHF 256.4 million.

EBITDA

EBITDA increased by 12.6% and stood at CHF 575.6 million in 2014 from CHF 511.1 million in the previous year. EBITDA margin reached 13.7% in 2014 including the consolidation of Nuance. Excluding Nuance, EBITDA margin stood at 14.2% compared to 14.3% in 2013.

Depreciation and Amortization

Depreciation reached CHF 88.2 million in 2014 from CHF 71.1 million in the previous year. Depreciation remained nearly stable as a percentage of turnover at 2.1% compared to 2.0% in 2013. Amortization increased by CHF 39.1 million to CHF 160.9 million in 2014 from CHF 121.8 million in 2013 as a result of the consolidation of Hellenic Duty Free and Nuance.

EBIT

EBIT went to CHF 265.4 million versus CHF 280.8 million in 2013. Other operational result (net) was CHF -61.1 million, which includes CHF 23.2 million of non-recurring expenses related to the Nuance acquisition.

CONSOLIDATED INCOME STATEMENT

	2014		2013	
	in millions of CHF	in %	in millions of CHF	in %
Net sales	4,063.1		3,465.0	
Advertising income	133.5		106.7	
Turnover	4,196.6	100.0%	3,571.7	100.0%
Cost of sales	(1,733.5)	41.3%	(1,466.0)	41.0%
Gross profit	2,463.1	58.7%	2,105.7	59.0%
Selling expenses	(1,023.7)	24.4%	(826.0)	23.1%
Personnel expenses	(609.7)	14.5%	(538.1)	15.1%
General expenses	(256.4)	6.1%	(230.5)	6.5%
Share of results of associates	2.3		-	
EBITDA (before other operational result)	575.6	13.7%	511.1	14.3%
Depreciation, amortization and impairment	(249.1)	5.9%	(192.9)	5.4%
Other operational result	(61.1)		(37.4)	
Earnings before interest and taxes (EBIT)	265.4	6.3%	280.8	7.9%
Financial expenses, net	(148.4)	3.5%	(94.6)	2.7%
Foreign exchange loss	(11.1)		(5.4)	
Earnings before taxes (EBT)	105.9	2.5%	180.8	5.1%
Income taxes	(20.3)	0.5%	(33.2)	0.9%
Net earnings from continuing operations	85.6	2.0%	147.6	4.1%
Net earnings from discontinued operations	(0.8)		-	
Net earnings	84.8	2.0%	147.6	4.1%
Attributable to:				
Net earnings attribut. to equity holders	50.8		93.0	
Non-controlling interest	34.0		54.6	
Net earnings to equity holders adjusted for amortization in respect of acquisitions	173.6		187.5	
Basic earnings per share from continuing operations in CHF	1.55		3.13	
Cash earnings per share ¹ in CHF	5.21		6.31	
Weighted average number of outstanding shares in thousands	33,307		29,720	

¹ Adjusted for amortization of acquisitions

Financial result

Net financial expenses amounted to CHF 159.5 million in 2014 compared to CHF 100.0 million one year before. The increase of CHF 59.5 million in 2014 is mainly a result of the higher net debt levels in 2014 compared to 2013 following the acquisitions of Nuance, as well as non-recurring financing charges of CHF 20.5 million related to the latter.

Taxes

Income taxes declined to CHF 20.3 million in 2014, from CHF 33.2 million one year earlier. The effective tax rate as a percentage of EBT stood at 19.2% versus 18.4% in the previous year.

Net earnings

In 2014, net earnings were CHF 84.8 million with net earnings attributable to equity holders amounting to CHF 50.8 million and Cash EPS resulting in CHF 5.21. Excluding non-recurring cost related to the Nuance acquisition, net earnings to equity holders were CHF 96.9 million, compared to CHF 93.0 million in 2013. Nuance will be accretive to Cash EPS by the end of 2015.

SOLID FINANCIAL STRUCTURE

Cash flow and debt

Net cash flow from operating activities reached CHF 391.5 million in 2014, from CHF 435.1 million one year earlier. In 2014, capital expenditure stood at CHF 197.6 million, while free cash flow reached CHF 193.9 million. In the year under review CAPEX levels were considerably higher than in the previous years due to the high number of new openings and refurbishments executed; these include in particular all openings in Brazil and the United States. Net debt amounted to CHF 2,354.4 million at the end of December 2014 (2013: CHF 1,753.4 million). Our main covenant, Net Debt/adjusted EBITDA was 3.40x at year-end 2014, compared with a threshold of 4.50x for the period.

In connection with the acquisition of Nuance, we executed some transactions to finance the deal and also adjust our capital structure accordingly. Dufrey issued mandatory convertible notes for a total amount of CHF 275 million in June, and raised approximately CHF 810 million in a successful capital increase in July. On the debt side, Dufrey successfully placed a new EUR 500 million (CHF 608 million) bond in July. The bond carries a 4.5% coupon and has an 8 year maturity. At the same time, Dufrey also refinanced its bank debt, moving all maturities to 2019.

Dufrey's share price remained practically stable in 2014, after a substantial run with an average increase of 40% in the five previous years. The same applies for trading volumes, which remained largely flat in 2014 after a 61% increase in 2013.

INTEGRATION OF NUANCE AS KEY OBJECTIVE FOR 2015

2014 was an important year and thanks to our strong teams, we executed the acquisition as well as the financing of the Nuance transaction flawlessly; and the same time, we managed our financial risks tightly in an increasingly volatile currency environment.

2015 will be again an important year. After performing the biggest acquisition ever, the integration of Nuance will be our key focus and we are committed to deliver CHF 70 million of synergies as quickly as possible. We expect to complete the integration process by the end of 2015 and to have the full synergy potential reflected in 2016. Once fully integrated, we will be better positioned than ever to capture growth opportunities anywhere in the world. Aside from this, we believe that financial markets will remain volatile and we expect that the divergent development of regions will continue. Hence, we will continue to monitor markets and potential risks closely.

I take this opportunity to thank our shareholders and bondholders, banks, analysts and key advisors for their contribution and support of Dufrey.



Andreas Schneider

**DUFRY
FINANCIAL
STATE-
MENTS
2014**

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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	-
EBITDA¹		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								NON-CON- TROLLING INTERESTS	TOTAL EQUITY
		Share capital	Share premium	Treasury shares	Capital reserve for mandatory convert- ible notes	Employee benefit reserue	Translation reserves	Retained earnings	Total		
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 participation 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

2013 IN MILLIONS OF CHF	NOTE	ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT									NON-CON- TROLLING INTERESTS	TOTAL EQUITY
		Share capital	Share premium	Treasury shares	Capital reserve for mandatory convert- ible notes	Employee benefit reserew	Translation reserves	Retained earnings	Total			
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 participation 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

Dufrey AG ("Dufrey" or "the Company") is a publicly listed company with headquarters in Basel, Switzerland. The Company is the world's leading retail travel 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 Dufrey 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 Dufrey AG and its subsidiaries ("the Group") have been prepared in accordance with International Financial Reporting Standards (IFRS).

Dufrey 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 Dufrey AG and entities controlled by Dufrey (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 intra-group 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:

IN CHF	AVERAGE RATES		CLOSING RATES		RATES AT ACQUISITION DATE
	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 Dufrey 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 2.3a). 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 Dufrey 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			EBITDA ²	FULL TIME EQUIVALENTS
	with external customers	with other segments	Total		
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)	–	–
Dufrey Group	4,196.6	–	4,196.6	575.6	19,946

2013 IN MILLIONS OF CHF	TURNOVER			EBITDA ²	FULL TIME EQUIVALENTS
	with external customers	with other segments	Total		
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)	–	–
Dufrey 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, Dufrey 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 Dufrey very well. Dufrey 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 oper-

ate 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-controlling 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 Dufrey 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, Dufrey 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 Dufrey 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 Dufrey 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 Dufrey 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 Dufrey'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 Dufrey 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 Dufrey 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			NON- CONTROLLING INTERESTS	TOTAL EQUITY
	Employee benefit reserve	Translation reserves	Total		
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			NON- CONTROLLING INTERESTS	TOTAL EQUITY
	Employee benefit reserve	Translation reserves	Total		
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, Dufrey 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					TOTAL
	Indefinite lives	Finite lives	BRANDS	GOODWILL	OTHER	
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					TOTAL
	Indefinite lives	Finite lives	BRANDS	GOODWILL	OTHER	
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, Dufrey 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.

GOODWILL IN PERCENTAGE (%)	POST TAX DISCOUNT RATES	
	2014	2013
EMEA & Asia	10.37	10.74
America I	10.38	9.04
America II	7.98	7.49
United States & Canada	5.65	5.73
The Nuance Group Segment	6.15	-

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 %).

Beta factor	
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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.

IN MILLIONS OF CHF
Italy
Middle East and India
Total carrying amount of concession rights

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

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.

PRE TAX DISCOUNT RATES	GROWTH RATES FOR NET SALES		
		2014	2013
11.90	12.56	4.2-8.4	4.5-17.7
11.67	10.38	5.1-11.1	4.6-9.8
8.79	9.76	5.8-16.6	6.6-22.3
7.05	7.48	4.3-7.3	3.9-13.8
7.62	-	5.2-5.9	-

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

	2014	2013
	0.57	0.88

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 Dufrey's business segments. The following table illustrates the existing business units with concession rights with indefinite useful life:

	31.12.2014	31.12.2013
	48.2	49.1
	13.0	11.7
Total carrying amount of concession rights	61.2	60.8

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		PRE TAX DISCOUNT RATES ¹		GROWTH RATES FOR NET SALES	
	2014	2013	2014	2013	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 Dufrey 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 Dufrey'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
Total¹	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

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

31.12.2014

31.12.2013

–	–
269.6	–
(6.8)	–
262.8	–

Dufrey issued CHF 275.0 million Mandatory Convertible Notes (MCN) due June 18, 2015 convertible into ordinary registered shares of Dufrey. The notes were issued by Dufrey Financial Services B.V. Dufrey 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 Dufrey 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

Balance at the beginning of the year	(224.5)
Exchange differences arising on translating the foreign operations (attributed to equity holders of parent)	211.5
Net gain/(loss) on hedge of net investments in foreign operations (note 32)	(102.4)
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)

31.12.2014

31.12.2013

(224.5)	(199.9)
211.5	(49.0)
(102.4)	24.4
3.2	–
(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 DUFYR 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 DUFYR 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 Dufrey. Although net earnings attributable to non-controlling interests make 40.1% (2013: 37%) of total net earnings, Dufrey 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 Dufrey 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 Dufrey 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		31.12.2013	
	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
Total		2,505.2		2,151.1
Drawn amount		1,762.6		1,542.6

SENIOR NOTES IN MILLIONS OF	31.12.2014		31.12.2013	
	FOREIGN CURRENCY	CHF	FOREIGN CURRENCY	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		31.12.2013	
	FOREIGN CURRENCY	CHF	FOREIGN CURRENCY	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 Dufrey 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 Dufrey 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 Dufrey, 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.

IN MILLIONS OF CHF	2014			2013		
	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

Expected contributions for the period ending December

	2015
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 administration 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 Dufrey, 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 Dufrey 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 Dufrey Group are the following:

Dufrey 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 Dufrey 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.

Dufrey 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 Dufrey is operating in 2014 the same shops in Mexico City, the concession is now provided by a third party.

Dufrey'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 Dufrey. During 2014, Dufrey 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. Dufrey 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 Dufrey 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.

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 Dufrey, including such made in company shares is as follows:

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.

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	FAIR VALUE MEASUREMENT USING			BOOK VALUES
			Total	Quoted prices in active markets (Level 1)	Significant ob- servable inputs (Level 2)	
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	FAIR VALUE MEASUREMENT USING			BOOK VALUES
		Total	Quoted prices in active markets (Level 1)	Significant ob- servable inputs (Level 2)	
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	FAIR VALUE MEASUREMENT USING			BOOK VALUES
		Total	Quoted prices in active markets (Level 1)	Significant ob- servable inputs (Level 2)	
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	FAIR VALUE MEASUREMENT USING			BOOK VALUES
		Total	Quoted prices in active markets (Level 1)	Significant ob- servable inputs (Level 2)	
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 capital²	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	FINANCIAL ASSETS			NON-FINANCIAL ASSETS ²	TOTAL
	Loans and receivables	at FVTPL ¹	Subtotal		
IN MILLIONS OF CHF					
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			NON-FINANCIAL LIABILITIES ²	TOTAL
	at amortized cost	at FVTPL ¹	Subtotal		
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	FINANCIAL ASSETS			NON-FINANCIAL ASSETS ²	TOTAL
	Loans and receivables	at FVTPL ¹	Subtotal		
IN MILLIONS OF CHF					
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			NON-FINANCIAL LIABILITIES ²	TOTAL
	at amortized cost	at FVTPL ¹	Subtotal		
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, Dufrey 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.

Dufrey 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

Dufrey'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

Dufrey 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, Dufrey 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 thereafter 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 assets¹	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 liabilities¹	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	IN %		IN MILLIONS OF CHF				Total
	average variable interest rate	average fixed interest rate	Variable interest rate	Fixed interest rate	Total interest bearing	Non-interest bearing	
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	IN %		IN MILLIONS OF CHF				Total
	average variable interest rate	average fixed interest rate	Variable interest rate	Fixed interest rate	Total interest bearing	Non-interest bearing	
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, Dufrey 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 Panamá, 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.



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

A blue ink signature of Patrick Fawer, consisting of stylized initials and a surname.

Patrick Fawer
Licensed audit expert
(Auditor in charge)

A blue ink signature of Olaf Reich, consisting of stylized initials and a surname.

Olaf Reich
Licensed audit expert

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		SHARE CAPITAL	
		2014	2013	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 ob-

tained 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 ordi-

nary 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:

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

8. CONTINGENT LIABILITIES

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

IN MILLION	31.12.14		31.12.13	
	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:

IN MILLION	31.12.14		31.12.13	
	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 DUFYR 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:

IN THOUSANDS	DECEMBER 31, 2014			DECEMBER 31, 2013		
	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 Schneider, 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 divided 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, Julián 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.



