DUFRY

WorldClass.WorldWide.

FINANCIAL REPORT 2016

DELIVERING ON OUR GOALS
DEAR ALL

2016 was a successful year for Dufry, both operationally and financially. Turnover grew by 27.5% and reached CHF 7,829.1 million and EBITDA went to CHF 935.1 million. We executed on our three main goals for the year: acceleration of organic growth, integration of World Duty Free (WDF) as well as cash generation and subsequent deleveraging.

Organic growth improved along 2016, especially in the second half of the year, returning to positive growth numbers and showing a distinct acceleration. As a result, organic growth turned positive in the third quarter and posted 5.6% in the fourth quarter of 2016.

We have also put our efforts to the integration of WDF, which was completed by year-end 2016. Overall we expect synergies of CHF 105 million per annum, of which more than half, including CHF 49 million of cost synergies, are already reflected in the 2016 financials. The remaining synergies will build-up in the next quarters and expected to deliver the full benefit by year end 2017.

> More than half of the WDF synergies already reflected in the financials.

Another key point for the year was cash generation and deleveraging. Free cash flow reached CHF 483.8 million, 43.0% higher than in 2015. The increase is mainly related to synergies we achieved through the integration of Nuance and WDF, as well as improvements we made managing our core net working capital. As a result, we reduced net debt by CHF 205.6 million to CHF 3,750.4 million on December 31, 2016 and our covenant Net debt / EBITDA stands at 3.69x.

In terms of financing strategy, we have used cash generated to repay early our USD 500 million Senior Notes with expiry in 2020. The repayment, executed in December, was sourced by the Company's cash and existing banking facilities and will allow for CHF 27.5 million savings per annum, starting in 2017.

TURNOVER

Turnover grew by 27.5% and reached CHF 7,829.1 million in 2016, from CHF 6,139.3 million in 2015. Organic growth was positive at +1.0%, a strong recovery from –5.3% reported in 2015. Changes in scope, which includes the consolidation of WDF, contributed 28.6% to turnover growth, while FX translation effect was –0.6%, mainly driven by the devaluation of the British Pound.

As of the third quarter, Dufry managed to return to positive pro-forma organic growth of +1.3%, and saw the trend accelerating even more in the fourth quarter, with organic growth reaching +5.6%, resulting in a full-year organic growth of +1.0%.

Turnover in **Southern Europe and Africa** reached CHF 1,702.3 million in 2016, from CHF 1,269.9 million one year before. Organic growth in the division was –2.5% in the full year 2016 and +1.6% in the fourth quarter. Spain had a fantastic year, mainly driven by double digit growth in number of passengers visiting the country. In Turkey the business was impacted by the sharp decline in the number of travelers – especially the travel ban for Russians that was in place from February to August 2016 impacted the business during peak season. Greece held up relatively well and posted a small decline on sales. Last but not least, Italy also posted a solid performance in the year.

UK, Central and Eastern Europe's turnover grew to CHF 2,088.9 million in the year, versus CHF 1,427.8 million in 2015, with organic growth in the division reaching +3.9% (+8.7% in Q4 2016). The business in the United Kingdom had strong performance in the second half of the year, positively impacted by the weakening of the British Pound following the vote on BREXIT. Finland and Serbia performed well, while Sweden and Switzerland were both practically flat. Organic growth in Russia and other Eastern European locations remained negative, however showing improving trends in the second half of the year.

Turnover in **Asia, Middle East and Australia** amounted to CHF 770.7 million in 2016, from CHF 638.5 million in 2015. Organic growth in the division for the full year and fourth quarter was +0.4% and +1.5% respectively. India and Sri Lanka saw strong growth while performance in the Middle East was flat. Certain locations in Asia performed well, for example South Korea, Indonesia and Cambodia. On the other hand, operations such as Hong Kong, Singapore and Australia were impacted by a lower spend from Chinese consumers.

Latin America's turnover went to CHF 1,531.1 million in 2016 versus CHF 1,409.6 million one year earlier. Organic growth in the division was −4.1% for the full year, to which the fourth quarter contributed +3.7%. In Central America, Mexico performed very well, as did most operations in the Caribbean in particular the Dominican Republic and Jamaica as well as our Cruise business, to name a few. In South America, Brazil saw an important acceleration in the second half, recording double-digit growth. Other operations in South America also did well, such as Ecuador, Peru and Chile, while Argentina remained negative throughout the year, but showing improvements so far in 2017.

Turnover in **North America** reached CHF 1,660.9 million in 2016 from CHF 1,352.2 million in the previous year. Organic growth reached +4.5% in the full year, while in Q4 it reached +7.2%. Growth was stronger at the duty-paid business, while duty-free saw the strong performance in Canada being mitigated by lower trading in the United States, due to the stronger US Dollar.

OPERATIONAL COSTS UNDER CONTROL

Gross profit

Gross profit grew by 28.2% and reached CHF 4,584.1 million in 2016 versus CHF 3,574.7 million in 2015. Gross margin improved by 40 basis points, reflecting the synergies achieved from the integration of Nuance and operational improvements.

Selling expenses

Selling expenses reached CHF 2,236.2 million in 2016 from CHF 1,684.0 million in 2015. As a percentage of turnover, they went to 28.6%, from 27.4% in 2015. The increase is due to the consolidation of WDF.

Personnel and general expenses

Both personnel and general expenses saw substantial improvement. As percentage of turnover, the former improved by 40 basis points to 13.5% and the latter by 50 basis points to 4.6% respectively. The improvement in these expenses is a combination of the consolidation of WDF and synergies achieved in the year.

EBITDA

EBITDA grew by 29.2% and stood at CHF 935.1 million (CHF 723.8 million in 2015). EBITDA margin was 11.9% in 2016, compared to 11.8% in 2015. While all synergies from Nuance are included in the result, also more than half, including CHF 49 million of cost synergies, of the expected WDF synergies have been reflected. We managed to improve EBITDA margin year-on-year despite the negative impact from some underperforming operations, such as Turkey or Brazil.

Depreciation, amortization, impairment and linearization

Depreciation was CHF 166.2 million in 2016 (CHF 135.8 million in 2015). As a percentage of turnover it remained nearly stable at 2.1% compared to 2.2% in 2015. Amortization increased by CHF 70.2 million and reached CHF 379.2 million in 2016, as a result of the additional amortization generated by the acquisition of WDF.

Linearization amounted to CHF −74.7 million in 2016. Linearization is a non-cash item related to the Spanish business and originates from the difference between the average minimum guarantee (MAG) over the full concession period and the effective MAG payable in the period. This item also includes the reduction in concession payments granted based on an upfront payment (prepaid lease) related to Spanish contracts.

EBIT
EBIT more than doubled to CHF 272.6 million in 2016 from CHF 132.7 million in the last year. Other operational result (net) reached CHF –42.4 million, compared to CHF –117.1 million in 2015, when CHF –77.4 million of transaction and restructuring cost were included.

Financial result
Financial results, net increased by CHF 36.0 million and reached CHF 215.5 million in 2016 from CHF 179.5 million in 2015. While the higher net debt due to the acquisition of WDF explains part of the increase, the repayment of the USD 500 million Senior Notes expiring in 2020 generated one-off costs of CHF 14.2 million. The repayment will allow for annual interest savings of CHF 27.5 million per annum from 2017 onwards.

Taxes
Income tax expense was CHF 11.3 million in 2016, versus a positive of CHF 10.1 million one year before. Tax rate in 2016 was 19.8 %.

Net earnings
Net earnings improved by CHF 82.7 million and reached CHF 45.8 million in 2016 compared to CHF –36.9 million seen in 2015. Net Earnings to equity holders saw a similar increase year on year and stood at CHF 2.5 million in 2016, versus the loss seen in 2015, which was related mainly to one-offs from the WDF acquisition and the Nuance integration.

Cash earnings, which add back acquisition-related amortization, grew by 76.6 % in 2016 and reached CHF 322.9 million versus CHF 182.8 million 2015. Cash EPS in 2016 grew by 50.4 % and reached CHF 6.00, compared to CHF 3.99 in 2015.

DELEVERAGING ON THE WAY

Cash flow and debt
Free cash flow before interest increased by 43.0 % and reached CHF 483.8 million in 2016, compared to CHF 338.4 million in 2015. In addition to EBITDA growth, a more efficient management of core net working capital was key for this achievement. Capex in 2016 amounted to CHF 262.2 million.

We reduced net debt and leverage in 2016 as expected: net debt reached CHF 3,750.4 million at the end of December 2016 compared to CHF 3,956.0 million one year earlier and our main covenant, net debt/adjusted EBITDA, stood at 3.69x as per 31 December 2016 from 3.92x at the end of December 2015. In terms of financing strategy, we decided to call in advance our USD 500 million Senior Notes with maturity in 2020. The repayment allowed to further improve the debt structure and to reduce interest costs going forward.

POSITIVE TRENDS SEEN FOR 2017

2015 and 2016 were intense years as our goals of integrating Nuance and WDF and generating synergies, recovery of organic growth, and reducing net debt were implemented in an environment where there were substantial headwinds in selected markets. By executing well on all these critical topics we have clearly strengthened and adapted the organization for the next phase of development of Dufry Group with sustainable growth and cash generation.

2017 looks to be a promising year in many aspects: the integration work is substantially done, the new organization has started to gain traction and global economy so far doesn't show any indicator for major headwinds for the year ahead. We are confident that given this scenario, the real potential of the new Dufry will be demonstrated.

We would like to thank our shareholders, bondholders, banks, analysts and key advisors for their trust in Dufry and their support throughout the year to contribute to Dufry's success.

Kind regards,

Andreas Schneiter

CONSOLIDATED INCOME STATEMENT

	2016		2015	
	IN MILLIONS OF CHF	IN %	IN MILLIONS OF CHF	IN %
CONTINUING OPERATIONS				
Net sales	7,622.8		5,961.7	
Advertising income	206.3		177.6	
Turnover	**7,829.1**	**100.0 %**	**6,139.3**	**100.0 %**
Cost of sales	(3,245.0)	41.4 %	(2,564.6)	41.8 %
Gross profit	**4,584.1**	**58.6 %**	**3,574.7**	**58.2 %**
Selling expenses	(2,236.2)	28.6 %	(1,684.0)	27.4 %
Personnel expenses	(1,054.5)	13.5 %	(856.2)	13.9 %
General expenses	(362.2)	4.6 %	(314.7)	5.1 %
Share of result of associates	3.9	0.0 %	4.0	(0.1 %)
EBITDA [1]	**935.1**	**11.9 %**	**723.8**	**11.8 %**
Depreciation, amortization and impairment	(545.4)	7.0 %	(444.8)	7.2 %
Linearization	(74.7)	1.0 %	(29.2)	0.5 %
Other operational result	(42.4)	0.5 %	(117.1)	1.9 %
Earnings before interest and taxes (EBIT)	**272.6**	**3.5 %**	**132.7**	**2.2 %**
Interest expenses	(243.4)	3.1 %	(200.7)	3.3 %
Interest income	32.3	(0.4 %)	16.0	(0.3 %)
Foreign exchange gain / (loss)	(4.4)	0.1 %	5.2	(0.1 %)
Earnings before taxes (EBT)	**57.1**	**0.7 %**	**(46.8)**	**(0.8 %)**
Income tax	(11.3)	0.1 %	10.1	(0.2 %)
Net earnings from continuing operations	**45.8**	**0.6 %**	**(36.7)**	**(0.6 %)**
DISCONTINUED OPERATIONS				
Net earnings from discontinued operations	–	0.0 %	(0.2)	0.0 %
Net earnings	**45.8**	**0.6 %**	**(36.9)**	**(0.6 %)**
ATTRIBUTABLE TO				
Equity holders of the parent	2.5		(79.3)	
Non-controlling interests	43.3		42.4	
Net earnings to equity holders adjusted for amortization in respect of acquisitions	**322.9**		**182.8**	
Basic earnings per share from continuing operations	0.05		(1.73)	
Cash earnings per share [2]	6.00		3.99	
Weighted average number of outstanding shares in thousands	53,775		45,810	

[1] EBITDA is earnings before interest, taxes, depreciation, amortization, linearization and other operational result
[2] Adjusted for amortization of acquisitions

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CONSOLIDATED INCOME STATEMENT

FOR THE YEAR ENDED DECEMBER 31, 2016

IN MILLIONS OF CHF	NOTE	2016	2015
CONTINUING OPERATIONS			
Net sales	7	7,622.8	5,961.7
Advertising income		206.3	177.6
Turnover		**7,829.1**	**6,139.3**
Cost of sales		(3,245.0)	(2,564.6)
Gross profit		**4,584.1**	**3,574.7**
Selling expenses	8	(2,236.2)	(1,684.0)
Personnel expenses	9	(1,054.5)	(856.2)
General expenses	10	(362.2)	(314.7)
Share of result of associates	11	3.9	4.0
EBITDA[1]		**935.1**	**723.8**
Depreciation, amortization and impairment	12	(545.4)	(444.8)
Linearization	13	(74.7)	(29.2)
Other operational result	13	(42.4)	(117.1)
Earnings before interest and taxes (EBIT)		**272.6**	**132.7**
Interest expenses	14	(243.4)	(200.7)
Interest income	14	32.3	16.0
Foreign exchange gain / (loss)		(4.4)	5.2
Earnings before taxes (EBT)		**57.1**	**(46.8)**
Income tax	15	(11.3)	10.1
Net earnings from continuing operations		**45.8**	**(36.7)**
DISCONTINUED OPERATIONS			
Net earnings from discontinued operations		–	(0.2)
Net earnings		**45.8**	**(36.9)**
ATTRIBUTABLE TO			
Equity holders of the parent		2.5	(79.3)
Non-controlling interests		43.3	42.4
EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT			
Basic earnings per share	16	0.05	(1.73)
Diluted earnings per share	16	0.05	(1.73)
Weighted average number of outstanding shares in thousands	16	53,775	45,810

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED DECEMBER 31, 2016

IN MILLIONS OF CHF	NOTE	2016	2015
Net earnings		**45.8**	**(36.9)**
OTHER COMPREHENSIVE INCOME			
Actuarial gains / (losses) on post-employment benefits	17	(17.8)	12.8
Income tax	15, 17	2.4	(1.2)
Items not being reclassified to net income in subsequent periods, net of tax		**(15.4)**	**11.6**
Exchange differences on translating foreign operations	17	(92.5)	(83.2)
Net gain / (loss) on hedge of net investment in foreign operations	17	30.6	2.2
Changes in the fair value of derivatives held as cash flow hedges	17	1.2	1.0
Share of other comprehensive income of associates	11, 17	(0.6)	(0.5)
Income tax on above positions	15, 17	(0.3)	(0.3)
Items to be reclassified to net income in subsequent periods, net of tax		**(61.6)**	**(80.8)**
Total other comprehensive income, net of tax		**(77.0)**	**(69.2)**
Total comprehensive income, net of tax		**(31.2)**	**(106.1)**
ATTRIBUTABLE TO			
Equity holders of the parent		(76.6)	(140.6)
Non-controlling interests		45.4	34.5

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT DECEMBER 31, 2016

IN MILLIONS OF CHF	NOTE	31.12.2016	RESTATED * 31.12.2015
ASSETS			
Property, plant and equipment	18	629.3	604.7
Intangible assets	20	6,786.6	7,294.2
Investments in associates	11	39.7	41.4
Deferred tax assets	22	177.2	203.9
Other non-current assets	23	296.1	347.4
Non-current assets		**7,928.9**	**8,491.6**
Inventories	24	917.9	905.3
Trade and credit card receivables	25	94.6	132.9
Other accounts receivable	26	501.4	332.8
Income tax receivables		26.2	27.8
Financial instruments at fair value through profit and loss	38.5.3	–	17.7
Cash and cash equivalents		450.8	434.4
Current assets		**1,990.9**	**1,850.9**
Total assets		**9,919.8**	**10,342.5**
LIABILITIES AND SHAREHOLDERS' EQUITY			
Equity attributable to equity holders of the parent	27	3,062.0	3,154.7
Non-controlling interests	29,30	208.6	184.1
Total equity		**3,270.6**	**3,338.8**
Financial debt	31	4,073.9	4,313.1
Deferred tax liabilities	22	516.5	672.1
Provisions	32	183.5	186.1
Post-employment benefit obligations	33	66.0	55.3
Other non-current liabilities	34	96.1	64.9
Non-current liabilities		**4,936.0**	**5,291.5**
Trade payables		590.4	547.3
Financial debt	31	127.3	77.3
Income tax payables		46.3	44.1
Provisions	32	116.9	147.2
Other liabilities	34	832.3	896.3
Current liabilities		**1,713.2**	**1,712.2**
Total liabilities		**6,649.2**	**7,003.7**
Total liabilities and shareholders' equity		**9,919.8**	**10,342.5**

* The restatement is commented in note 39

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED DECEMBER 31, 2016

		ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT										
2016 IN MILLIONS OF CHF	**NOTE**	**Share capital**	**Share premium**	**Treasury shares**	**Capital reserve for mandatory convertible notes**	**Employee benefit reserve**	**Hedging & revaluation reserves**	**Translation reserves**	**Retained earnings**	**TOTAL**	**NON-CONTROLLING INTERESTS**	**TOTAL EQUITY**
Restated * Balance at January 1		**269.4**	**4,259.3**	**(14.3)**	**–**	**(21.3)**	**0.7**	**(185.8)**	**(1,153.3)**	**3,154.7**	**184.1**	**3,338.8**
Net earnings / (loss)		–	–	–	–	–	–	–	2.5	2.5	43.3	45.8
Other comprehensive income / (loss)	17	–	–	–	–	(15.4)	0.9	(64.6)	–	(79.1)	2.1	(77.0)
Total comprehensive income / (loss) for the period		**–**	**–**	**–**	**–**	**(15.4)**	**0.9**	**(64.6)**	**2.5**	**(76.6)**	**45.4**	**(31.2)**
TRANSACTIONS WITH OR DISTRIBUTIONS TO SHAREHOLDERS:												
Dividends to non-controlling interests		–	–	–	–	–	–	–	–	–	(48.8)	(48.8)
Purchase of treasury shares	28.2	–	–	(0.7)	–		–			(0.7)	–	(0.7)
Share-based payment	28	–	–	–	–	–	–	–	4.7	4.7	–	4.7
Tax effect on equity transactions	15	–	–	–	–	–	–	–	(0.2)	(0.2)	–	(0.2)
Total transactions with or distributions to owners		**–**	**–**	**(0.7)**	**–**	**–**	**–**	**–**	**4.5**	**3.8**	**(48.8)**	**(45.0)**
CHANGES IN OWNERSHIP INTERESTS IN SUBSIDIARIES:												
Changes in participation of non-controlling interests	29	–	–	–	–	–	–	–	(19.9)	(19.9)	27.9	8.0
Balance at December 31		**269.4**	**4,259.3**	**(15.0)**	**–**	**(36.7)**	**1.6**	**(250.4)**	**(1,166.2)**	**3,062.0**	**208.6**	**3,270.6**