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

A handwritten signature in blue ink, appearing to read 'P. Fawer', written over a faint horizontal line.

Patrick Fawer
Licensed audit expert
(Auditor in charge)

A handwritten signature in blue ink, appearing to read 'O. Reich', written over a faint horizontal line.

Olaf Reich
Licensed audit expert

The financial reports are available under:

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

CORPORATE GOVERNANCE

INTRODUCTION

This Report is prepared in accordance with the Corporate Governance Directive (DCG) of the SIX Swiss Exchange. All information within this Corporate Governance Report

**Dufry is
committed to
good Corporate
Governance,
Openness and
Transparency.**

and within the Remuneration Report (see page 175) refers to the Company Organization, Internal Regulations and Articles of Incorporation that were in effect as of December 31, 2014. The Ordinary General Meeting of Shareholders held on April 29, 2014 approved comprehensive changes to the Articles of Incorporation in connection with the new Swiss Company Law.

The Articles of Incorporation are available on the Company website www.dufry.com section Investor Relations – Articles of Incorporation.

Direct link:
<http://www.dufry.com/en/Investors/Articlesofincorporation/index.htm>.

1. GROUP STRUCTURE AND SHAREHOLDERS

1.1 GROUP STRUCTURE

For an overview of the management organizational chart and operational Group structure, please refer to page 15 of this Annual Report.

Listed company

COMPANY

Dufry AG, Brunngässlein 12, 4052 Basel, Switzerland
(hereinafter "Dufry AG" or the "Company")

LISTING

Registered shares: SIX Swiss Exchange
Brazilian Depositary Receipts (BDRs):
São Paulo Stock Exchange
(BM & FBOVESPA – Bolsa de Valores de São Paulo), Brazil

MARKET CAPITALIZATION

CHF 5,349,853,344 as of December 31, 2014

PERCENTAGE OF SHARES HELD BY DUFY AG

0.262% of Dufry AG share capital as of December 31, 2014

SECURITY NUMBERS

Registered shares:
ISIN-Code CH0023405456, Swiss Security-No. 2340545
Ticker Symbol DUFN

Brazilian Depositary Receipts (BDRs):
ISIN-Code BRDAGBDDR008
Ticker Symbol DAGB33

Non-listed companies

For a table of the operational non-listed consolidated entities please refer to page 142 in section Financial Statements of this Annual Report*.

* Including the company names, locations, percentage of shares held, share capital

1.2 SIGNIFICANT SHAREHOLDERS

Pursuant to the information provided to the Company by its shareholders in compliance with the Swiss Stock Exchange Act during 2014, the following significant shareholders disclosed positions of more than 3% of the voting rights as of December 31, 2014⁽¹⁾.

SHAREHOLDER	DISCLOSURE OF PURCHASE POSITIONS		DISCLOSURE OF SALE POSITIONS ⁽³⁾
	Through registered shares	Through other financial instruments ⁽²⁾	Total
Group of shareholders consisting of various companies and legal entities including Travel Retail Investment S.C.A., Folli Follie Commercial Industrial and Technical S.A. and Hudson Media, Inc., such group representing the interests of Andrés Holzer Neumann, Julián Díaz González, Juan Carlos Torres Carretero, James S. Cohen, James S. Cohen Family Dynasty Trust, Dimitrios Koutsolioutsos and Nucleo Capital Co-Investment Fund I Ltd. ⁽⁴⁾	26.8%	2.9%	29.7%
Morgan Stanley Group ⁽⁵⁾	0.11%	10.87%	10.98%
Credit Suisse Group ⁽⁶⁾	7.1%	1%	8.11%
Group of shareholders represented by			
Tarpon Gestora de Recursos S.A. ⁽⁷⁾	3.13%	–	3.13%
T. Rowe Price Associates, Inc. ⁽⁸⁾	3.01%	–	3.01%
Dufry Financial Services B.V. ⁽⁹⁾	0.01%	–	0.01%

(1) The percentage of voting rights has to be read in context with the relevant and applicable stock exchange and disclosure rules. The actual shareholdings may differ from the figures indicated in the table, as the Company must only be notified by its shareholders if one of the thresholds defined in Article 20 of the Swiss Stock Exchange Act is crossed.

(2) Financial instruments such as conversion and share purchase rights, granted (written) share sale rights.

(3) Share sale rights (especially put options) and granted (written) conversion and/or share purchase rights as well as financial instruments that provide for or permit cash settlement as well as other differential transactions (e.g. contracts for difference and/or financial futures).

(4) Shares held through:

a) Travel Retail Investment S.C.A. (Luxembourg/Grand Duchy of Luxembourg) holds shares and financial instruments. Shares in Travel Retail Investment S.C.A. are held by: 1) Petrus Pte. Ltd. (Singapore), which in turn is held by The Bingo Trust (New Zealand). Travel Retail S.á.r.l. is the general partner and sole manager of Travel Retail Investment S.C.A. Petrus Pte. Ltd. holds the majority of the shares in Travel Retail Investment S.C.A. and Travel Retail S.á.r.l. Mr. Andrés Holzer Neumann is the settlor of The Bingo Trust and exercises indirect control over the trust. 2) Witherspoon Investments LLC (Wilmington, DE/USA), which is held directly by Mr. Juan Carlos Torres. 3) Mr. Julián Díaz González (Lachen/Switzerland).

b) Mr. Julián Díaz González holds certain shares directly.

c) Mr. Juan Carlos Torres holds certain shares directly.

d) Petrus Pte. Ltd., Grupo Industrial Omega, S.A. de C.V. (Ciudad de Mexico/Mexico), various companies held directly by Grupo Industrial Omega, S.A. de C.V., and Consorcio Ann Taylor S.A. de C.V., all of which are controlled by Mr. Andrés Holzer Neumann.

e) Mr. James S. Cohen holds his shares partly directly, partly through Hudson Media, Inc. (East Rutherford, NJ/USA), which he controls.

f) James S. Cohen Family Dynasty Trust (East Rutherford, NJ/USA) holds all its shares directly. Mr. James S. Cohen is the Grantor of this trust, but is not a beneficiary of the trust.

g) Dimitrios Koutsolioutsos holds his shares and financial instruments indirectly through Folli Follie Commercial Industrial and Technical S.A. (Agios Stephanos/Greece), which he controls, and Strenaby Finance Ltd. (British Virgin Islands), fully controlled by Folli Follie Commercial Industrial and Technical S.A. Dimitrios Koutsolioutsos holds shares in Folli Follie Commercial Industrial and Technical S.A. through Cordial Worldwide Ltd (British Virgin Islands), which he fully owns.

h) Nucleo Capital Co-Investment Fund I Ltd (Grand Cayman/Cayman Islands), which holds the shares directly.

(5) Morgan Stanley, The Corporation Trust Company (Wilmington, DE/USA) holds the shares and financial instruments indirectly through several subsidiaries.

(6) Credit Suisse Group AG (Zurich/Switzerland) holds the shares and financial instruments indirectly through several subsidiaries.

(7) Shares held through various Tarpon Funds, which are investment funds discretionarily managed by Tarpon Gestora de Recursos S.A. (São Paulo/Brazil) as investment advisor. Tarpon Gestora de Recursos S.A. is a wholly-owned subsidiary of Tarpon Investimentos S.A. (São Paulo/Brazil), a Brazilian publicly listed company, controlled by the following individuals: José Carlos Reis de Magalhães Neto, Eduardo Silveira Mufarej, Fernando Shayer, Marcelo Guimarães Lopo Lima, Miguel Gomes Ferreira, Antonio Augusto Torres de Bastos Filho, Philip Vincent Reade.

(8) T. Rowe Price Associates, Inc. (Baltimore, MD/USA) serves as investment advisor to its clients.

(9) Sale position is in connection with the Mandatory Convertible Notes 2015, issued by Dufry Financial Services B.V. (convertible into 1,809,210 registered shares of Dufry AG, which represents 5.04% of the voting rights registered in the commercial register as at December 31, 2014). These sale position figures reflect those of the actual issuance, while the SIX publication made prior to the issuance reflects the maximum possible amount of shares able to be issued. Dufry Financial Services B.V. is indirectly owned by Dufry AG.

Further details regarding these shareholders and shareholder groups as well as additional information regarding the individual disclosures notices in 2014 are available on the website of SIX Swiss Exchange on:

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

Shareholders agreements

The group of shareholders consisting of various companies and legal entities representing the interests of Andrés Holzer Neumann, Julián Díaz González, Juan Carlos Torres Carretero, James S. Cohen, James S. Cohen Family Dynasty Trust, Dimitrios Koutsolioutsos and Nucleo Capital Co-Investment Fund I Ltd have four different shareholders agreements.

Shareholders agreement among Petrus Pte. Ltd., Witherspoon Investment LLC, Mr. Díaz González, Mr. Torres and Travel Retail S.à.r.l.

Shareholders agreement among Travel Retail Investment S.C.A., James S. Cohen, James S. Cohen Family Dynasty Trust, and Hudson Media, Inc.

Shareholders agreement among Travel Retail Investment S.C.A. and Folli Follie Commercial Industrial and Technical S.A.

Shareholders agreement among Travel Retail Investment S.C.A., Mr. Torres and Nucleo Capital Co-Investment Fund I Ltd. Nucleo Capital Ltda. is only a party to that agreement as investment manager of Nucleo Capital Co-Investment Fund I Ltd.

Travel Retail Investment S.C.A. (interests of Messrs. Holzer Neumann, Torres and Díaz González), Mr. Torres, Nucleo Capital Co-Investment Fund I Ltd, Nucleo Capital Ltda., James S. Cohen, James S. Cohen Family Dynasty Trust, Hudson Media, Inc. (interests of Mr. Cohen) and Folli Follie Commercial Industrial and Technical S.A. (interests of Mr. Koutsolioutsos) entered into an additional agreement that limits the number of equity securities these parties and their affiliates may hold in Dufrey AG to prevent that a mandatory offer threshold is crossed, and provides for an automatic exclusion of shareholders from the group reported herein in case of a breach of such a limit. Under this additional agreement, Nucleo Capital Ltda. has to make sure that other funds for which it is the investment manager comply with such limit as well.

The group of shareholders represented by Tarpon Gestora de Recursos S.A. have an agreement to act in concert.

1.3 CROSS-SHAREHOLDINGS

Dufrey AG has not entered into cross-shareholdings with other companies in terms of capital shareholdings or voting rights in excess of 5%.

2. CAPITAL STRUCTURE

2.1 SHARE CAPITAL

As of December 31, 2014 the Company's capital structure is as follows:

ORDINARY SHARE CAPITAL

CHF 179,525,280 (nominal value) divided in 35,905,056 fully paid registered shares with nominal value of CHF 5 each

CONDITIONAL SHARE CAPITAL

CHF 13,488,100 (nominal value) divided in 2,697,620 fully paid registered shares with nominal value of CHF 5 each

AUTHORIZED SHARE CAPITAL

None

2.2 DETAILS TO CONDITIONAL AND AUTHORIZED SHARE CAPITAL

Conditional share capital

Article 3bis of the Articles of Incorporation, dated July 8, 2014, reads as follows:

1. The share capital may be increased in an amount not to exceed CHF 13,488,100 by the issuance of up to 2,697,620 fully paid registered shares with a nominal value of CHF 5 each through the exercise of conversion and/or option rights granted in connection with the issuance of newly or already issued convertible debentures, debentures with option rights or other financing instruments by the Company or one of its group companies.
2. The preferential subscription rights of the shareholders shall be excluded in connection with the issuance of convertible debentures, debentures with option rights or other financing instruments. The then current owners of conversion and/or option rights shall be entitled to subscribe for the new shares.
3. The acquisition of shares through the exercise of conversion and/or option rights and each subsequent transfer of the shares shall be subject to the restrictions set forth in Article 5 of these Articles of Incorporation.
4. The Board of Directors may limit or withdraw the right of the shareholders to subscribe in priority to convertible debentures, debentures with option rights or similar financing instruments when they are issued, if

- a) an issue by firm underwriting by a consortium of banks with subsequent offering to the public without preferential subscription rights seems to be the most appropriate form of issue at the time, particularly in terms of the conditions or the time plan of the issue; or
- b) the financing instruments with conversion or option rights are issued in connection with the financing or refinancing of the acquisition of an enterprise or parts of an enterprise or with participations or new investments of the Company.
5. If advance subscription rights are denied by the Board of Directors, the following shall apply:
- a) Conversion rights may be exercised only for up to 15 years; and option rights only for up to 7 years from the date of the respective issuance.
- b) The respective financing instruments must be issued at the relevant market conditions.

Authorized share capital

As of December 31, 2014, the Company has no authorized share capital.

2.3 CHANGES IN CAPITAL OF DUFREY AG

NOMINAL SHARE CAPITAL

December 31, 2012	CHF 148,369,115
December 31, 2013	CHF 154,525,280
December 31, 2014	CHF 179,525,280

CONDITIONAL SHARE CAPITAL

December 31, 2012	CHF 13,488,100
December 31, 2013	CHF 13,488,100
December 31, 2014	CHF 13,488,100

AUTHORIZED SHARE CAPITAL

December 31, 2012	CHF 13,488,105
December 31, 2013	CHF 7,331,940
December 31, 2014	None

Changes in capital in 2012

At the Ordinary General Meeting of Shareholders on May 2, 2012, shareholders approved the Board of Directors' proposal to increase the amount of the previously existing conditional capital from CHF 2,836,480 (567,296 registered shares with nominal value of CHF 5 each) to CHF 13,488,100 (2,697,620 registered shares with nominal value of CHF 5 each).

At the same Ordinary General Meeting, shareholders also approved the Board of Directors' proposal to create authorized share capital in an amount CHF 26,976,205 (5,395,241 registered shares with nominal value of CHF 5 each), for a period of two years and expiring on May 2, 2014.

On October 10, 2012, Dufrey issued 2,697,620 shares with nominal value of CHF 5 from the authorized capital. Hence, the existing authorized share capital decreased from CHF 26,976,205 to CHF 13,488,105 and the ordinary share capital increased from CHF 134,881,015 to CHF 148,369,115.