* The restatement is commented in note 39

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED DECEMBER 31, 2016

		ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT										
2015 IN MILLIONS OF CHF	NOTE	Share capital	Share premium	Treasury shares	Capital reserve for mandatory convertible notes	Employee benefit reserve	Hedging & revalu-ation reserves	Trans-lation reserves	Retained earnings	TOTAL	NON-CON-TROLLING INTERESTS	TOTAL EQUITY
Restated * **Balance at January 1**		**179.5**	**1,964.7**	**(14.3)**	**262.8**	**(32.9)**	**–**	**(112.2)**	**46.0**	**2,293.6**	**159.5**	**2,453.1**
Net earnings / (loss)		–	–	–	–	–	–	–	(79.3)	(79.3)	42.4	(36.9)
Other comprehensive income / (loss)	17	–	–	–	–	11.6	0.7	(73.6)	–	(61.3)	(7.9)	(69.2)
Total comprehensive income for the period		**–**	**–**	**–**	**–**	**11.6**	**0.7**	**(73.6)**	**(79.3)**	**(140.6)**	**34.5**	**(106.1)**
TRANSACTIONS WITH OR DISTRIBUTIONS TO SHAREHOLDERS:												
Dividends to non-controlling interests		–	–	–	–	–	–	–	–	–	(43.3)	(43.3)
Rights issue	27	80.8	2,119.2	–	–	–	–	–	–	2,200.0	–	2,200.0
Conversion of mandatory convertible notes	27	9.1	253.7	–	(262.8)	–	–	–	–	–	–	–
Transaction costs for equity instruments	27	–	(78.3)	–	–	–	–	–	–	(78.3)	–	(78.3)
Share-based payment	28	–	–	–	–	–	–	–	2.8	2.8	–	2.8
Tax effect on equity transactions	15	–	–	–	–	–	–	–	(0.2)	(0.2)	–	(0.2)
Total transactions with or distributions to owners		**89.9**	**2,294.6**	**–**	**(262.8)**	**–**	**–**	**–**	**2.6**	**2,124.3**	**(43.3)**	**2,081.0**
CHANGES IN OWNERSHIP INTERESTS IN SUBSIDIARIES:												
Changes in participation of non-controlling interests	6.3, 29	–	–	–	–	–	–	–	(1,122.6)	(1,122.6)	33.4	(1,089.2)
Restated ** **Balance at December 31**		**269.4**	**4,259.3**	**(14.3)**	**–**	**(21.3)**	**0.7**	**(185.8)**	**(1,153.3)**	**3,154.7**	**184.1**	**3,338.8**

* Based on the final assessment of the Purchase Price Allocation related to the Nuance Group, certain amounts presented in the annual report 2014 have been restated (see note 39 in the Annual Report 2015)

**The restatement is commented in note 39

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2016

IN MILLIONS OF CHF	NOTE	2016	RESTATED* 2015
CASH FLOWS FROM OPERATING ACTIVITIES			
Earnings before taxes (EBT)		57.1	(46.8)
Net earnings from discontinued operations		–	(0.2)
Total earnings before taxes (EBT)		**57.1**	**(47.0)**
ADJUSTMENTS FOR			
Depreciation, amortization and impairment	12	545.4	444.8
Loss / (gain) on sale of non-current assets		3.9	0.9
Increase / (decrease) in allowances and provisions		(4.0)	53.1
Loss / (gain) on unrealized foreign exchange differences		8.9	1.5
Linearization of concession fees		27.7	11.5
Other non-cash items		4.7	2.8
Share of result of associates	11	(3.9)	(4.0)
Interest expense	14	243.4	200.7
Interest income	14	(32.3)	(16.0)
Cash flow before working capital changes		**850.9**	**648.3**
Decrease / (increase) in trade and other accounts receivable		(47.6)	63.5
Decrease / (increase) in inventories	24	(16.4)	15.3
Increase / (decrease) in trade and other accounts payable		6.6	(221.9)
Dividends received from associates	11	4.9	4.8
Cash generated from operations		**798.4**	**510.0**
Income taxes paid		(98.0)	(95.2)
Net cash flows from operating activities		**700.4**	**414.8**
CASH FLOW FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment	18, 19	(204.4)	(134.8)
Purchase of intangible assets	20, 21	(64.0)	(179.7)
Purchase of financial assets		–	(11.7)
Proceeds from sale of property, plant and equipment		6.2	4.9
Proceeds from sale of financial assets		17.5	–
Interest received		25.4	11.4
Business combinations, net of cash	6	–	(1,364.8)
Proceeds from sale of interests in subsidiaries and associates		3.8	28.6
Net cash flows used in investing activities		**(215.5)**	**(1,646.1)**

CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

FOR THE YEAR ENDED DECEMBER 31, 2016

IN MILLIONS OF CHF	NOTE	2016	RESTATED * 2015
CASH FLOW FROM FINANCING ACTIVITIES			
Proceeds from issue of new shares	27	–	2,200.0
Transaction costs for financial instruments		(16.5)	(110.8)
Proceeds from bank loans	31	313.1	824.0
Proceeds from issuance of notes	31	–	734.6
Repayment of bank loans and senior notes	31	(515.6)	(981.9)
Proceeds from / (repayment of) 3rd party loans	31	2.0	(5.1)
Dividends paid to non-controlling interest	29	(48.8)	(43.3)
Purchase of treasury shares	28	(0.7)	–
Net contributions from / (purchase of) non-controlling interests		0.6	(1,413.3)
Interest paid		(220.8)	(135.2)
Net cash flows (used in) / from financing activities		**(486.7)**	**1,069.0**
Currency translation on cash		18.2	83.7
(Decrease) / increase in cash and cash equivalents		**16.4**	**(78.6)**
CASH AND CASH EQUIVALENTS AT THE			
– beginning of the period		434.4	513.0
– end of the period		450.8	434.4

* The restatement is commented in note 39

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2016

1. CORPORATE INFORMATION

Dufry AG (the Company) is a publicly listed company with headquarters in Basel, Switzerland. The Company is the world's leading travel retail company. It operates around 2,200 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 São Paulo.

The consolidated financial statements of Dufry AG and its subsidiaries (Dufry or the group) for the year ended December 31, 2016 were authorized for public disclosure in accordance with a resolution of the Board of Directors of the Company dated March 7, 2017, and are subject to the approval of the Annual General meeting to be held on April 27, 2017.

2. ACCOUNTING POLICIES

2.1 BASIS OF PREPARATION

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

Dufry AG's consolidated financial statements have been prepared on the historical cost basis, except for available-for-sale financial assets and other financial assets and liabilities (including derivative instruments), that are measured at fair value, 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 millions of Swiss Francs (CHF) and all values are rounded to the nearest one hundred thousand, except when otherwise indicated.

2.2 BASIS OF CONSOLIDATION

The consolidated financial statements incorporate the financial statements of Dufry AG and entities controlled by Dufry (its subsidiaries) as at December 31, 2016 and the respective comparative information. Certain comparative figures were restated due to the revision of the values of the purchase price allocation of the World Duty Free Group (WDF) (see notes 6.1 and 39).

Subsidiaries are fully consolidated from the date of acquisition, being the date on which Dufry obtains control, and continue to be consolidated until the date when such control is lost. The group controls an entity when Dufry 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 or losses resulting from intragroup 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 Dufry 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 q).

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, Dufry 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 Dufry 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 acquirer will be recognized at fair value at the acquisition date. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of IAS 39 Financial Instruments: Recognition and Measurement, is measured at fair value with the changes in contingent considerations recognized in the income statement.

Dufry 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 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 Dufry'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 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 financial statements are expressed in millions of Swiss francs (CHF). Each company in Dufry 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 re-measured to their 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 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 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 income statement as gain or loss on sale of subsidiaries.

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

Principal foreign exchange rates applied for valuation and translation:

	AVERAGE RATE		CLOSING RATE		RATES AT ACQUISITION DATE
IN CHF	2016	2015	31.12.2016	31.12.2015	07.08.2015
1 USD	0.9850	0.9625	1.0178	0.9997	0.9822
1 EUR	1.0899	1.0680	1.0706	1.0863	1.0766
1 GBP	1.3348	1.4707	1.2561	1.4730	1.5202

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 Dufry's own equity instruments is recognized and deducted directly in equity. No gain or loss is recognized in the income statement on the purchase, sale, issue or cancellation of Dufry's own equity instruments.

f) Share capital
Ordinary shares are classified as equity. Mandatory convertible notes are classified as compound financial instruments (see 2.3 g) below.