Changes in capital in 2013

On December 13, 2013, Dufrey issued 1,231,233 shares with nominal value of CHF 5 from the authorized capital. Hence, the existing authorized share capital decreased from CHF 13,488,105 to CHF 7,331,940, and the ordinary share capital increased from CHF 148,369,115 to CHF 154,525,280.

Changes in capital in 2014

At the Extraordinary General Meeting of Shareholders on June 26, 2014, shareholders approved the Board of Directors' proposal to increase the ordinary share capital of the Company from CHF 154,525,280 by up to CHF 27,269,160 to a maximum amount of up to CHF 181,794,440. This proposal by the Board of Directors was made in connection with the acquisition of The Nuance Group. On July 8, 2014, the Company issued 5,000,000 shares with nominal value of CHF 5, and the ordinary share capital increased from CHF 154,525,280 to CHF 179,525,280.

2.4 SHARES

As of December 31, 2014, the share capital of Dufrey AG is divided into 35,905,056 fully paid in registered shares with a nominal value of CHF 5 each.

The Company has only one category of shares. The shares are issued in registered form. All shares are entitled to dividends if declared. Each share entitles its holder to one vote. The Company maintains a share register showing the name and address of the shareholders or usufructuaries. Only persons registered as shareholders or usufructuaries of registered shares in the share register shall be recognized as such by the Company.

2.5 PARTICIPATION CERTIFICATES AND PROFIT SHARING CERTIFICATES

The Company has not issued any non-voting equity securities, such as participation certificates ("Partizipations-scheine") or profit sharing certificates ("Genussscheine").

2.6 LIMITATION ON TRANSFERABILITY AND NOMINEE REGISTRATION OF REGISTERED SHARES

- Only persons registered as shareholders or usufructuaries of registered shares in the share register

- shall be recognized as such by the Company. In the share register the name and address of the shareholders or usufructuaries is recorded. Changes must be reported to the Company.
- Acquirers of registered shares shall be registered as shareholders with the right to vote, provided that they expressly declare that they acquired the registered shares in their own name and for their own account.
- The Board of Directors may register nominees with the right to vote in the share register to the extent of up to 0.2% of the registered share capital as set forth in the commercial register. Registered shares held by a nominee that exceed this limit may be registered in the share register with the right to vote if the nominee discloses the names, addresses and number of shares of the persons for whose account it holds 0.2% or more of the registered share capital as set forth in the commercial register. Nominees within the meaning of this provision are persons who do not explicitly declare in the request for registration to hold the shares for their own account and with whom the Board of Directors has entered into a corresponding agreement (see also Article 5 of the Articles of Incorporation). Nominees are only entitled to represent registered shares held by them at a meeting of shareholders provided that they are registered in the share register and they hold a valid written proxy granted by the beneficial owner of the registered shares instructing the nominee how to vote at the meeting of shareholders. Shares held by a nominee for which it is not able to produce such a proxy count as not represented at the meeting of shareholders.
- Corporate bodies and partnerships or other groups of persons or joint owners who are interrelated to one another through capital ownership, voting rights, uniform management or otherwise linked as well as individuals or corporate bodies and partnerships who act in concert to circumvent the regulations concerning the nominees (esp. as syndicates), shall be treated as one single nominee within the meaning of the above mentioned regulation in terms of nominees.
- The Board of Directors may cancel the registration, with retroactive effect if appropriate, if the registration was effected based on false information or in case of breach of the agreement between the nominee and the Board of Directors.
- After consulting the party involved, the Company may delete entries in the share register if such entries occurred in consequence of false statements by the purchaser. The purchaser must be informed immediately of the deletion.

Exceptions granted in the year under review

The Company has registered with the CVM and listed its shares in the form of BDRs on the BM&FBovespa. Each BDR issued by Itaú Unibanco S.A. (“Depositary Institution”) of the BDR program represents one share issued by the Company and held in custody by the Bank of New York Mellon, in London (“Custodian”).

BDR holders do not own, from a legal point of view, the Dufrey AG shares underlying their BDRs. As a consequence, BDR holders are prevented from directly exercising any of the shareholders’ rights provided for by the Company’s Articles of Incorporation and by Swiss corporate law. For example, BDR holders are not entitled to personally participate in the Ordinary General Meetings of the Company. However, BDR holders are entitled to instruct the Depositary Institution to vote the Dufrey AG shares underlying their BDRs, according to the instructions sent to them by the Depositary Institution.

To facilitate voting by BDR holders, the Company entered into arrangements with the Depositary Institution and the Custodian to enable, by way of exception, registration of The Bank of New York Mellon in the share register as nominee with voting rights for the number of registered shares corresponding to the total number of outstanding BDRs. Otherwise, no exceptions have been granted during the year under review.

BDR holders who wish to be in a position to directly exercise any of the shareholders’ rights granted by Swiss corporate law or the Company’s Articles of Incorporation must convert their BDRs into shares of Dufrey AG and ask to be registered in the share register of the Company, pursuant to Article 5 of the Company’s Articles of Incorporation.

Required quorums for a change of the limitations of transferability

A change of the limitations on the transfer of registered shares or the removal of such limitations requires a resolution of the Meeting of Shareholders passed by at least two thirds of the votes represented and the absolute majority of the nominal value of shares represented.

2.7 CONVERTIBLE BONDS AND OPTIONS

Convertible bonds

As of December 31, 2014, the Company had the following Mandatory Convertible Notes ("MCN") outstanding:

MANDATORY CONVERTIBLE NOTES

Issuer	Dufry Financial Services B.V.
Listing	SIX Swiss Exchange
Size of issue	CHF 275 million
Principle amount	CHF 200,000 per MCN
Interest rate	2.0% p.a., payable semi-annually (December 18 and June 18)
Maturity	June 18, 2015
Convertible into	Registered shares of Dufry AG (1,809,210 registered shares)
Conversion price	CHF 152
Conversion ratio	1,315.78947 shares per MCN
Conversion period	June 17, 2014 up to and including June 9, 2015
Source of shares	Conditional capital and/or issued and outstanding shares
ISIN-No.	CH0244695356
Ticker symbol	DUF14
Bloomberg symbol	DUFNSW Corp

The conversion of the Mandatory Convertible Notes into shares of the Company can have a dilutive effect on the earnings per share. If the entire 1,809,210 shares from the conversion were issued out of today's available conditional capital, they would represent 5.04 % of the current outstanding share capital.

Options

As of December 31, 2014, there are no outstanding warrants or options to acquire shares issued by or on behalf of the Company. Dufry has a Performance Share Unit (PSU) plan, the essentials of which are disclosed in the "Remuneration Report" on page 179.

3. BOARD OF DIRECTORS

3.1 MEMBERS OF THE BOARD OF DIRECTORS

NAME	PROFESSION	NATIONALITY	POSITION WITH DUFRY	DATE OF FIRST ELECTION	OTHER POSITIONS WITH DUFRY ¹
Juan Carlos Torres Carretero	Executive at Advent International	Spanish	Chairman	2003	AC NRC
Andrés Holzer Neumann	President of Grupo Industrial Omega	Mexican	Vice-Chairman	2004	NRC
Jorge Born	CEO of Bomagra S.A.	Argentinian	Director	2010	AC
Xavier Bouton	Consultant	French	Director	2005	None
James S. Cohen	CEO of Hudson Media Inc	American	Director	2009	NRC
Julián Díaz González	CEO of Dufry AG	Spanish	Director, CEO	2013	None
José Lucas Ferreira de Melo	Consultant	Brazilian	Director	2010	AC
George Koutsolioutsos	CEO of Folli Follie Group	Greek	Director	2014	None
Joaquín Moya-Angeler Cabrera	Consultant	Spanish	Director	2005	AC

¹ AC: Audit Committee/NRC: Nomination and Remuneration Committee

3.2 EDUCATION, PROFESSIONAL BACKGROUND, OTHER ACTIVITIES AND FUNCTIONS



JUAN CARLOS TORRES CARRETERO

Chairman, born 1949

Education

MS in physics from Universidad Complutense de Madrid and MS in management from MIT's Sloan School of Management.

Professional Background

Many years of private equity and senior management operating experience. 1988 Joined Advent International, a private equity firm, in Boston as a partner. 1991–1995 Partner at Advent International in Madrid. Since 1995 Managing Director and Senior Partner in charge of Advent International Corporation's investment activities in Latin America.

Current Board Mandates

Dufry AG, Latin American Airport Holding, Ltd., Aeropuertos Dominicanos Siglo XXI, S.A., International Meal Company Holdings, S.A., TCP Participações S.A., InverCap Holdings, S.A. de C.V., Grupo Biotoscana, S.L.U.



ANDRÉS HOLZER NEUMANN

Vice-Chairman, born 1950

Education

Graduate of Boston University, holds an MBA from Columbia University.

Professional Background

Since 1973 President of Grupo Industrial Omega, S.A. de C.V., the holding company of Holzer y CIA, S.A. de C.V., Industria Nacional de Relojes Suizos, S.A. de C.V., Consorcio Metropolitano Inmobiliario, S.A. de C.V., Inmobiliara Coapa Larca, S.A. de C.V., Inmobiliara Castellanos, S.A. de C.V., and Negocios Creativos, S.A. de C.V.

Current Board Mandates

Dufry AG, Latin American Airport Holding, Ltd. and Opequimar, S.A. de C.V.



JORGE BORN

Director, born 1962

Education

B.S. in economics from the Wharton School of the University of Pennsylvania.

Professional Background

2001–2010 Deputy Chairman of Bunge Ltd. 1992–1997 Head of Bunge's European operations. Before 1997 various capacities in the commodities trading, oil seeding processing and food products areas in Argentina, Brazil, the United States and Europe for Bunge Ltd. 2004–2005 Board member of Dufry AG. Since 1997 President and Chief Executive Officer of Bomagra S.A., Argentina.

Current Board Mandates

Dufry AG, Hochschild Mining, Ltd., Latin American Executive Board at Wharton Business School, Governors of the Lauder Institute at Wharton Business School, Georgetown University and Fundación Bunge y Born (Chairman).

Mr. Born served as a member of the Board of Directors of Dufry South America, Ltd. until its merger with Dufry Holdings & Investments AG in March 2010.



XAVIER BOUTON

Director, born 1950

Education

Diploma in economics and finance from l'Institut d'Etudes Politiques de Bordeaux and doctorate in economics and business administration from the University of Bordeaux.

Professional Background

1978–1984 Director of C.N.I.L. (Commission Nationale de l'Informatique et des Libertés). 1985–1994 General Secretary of Reader's Digest Foundation. 1990–2005 Board member of Laboratoires Chemineau. Since 1999 Chairman of the Supervisory Board of FSDV (Fayenceries de Sarreguemines Digoin & Vitry le François) based in Paris, France.

Current Board Mandates

Dufre AG, ADL Partners and F.S.D.V. (Fayenceries de Sarreguemines, Digoin & Vitry le François) (Chairman of the Supervisory Board).



GEORGE KOUTSOLIOUTSOS

Director, born 1968

Education

Degree in Economics, University of Hartford, Hartford, USA/Paris and Master's degree in Business Administration and Marketing, University of Hartford, USA.

Professional Background

Mr. Koutsolioutsos' professional career started in New York working two years in the jewelry industry. 1992–2011 held various key positions at Folli Follie Group, including supervising and managing local and international distribution, investor relations, and leading the international expansion. Since January 2011 Chief Executive Officer of Folli Follie Group.

Current Board Mandates

Dufre AG, Folli Follie Group.



JAMES S. COHEN

Director, born 1958

Education

Bachelor's degree in economics from the Wharton School of the University of Pennsylvania.

Professional Background

Since 1980 various positions at Hudson Media Inc. (President and CEO since 1994).

Current Board Mandates

Dufre AG, Hudson Media, Inc.



JOAQUÍN MOYA-ANGELER CABRERA

Director, born 1949

Education

Master's degree in mathematics from the University of Madrid, diploma in economics and forecasting from the London School of Economics and Political Science and an MBA from MIT's Sloan School of Management.

Professional Background

Mr. Moya-Angeler has focused his career on the technology and real estate industries, including having founded a number of companies. He has been the Chairman of the Board of various companies: IBM Spain (1994–1997), Leche Pascual (1994–1997), Meta4 (1997–2002), TIASA (1996–1998), and Hildebrando (2003–2014). To date Chairman of Redsa (since 1997), Presenzia and Pulsar Technologies (since 2002), La Quinta Real Estate (since 2003), Inmoan (since 1989), Avalon Private Equity (since 1999) and Corporación Tecnológica Andalucía (since 2005).

Current Board Mandates

Dufre AG, Corporación Teype (Chairman of Audit and Remuneration Committees), La Quinta Group (Chairman), Palamon Capital Partners, Corporación Tecnológica Andalucía (Chairman), Board of Trustees of the University of Almeria (Chairman), Fundación Mediterránea (Chairman), Redsa S.A. (Chairman), Inmoan SL (Chairman), Avalon Private Equity (Chairman), Spanish Association of Universities Governing Bodies (Chairman) and Corporación Grupo Leche Pascual (Vice Chairman).



JULIÁN DÍAZ GONZÁLEZ

Director, Chief Executive Officer, born 1958

Education

Degree in business administration from Universidad Pontificia Comillas I.C.A.D.E., de Madrid.

Professional Background

1989–1993 General Manager at TNT Leisure, S.A. 1993–1997 Division Director at Aldeasa. 1997–2000 various managerial and business positions at Aeroboutiques de Mexico, S.A. de C.V. and Deor, S.A. de C.V. 2000–2003 General Manager of Latinoamericana Duty-Free, S.A. de C.V. Since 2004 Chief Executive Officer at Dufre AG.

Current Board Mandates

Dufre AG, Distribuidora Internacional de Alimentación, S.A. (DIA).



JOSÉ LUCAS FERREIRA DE MELO

Director, born 1956

Education

Bachelor's degree in accounting from Associação de Ensino Unificado do Distrito Federal, Brazil.