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

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

g) Compound financial instruments
Compound financial instruments issued by Dufry 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 and is represented in equity for the date of inception. The 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 Dufry has an unconditional right to defer settlement for at least 12 months after the end of the reporting period.

h) Leases

Leases of property, plant and equipment where the group, as lessee, has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalized at the leases' inception at the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in other short-term and long-term payables. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases is depreciated over the asset's useful life or over the shorter of the asset's useful life and the lease term if there is no reasonable certainty that the group will obtain ownership at the end of the lease term.

Leases in which a significant portion of the risks and rewards of ownership are not transferred to the group as lessee are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to profit or loss on a straight-line basis over the period of the lease.

i) Linearization

In cases where fees for the concession are based on fixed or determinable amounts of money, the expenses paid are treated as operational leases. For these operational leases when the amounts are increasing or decreasing over the time Dufry accrues the difference between the amount paid and the respective straight-line expenses for the period calculated over the overall duration of the contract, as linearization. In addition, this line item includes the reduction in concession payments granted based on an upfront payment done at the inception of two Spanish contracts (Madrid and Barcelona as main airports), acquired as part of the World Duty Free acquisition (see note 6.1).

j) Pension and other post-employment benefit 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 or the employee 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 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 Dufry recognizes restructuring related costs

Net interest is calculated by applying the discount rate to the net defined benefit obligation (asset). Dufry recognizes the following changes in the net defined benefit obligation in the 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"

k) 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 pro rata basis over the vesting period, based on the estimated number of equity instruments that will eventually vest. At the end of each reporting period, Dufry 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 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.

l) Taxation

Income tax expense represents the sum of the current income tax and deferred tax. Where a different functional currency is used, the position includes the changes in deferred tax assets or deferred tax liabilities due to foreign exchange translation.

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

Current income tax

Income tax receivables or payables 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 Dufry operates and generates taxable income.

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 or 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 applicable for each respective company.

m) 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 the lease term or 10 years
- Furniture and fixtures the shorter of the lease term or 5 years
- Motor vehicles the shorter of the lease term or 5 years
- Computer hardware the shorter of the lease term or 5 years

n) Intangible assets

These assets mainly comprise of concession rights and brands. Dufry considers that these assets have indefinite useful lives, when concession rights are granted by one of the non-controlling interests holder of the company, or for brands when the company considers to use the brand for the foreseeable future. Intangible assets acquired separately are capitalized at cost and those from a business combination 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. Intangible assets with an indefinite useful life are reviewed annually to determine whether the indefinite life assessment continues to be supportable. If not, any changes are made on a prospective basis.

o) 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 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).

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

Dufry classifies investments 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. Dufry 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 coordinated 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.

q) Associates

Associates are all entities over which Dufry 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. Dufry's investment in associates includes goodwill identified on acquisition.

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

Dufry determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, Dufry 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 income statement.

Profits and losses resulting from upstream and downstream transactions between Dufry 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 Dufry.

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

r) 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.

s) Trade and credit card receivables / trade payables
Receivables and payables in respect of the sale / purchase of merchandise are included in these positions.

t) 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. Credit card receivables with a maturity of up to 4 days are included as cash in transit. 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. In 2016, there were no short-term deposits due within 90 days (2015: CHF 29.5 million).

u) 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 Dufry 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 measured and recognized as provisions. An onerous contract is considered to exist if Dufry 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 Dufry 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.

v) Financial instruments

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 (FVTPL), are deducted from or added to 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 income statement.

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 income statement in the lines selling expenses or other operational result.

Derecognition of financial assets

Dufry 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 Dufry neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred as set, Dufry recognizes its retained interest in the asset and an associated liability for amounts it may have to pay. If Dufry retains substantially all the risks and rewards of ownership of a transferred financial asset, Dufry continues to recognize the financial asset and also recognizes a collateralized borrowing for the proceeds received.

Financial liabilities at FVTPL

These are stated at fair value, with any gains or losses arising on re-measurement recognized in the 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 income statement. Fair value is determined in the manner described in note 37.

Other financial liabilities

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

Derecognition of financial liabilities

Dufry derecognizes financial liabilities only when the obligations are discharged, cancelled or 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.

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 38.10).

w) Derivative financial instruments

Dufry 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 38.

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

Dufry designates certain hedging instruments, which include 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, Dufry 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 Dufry 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 derecognized in the 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 income statement, and is included in the interest expenses / income line item.

Fair-value hedges

When a hedging instrument is used to hedge the exposure to changes in fair value, changes in the fair value of the instrument are recognized in other comprehensive income. The derivative instrument used is interest rate swaps to hedge interest rate risk on borrowings. If the hedge relationship is discontinued, the carrying amount of the hedged item is adjusted with the accumulated amount referring to the hedge relationship.

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 income statement, and is included in the foreign exchange gains / losses line item (see notes 31.1 and 31.2).

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 revised Standards and the Interpretations adopted in these financial statements (effective January 1, 2016). Their adoption did not have a significant impact on the amounts reported in these financial statements or disclosures therein.

Annual improvements 2012–2014 – issued September 2014

- 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. This amendment does not currently have any impact on Dufry.
- IFRS 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.

Disclosure initiative (Amendments to IAS 1 – Presentation of Financial Statements)

- Materiality: Aggregation or disaggregation should not obscure useful information. Materiality applies to each of the primary financial statements, the notes and each specific disclosure required by IFRS.
- Line items in primary financial statements: Additional guidance for line items to be presented in primary statements and new requirements regarding the use of subtotals.
- Notes to the financial statements: Determination of the order of the notes should include consideration of understandability and comparability of financial statements.
- Equity accounted investments: An entity's share of other comprehensive income would be split between those items that will and will not be reclassified to profit or loss, and presented in aggregate as single line items within those two groups.

3. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

The preparation of Dufry'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.

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 and are considering extensions and renewals. The useful lives of operating concessions are reviewed annually to determine whether the indefinite useful life assessment for those concessions continues to be sustainable. Dufry annually tests the operating concessions with indefinite useful lives and assesses those with finite lives for impairment indications. The underlying calculation requires the use of estimates. The comments and assumptions used are disclosed in note 20.1.2.

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 32.

Brands and goodwill
Dufry tests these items annually for impairment. The underlying calculation requires the use of estimates. The comments and assumptions used are disclosed in note 20.1.

Income taxes
Dufry 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. Dufry 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 and 22.

Deferred tax assets
Deferred tax assets are recognized for 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. Further details are given in note 22.

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 32.

Share-based payments
Dufry measures the cost of equity settled transactions with employees by reference to the fair value of the equity instruments at the grant date. Estimating such fair values require determining the most appropriate valuation model for a grant of equity instruments, which depends on the terms and conditions of the grant, as well as, the most appropriate inputs to the valuation model including the expected probability that the triggering clauses will be met. The result will be the expected quantity of shares to be assigned. The assumptions and models used are disclosed in note 28.

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, future salary and pension increases as well as mortality rates. Due to the long-term nature of these plans, such estimates are subject to significant uncertainty. Further details are given in note 33.

Purchase price allocation
The determination of the fair values of the identifiable assets (especially the concession rights) and the assumed 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 Dufry has control, but holding only minority voting rights
Dufry considers controlling 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 notes 29 and 30 as well as 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 Dufry's financial position, performance, and / or disclosures. Dufry intends to adopt these standards when they become effective.

Disclosure initiative – amendments to IAS 7 Statement of cash flows
(effective January 1, 2017)
Requires additional disclosure of changes in liabilities arising from financing activities.

IAS 12
Income taxes (effective January 1, 2017)
Additional amendments have been issued by the IASB regarding IAS 12 on the recognition of deferred tax assets for unrealized losses. These amendments clarify how to account for deferred tax assets related to debt instruments measured at fair value.

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 Dufry's financial assets, but will not impact the financial liabilities. Phase 2 is not expected to have any significant impact on the financial statements and phase 3 is expected to affect the disclosure requirements.

IFRS 15
Revenue from contracts with customers (effective January 1, 2018)
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. Dufry has analyzed the impact of the standard, however, has not identified any material changes to the current revenue recognition approach, as Dufry does not have customer contracts. Dufry considered the following aspects:

(a) Sale of goods
Dufry's retail sales are in cash or credit card and the revenue recognition occurs when the assets are transferred to the customer,

(b) Advertising income
Advertising income is recognized when the services have been rendered.

IFRS 16
Leases (effective January 1, 2019)
Lessees will be required to recognize a lease liability for the obligation to make lease payments and a right-of-use asset for the right to use the underlying asset for the lease term. The lease liability will be measured at present value of the lease payments to be made over the lease term. In other words, lessees will appear to become more asset-rich but also more indebted. To be considered as such, a lease agreement has to convey the right to control the use of an identified asset throughout the period of use, so that the customer has the right to obtain substantially all of the economic benefits from the use of the identified asset; and direct the use of the identified asset (i.e. direct how and for what purpose the asset is used).

The standard will mainly affect the accounting of:

a) Concession agreements
Dufry enters into concession agreements with operators of airports, seaports, railway stations etc. to operate retail shops. Usually these arrangements require a variable compensation based on sales or other activity indicators, with a minimum threshold. In those cases where at the inception of the agreement the minimum amounts can be calculated reliably over the respective contractual terms, Dufry will account for this part as a lease in accordance with IFRS 16,

b) Rent agreements for office and warehouse buildings
These agreements will usually qualify as leases under IFRS 16, except if the duration is shorter than 12 months.