Professional Background

1979–1991 various positions at Pricewaterhouse Coopers Auditores Independentes. 1992 Director of Brazilian Exchange Commission (CVM). 1993–1997 Partner at PricewaterhouseCoopers Auditores Independentes. 1998 Partner at Global Control Consultoria. 1999–2009 Executive Director and later Vice-President at Unibanco – União de Bancos Brasileiros, S.A. and Unibanco Holdings, S.A.

Current Board Mandates

Dufre AG, International Meal Company Holdings, S.A., Cetip S.A. – Balcão Mercados Organizados and Restoque Comércio e Confecções de Roupas S.A.

Mr. Ferreira de Melo served as a member of the Board of Directors of Dufre South America, Ltd. until its merger with Dufre Holdings & Investments AG in March 2010.

Messrs. Juan Carlos Torres Carretero (Chairman), Andrés Holzer Neumann (Vice-Chairman), Julián Díaz González, James S. Cohen and George Koutsolioutsos are members of a group of shareholders, which held a 29.7% purchase position of Dufrey AG as of December 31, 2014 (participation mentioned includes financial instruments). See for details the disclosure under "1.2 Significant Shareholders" on page 158 of this Annual Report.

Except for Mr. Julián Díaz González, who acts as CEO of the Company, all other members of the Board of Directors are non-executive members. Mr. George Koutsolioutsos, in his function as CEO of the Folli Follie Group, oversaw the operations of Hellenic Duty Free Shops SA prior to its acquisition by Dufrey in 2013. Otherwise, none of the members of the Board of Directors have ever been in a managerial position at Dufrey AG or any of its subsidiaries. For information on related parties and related party transactions please refer to Note 36 on page 128 and to the information provided in the Remuneration Report on page 175 of this Annual Report.

3.3 RULES IN THE ARTICLES OF INCORPORATION REGARDING THE NUMBER OF PERMITTED MANDATES OUTSIDE THE COMPANY

In accordance with Article 24 para. 2 of the Articles of Incorporation, dated July 8, 2014, no member of the Board of Directors may hold more than four additional mandates in listed companies and ten additional mandates in non-listed companies. The following mandates are not subject to the limitations under para. 2 of this Article:

- a) mandates in companies which are controlled by the Company or which control the Company;
- b) mandates held at the request of the Company or any company controlled by it. No member of the Board of Directors may hold more than ten such mandates; and
- c) mandates in associations, charitable organizations, foundations, trusts and employee welfare foundations. No member of the Board of Directors may hold more than ten such mandates.

Mandates shall mean mandates in the supreme governing body of a legal entity which is required to be registered in the commercial register or a comparable foreign register. Mandates in different legal entities that are under joint control or the same beneficial ownership are deemed one mandate.

3.4 ELECTION AND TERMS OF OFFICE

In accordance with Article 13 of the Articles of Incorporation, dated July 8, 2014:

- The Board of Directors shall consist of at least three and at most nine members.

- Members of the Board of Directors shall be elected for a term of office extending until completion of the next Ordinary Meeting of Shareholders.
- The members of the Board of Directors may be re-elected without limitation.
- If the office of the Chairman of the Board of Directors is vacant, the Board of Directors shall appoint a Chairman from among its members for a term of office extending until completion of the next Ordinary Meeting of Shareholders.
- Except for the election of the Chairman of the Board of Directors and the members of the Remuneration Committee, the Board of Directors determines its own organization. The Board of Directors shall elect a Vice-Chairman. It shall appoint a Secretary who does not need to be a member of the Board of Directors.

Article 24 para. 1 of the Articles of Incorporation stipulates the following: As members of the Board of Directors only persons may be elected who served a minimum of four years in aggregate on the Board of Directors or on the Executive Management of each of (i) one or several travel retail company(ies) with operations in more than one continent at the end of at least one year of the years of activity of such person, and (ii) one or several publicly listed retail company(ies) with an annual turnover of at least CHF 3 billion at the end of at least one year of the years of activity of such person. The requirements under (i) and (ii) above can be fulfilled by the same or several cumulated position(s) held by such person.

All members of the Board of Directors were elected in individual elections at the Ordinary General Meeting of Shareholders held on April 29, 2014. The same General Meeting elected Juan Carlos Torres Carretero as Chairman of the Board of Directors and Messrs. James Cohen, Juan Carlos Torres Carretero and Andrés Holzer Neumann as members of the Nomination and Remuneration Committee.

3.5 INTERNAL ORGANIZATIONAL STRUCTURE

Except for the election of the Chairman of the Board of Directors and the members of the Nomination and Remuneration Committee (which are to be elected by the General Meeting of Shareholders), the Board of Directors determines its own organization. It shall elect its Vice Chairman, the members of the Audit Committee, and appoint a Secretary who does not need to be a member of the Board of Directors.

The Board of Directors has established two committees: the Audit Committee and the Nomination and Remuneration Committee. Both Committees are assisting the Board of Directors in fulfilling its duties and have also decision authority to the extent described below.

Audit Committee

Members: José Lucas Ferreira de Melo (Chairman Audit Committee), Jorge Born, Joaquín Moya-Angeler Cabrera, Juan Carlos Torres Carretero.

The members of the Audit Committee are all non-executive and independent members of the Board of Directors. Pursuant to item 14 of the Swiss Code of Best Practice for Corporate Governance (SCBP), an independent member is a non-executive member, has not been an executive member of the Dufrey Group in the last three years and does not have major business relations with the Company. The members shall be appointed, as a rule, for the entire duration of their mandate as Board members and be re-eligible.

The Audit Committee assists the Board of Directors in fulfilling its duties of supervision of management. It is responsible for the review of the performance and independence of the Auditors, the review of and the decision on the audit plan and the audit results and the monitoring of the implementation of the findings by management, the review of the internal audit plan, the assessment of the risk management and the decision on proposed measures to reduce risks, the review of the compliance levels and risk management, as well as the review to propose whether the Board of Directors should accept the Company's accounts. The Audit Committee regularly reports to the Board of Directors on its decisions, assessments, findings and proposes appropriate actions. The Audit Committee generally meets at the same dates the Board of Directors meetings take place, although the Chairman may call meetings as often as business requires. The length of the meetings lasted usually for approximately 2 to 3 hours in fiscal year 2014, during which the Audit Committee held 5 meetings. The auditors attended 3 meetings of the Audit Committee in 2014. Members of the Group Executive Committee attended meetings of the Audit Committee as follows: CEO 5 meetings, the CFO who acts as Secretary of the Audit Committee meetings 5 meetings.

Nomination and Remuneration Committee

Members: James S. Cohen (Chairman Nomination and Remuneration Committee), Andrés Holzer Neumann, Juan Carlos Torres Carretero.

The members shall be appointed by the shareholders' meeting until the next Ordinary General Meeting of Shareholders and be re-eligible.

The Nomination and Remuneration Committee assists the Board of Directors in fulfilling its nomination and remuneration related matters. It is responsible for assuring the long-term planning of appropriate appointments to

the positions of the CEO and the Board of Directors, as well as for the review of the remuneration system of the Company and for proposals in relation thereto to the Board of Directors. The Nomination and Remuneration Committee makes proposals in relation to the maximum aggregate amount of compensation of the Board and of the Group Executive Committee to be submitted to the general meeting of shareholders of the Company for approval, as well as in relation to the remuneration package of the CEO and the members of the Board. The Nomination and Remuneration Committee makes proposals on the grant of options or other securities under any other management incentive plan of the Company, if any. The Nomination and Remuneration Committee meets as often as business requires. The 4 meetings held in the fiscal year 2014 lasted about 1 to 3 hours. Members of the Group Executive Committee attended meetings of the Nomination and Remuneration Committee as follows: CEO 3 meetings. External advisors attended 3 meetings of the Nomination and Remuneration Committee in 2014.

Work method of the Board of Directors

As a rule, the Board of Directors meets about six to seven times a year (usually at least once per quarter). Additional meetings or conference calls are held as and when necessary. The Board of Directors held 10 meetings during fiscal year 2014. The meetings of the Board of Directors usually lasted half a day. The Chairman determines the agenda and items to be discussed at the Board meetings. All members of the Board of Directors can request to add further items on the agenda.

The CEO, the CFO, the GCOO and the GC, also acting as Secretary to the Board, attend the meetings of the Board of Directors. Other members of the Group Executive Committee may attend meetings of the Board of Directors as and when required. Members of the Group Executive Committee attended meetings of the Board of Directors in 2014 as follows: CEO 10 meetings, CFO 10 meetings, GCOO 8 meetings, GC 10 meetings, COOs of the regions 1 meeting.

The Board of Directors also engages specific advisors to address specific matters when required. External advisors partially attended 1 meeting of the Board of Directors in 2014, in connection with the acquisition projects of the Company. The external Auditors attended 3 meetings of the Audit Committee in 2014.

3.6 DEFINITION OF AREAS OF RESPONSIBILITY

The Board of Directors is the ultimate corporate body of Dufrey AG. It further represents the Company towards third parties and shall manage all matters which by law, Articles of Incorporation or Board regulations have not been delegated to another body of the Company.

In accordance with the Board regulations ("Organisationsreglement"), the Board of Directors has delegated the operational management of the Company to the CEO who is responsible for overall management of the Dufrey Group. The following responsibilities remain with the Board of Directors:

- Ultimate direction of the business of the Company and the power to give the necessary directives;
- Determination of the organization of the Company;
- Administration of the accounting system, financial control and financial planning;
- Appointment and removal of the members of the committees installed by itself as well as the persons entrusted with the management and representation of the Company, as well as the determination of their signatory power;
- Ultimate supervision of the persons entrusted with the management of the Company, in particular with respect to their compliance with the law, the Articles of Incorporation, regulations and directives;
- Preparation of the business report, the compensation report and the Meetings of Shareholders and to carry out the resolutions adopted by the Meeting of Shareholders;
- Notification of the judge if liabilities exceed assets;
- Passing of resolutions regarding the subsequent payment of capital with respect to non-fully paid in shares;
- Passing of resolutions confirming increases in share capital and the amendments of the Articles of Incorporation entailed thereby;
- Non-delegable and inalienable duties and powers of the Board of Directors pursuant to the Swiss Merger Act;
- To approve any non-operational or non-recurring transaction not included in the annual budget and exceeding the amount of CHF 10,000,000;
- To issue convertible debentures, debentures with option rights or other financial market instruments;
- To approve the annual investment and operating budgets of the Company and the Dufrey Group;
- To approve the executive regulations promulgated in accordance with the board regulations; and
- To propose an independent voting rights representative for election to the meeting of shareholders, and to appoint an independent voting rights representative in the event of a vacancy.

Except for the Chairman of the Board of Directors, who has single signature authority, the members of the Board have joint signature authority, if any.

3.7 INFORMATION AND CONTROL INSTRUMENTS VIS-À-VIS THE SENIOR MANAGEMENT

The Board of Directors ensures that it receives sufficient information from the management to perform its supervisory duty and to make the decisions that are reserved to the Board through several means.

- Dufrey Group has an internal management information system that consists of financial statements, performance indicators and risk management. Information to management is provided on a regular basis according to the cycles of the business: sales on a weekly basis; income statement, cash management and key performance indicator (KPI) including customer, margins and investment information, balance sheet and other financial statements on a monthly basis. The management information is prepared on a consolidated basis as well as per business unit. Financial statements and key financial indicators/ratios are submitted to the entire Board of Directors on a quarterly basis.
- During Board meetings, each member of the Board may request information from the other members of the Board, as well as from the members of the management present on all affairs of the Company and the Group.
- Outside of Board meetings, each member of the Board may request from the Chief Executive Officer information concerning the course of business of the Company and the Group and, with the authorization of the Chairman, about specific matters.
- The CEO reports at each meeting of the Board of Directors on the course of business of the Company and the Group in a manner agreed upon from time to time between the Board and the CEO. Apart from the meetings, the CEO reports immediately any extraordinary event and any change within the Company and within the Dufrey Group to the Chairman.
- For attendance of the members of the Group Executive Committee at meetings of the Board of Directors or meetings of the Audit Committee or Nomination and Remuneration Committee please refer to section "3.5 Internal organizational structure" above.
- The Audit Committee met 5 times in 2014 with management to review the business, better understand laws, regulations and policies impacting the Dufrey Group and its business and support the management in meeting the requirement and expectations of stakeholders. In meetings of the Audit Committee, the CFO acts as Secretary to the Committee. The Auditors are invited to the meetings of the Audit Committee and attended 3 meetings of the Audit Committee in 2014. Among these meetings some or part of them are also held without management.

- The Internal Audit provides independent and objective assessments of the effectiveness of the internal control environment globally. The selection of Internal Audit reviews to be executed during the year is based on a specific risk assessment methodology throughout the Dufry Group. In fiscal year 2014, the Internal Audit team conducted more than 50 reviews, examining operations in all regions, including the 3 major ones from newly acquired Nuance. A written report is compiled for every audit review and includes a defined implementation schedule and concrete steps for implementing the measures that have been determined. In 2014, a detailed assessment of risk to be audited was done for each review executed, additionally control procedures related to inventory and cash, were commonly assessed. The results of Internal Audit reviews are communicated to management in charge and the Group's senior management on an on-going basis, and to the Audit Committee on a quarterly basis. Regular follow-up is performed to ensure that risk mitigation and control improvement measures are implemented on a timely basis.
- The Board of Directors and the Group Executive Committee regularly carry out risk assessments. The objective of the risk assessments is to make the principal risks to which Dufry is exposed more transparent and to improve the quality of the risk dialogue. The principal risks identified in 2014 are, amongst others, in the areas of alternative forms of retail distributions, relations with the airport authorities, product and service quality, acquisition projects and related integration capabilities, inventory valuation and management, currency fluctuations, compliance with debt covenants and tax accounting.
- Detailed information on the financial risk management is provided in Note 39 in the Financial Statements of this Annual Report.

4. GROUP EXECUTIVE COMMITTEE

4.1 MEMBERS OF THE GROUP EXECUTIVE COMMITTEE

As of December 31, 2014, the Group Executive Committee (GEC) comprised nine executives. The Group Executive Committee, under the control of the CEO, conducts the operational management of the Company pursuant to the Company's board regulations. The CEO reports to the

Board of Directors on a regular basis. The following table sets forth the name and year of appointment of the members of the Group Executive Committee, followed by a short description of each member's business experience, education and activities:

NAME	NATIONALITY	POSITION	GEC MEMBER SINCE YEAR
Julián Díaz González	Spanish	Chief Executive Officer (CEO)	2004
Andreas Schneider	Swiss	Chief Financial Officer (CFO)	2012
José Antonio Gea	Spanish	Global Chief Operating Officer (GCOO)	2004
Pascal C. Duclos	Swiss	General Counsel (GC)	2005
Luis Marin	Spanish	Chief Corporate Officer (CCO)	2014
Xavier Rossinyol	Spanish	Chief Operating Officer (COO) Region EMEA & Asia	2004
René Riedi	Swiss	Chief Operating Officer (COO) Region America I	2000
José Carlos Costa da Silva Rosa	Portuguese	Chief Operating Officer (COO) Region America II	2006
Joseph DiDomizio	American	Chief Operating Officer (COO) Region United States & Canada	2008

On January 14, 2015, the Company announced that Mr. Xavier Rossinyol will leave the Company effective March 31, 2015.

All agreements entered into with the members of the Group Executive Committee are entered for an indefinite period of time.

4.2 EDUCATION, PROFESSIONAL BACKGROUND, OTHER ACTIVITIES AND VESTED INTERESTS



JULIÁN DÍAZ GONZÁLEZ

Chief Executive Officer, born 1958

Education

Degree in business administration from Universidad Pontificia Comillas I.C.A.D.E., de Madrid.

Professional Background

1989–1993 General Manager at TNT Leisure, S.A. 1993–1997 Division Director at Aldeasa. 1997–2000 various managerial and business positions at Aeroboutiques de Mexico, S.A. de C.V. and Deor, S.A. de C.V. 2000–2003 General Manager of Latinoamericana Duty-Free, S.A. de C.V. Since 2004 Chief Executive Officer at Dufry AG.

Current Board Mandates

Dufry AG, Distribuidora Internacional de Alimentación, S.A. (DIA).



PASCAL C. DUCLOS

General Counsel, born 1967

Education

Licence en droit from Geneva University School of Law, L.L.M. from Duke University School of Law. Licensed to practice law in Switzerland and admitted to the New York Bar.

Professional Background

1991–1997 Senior attorney at law at Geneva law firm Davidoff & Partners. Also academic assistant at the University of Geneva School of Law (1994–1996). 1999–2001 Attorney at law at New York law firm Kreindler & Kreindler. 2001–2002 Financial planner at UBS AG in New York. 2003–2004 Senior foreign attorney at law at the Buenos Aires law firm Beretta Kahale Godoy. Since 2005 General Counsel and Secretary to the Board of Directors at Dufry AG.



ANDREAS SCHNEITER

Chief Financial Officer, born 1970

Education

Degree in business administration and specialization in finance at School of Economy and Business Administration Berne.

Professional Background

1998–2003 various positions at UBS Warburg in Zurich in the area of Mergers and Acquisitions. Joined Dufry in 2003 as Head Corporate Controlling. 2004–2012 Head Group Treasury and since 2005 additionally Investor Relations at Dufry. Since July 2012 Chief Financial Officer at Dufry AG.



LUIS MARIN

Chief Corporate Officer, born 1971

Education

Degree in Economic Sciences and Business Administration from Universidad de Barcelona.

Professional Background

1995–1998 Auditor at Coopers & Lybrand. 1998–2001 Financial Controller at Derbi Motocicletas – Nacional Motor S.A. 2001–2004 Head of Finance and Administration of Spanish subsidiaries of Areas (member of the French group Elixir). Joined Dufry in 2004, as Business Controlling Director and since 2012, also responsible for mergers and acquisitions. Since January 2014 Chief Corporate Officer at Dufry AG.



JOSÉ ANTONIO GEA

Global Chief Operating Officer, born 1963

Education

Degree in economics and business sciences from Colegio Universitario de Estudios Financieros.

Professional Background

1989–1995 various positions at TNT Express Espana, S.A. Director of Blue Cow Division (1993–1995). 1995–2003 various managerial positions at Aldeasa. Left Aldeasa as Director of Operations. Since 2004 Global Chief Operating Officer at Dufry AG.



XAVIER ROSSINYOL

Chief Operating Officer,
Region EMEA and Asia (until March 31, 2015),
born 1970

Education

Bachelor's degree in Business Administration at ESADE (Spain), MBA at ESADE and at the University of British Columbia (Canada and Hong Kong), Master's degree in business law from Universidad Pompeu Fabra (Spain).

Professional Background

1995–2003 Various positions at Areas (member of the French group Elixir) with responsibility for finance, controlling, strategic planning. Left Areas as its Corporate Development Director. 2004–2012 Chief Financial Officer at Dufry AG. Since July 2012 Chief Operating Officer Region EMEA & Asia at Dufry AG.



RENÉ RIEDI
Chief Operating Officer,
Region America I, born 1960

Education

Degree in business administration from the School of Economy and Business Administration Zurich.

Professional Background

Prior to 1993 worked in product marketing and international sales of the multinational FMCG (Fast Moving Consumer Goods) company Unilever. 1993–2000 Joined Dufrey as Sales Manager Eastern Europe. Product Category Manager Spirits & Tobacco (1995–1996). Head of Product Marketing (1996–1997). Director Division Spirits & Tobacco (Weitnauer Distribution Ltd. 1998–2000). 2000–2012 Chief Operating Officer Region Eurasia at Dufrey AG. Since July 2012 Chief Operating Officer Region America I at Dufrey AG.



JOSÉ CARLOS COSTA DA SILVA ROSA
Chief Operating Officer,
Region America II, born 1955

Education

Military and Civil Engineer's degree from the Academia Militar of Portugal.

Professional Background

1978–1993 Officer with the Portuguese Army. 1993–1994 Director of Property Management of Richard Ellis Portugal. 1994–2000 General Director of AmoreirasGest. 2000–2006 Retail Director at ANA-Aeroportos de Portugal AS. 2006–2012 Chief Operating Officer Region South America at Dufrey AG. July 2012–December 2014 Chief Operating Officer Region America II at Dufrey AG.



JOSEPH DIDOMIZIO
Chief Operating Officer,
Region United States and Canada, born 1970

Education

Bachelor's of Arts degree in Marketing and Business Administration from the University of Bridgeport.

Professional Background

1992–2008 several managerial positions in Hudson Group (April–September 2008: President and CEO). Since October 2008 Chief Operating Officer Region United States & Canada at Dufrey AG.

Other activities and vested interests

None of the members of the Group Executive Committee of Dufrey AG has had other activities in governing and supervisory bodies of important Swiss or foreign organizations, institutions or foundations under private and public law with the exception of the Board mandates of Mr. Julián Díaz mentioned above. No member of the Group Executive Committee has permanent management or consultancy functions for important Swiss or foreign interest groups, nor holds any official functions and political posts.

4.3 RULES IN THE ARTICLES OF INCORPORATION REGARDING THE NUMBER OF PERMITTED MANDATES OUTSIDE THE COMPANY

In accordance with Article 25 para. 1 of the Articles of Incorporation, dated July 8, 2014, no member of the Group Executive Committee may hold more than two additional mandates in listed companies and four additional mandates in non-listed companies. The following mandates are not subject to the limitations under para. 1 of this Article:

- a) mandates in companies which are controlled by the Company or which control the Company;
- b) mandates held at the request of the Company or any company controlled by it. No member of the Board of Directors may hold more than ten such mandates; and
- c) mandates in associations, charitable organizations, foundations, trusts and employee welfare foundations. No member of the Board of Directors may hold more than ten such mandates.

For definition of "mandate" please refer to section 3.3 above.

4.4 MANAGEMENT CONTRACTS

Dufrey AG does not have management contracts with companies or natural persons not belonging to the Group.

5. COMPENSATION, SHAREHOLDINGS AND LOANS

5.1 CONTENT AND METHOD OF DETERMINING THE COMPENSATION AND SHAREHOLDING PROGRAMMES

Detailed information to compensation, shareholdings and loans to active and former members of the Board of Directors and of the Group Executive Committee in fiscal year 2014 is included in the Remuneration Report on pages 175 to 183 of this Annual Report.

5.2 DISCLOSURE OF RULES IN THE ARTICLES OF INCORPORATION REGARDING COMPENSATION OF THE BOARD OF DIRECTORS AND OF THE EXECUTIVE MANAGEMENT

For rules in the Articles of Incorporation regarding the approval of compensation by the Meeting of Shareholders, the supplementary amount for changes in the Executive Management as well as the general compensation principles please refer to Articles 20–22 of the Articles of Incorporation. The Articles of Incorporation do not contain any rules in association with loans, credit facilities or post-employment benefits for the members of the Board of Directors and Executive Management. The rules regarding agreements with members of the Board of Directors and of the Executive Management in terms of duration and termination are stipulated in Article 23. Dufrey's Articles of Incorporation are available on the Company website www.dufrey.com – section Investors – Articles of Incorporation. Direct link:

<http://www.dufrey.com/en/Investors/Articlesofincorporation/index.htm>.

6. SHAREHOLDERS' PARTICIPATION RIGHTS

6.1 VOTING RIGHTS AND REPRESENTATION

Each share recorded as share with voting rights in the share register confers one vote on its registered holder. Each shareholder duly registered in the share register on the record date may be represented at the Meeting of Shareholders by the independent voting rights representative or any person who is authorized to do so by a written proxy. A proxy does not need to be a shareholder. Shareholders entered in the share register as shareholders with voting rights on a specific qualifying date (record date) designated by the Board of Directors shall be entitled to vote at the Meeting of Shareholders and to exercise their votes at the Meeting of Shareholders. See section 6.5 below.

Nominees are only entitled to represent registered shares held by them at a Meeting of Shareholders, if they are

registered in the share register in accordance with Article 5 para. 4 of the Articles of Incorporation and if they hold a valid written proxy granted by the beneficial owner of the registered shares instructing the nominee how to vote at the Meeting of Shareholders. Shares held by a nominee for which it is not able to produce such a proxy count as not being represented at the Meeting of Shareholders.

As explained under section 2.6 above, BDR holders do not own the Dufrey AG shares underlying their BDRs. As a consequence, BDR holders are prevented from exercising directly any of the shareholders' rights provided for by the Company's Articles of Incorporation and by Swiss corporate law. For example, BDR holders are not entitled to personally participate in the Ordinary General Meetings of the Company. However, BDR holders are entitled to instruct the Depository Institution to vote the Company's shares underlying their BDRs, according to the instructions sent to them by the Depository Institution. See section 2.6 above or the Articles of Incorporation on our website

<http://www.dufrey.com/en/Investors/Articlesofincorporation/index.htm>.

6.2 THE INDEPENDENT VOTING RIGHTS REPRESENTATIVE

In accordance with Article 10 para. 3 of the Articles of Incorporation, dated July 8, 2014, the independent voting rights representative shall be elected by the Meeting of Shareholders for a term of office extending until completion of the next Ordinary Meeting of Shareholders. Re-election is possible. If the Company does not have an independent voting rights representative, the Board of Directors shall appoint the independent voting rights representative for the next Meeting of Shareholders.

The Company may also make arrangements for electronic voting (Article 11 para. 5). Resolutions passed by electronic voting shall have the same effect as votes by ballot.

The Ordinary General Meeting of Shareholders held on April 29, 2014 elected Buis Bürgi AG, Zurich as the independent voting rights representative until the completion of the Ordinary General Meeting of Shareholders in 2015. Buis Bürgi AG is independent from the Company and has no further mandates for Dufrey AG.

For the upcoming General Meeting of Shareholders on April 29, 2015, the Company will enable its shareholders to send their voting instructions electronically to the independent voting rights representative Buis Bürgi AG through the platform <https://www.netvote.ch/dufrey>. The corresponding instructions regarding registration and

voting procedures on this electronic platform will be sent to the shareholders together with the invitation to the General Meeting.

6.3 QUORUMS

The Meeting of Shareholders shall be duly constituted irrespective of the number of shareholders present or of shares represented. Unless the law or Articles of Incorporation provide for a qualified majority, an absolute majority of the votes represented at a Meeting of Shareholders is required for the adoption of resolutions or for elections, with abstentions, blank and invalid votes having the effect of "no" votes. The Chairman of the Meeting shall have a casting vote.

A resolution of the Meeting of Shareholders passed by at least two thirds of the votes represented and the absolute majority of the nominal value of shares represented shall be required for:

1. a modification of the purpose of the Company;
2. the creation of shares with increased voting powers;
3. restrictions on the transfer of registered shares and the removal of such restrictions;
4. restrictions on the exercise of the right to vote and the removal of such restrictions;
5. an authorized or conditional increase in share capital;
6. an increase in share capital through the conversion of capital surplus, through a contribution in kind or in exchange for an acquisition of assets, or a grant of special benefits upon a capital increase;
7. the restriction or denial of pre-emptive rights;
8. the change of the place of incorporation of the Company;
9. the dismissal of a member of the Board of Directors;
10. an increase in the maximum number of members of the Board of Directors;
11. a modification of the eligibility requirements of the members of the Board of Directors (Article 24 para. 1 of the Articles of Incorporation);
12. the dissolution of the Company;
13. other matters where statutory law provides for a corresponding quorum.

6.4 CONVOCATION OF THE MEETING OF SHAREHOLDERS

The Meeting of Shareholders shall be called by the Board of Directors or, if necessary, by the Auditors. One or more shareholders with voting rights representing in the aggregate not less than 10% of the share capital can request, in writing, that a Meeting of Shareholders be convened. Such request must be submitted to the Board of Directors, specifying the items and proposals to appear on the agenda.

The Meeting of Shareholders shall be convened by notice in the Swiss Official Gazette of Commerce (SOGC) not less than 20 days before the date fixed for the Meeting. Registered shareholders will also be informed by ordinary mail.

6.5 AGENDA

The invitation for the Meeting of Shareholders shall state the day, time and place of the Meeting, and the items and proposals of the Board of Directors and, if any, the proposals of the shareholders who demand that the Meeting of Shareholders be called or that items be included in the agenda.