Dufry is currently conducting a detailed survey and compliance analysis of relevant agreements and expects material changes in its statement of financial position.

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 date not yet defined by IASB)
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 2014–2016 – issued December 2016
IAS 28 Investment in Associates and Joint ventures (effective January 1, 2018)
Clarification that the election to measure at fair value through profit or loss is available on an investment-by-investment basis, upon initial recognition.

5. SEGMENT INFORMATION

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

As of January 1, 2016, after the acquisitions of the Nuance and World Duty Free businesses, Dufry implemented the new management organization resulting in five geographical divisions and one global distribution center segment.

We refer to the annex "Most Important subsidiaries" for the assignment of these to the respective segments.

The comparative figures for 2015 were prepared consistently to reflect the above-mentioned changes.

	TURNOVER				
2016 IN MILLIONS OF CHF	**with external customers**	**with other divisions**	**TOTAL**	**EBITDA[1]**	**FULL TIME EQUIVALENTS**
Southern Europe and Africa	1,702.3	–	1,702.3	230.2	5,258
UK, Central and Eastern Europe	2,088.9	–	2,088.9	241.5	5,263
Asia, Middle East and Australia	770.7	–	770.7	66.2	2,504
Latin America	1,531.1	–	1,531.1	100.9	6,859
North America	1,660.9	–	1,660.9	188.5	8,485
Distribution Centers	75.2	978.3	1,053.5	107.8	479
Total segments	**7,829.1**	**978.3**	**8,807.4**	**935.1**	**28,848**
Eliminations	–	(978.3)	(978.3)	–	–
Dufry	**7,829.1**	**–**	**7,829.1**	**935.1**	**28,848**

	TURNOVER				
2015 IN MILLIONS OF CHF	**with external customers**	**with other divisions**	**TOTAL**	**EBITDA[1]**	**FULL TIME EQUIVALENTS**
Southern Europe and Africa	1,269.9	–	1,269.9	186.0	5,527
UK, Central and Eastern Europe	1,427.8	–	1,427.8	140.4	5,552
Asia, Middle East and Australia	638.5	–	638.5	47.5	2,473
Latin America	1,409.6	–	1,409.6	73.4	6,833
North America	1,352.2	–	1,352.2	157.5	8,124
Distribution Centers	41.3	836.7	878.0	119.0	344
Total segments	**6,139.3**	**836.7**	**6,976.0**	**723.8**	**28,853**
Eliminations	–	(836.7)	(836.7)	–	–
Dufry	**6,139.3**	**–**	**6,139.3**	**723.8**	**28,853**

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

Dufry generated 4.5 % (2015: 5.5 %) of its turnover with external customers in Switzerland (domicile).

Financial Position and other disclosures

31.12.2016 IN MILLIONS OF CHF	TOTAL ASSETS	TOTAL LIABILITIES	INCOME TAX (EXPENSE) / GAIN	CAPITAL EXPENDITURE PAID	DEPRECIATION AND AMORTIZATION	OTHER NON-CASH ITEMS **
Southern Europe and Africa	2,296.2	656.4	(29.3)	(34.4)	(98.4)	(21.5)
UK, Central and Eastern Europe	2,392.2	646.8	(13.3)	(21.4)	(136.2)	7.4
Asia, Middle East and Australia	498.3	265.7	(3.2)	(16.7)	(34.2)	7.9
Latin America	1,967.2	397.0	15.2	(89.7)	(157.3)	9.1
North America	1,417.9	268.6	21.0	(92.3)	(101.9)	6.6
Distribution Centers	748.6	240.3	(1.4)	(4.2)	(1.9)	5.6
Total segments	**9,320.4**	**2,474.8**	**(11.0)**	**(258.7)**	**(529.9)**	**15.1**
Unallocated positions	599.4	4,174.4	(0.3)	(9.7)	(15.5)	(1.7)
Dufry	**9,919.8**	**6,649.2**	**(11.3)**	**(268.4)**	**(545.4)**	**13.4**

RESTATED * 31.12.2015 IN MILLIONS OF CHF	TOTAL ASSETS	TOTAL LIABILITIES	INCOME TAX (EXPENSE) / GAIN	CAPITAL EXPENDITURE PAID	DEPRECIATION AND AMORTIZATION	OTHER NON-CASH ITEMS **
Southern Europe and Africa	2,605.1	681.4	(30.7)	(28.4)	(93.0)	35.4
UK, Central and Eastern Europe	2,572.4	787.6	(4.4)	(17.1)	(82.8)	39.9
Asia, Middle East and Australia	615.3	288.1	9.0	(10.1)	(24.3)	1.4
Latin America	2,021.1	354.1	13.0	(201.4)	(142.6)	14.4
North America	1,311.6	278.3	(1.9)	(51.2)	(83.6)	3.0
Distribution Centers	668.7	152.2	0.6	(1.2)	(1.3)	5.4
Total segments	**9,794.2**	**2,541.7**	**(14.4)**	**(309.4)**	**(427.6)**	**99.5**
Unallocated positions	548.3	4,462.0	24.5	(5.1)	(17.2)	(41.2)
Dufry	**10,342.5**	**7,003.7**	**10.1**	**(314.5)**	**(444.8)**	**58.3**

* The restatement is commented in note 39
** Other non-cash items do not include the linearization of concession fees

Reconciliation of earnings

IN MILLIONS OF CHF	2016	2015
EBITDA[1]	**935.1**	**723.8**
Depreciation, amortization and impairment	(545.4)	(444.8)
Linearization	(74.7)	(29.2)
Other operational result	(42.4)	(117.1)
Interest expenses	(243.4)	(200.7)
Interest income	32.3	16.0
Foreign exchange gain / (loss)	(4.4)	5.2
Earnings before taxes	**57.1**	**(46.8)**

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

Reconciliation of assets

IN MILLIONS OF CHF	31.12.2016	RESTATED * 31.12.2015
Operating assets	**9,320.4**	**9,794.2**
Current assets of corporate and holding companies[1]	(24.7)	(64.4)
Non-current assets of corporate and holding companies	624.1	612.7
Total assets	**9,919.8**	**10,342.5**

* The restatement is commented in note 39
1 Includes notional Cash pool overdrafts at Headquarter

Reconciliation of liabilities

IN MILLIONS OF CHF	31.12.2016	RESTATED * 31.12.2015
Operating liabilities	**2,474.8**	**2,541.7**
Financial debt of corporate and holding companies, short-term	0.5	0.5
Financial debt of corporate and holding companies, long-term	4,064.0	4,306.4
Other non-segment liabilities	109.9	155.1
Total liabilities	**6,649.2**	**7,003.7**

* The restatement is commented in note 39

6. ACQUISITIONS OF BUSINESSES AND TRANSACTIONS WITH NON-CONTROLLING INTERESTS

2016 TRANSACTIONS

There were no transactions in 2016.

2015 TRANSACTIONS

6.1 ACQUISITION OF WORLD DUTY FREE S.P.A.

On August 7, 2015, Dufry acquired a first stake of 50.1% in the voting equity interests in World Duty Free S.p.A. (WDF), a publicly listed company in Italy for a total consideration of CHF 1,407.1 (EUR 1,307) million equivalent of EUR 10.25 per share in cash. This initial acquisition of WDF triggered a successful mandatory tender offer (MTO) for the outstanding 49.9% of WDF shares. The acquisition was mainly financed through the issuance of share capital. This acquisition was accounted using the acquisition method.

Continuing with its strategy to expand its travel retail business, Dufry acquired WDF, one of the top global travel retailers, to complement the geographical presence in key markets such as the airports of Heathrow, Gatwick, Stansted, Manchester in the UK, Madrid, Barcelona, Las Palmas and Tenerife in Spain, Vancouver in Canada, 29 destinations in the USA, as well as other key locations in Jamaica, Mexico, Peru, Chile, Finland, France, Germany, Italy, Jordan, Kuwait, and Sri Lanka. With more than 500 shops in 105 locations in 20 countries, WDF achieved in 2014 a turnover of EUR 2,439.6 (CHF 2,962.8) million and employed about 9,500 people.

Dufry expects to generate significant cost and margin synergies through the integration of WDF into its common business model and supply chain as well as through the combination of the global and divisional organizations and support functions, which are reflected in the value of the goodwill. The resulting goodwill is not amortized, is not tax deductible and is subject to annual impairment testing. WDF will further enhance Dufry's global position in the travel retail market industry.

For this acquisition, Dufry incurred transaction costs of CHF 50.7 million in 2015 presented as other operational expenses and financial transaction taxes of CHF 12.3 million presented as other financial expenses in the income statement.

The final fair value of the identifiable assets and liabilities at the date of acquisition are as described below:

	FAIR VALUE AT AUGUST 7, 2015			
IN MILLIONS OF	PRELIMINARY IN EUR	PRELIMINARY IN CHF	CHANGE IN CHF	FINAL IN CHF
Trade receivables	39.9	43.3	0.1	43.4
Inventories	191.6	206.3	(2.0)	204.3
Other current assets [1]	180.9	194.7	(1.3)	193.4
Property, plant and equipment	176.9	190.4	0.1	190.5
Concession rights	1,759.0	1,893.7	1.3	1,895.0
Other intangible assets (includes brand name)	104.8	112.9	(9.6)	103.3
Other non-current assets	249.6	268.7	–	268.7
Trade payables	(218.8)	(235.9)	(0.5)	(236.4)
Financial debt	(956.0)	(1,029.3)	–	(1,029.3)
Provisions	(150.5)	(162.1)	4.3	(157.8)
Contingent liabilities	(6.2)	(6.7)	–	(6.7)
Other liabilities	(467.4)	(502.9)	(1.6)	(504.5)
Deferred tax liabilities	(356.4)	(383.7)	20.8	(362.9)
Fair value of non-controlling interests	(35.0)	(37.7)	(0.5)	(38.2)
Identifiable net assets	**512.4**	**551.7**	**11.1**	**562.8**
Dufry's share in the net assets (50.1%)	256.7	276.4	5.6	282.0
Goodwill	1,050.3	1,130.7	(5.6)	1,125.1
Total consideration	**1,307.0**	**1,407.1**	**–**	**1,407.1**

[1] The change includes CHF 1.9 m Cash and cash equivalents and CHF –3.2 m Other accounts receivable

Based on IFRS 3, Dufry revised after twelve months the assumptions used to calculate the fair values acquired resulting in an updated brand name valuation and tax risk assessment.

6.2 CASH FLOWS USED FOR BUSINESS COMBINATIONS, NET OF CASH

2015 IN MILLIONS OF CHF	TOTAL CONSIDERATION	NET CASH ACQUIRED	SUBTOTAL	CHANGES IN ACCOUNTS PAYABLE	NET CASH FLOW
Preliminary	**(1,407.1)**	**40.4**	**(1,366.7)**	**–**	**(1,366.7)**
Change	–	1.9	1.9	–	1.9
Final	**(1,407.1)**	**42.3**	**(1,364.8)**	**–**	**(1,364.8)**

6.3 TRANSACTION WITH NON-CONTROLLING INTERESTS IN WORLD DUTY FREE GROUP

2015 IN MILLIONS OF CHF	CARRYING VALUE OF NON-CONTROLLING INTERESTS IN WDF ACQUIRED	DIFFERENCE RECOGNIZED IN RETAINED EARNINGS WITHIN EQUITY	TOTAL CONSIDERATION PAID IN CASH
Preliminary	**275.3**	**1,137.3**	**1,412.6**
Change	5.6	(5.6)	–
Final	**280.9**	**1,131.7**	**1,412.6**

7. NET SALES

Net sales by product categories:

IN MILLIONS OF CHF	2016	2015
Perfumes and Cosmetics	2,452.9	1,834.3
Confectionery, Food and Catering	1,296.1	1,017.6
Wine and Spirits	1,166.5	905.7
Tobacco goods	866.8	656.6
Watches, Jewelry and Accessories	475.2	419.0
Fashion, Leather and Baggage	449.7	394.2
Electronics	221.6	229.2
Literature and Publications	213.9	204.7
Other product categories	480.1	300.4
Total	**7,622.8**	**5,961.7**

Net sales by market sector:

IN MILLIONS OF CHF	2016	2015
Duty-free	4,610.8	3,752.4
Duty-paid	3,012.0	2,209.3
Total	**7,622.8**	**5,961.7**

Net sales by channel:

IN MILLIONS OF CHF	2016	2015
Airports	6,941.0	5,328.9
Border, downtown and hotel shops	247.8	251.4
Cruise liners and seaports	164.2	141.0
Railway stations and other	269.8	240.4
Total	**7,622.8**	**5,961.7**

8. SELLING EXPENSES

IN MILLIONS OF CHF	2016	2015
Concession fees and rents	(2,143.9)	(1,596.6)
Credit card commissions	(77.2)	(61.8)
Advertising and commission expenses	(32.6)	(30.3)
Packaging materials	(14.1)	(12.2)
Other selling expenses	(16.7)	(27.2)
Selling expenses	**(2,284.5)**	**(1,728.1)**
Concession and rental income	18.0	14.0
Commission income	2.4	5.8
Commercial services and other selling income	27.9	24.3
Selling income	**48.3**	**44.1**
Total	**(2,236.2)**	**(1,684.0)**

Dufry pays concession fees to landlords for lease of shops at airports or other similar locations. Such fees are usually determined in proportion to sales as a fee based on a criteria, such as passenger, square meters or operating performance.

9. PERSONNEL EXPENSES

IN MILLIONS OF CHF	2016	2015
Salaries and wages	(817.9)	(669.9)
Social security expenses	(133.0)	(106.3)
Retirement benefits	(19.5)	(16.5)
Other personnel expenses	(84.1)	(63.5)
Total	**(1,054.5)**	**(856.2)**

10. GENERAL EXPENSES

IN MILLIONS OF CHF	2016	2015
Repairs, maintenance and utilities	(82.5)	(66.2)
Premises	(65.3)	(50.8)
Legal, consulting and audit fees	(51.6)	(52.3)
EDP and IT expenses	(43.1)	(32.0)
Office and administration	(33.2)	(27.2)
Travel, car, entertainment and representation	(33.1)	(28.3)
Franchise fees and commercial services	(19.6)	(19.4)
PR and advertising	(12.2)	(13.5)
Insurances	(11.1)	(9.2)
Bank expenses	(7.6)	(7.8)
Taxes, other than income taxes	(2.9)	(8.0)
Total	**(362.2)**	**(314.7)**

11. INVESTMENTS IN ASSOCIATES

This line includes Lojas Francas de Portugal SA which operates duty-paid and duty-free shops in the airports of Lisbon, as well as other locations in Portugal, and Nuance Group (Chicago) LLC which operates four duty-free shops at O'Hare International Airport of Chicago in Illinois, USA.

These investments are accounted for using the equity method.

Dufry's interests in Nuance Group (Orlando) LLC and Broward Duty Free LLC were sold on March 15, 2015, for CHF 28.4 (USD 30) million to an existing shareholder at book value.

Summarized statement of financial position

IN MILLIONS OF CHF	LOJAS FRANCAS DE PORTUGAL SA	NUANCE GROUP (CHICAGO) LLC	OTHER ASSOCIATES	31.12.2016
Cash and cash equivalents	3.6	2.6	0.1	6.3
Other current assets	26.7	4.0	3.8	34.5
Non-current assets	58.9	20.9	0.6	80.4
Financial debt	–	–	–	–
Other current liabilities	(26.8)	(2.8)	(4.2)	(33.8)
Non-current liabilities	–	–	(5.4)	(5.4)
Net assets	**62.4**	**24.7**	**(5.1)**	**82.0**
Proportion of Dufry's ownership	49%	35%		
Dufry's share of the equity	**30.7**	**8.8**	**0.2**	**39.7**

IN MILLIONS OF CHF	LOJAS FRANCAS DE PORTUGAL SA	NUANCE GROUP (CHICAGO) LLC	OTHER ASSOCIATES	31.12.2015
Cash and cash equivalents	1.2	2.6	0.3	4.1
Other current assets	27.0	3.9	3.1	34.0
Non-current assets	58.6	27.5	0.8	86.9
Financial debt	(2.1)	–	–	(2.1)
Other current liabilities	(23.0)	(2.0)	(4.6)	(29.6)
Non-current liabilities	–	–	(5.1)	(5.1)
Net assets	**61.7**	**32.0**	**(5.5)**	**88.2**
Proportion of Dufry's ownership	49%	35%		
Dufry's share of the equity	**30.2**	**11.2**	**–**	**41.4**

Summarized statement of comprehensive income

IN MILLIONS OF CHF	LOJAS FRANCAS DE PORTUGAL SA	NUANCE GROUP (CHICAGO) LLC	NUANCE GROUP (ORLANDO) LLC	OTHER ASSOCIATES	2016
Turnover	228.0	19.7	–	7.3	255.0
Depreciation, amortization and impairment	(2.2)	(4.2)	–	(0.6)	(7.0)
Income tax	(3.2)	–	–	(0.1)	(3.3)
Net earnings for the year (continuing operations)	**9.7**	**(4.3)**	**–**	**1.4**	**6.8**
OTHER COMPREHENSIVE INCOME					
Items to be reclassified to net income in subsequent periods	–	0.1	–	(1.0)	(0.9)
Total other comprehensive income	**–**	**0.1**	**–**	**(1.0)**	**(0.9)**
Total comprehensive income	**9.7**	**(4.2)**	**–**	**0.4**	**5.9**
DUFRY'S SHARE	49 %	35 %			
Net earnings for the year (continuing operations)	4.8	(1.6)	–	0.7	3.9
Total other comprehensive income	–	–	–	(0.6)	(0.6)
Total comprehensive income	**4.8**	**(1.6)**	**–**	**0.1**	**3.3**

IN MILLIONS OF CHF	LOJAS FRANCAS DE PORTUGAL SA	NUANCE GROUP (CHICAGO) LLC	NUANCE GROUP (ORLANDO) LLC	OTHER ASSOCIATES	2015
Turnover	205.9	23.0	2.9	7.7	239.5
Depreciation, amortization and impairment	(0.9)	(4.2)	(0.1)	(1.6)	(6.8)
Income tax	(3.2)	–	–	0.1	(3.1)
Net earnings for the year (continuing operations)	**9.2**	**(2.5)**	**0.2**	**(3.5)**	**3.4**
OTHER COMPREHENSIVE INCOME					
Items to be reclassified to net income in subsequent periods	(0.8)	(0.3)	–	–	(1.1)
Total other comprehensive income	**(0.8)**	**(0.3)**	**–**	**–**	**(1.1)**
Total comprehensive income	**8.4**	**(2.8)**	**0.2**	**(3.5)**	**2.3**
DUFRY'S SHARE	49 %	35 %	38 %		
Net earnings for the year (continuing operations)	4.5	(0.9)	0.4	–	4.0
Total other comprehensive income	(0.4)	(0.1)	–	–	(0.5)
Total comprehensive income	**4.1**	**(1.0)**	**0.4**	**–**	**3.5**