One or more shareholders with voting rights whose combined holdings represent an aggregate nominal value of at least CHF 1,000,000 may request that an item be included in the agenda of a Meeting of Shareholders. Such a request must be made in writing to the Board of Directors at the latest 60 days before the Meeting and shall specify the agenda items and the proposals made.

6.6 REGISTRATION INTO THE SHARE REGISTER

The record date for the inscription of registered shareholders into the share register in view of their participation in the Meeting of Shareholders is defined by the Board of Directors. It is usually around 2 weeks before the Meeting. Shareholders who dispose of their registered shares before the Meeting of Shareholders are no longer entitled to vote with such disposed shares.

7. CHANGE OF CONTROL AND DEFENCE MEASURES

7.1 DUTY TO MAKE AN OFFER

An investor who acquires more than 33 $\frac{1}{3}$ % of all voting rights (directly, indirectly or in concert with third parties) whether they are exercisable or not, is required to submit a takeover offer for all shares outstanding (Article 32 SESTA). The Articles of Incorporation of the Company contain neither an opting-out nor an opting-up provision (Article 22 SESTA).

7.2 CLAUSES ON CHANGE OF CONTROL

In case of change of control or in any event which would trigger a mandatory offer pursuant to the SESTA with respect to the Company, the Performance Share Units awarded to the PSU Plan Participants shall vest immediately.

In case of change of control, all amounts drawn under the CHF 2,500,000,000, USD 1,010,000,000 and EUR 500,000,000 multicurrency term and revolving credit facilities agreement and the EUR 250,000,000 letter of credit and bank

guarantee facility agreement shall become immediately due and payable. Furthermore, upon the occurrence of a change of control, Dufry may be required to repurchase the USD 500,000,000 Senior Notes due 2020 and the EUR 500,000,000 Senior Notes due 2022 at a purchase price equal to 101% of their principal amount, plus accrued and unpaid interest.

While not directly containing a change of control clause, the contracts of the CEO, GCOO and one RCOO provide for a severance payment corresponding to the gross salary of 24 months unless the agreement is terminated for cause. In connection with the new Swiss company law, this clause will be reviewed and adjusted during fiscal year 2015.

8. AUDITORS

8.1 AUDITORS, DURATION OF MANDATE AND TERM OF OFFICE OF THE LEAD AUDITOR

Pursuant to the Articles of Incorporation, the Auditors shall be elected every year and may be re-elected. Ernst & Young Ltd acted as Auditors and has held the mandate as Auditor since 2004. Patrick Fawer has been the Lead Auditor in charge for the consolidated financial statements of the Company and the statutory financial statements as of December 31, 2014. Mr. Fawer took the existing auditing mandate in 2011.

8.2 AUDITING FEE

During fiscal year 2014, Dufry agreed with Ernst & Young Ltd to pay a fee of CHF 3.2 million for services in connection with auditing the statutory annual financial statements of Dufry AG (including quarterly reviews) and its subsidiaries, as well as the consolidated financial statements of Dufry Group and a fee of CHF 0.5 million for audit related services.

8.3 ADDITIONAL FEES

Additional fees amounting to CHF 0.7 million were paid to Ernst & Young Ltd for transaction services and CHF 0.3 million for tax services.

8.4 SUPERVISORY AND CONTROL INSTRUMENTS PERTAINING TO THE AUDIT

The Audit Committee as a committee of the Board of Directors reviews and evaluates the performance and independence of the Auditors at least once each year. Based on its review, the Audit Committee recommends to the Board of Directors, which external Auditor should be proposed for election at the General Meeting of Shareholders. The decision regarding this agenda item is then

taken by the Board of Directors. When evaluating the performance and independence of the Auditors, the Audit Committee puts special emphasis on the following criteria: Global network of the audit firm, professional competence of the lead audit team, understanding of Dufry's specific business risks, personal independence of the lead auditor and independence of the audit firm as a company, co-ordination of the Auditors with the Audit Committee and the Senior Management/Finance Department of Dufry Group, practical recommendations with respect to the application of IFRS regulations. Within the yearly approved budget, there is also an amount permissible for non-audit services that the Auditors may perform. Within the scope of the approved and budgeted amount, the Chief Financial Officer can delegate non-audit related mandates to the Auditors.

The Audit Committee determines the scope of the external audit and the relevant methodology to be applied to the external audit with the Auditors and discusses the results of the respective audits with the Auditors. The Auditors prepare a management letter addressed to the Senior Management, the Board of Directors and the Audit Committee once per year, informing them in detail on the result of their audit. The Auditors also review the interim quarterly reports before these publications are released.

Representatives of the Auditors are regularly invited to meetings of the Audit Committee, namely to attend during those agenda points that dealt with accounting, financial reporting or auditing matters.

In addition, the Audit Committee reviews regularly the internal audit plan. Internal Audit reports are communicated to management in charge and the Company's senior management on an on-going basis and to the Audit Committee on a quarterly basis.

During the fiscal year 2014, the Audit Committee held 5 meetings. The Auditors were present at 3 of those meetings. The Board of Directors has determined the rotation interval for the Lead Auditor to be seven years, as defined by the Swiss Code of Obligation; such rotation occurred the last time in 2011.

9. INFORMATION POLICY

Dufrey is committed to an open and transparent communication with its shareholders, financial analysts, potential investors, the media, customers, suppliers and other interested parties.

Dufrey AG publishes its financial reports on a quarterly basis, both in English and Portuguese. The financial reports and media releases containing financial information are available on the Company website.

In addition, Dufrey AG organizes presentations and conference calls with the financial community and media to further discuss details of the reported earnings or on any other matters of importance. The Company undertakes roadshows for institutional investors on a regular basis.

Details and information on the business activities, Company structure, financial reports, media releases and investor relations are available on the Company's website:

www.dufrey.com

The official means of publication of the Company is the Swiss Official Gazette of Commerce:

<https://www.shab.ch>

Web-links regarding the SIX Swiss Exchange push- / pull-regulations concerning ad-hoc publicity issues are:

<http://www.dufrey.com/en/OurCompany/NewsandMedia/Latestnews/index.htm>

<http://www.dufrey.com/en/OurCompany/NewsandMedia/Mediareleasesubscription/index.htm>

Web-links regarding the filings made by the Company with the CVM or BM&FBOVESPA are:

<http://www.dufrey.com/en/Investors/CVMFilings/QuarterlyFinancialStatementsITR/index.htm>

<http://www.cvm.gov.br>

<http://www.bovespa.com.br>

The current Articles of Incorporation are available on Dufrey's website under:

<http://www.dufrey.com/en/Investors/Articlesofincorporation/index.htm>

The financial reports are available under:

<http://www.dufrey.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.

Company's website:



Latest news:



Articles of incorporation:



Financial reports:



REMUNERATION REPORT

INTRODUCTION

The success of Dufry is dependent on its ability to attract, motivate and retain outstanding individuals. It is Dufry's aim to provide appropriate and competitive remuneration to its employees and to support their development in a high performance environment.

This Remuneration Report provides information on the remuneration system and compensation paid to the members of the Board of Directors and of the Group Executive Committee in fiscal year 2014. The Report is prepared in accordance with Articles 13–17 of the Ordinance against excessive Compensation (OaEC) and item 5 of the Annex to the Corporate Governance Directive (DCG) of the SIX Swiss Exchange, governing disclosure of remuneration systems and compensation paid to members of the Board of Directors and the Group Executive Committee.

GOVERNANCE

Based on Dufry's Articles of Incorporation and in line with the OaEC, the Board of Directors has the overall responsibility for defining the personnel and remuneration policy used for the entire Group, as well as the general terms and conditions of employment for members of the Group Executive Committee. It approves the individual compensation of the members of the Board of Directors and of the Group Executive Committee. As of January 1, 2015, the Meeting of Shareholders has to approve the proposal of the Board of

Directors in relation to the maximum aggregate amount of compensation of the Board of Directors for the period until the next Ordinary Meeting of Shareholders and of the Group Executive Committee for the following financial year.

The Nomination and Remuneration Committee supports the Board of Directors in fulfilling its nomination and remuneration related matters. The Committee consists of non-executive members of the Board of Directors. The General Meeting of Shareholders held on April 29, 2014, individually elected Messrs. James Cohen, Juan Carlos Torres Carretero and Andrés Holzer Neumann as members of the Nomination and Remuneration Committee for a term of office until completion of the next Ordinary Meeting of Shareholders in 2015.

COMPENSATION COMPARISONS

During the course of 2014, the Board of Directors of Dufry consulted PricewaterhouseCoopers AG on the structure and level of Executive compensation arrangements, with a particular focus on the RSU and PSU arrangements. PwC provided benchmark data on compensation levels for both Board members and the members of the GEC using disclosed information from Swiss based public companies within the SMI and SMIM indices. Based on this information and data, PwC conducted a benchmark study. Other divisions of this firm also provided services as Tax and HR Advisors for other internal projects.

COMMITTEES AND COMMITTEE MEMBERSHIPS AS OF DECEMBER 31, 2014

MEMBER OF THE BOARD OF DIRECTORS	NOMINATION & REMUNERATION COMMITTEE	AUDIT COMMITTEE
Juan Carlos Torres Carretero, Chairman	•	•
Andrés Holzer Neumann, Vice-Chairman	•	–
Jorge Born, Director	–	•
Xavier Bouton, Director	–	–
James S. Cohen, Director	• (Committee Chairman)	–
Julián Díaz González, Director/CEO	–	–
José Lucas Ferreira de Melo, Director	–	• (Committee Chairman)
George Koutsolioutsos, Director	–	–
Joaquín Moya-Angeler Cabrera, Director	–	•

For further details regarding the responsibilities of the Nomination and Remuneration Committee and the meetings held in fiscal year 2014, please refer to section 3.5 Internal Organizational Structure of the Corporate Governance Report.

REMUNERATION TO THE MEMBERS OF THE BOARD OF DIRECTORS

REMUNERATION SYSTEM

The remuneration of the members of the Board of Directors is set to attract and retain highly qualified individuals to serve on the Board of Directors. The Board of Directors determines the amount of remuneration of its members, taking into account their responsibilities, experience and the time they invest in their activity as members of the Board of Directors.

Members of the Board of Directors receive a fixed compensation, except for the Chief Executive Officer who does not receive any compensation in relation to his position as member of the Board. The Chairman of the Board of Directors may also receive a performance bonus. With the exception of the variable compensation to the Chairman and to the CEO (each in their capacity as Chairman and Chief Executive Officer), the compensation for the members of the Board of Directors is not tied to particular targets. The

Nomination and Remuneration Committee makes proposals in relation to the compensation of the individual members of the Board of Directors. Thereafter, the Board of Directors decides on the compensation of its members once per year. The performance bonus for the Chairman is related to financial performance and his base fee and is capped at 130 %.

In fiscal year 2014, each member of the Board of Directors received a Board membership fee of TCHF 175 and an additional TCHF 50 as a member of a Board Committee, except the Chairman and the CEO. These fees remained unchanged compared to the previous year 2013. For fiscal year 2014, the Chairman of the Board of Directors will receive a cash bonus of TCHF 1,595, based on profit targets of the Group. The bonus amounts to 96 % of the Chairman's board fee (2013: TCHF 1,397 and 93 % of board fee). The bonus was approved by the Board of Directors upon proposal by the Nomination and Remuneration Committee.

POSITION/RESPONSIBILITY	FEE 2014 IN THOUSANDS OF CHF	FEE 2013 IN THOUSANDS OF CHF
Chairman ¹	1,665.0	1,500.0
Vice-Chairman	175.0	175.0
Member of the Board of Directors ²	175.0	175.0
Member of the Audit Committee	50.0	50.0
Member of the Nomination and Remuneration Committee	50.0	50.0

¹ The Chairman receives no fees as a member of Committees.

² The CEO does not receive additional compensation as a Board member.

The compensation for the members of the Board of Directors is paid in cash (including social charges). Extraordinary assignments or work which a member of the Board of Directors performs for the Company outside of his activity as a Board member is specifically remunerated and is approved by the Board of Directors. In addition, the members of the Board of Directors are reimbursed all reasonable cash expenses incurred by them in the discharge of their duties.

CHANGES IN THE REMUNERATION SYSTEM FOR 2015

The Nomination and Remuneration Committee has initiated a project which aims to include a share-based remuneration by granting shares of Dufrey AG to the members of the Board of Directors. It is contemplated to grant shares in the amount of TCHF 75 per Board member. The allocation of shares is not based on performance targets. The shares are expected to have a vesting period of 3 years.

SUMMARY OF REMUNERATION IN FISCAL YEAR 2014 AND 2013

On December 31, 2014, the Board of Directors comprised 9 Board members (December 31, 2013: 8 Board members). For fiscal year 2014 and 2013, covering the period between January 1 and December 31, the remuneration for the members of the Board of Directors is shown in the table below. The remuneration difference compared to the previous year mainly arises from the fact that the Board was extended by one more member, changes in memberships of Board Committees and the increase in remuneration to the Chairman.

OTHER COMPENSATION, LOANS OR GUARANTEES (AUDITED)

In the years 2014 and 2013, there was no other compensation paid directly or indirectly to active or former members of the Board of Directors, or to their related parties. There are also no loans or guarantees received or provided to these Board members, nor to their related parties.