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

Reconciliation of the carrying amount of its investments

IN MILLIONS OF CHF	LOJAS FRANCAS DE PORTUGAL SA	NUANCE GROUP (CHICAGO) LLC	NUANCE GROUP (ORLANDO) LLC[1]	OTHER ASSOCIATES[1]	TOTAL
Carrying value at January 1, 2015	**30.9**	**12.2**	**19.9**	**9.9**	**72.9**
Net earnings	4.5	(0.9)	0.4	–	4.0
Dividends received	(3.6)	(0.7)	(0.5)	–	(4.8)
Disposals	–	–	(18.6)	(9.4)	(28.0)
Other comprehensive income	(0.4)	(0.1)	–	–	(0.5)
Currency translation adjustments	(1.2)	0.7	(1.2)	(0.5)	(2.2)
Carrying value at December 31, 2015	**30.2**	**11.2**	**–**	**–**	**41.4**
Net earnings	4.8	(1.6)	–	0.7	3.9
Dividends received	(4.7)	(0.2)	–	–	(4.9)
Other comprehensive income	–	–	–	(0.6)	(0.6)
Currency translation adjustments	0.4	(0.6)	–	0.1	(0.1)
Carrying value at December 31, 2016	**30.7**	**8.8**	**–**	**0.2**	**39.7**

[1] The Nuance Group (Orlando) LLC and Broward Duty Free LLC were sold in March 2015.

12. DEPRECIATION, AMORTIZATION AND IMPAIRMENT

IN MILLIONS OF CHF	2016	2015
Depreciation	(162.9)	(134.6)
Impairment	(3.3)	(1.2)
Subtotal (note 18)	**(166.2)**	**(135.8)**
Amortization	(376.4)	(299.5)
Impairment	(2.8)	(9.5)
Subtotal (note 20)	**(379.2)**	**(309.0)**
Total	**(545.4)**	**(444.8)**

13. LINEARIZATION AND OTHER OPERATIONAL RESULT

13.1 LINEARIZATION

IN MILLIONS OF CHF	2016	2015
Linearization [1]	**(74.7)**	**(29.2)**

[1] In cases where fees for concessions are based on determinable amounts of money over the lifetime of the contracts, expenses paid are treated as operational leases. When the amounts of operational leases are increasing or decreasing over the time, Dufry accrues the difference between the amount paid and the respective straightlined expense for the period calculated over the overall duration of the contract, as linearization. In addition, this line item includes the reduction in concession payments granted based on an upfront payment (prepaid lease) done at the inception of two Spanish contracts (Madrid and Barcelona as main airports).

13.2 OTHER OPERATIONAL RESULT

This line includes non-recurring transactions, impairments of financial assets and changes in provisions.

IN MILLIONS OF CHF	2016	2015
Consulting fees, expenses related to projects and start-up expenses	(19.5)	(21.3)
Impairment of loans and other receivables	(10.3)	(6.9)
Closing or restructuring of operations	(3.9)	(30.0)
Losses on sale of non-current assets	(4.6)	(1.7)
Acquisition-related costs	–	(50.7)
Other operating expenses	(9.9)	(12.1)
Other operational expenses	**(48.2)**	**(122.7)**

IN MILLIONS OF CHF	2016	2015
Insurance – compensation for losses	0.4	0.9
Gain on sale of non-current assets	0.6	0.8
Recovery of write offs / release of allowances	0.5	0.3
Other income	4.3	3.6
Other operational income	**5.8**	**5.6**

IN MILLIONS OF CHF	2016	2015
Other operational expenses	(48.2)	(122.7)
Other operational income	5.8	5.6
Other operational result	**(42.4)**	**(117.1)**

14. INTEREST

IN MILLIONS OF CHF	2016	2015
INCOME ON FINANCIAL ASSETS		
Interest income on short-term deposits	21.8	6.3
Other financial income	8.9	4.9
Interest income on financial assets	**30.7**	**11.2**
INCOME ON NON-FINANCIAL ASSETS		
Interest income	**1.6**	**4.8**
Total interest income	**32.3**	**16.0**
EXPENSES ON FINANCIAL LIABILITIES		
Interest expense	(206.2)	(148.1)
of which bank interest	(193.9)	(132.3)
of which bank commitment fees	(7.1)	(10.0)
of which bank guarantees commission expense	(2.9)	(2.6)
of which related to other financial liabilities	(2.3)	(3.2)
Amortization / write off of arrangement fees and waiver fees	(16.4)	(24.5)
Other financial expenses	(9.8)	(6.7)
Interest expense on financial liabilities	**(232.4)**	**(179.3)**
EXPENSES ON NON-FINANCIAL LIABILITIES		
Interest expense	(11.0)	(9.1)
Other financial expenses[1]	–	(12.3)
Interest and other financial expenses on non-financial liabilities	**(11.0)**	**(21.4)**
Total interest expense	**(243.4)**	**(200.7)**

[1] This position mainly includes financial costs and transaction taxes related to the financing of acquisitions

15. INCOME TAXES

INCOME TAX RECOGNIZED IN THE CONSOLIDATED INCOME STATEMENT

IN MILLIONS OF CHF	2016	2015
Current income taxes	(105.1)	(69.9)
of which corresponding to the current period	(106.8)	(73.1)
of which adjustments recognized in relation to prior years	1.7	3.2
Deferred income taxes	93.8	80.0
of which related to the origination or reversal of temporary differences	89.6	72.3
of which adjustments recognized in relation to prior years	(0.2)	0.2
of which adjustments due to change in tax rates	4.4	7.5
Total	**(11.3)**	**10.1**

IN MILLIONS OF CHF	2016	2015
Consolidated earnings before income tax (EBT)	57.1	(46.8)
Expected tax rate in %	21.2 %	18.4 %
Tax at the expected rate	(12.1)	8.6
EFFECT OF		
Income not subject to income tax	5.1	3.8
Different tax rates for subsidiaries in other jurisdictions	19.5	28.4
Effect of changes in tax rates on previously recognized deferred tax assets and liabilities	4.4	7.5
Non-deductible expenses	(2.4)	(18.1)
Net change of unrecognized tax loss carry-forwards	(32.0)	(21.3)
Non recoverable withholding taxes	(9.8)	(7.7)
Adjustments recognized in relation to prior year	1.5	3.4
Other items	14.5	5.5
Total	**(11.3)**	**10.1**

The expected tax rate in % approximates the average income tax rate of the countries where the group is active, weighted by the profitability of the respective operations. The increase compared to previous year in the average expected tax rate is driven by the fact that WDF-entities are active in countries with higher income tax rates and that in 2015 these entities where consolidated only since acquisition (5 months). In 2016, there have been no significant changes in these income tax rates, with the exception of UK where a decrease of the tax rate in 2020 has been substantially enacted.

DEFERRED INCOME TAX RECOGNIZED IN OTHER COMPREHENSIVE INCOME / EQUITY

IN MILLIONS OF CHF	2016	2015
RECOGNIZED IN OTHER COMPREHENSIVE INCOME		
Actuarial gains / (losses) on defined benefit plans	2.4	(1.2)
Cash flow hedges	(0.3)	(0.3)
Total	**2.1**	**(1.5)**
RECOGNIZED IN EQUITY		
Tax effect on share-based payments	(0.2)	(0.2)
Total	**(0.2)**	**(0.2)**

16. 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	2016	2015
Net earnings attributable to equity holders of the parent	2.5	(79.3)
Weighted average number of ordinary shares outstanding	53,775	45,810
Basic earnings per share in CHF	**0.05**	**(1.73)**

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	2016	2015
Net earnings attributable to equity holders of the parent	2.5	(79.3)
Weighted average number of ordinary shares outstanding adjusted for the effect of dilution	53,795	45,810
Diluted earnings per share in CHF	**0.05**	**(1.73)**

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	2016	2015
Net earnings attributable to equity holders of the parent	2.5	(79.3)
ADJUSTED FOR		
Dufry's share of the amortization in respect of acquisitions	320.4	262.1
Adjusted net earnings	**322.9**	**182.8**
Weighted average number of ordinary shares outstanding	53,775	45,810
Cash EPS	**6.00**	**3.99**
Deferred tax on above mentioned amortization in CHF per share	(1.19)	(1.32)
Linearization of Spanish contracts in CHF per share	1.39	0.64

WEIGHTED AVERAGE NUMBER OF ORDINARY SHARES

IN THOUSANDS	2016	2015
Outstanding shares	53,872	45,904
Less treasury shares	(97)	(94)
Used for calculation of basic earnings per share	**53,775**	**45,810**
EFFECT OF DILUTION		
Share options	20	–
Used for calculation of earnings per share adjusted for the effect of dilution	53,795	45,810

For movements in shares see note 27 Equity, note 28 Share-based payment and Treasury shares.