COMPENSATION TO THE BOARD OF DIRECTORS (AUDITED)

NAME, FUNCTION IN THOUSAND OF SWISS FRANCS	2014			2013		
	Remuneration	Post-employment benefits ⁶	Total	Remuneration	Post-employment benefits ⁶	Total
Juan Carlos Torres Carretero, Chairman ¹	3,260.2	169.5	3,429.7	2,896.5	151.4	3,047.9
Andrés Holzer Neumann, Vice-Chairman	225.0	13.5	238.5	225.0	13.5	238.5
Jorge Born, Director	213.7	12.8	226.5	175.0	10.6	185.6
Xavier Bouton, Director ²	425.0	10.6	435.6	425.0	10.6	435.6
James S. Cohen, Director	225.0	13.5	238.5	208.3	12.5	220.8
Julián Díaz González, Director and CEO ³	–	–	–	–	–	–
José Lucas Ferreira de Melo, Director	225.0	13.5	238.5	208.3	12.5	220.8
George Koutsolioutsos, Director ⁴	117.6	7.2	124.8	–	–	–
Joaquin Moya-Angeler Cabrera, Director	225.0	12.8	237.8	225.0	13.5	238.5
Subtotal for active members as at Dec 31	4,916.5	253.4	5,169.9	4,363.1	224.6	4,587.7
Ernest George Bachrach, Vice-Chairman ⁵	–	–	–	75.0	4.5	79.5
Mario Fontana, Director ⁵	–	–	–	75.0	4.5	79.5
Maurizio Mauro, Director ⁵	–	–	–	58.3	3.5	61.8
Total	4,916.5	253.4	5,169.9	4,571.4	237.1	4,808.5

¹ The remuneration for Mr. Torres Carretero includes fees of CHF 1.67 million and bonus of CHF 1.60 million (2013: CHF 1.50 million Board fee and CHF 1.40 million bonus). The presentation of the prior year's figures was changed to make them comparable with this year's presentation, which is required by the OaEC.

² The remuneration for Mr. Bouton includes fees for consulting services of CHF 0.25 million (2013: CHF 0.25 million). These consulting services have been terminated as per December 31, 2014.

³ Director as of May 1, 2013. Mr. Díaz González does not receive any additional compensation as Board member.

⁴ Director as of April 29, 2014.

⁵ Director until April 30, 2013.

⁶ Amount includes employer social security contributions and pension contributions.

REMUNERATION TO THE MEMBERS OF THE GROUP EXECUTIVE COMMITTEE

REMUNERATION SYSTEM

Dufry aims to provide internationally competitive compensation to the members of its Group Executive Committee (CEO, CFO, GCOO, GC, CCO and RCOOs) that reflects the experience and the area of responsibility of each individual member. Members of the Group Executive Committee receive compensation packages, which consist of a fixed basic salary in cash, social benefits, allowances in kind, a performance related cash bonus and share-based incentive plans.

BASIC SALARY

The annual basic salary is the fixed compensation reflecting the scope and key areas of responsibilities of the position, the skills required to perform the role and the experience and competencies of the individual person. The basic salary is reviewed annually.

ANNUAL BONUS

The annual bonus is defined once per year and is based on a bonus target expressed in percentage of the annual basic salary. The target bonus corresponds to the bonus award at 100% achievement of the pre-defined objectives. Each member of the Group Executive Committee has its own bonus. In case that an executive reaches the objectives in full, the bonus pay-out will correspond to the targeted level. If one or more objectives are not reached,

the bonus will be reduced. The bonus pay-out can be between a minimum of zero and the maximum capped amount of 130% of the target bonus.

PERFORMANCE OBJECTIVES

GROUP EXECUTIVE COMMITTEE (2014)	EBITDA	NON-FINANCIAL
Chief Executive Officer		
Group Chief Operating Officer		
Chief Financial Officer	100%	–
General Counsel		
Chief Corporate Officer		
1 Regional Chief Operating Officer		
3 Regional Chief Operating Officers	50%	50%

The target bonus amounted to 200% of the basic salary for the CEO and to between 60% and 200% of the basic salary for the other members of the Group Executive Committee in fiscal year 2014. The main part of the bonus is related to measures regarding financial performance, which in fiscal year 2014 and 2013 was based on EBITDA, for both, the Group and the respective Region in the case of the Regional Chief Operating Officers. Such financial measures were weighted for the CEO, GCOO, CFO, GC, CCO and 1 of the 4 RCOOs as follows: 100% EBITDA; for 3 of the 4 RCOOs 50% EBITDA and 50% non-financial oriented targets in form of individual and general performance of the business as evaluated by the CEO (Fiscal Year 2013: 100% EBITDA for the CEO, GCOO, CFO, GC and 2 of the 4 RCOOs. 50% EBITDA and 50% non-financial oriented targets for 2 of the 4 RCOOs).

REMUNERATION COMPONENTS

	INSTRUMENT	PURPOSE	INFLUENCED BY
Basic salary	<ul style="list-style-type: none"> – Basic compensation – Paid in cash on monthly basis 	<ul style="list-style-type: none"> – To attract and retain management 	<ul style="list-style-type: none"> – Position – Competitive market environment – Experience of the person
Bonus	<ul style="list-style-type: none"> – Annual bonus – Paid in cash after completion of the relevant year 	<ul style="list-style-type: none"> – Pay for performance 	<ul style="list-style-type: none"> – Achievement of financial results of the Group and of specific Regions and of defined goals by each individual person
Share-based incentives PSUs and RSUs (until 2013)	<ul style="list-style-type: none"> – Performance Share Units (PSU) and Restricted Stock Units (RSU) if any, vesting conditional on performance 	<ul style="list-style-type: none"> – Rewarding long-term performance – Aligning compensation to shareholder interests 	<ul style="list-style-type: none"> – PSU: Core EPS growth over 3 years – RSU: Share price of Dufry AG
Other indirect benefits, post-employment benefits	<ul style="list-style-type: none"> – Allowances in kind – Social pension and insurance prerequisites 	<ul style="list-style-type: none"> – To attract and retain management 	<ul style="list-style-type: none"> – Market practice and position – Legal requirements of social benefits

The bonus accrued as part of the compensation for the members of the Group Executive Committee represented in 2014 between 55% and 201% of their basic salary and amounted to CHF 9.9 million in the aggregate (2013: between 17% and 100% of their basic salary and an amount of CHF 4.26 million in the aggregate).

The bonus compensation for each of the members of the Group Executive Committee, other than the CEO bonus, is approved by the CEO in coordination with the Nomination and Remuneration Committee. The CEO's bonus compensation is determined based on achieved targets and proposed by the Nomination and Remuneration Committee and decided by the Board of Directors once per year. The Nomination and Remuneration Committee and the Board of Directors review the compensation of the CEO, CFO, GCOO, CCO and the GC yearly. The compensation of the RCOOs is reviewed once per year by the CEO.

SHARE-BASED INCENTIVES (PSU/RSU)

In 2013, the Company introduced a Performance Share Unit (PSU) plan for the members of the Group Executive Committee. Up to 2013, Dufrey also had a Restricted Share Unit (RSU) plan in place. The purpose of both plans is to provide the members of the Group Executive Committee (and in case of the RSU also selected members of the Senior Management team) with an incentive to make significant and extraordinary contributions to the long-term performance and growth of Dufrey Group, enhancing the value of the shares for the benefit of the shareholders of the Company. The share-based incentive is also increasing the ability of Dufrey Group to attract and retain persons of exceptional skills.

From an economic point of view, both the RSUs and the PSUs are stock options with an exercise price of nil. However, they have no dilutive effect, as they are sourced from treasury shares, held by the Company.

Performance Share Units (PSU)

The number of PSUs allocated to each member of the Group Executive Committee in any given year takes into account the base salary as well as the prevailing share price, i.e. an assumption of one share for every PSU. The PSU awards 2014 represented about 89% of the basic salary for the CEO and between 62% and 90% of the basic salary for the other members of the Group Executive Committee. The PSU awards 2014 will vest only in 2017 and are furthermore linked to specific performance criteria. The awards will only vest in 2017 in case these criteria are met (see below).

Vesting conditions of the PSUs are:

a) the participant's ongoing contractual relationship on the vesting date; and

b) the achievement of the performance target as described below.

The number of shares allocated for each PSU directly depends on the average growth rate reached of the Company's basic earnings per share adjusted for acquisition-related amortization and normalized for non-recurring effects. For the calculation of the relevant EPS growth for the PSU, the Cash EPS of the fiscal year preceding the grant date is used as a basis and is compared to the Cash EPS of the year preceding the vesting date (final year Cash EPS). The basis for the PSU Awards 2014 is the Cash EPS of 2013 (PSU Award 2013: Cash EPS of 2012), which will be compared to the respective metric in 2016 (PSU Award 2013: respective metric in 2015).

Depending on the average growth achieved, each PSU will convert according to the following grid:

- Minimum threshold of average Cash EPS growth of 3.5% per annum must be achieved; otherwise the PSU shall not vest and will become nil and void. The participant will not be allocated any shares from the PSU.
- For a Cash EPS growth of 7% per annum (target), the participant shall be allocated one share for every PSU that has vested.
- For a Cash EPS growth of 10.5% per annum or above (maximum threshold), the participant shall be allocated two shares for every PSU that has vested.
- For a Cash EPS growth of between 3.5% and 7% per annum or between 7% and 10.5% per annum the number of shares allocated from vested PSUs is calculated on a linear basis.
- The maximum number of shares allocated is capped at two shares per vested PSU.

CASH EPS GROWTH PER ANNUM	PSU VESTING
< 3.5%	No vesting
Between 3.5% and 7% = 7%	Linear between 0% and 100% vesting 100% vesting (1 share per PSU)
Between 7% and 10.5% ≥ 10.5%	Linear between 100% and 200% vesting 200% vesting (2 shares per PSU)

The total maximum number of shares that can be allocated (maximum 2 shares per vested PSU) would amount to 102,972 shares for the PSU Award 2014 and to 85,914 shares for the PSU Award 2013, representing together a total of 0.53% of outstanding shares as at December 31, 2014.

In 2014, the members of the Group Executive Committee have been granted, in the aggregate, 51,486 PSU and the vesting date for the relevant PSU will be May 1, 2017 (PSU Award 2013: grant of 42,957 PSUs in aggregate with vesting date May 1, 2016).

Restricted Share Units (RSU)

In 2013, the company also offered awards under the RSU plan. The program expired in 2014 and no RSUs were offered in 2014. The RSU plan 2013 was awarded to members of the Group Executive Committee and selected members of Senior Management.

The RSU award 2013 approved by the Nomination and Remuneration Committee contained two vesting conditions:

- a) the participants must be employed by the Company for the full calendar year 2013, respectively (or, if later, from the individual employment entry date); and
- b) the average closing price of Dufry's shares on the SIX Swiss Exchange of the ten previous trading days prior to vesting date must be 1% higher than at grant date. Subject to certain adjustment mechanisms due to corporate events such as a share split, spin-off and capital increase. If the vesting conditions are met, one RSU represents one share of Dufry AG.

The participants of Dufry's RSU plan 2013 have been granted the right to receive on January 1, 2014, free of charge, 117,104 RSUs on aggregate (of which 40,854 RSUs were granted to members of the Group Executive Committee). The RSU 2013 Awards vested on January 1, 2014 with the relevant average price prior to vesting being CHF 155.44.

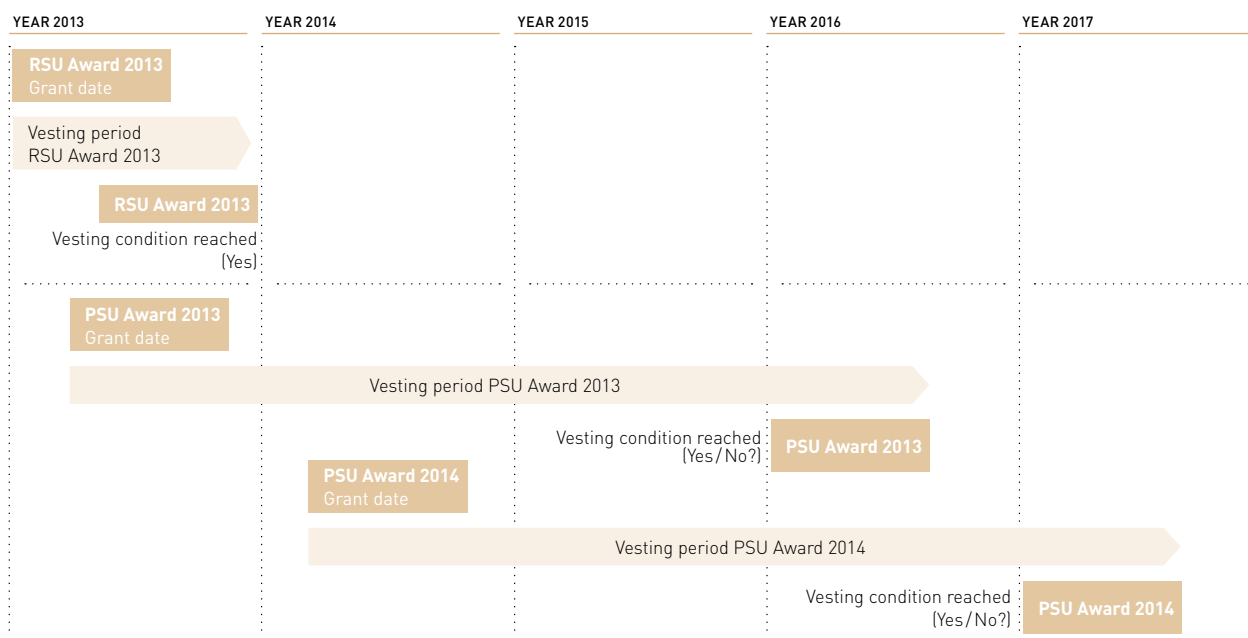
The total amount of the RSUs (to all plan participants) granted in fiscal year 2013 represented 0.08% of outstanding shares as at December 31, 2013.

The PSU and RSU plans have been approved by the Nomination and Remuneration Committee and the Board of Directors. The Nomination and Remuneration Committee reviews achievement of the respective performance target at a specific grant date, upon proposal of the CEO, who as plan administrator will analyze and adjust potential exceptional and non-recurring events to normalize Cash EPS in relation to the PSU plan. As plan administrator, the CEO is also responsible for the amount of each specific grant to each individual plan participant. The grants made to the CEO are decided by the Chairman.

OTHER INDIRECT BENEFITS

The Company limits further benefits to a minimum. Fringe benefits such as health insurance, company car, or housing allowances have been granted to certain members of the Group Executive Committee. The total amounted to CHF 0.68 million in the aggregate in fiscal year 2014 (2013: CHF 0.55 million).

Timing of the RSU/PSU plans



CHANGES IN THE REMUNERATION SYSTEM IN 2014 AND FOR 2015

The Nomination and Remuneration Committee has decided on some changes to the remuneration system in fiscal year 2014.

The RSU program has been terminated and no award was made in 2014. The Nomination and Remuneration Committee currently considers an alternative program going forward, which is expected to be implemented in fiscal year 2015. Once the new program will be implemented in 2015, the Nomination and Remuneration Committee will also review the basis of payout of the cash bonus.

Based on the compensation comparison, the Nomination and Remuneration Committee is considering to adapt the metrics for the PSU plan from 2015 onwards. The adapted plan is expected to be based on achievement targets of the cumulative normalized Cash EPS over the three years period instead of a growth target. The change is intended to reduce the volatility of the PSU plan and also to reward continuous and sustainable improvements in the Cash EPS generation. The overall size and duration of the PSU plan is expected to remain unchanged.

COMPOSITION OF REMUNERATION TO THE GROUP EXECUTIVE COMMITTEE IN FISCAL YEAR 2014

The chart below reflects the composition of the different remuneration components to the Group Executive Committee for fiscal year 2014.

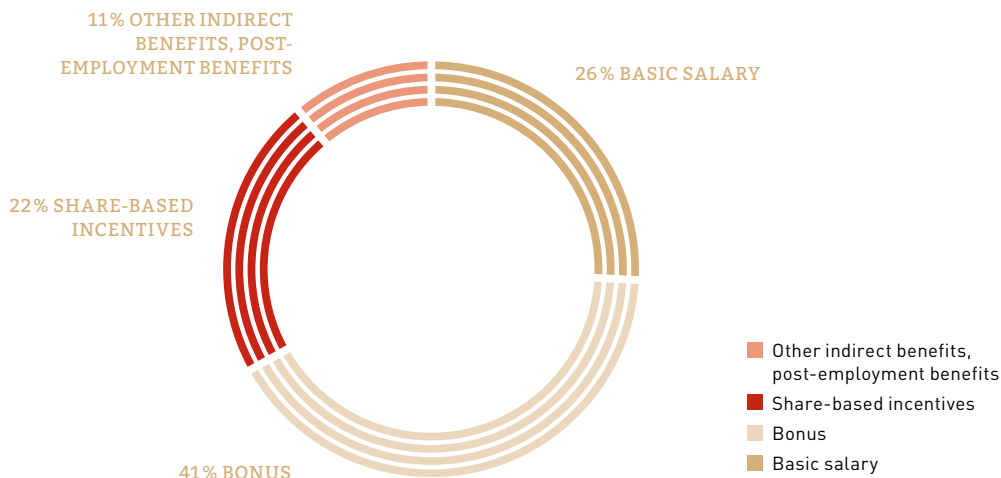
SUMMARY OF REMUNERATION IN FISCAL YEAR 2014

On December 31, 2014, the Group Executive Committee comprised 9 Executives (December 31, 2013: 8 Executives). The remuneration for fiscal years 2014 and 2013, mentioned in the table below covers the period between January 1 and December 31.

The remuneration difference compared to the previous year are mainly due to one more executive, regular salary increases based on annual performance review and individual bonus payments based on achievement of yearly objectives set in advance, and additional social charges due to the vesting of the previous RSU plan.

COMPENSATION STRUCTURE GROUP EXECUTIVE COMMITTEE IN 2014

IN %



COMPENSATION TO THE MEMBERS OF THE GROUP EXECUTIVE COMMITTEE (AUDITED)

REMUNERATION COMPONENT IN THOUSAND OF SWISS FRANCS	2014		2013 ¹	
	GEC	CEO ²	GEC	CEO ²
Basic salary	6,264.0	1,675.1	5,483.9	1,525.3
Bonus	9,935.0	3,209.9	4,260.5	1,409.0
Post-employment benefits ³	1,896.9	527.3	2,050.5	573.3
Other indirect benefits	660.7	35.0	549.7	34.8
Share-based payments ⁴	5,370.9	1,497.7	8,226.7	2,302.1
Total compensation	24,127.5	6,945.0	20,571.3	5,844.5
Number of restricted stock units awarded (in thousands)	-	-	40.8	10.8
Number of performance share units awarded (in thousands)	51.5	14.4	43.0	12.5

¹ The presentation of the prior year's figures was changed to make them comparable with this year's presentation, which is required by the OaEC.

² The CEO has the highest compensation of the Group Executive Committee.

³ Amount includes employer social security contributions and pension contributions.

⁴ For valuation details see Note 29 of the consolidated financial statements.

OTHER COMPENSATION, LOANS OR GUARANTEES (AUDITED)

In the years 2014 and 2013, there were no other compensations paid directly or indirectly to active or former members of the Group Executive Committee, or to their related parties. There are also no loans or guarantees received or provided to the Group Executive Committee members, or to related parties.

CONTRACTS OF EMPLOYMENT TERMS

As of December 31, 2014, the contracts of the CEO, GCOO and one RCOO provide for a severance payment corresponding to the gross salary of 24 months unless the agreement is terminated for cause. In connection with the new Swiss company law (OaEC), this clause will be reviewed and adjusted during fiscal year 2015.

PARTICIPATIONS IN DUFYR 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:

IN THOUSANDS	DECEMBER 31, 2014			DECEMBER 31, 2013		
	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%
Julián Díaz González, 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 González, CEO	286.9	43.8	0.92%	210.3	10.8	0.72%
Andreas Schneider, 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 divided 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, Julián 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



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To the General Meeting of
Dufry AG, Basel

Basel, 4 March 2015

Report of the statutory auditor on the remuneration report

We have audited the remuneration report dated 4 March 2015 of Dufry AG for the year ended 31 December 2014 (sections included in pages 177 and 182 marked as audited).

Responsibility of the Board of Directors

The Board of Directors is responsible for the preparation and overall fair presentation of the remuneration report in accordance with Swiss law and the Ordinance against Excessive Compensation in Stock Exchange Listed Companies (Ordinance). The Board of Directors is also responsible for designing the remuneration system and defining individual remuneration packages.

Auditor's responsibility

Our responsibility is to express an opinion on the remuneration report. We conducted our audit in accordance with Swiss Auditing Standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the remuneration report complies with Swiss law and articles 14 – 16 of the Ordinance.

An audit involves performing procedures to obtain audit evidence on the disclosures made in the remuneration report with regard to compensation, loans and credits in accordance with articles 14 – 16 of the Ordinance. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatements in the remuneration report, whether due to fraud or error. This audit also includes evaluating the reasonableness of the methods applied to value components of remuneration, as well as assessing the overall presentation of the remuneration report.

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



Opinion

In our opinion, the remuneration report for the year ended 31 December 2014 of Dufry AG complies with Swiss law and articles 14 – 16 of the Ordinance.

Ernst & Young Ltd

A handwritten signature in blue ink, appearing to read 'P. Fawer', is positioned above the name and title of Patrick Fawer.

Patrick Fawer
Licensed audit expert
(Auditor in charge)

A handwritten signature in blue ink, appearing to read 'O. Reich', is positioned above the name and title of Olaf Reich.

Olaf Reich
Licensed audit expert

INFORMATION FOR INVESTORS AND MEDIA

REGISTERED SHARES

Issuer	Dufry AG
Listing	SIX Swiss Exchange
Type of security	Registered shares
Ticker symbol	DUFN
ISIN-No.	CH0023405456
Swiss Security-No.	2340545
Reuters	DUFN.S
Bloomberg	DUFN:SW

SENIOR NOTES

Issuer	Dufry Finance SCA
Listing	ISE Irish Stock Exchange
Type of security	Senior Notes
Size of issue	USD 500 million
Interest rate	5.5% p.a., paid semi-annually
Maturity	October 15, 2020
ISIN-No.	USL2660RAA25 (Serie REG S) US26433UAA34 (Serie 144A)
Bloomberg	DUFSCA

BRAZILIAN DEPOSITARY RECEIPTS (BDRS)

Issuer	Dufry AG
Listing	BM&FBOVESPA
Type of security	Brazilian Depositary Receipts (BDRs)
Ticker symbol	DAGB33
ISIN-No.	BRDAGBBDR008
Reuters	DAGB33.SA
Bloomberg	DAGB33:BZ

Issuer	Dufry Finance SCA
Listing	ISE Irish Stock Exchange
Type of security	Senior Notes
Size of issue	EUR 500 million
Interest rate	4.5% p.a., paid semi-annually
Maturity	July 15, 2022
ISIN-No.	XS1087753353 (Serie REG S) XS1087754245 (Serie 144A)
Bloomberg	DUFSCA

MANDATORY CONVERTIBLE NOTES

Issuer	Dufry Financial Services B.V.
Listing	SIX Swiss Exchange
Type of security	Mandatory Convertible Notes
Ticker symbol	DUF14
Size of issue	CHF 275 million
Interest rate	2.0% p.a., paid semi-annually
Maturity	June 18, 2015
Convertible into	Registered shares of Dufry AG
Conversion price	CHF 152
ISIN-No.	CH0244695356
Bloomberg	DUFNSW Corp

KEY DATES IN 2015

March 12, 2015	Results Fiscal Year 2014, Publication of Annual Report
April 29, 2015	Annual General Meeting
May 5, 2015	Results First Three Months 2015
July 30, 2015	Results First Half Year 2015
November 3, 2015	Results First Nine Months 2015

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This Annual Report contains certain forward-looking statements, which can be identified by terms like "believe", "assume", "expect" or similar expressions, or implied discussions regarding potential new projects or potential future revenues, or discussions of strategy, plans or intentions. Such forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause actual results to be materially different from any future results, performance or achievements expressed or implied by such statements. All forward-looking statements are based only on data available to Dufry at the time of preparation of this Annual Report. Dufry does not undertake any obligation to update any forward-looking statements contained in this Annual Report as a result of new information, future events or otherwise.

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Concept, Production Tolxdorff & Eicher Consulting, Horgen
Design MetaDesign, Zurich
Print Druckmanufaktur AG, Urdorf



GLOBAL PRESENCE

EMEA & ASIA

Bulgaria: Burgas, Varna

Czech Republic: Prague

France: Nice, Toulouse, Martinique (Fort-de-France), Guadeloupe (Pointe-à-Pitre)

Germany: Dusseldorf, Hamburg

Greece: Araxos, Athens, Aktio, Alexandroupoli, Anchialos, Chania, Corfu, Doirani, Evzonoi, Heraklion, Igoumentisa, Kakkavia, Kalamata, Karpathos, Kastanies, Kastelorizo, Katakolo, Kavala, Kafalonia, Kipoi, Kos, Krystallopigi, Limnos, Mertziani, Mykonos, Mytilini, Niki, Ormenio, Patras, Piraeus, Promachonas, Rhodes, Sagiada, Samos, Santorini, Skiathos, Symi, Thessaloniki, Zante, on-board of ferries of Anek, Blue Star and Superfast

Italy: Milan, Rome, Bergamo, Genoa, Naples, Turin, Verona

Malta: Luga

Russia: Moscow, St Petersburg

Serbia: Belgrade

Spain: Tenerife, Malaga, Gran Canaria, Fuerteventura, Lanzarote

Sweden: Stockholm, Gothenburg, Jönköping, Kalmar, Karstad, Luleå, Malmö, Norrköping, Örnsköldsvik, Östersund, Skellefteå, Sundsvall, Umeå, Visby

Switzerland: Zurich, Geneva, Basel-Mulhouse, Samnaun

Turkey: Antalya, Kayseri, Kutahya

United Kingdom: London, Cardiff, Glasgow, Manchester, Elvedon Forest, Longleat Forest, Sherwood Forest, Whinfell Forest, Woburn Forest

Algeria: Algiers

Egypt: Borg El Arab

Ghana: Accra

Ivory Coast: Abidjan

Morocco: Casablanca, Marrakech, Agadir, Dakhla, Essaouira, Fez, Nador, Oujda, Rabat, Tanger

Australia: Melbourne

Armenia: Yerevan

China: Shanghai, Beijing, Hong Kong, Chendu, Macao, Zhuhai

Cambodia: Phnom Penh, Siem Reap

India: Bangalore, Mumbai

Indonesia: Bali

Kazakhstan: Astana

Singapore: Singapore

South Korea: Busan

Sri Lanka: Hambantota

United Arab Emirates: Sharjah

AMERICA I

Argentina: Buenos Aires, Corboda, Mendoza, Bariloche

Caribbean Islands: Dominican Republic, Puerto Rico, Aruba, Antigua, Bahamas, Barbados, Bonaire, Curaçao, Grand Turk, Grenada, Jamaica, St Kitts, St Lucia, St Maarten, St Thomas, Trinidad

Ecuador: Guayaquil

Honduras: Roatan

Mexico: Mexico City, Acapulco, Cancun, Cozumel, Guadalajara, Ixtapa, Laredo, Leon, Los Cabos, Mazatlan, Monterrey, Progreso, Puerto Vallarta, Reynosa

Nicaragua: Managua, El Espino, Guasaule, Las Manos, Peñas Blancas

Uruguay: Montevideo, Punta del Este

Cruise Lines: on-board of ships of Norwegian Cruise Lines

AMERICA II

Bolivia: La Paz, Santa Cruz

Brazil: São Paulo, Rio de Janeiro, Brasília, Belém, Belo Horizonte, Campinas, Curitiba, Florianopolis, Fortaleza, Goiania, Natal, Porto Alegre, Recife, Salvador

UNITED STATES & CANADA

Canada: Vancouver, Toronto, Calgary, Edmonton, Halifax

United States: Over 50 cities including Albuquerque, Anchorage, Atlantic City, Baltimore, Birmingham, Boston, Burlington, Charleston, Chicago, Cleveland, Dallas, Denver, Ft Lauderdale, Fresno, Greenville-Spartanburg, Gulfport, Harrisburg, Houston, Jackson, Las Vegas, Los Angeles, Manchester, Memphis, Miami, Mobile, Myrtle, Nashville, New Orleans, New York, Newark, Newport, New Windsor, Norfolk, Okaloosa, Omaha, Orlando, Philadelphia, Phoenix, Pittsburg, Raleigh, Richmond, Roanoke, Rochester, San Diego, San Francisco, San José, Seattle, St. Louis, Santa Ana, Washington