17. COMPONENTS OF OTHER COMPREHENSIVE INCOME

	ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT					
2016 IN MILLIONS OF CHF	**Employee benefit reserve**	**Hedging & revaluation reserves**	**Translation reserves**	**TOTAL**	**NON-CONTROLLING INTERESTS**	**TOTAL EQUITY**
Exchange differences on translating foreign operations	–	–	(94.6)	(94.6)	2.1	(92.5)
Subtotal	**–**	**–**	**(94.6)**	**(94.6)**	**2.1**	**(92.5)**
Net gain / (loss) on hedge of net investment in foreign operations	–	–	30.6	30.6	–	30.6
Subtotal	**–**	**–**	**30.6**	**30.6**	**–**	**30.6**
Changes in the fair value of interest rate swaps held as cash flow hedges	–	1.2	–	1.2	–	1.2
Income tax effect	–	(0.3)	–	(0.3)	–	(0.3)
Subtotal	**–**	**0.9**	**–**	**0.9**	**–**	**0.9**
Share of other comprehensive income of associates	–	–	(0.6)	(0.6)	–	(0.6)
Subtotal	**–**	**–**	**(0.6)**	**(0.6)**	**–**	**(0.6)**
Actuarial gains / (losses) on post-employment benefits	(17.8)	–	–	(17.8)	–	(17.8)
Income tax effect	2.4	–	–	2.4	–	2.4
Subtotal	**(15.4)**	**–**	**–**	**(15.4)**	**–**	**(15.4)**
Other comprehensive income	**(15.4)**	**0.9**	**(64.6)**	**(79.1)**	**2.1**	**(77.0)**

	ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT					
2015 IN MILLIONS OF CHF	**Employee benefit reserve**	**Hedging & revaluation reserves**	**Translation reserves**	**TOTAL**	**NON-CONTROLLING INTERESTS**	**TOTAL EQUITY**
Exchange differences on translating foreign operations	–	–	(75.3)	(75.3)	(7.9)	(83.2)
Subtotal	**–**	**–**	**(75.3)**	**(75.3)**	**(7.9)**	**(83.2)**
Net gain / (loss) on hedge of net investment in foreign operations	–	–	2.2	2.2	–	2.2
Subtotal	**–**	**–**	**2.2**	**2.2**	**–**	**2.2**
Changes in the fair value of forward exchange contracts held as cash flow hedges	–	1.0	–	1.0	–	1.0
Income tax effect	–	(0.3)	–	(0.3)	–	(0.3)
Subtotal	**–**	**0.7**	**–**	**0.7**	**–**	**0.7**
Share of other comprehensive income of associates	–	–	(0.5)	(0.5)	–	(0.5)
Subtotal	**–**	**–**	**(0.5)**	**(0.5)**	**–**	**(0.5)**
Actuarial gains / (losses) on post-employment benefits	12.8	–	–	12.8	–	12.8
Income tax effect	(1.2)	–	–	(1.2)	–	(1.2)
Subtotal	**11.6**	**–**	**–**	**11.6**	**–**	**11.6**
Other comprehensive income	**11.6**	**0.7**	**(73.6)**	**(61.3)**	**(7.9)**	**(69.2)**

18. PROPERTY, PLANT AND EQUIPMENT

2016 IN MILLIONS OF CHF	LEASEHOLD IMPROVE-MENTS	BUILDINGS	FURNITURE FIXTURES	COMPUTER HARDWARE	VEHICLES	WORK IN PROGRESS	TOTAL
AT COST							
Restated *							
Balance at January 1	**392.6**	**41.3**	**422.3**	**70.7**	**8.9**	**54.2**	**990.0**
Additions (note 19)	47.8	0.2	37.0	7.4	0.8	110.6	203.8
Disposals	(30.2)	(1.7)	(29.8)	(13.9)	(1.0)	(3.0)	(79.6)
Reclassification within classes	64.6	(0.3)	49.3	7.8	–	(121.4)	–
Reclassification to intangible assets	–	–	–	(3.5)	–	–	(3.5)
Currency translation adjustments	7.1	(0.5)	(21.2)	(6.2)	(0.1)	0.7	(20.2)
Balance at December 31	**481.9**	**39.0**	**457.6**	**62.3**	**8.6**	**41.1**	**1,090.5**
ACCUMULATED DEPRECIATION							
Balance at January 1	**(160.6)**	**(8.5)**	**(161.7)**	**(46.5)**	**(5.2)**	**–**	**(382.5)**
Additions (note 12)	(72.2)	(3.7)	(74.9)	(10.8)	(1.3)	–	(162.9)
Disposals	28.3	1.1	27.5	12.7	1.0	–	70.6
Reclassification within classes	(0.7)	(0.1)	0.8	–	–	–	–
Reclassification to intangible assets	–	–	–	1.2	–	–	1.2
Currency translation adjustments	(3.8)	0.1	16.2	5.7	0.2	–	18.4
Balance at December 31	**(209.0)**	**(11.1)**	**(192.1)**	**(37.7)**	**(5.3)**	**–**	**(455.2)**
IMPAIRMENT							
Balance at January 1	**–**	**(0.9)**	**(1.9)**	**–**	**–**	**–**	**(2.8)**
Impairment (note 12)	(0.6)	–	(3.3)	–	–	–	(3.9)
Reversal of impairment (note 12)	–	0.6	–	–	–	–	0.6
Disposals	–	–	0.3	–	–	–	0.3
Currency translation adjustments	–	–	(0.2)	–	–	–	(0.2)
Balance at December 31	**(0.6)**	**(0.3)**	**(5.1)**	**–**	**–**	**–**	**(6.0)**
CARRYING AMOUNT							
At December 31, 2016	**272.3**	**27.6**	**260.4**	**24.6**	**3.3**	**41.1**	**629.3**

* The restatement is commented in note 39

2015 IN MILLIONS OF CHF	LEASEHOLD IMPROVE-MENTS	BUILDINGS	FURNITURE FIXTURES	COMPUTER HARDWARE	VEHICLES	WORK IN PROGRESS	TOTAL
AT COST							
Balance at January 1	**374.3**	**30.7**	**289.1**	**72.6**	**9.8**	**48.3**	**824.8**
Business combinations (note 6)	19.8	9.9	131.3	5.7	0.6	23.2	190.5
Additions (note 19)	26.5	0.9	30.4	5.8	1.3	70.2	135.1
Disposals	(61.5)	–	(43.5)	(10.7)	(2.4)	(1.4)	(119.5)
Reclassification within classes	45.1	2.4	28.9	1.8	–	(78.2)	–
Reclassification to intangible assets	–	–	–	–	–	(7.0)	(7.0)
Currency translation adjustments	(11.6)	(2.6)	(13.9)	(4.5)	(0.4)	(0.9)	(33.9)
Restated * Balance at December 31	**392.6**	**41.3**	**422.3**	**70.7**	**8.9**	**54.2**	**990.0**
ACCUMULATED DEPRECIATION							
Balance at January 1	**(161.0)**	**(5.8)**	**(160.2)**	**(51.1)**	**(6.3)**	**–**	**(384.4)**
Additions (note 12)	(66.0)	(3.1)	(54.6)	(9.8)	(1.1)	–	(134.6)
Disposals	57.7	–	41.7	10.2	1.9	–	111.5
Reclassification within classes	(0.2)	–	(0.1)	–	–	–	(0.3)
Currency translation adjustments	8.9	0.4	11.5	4.2	0.3	–	25.3
Balance at December 31	**(160.6)**	**(8.5)**	**(161.7)**	**(46.5)**	**(5.2)**	**–**	**(382.5)**
IMPAIRMENT							
Balance at January 1	**(1.9)**	**(1.3)**	**(1.8)**	**–**	**–**	**–**	**(5.0)**
Impairment (note 12)	(1.0)	0.3	(0.5)	–	–	–	(1.2)
Disposals	2.5	–	0.5	–	–	–	3.0
Reclassification within classes	0.2	–	0.1	–	–	–	0.3
Currency translation adjustments	0.2	0.1	(0.2)	–	–	–	0.1
Balance at December 31	**–**	**(0.9)**	**(1.9)**	**–**	**–**	**–**	**(2.8)**
CARRYING AMOUNT							
Restated * At December 31, 2015	**232.0**	**31.9**	**258.7**	**24.2**	**3.7**	**54.2**	**604.7**

* The restatement is commented in note 39

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

IN MILLIONS OF CHF	2016	2015
Payables for capital expenditure at the beginning of the period	(30.1)	(13.7)
Business combination	–	(16.1)
Additions of property, plant and equipment (note 18)	(203.8)	(135.1)
Payables for capital expenditure at the end of the period	28.5	30.1
Currency translation adjustments	1.0	–
Total Cash Flow	**(204.4)**	**(134.8)**

20. INTANGIBLE ASSETS

2016 IN MILLIONS OF CHF	CONCESSION RIGHTS Indefinite lives	CONCESSION RIGHTS Finite lives	BRANDS	GOODWILL	OTHER	TOTAL
AT COST						
Restated *						
Balance at January 1	**56.6**	**4,984.0**	**271.0**	**2,662.8**	**205.1**	**8,179.5**
Additions (note 21)	–	48.9	–	–	25.8	74.7
Disposals	–	(11.3)	–	–	(26.5)	(37.8)
Reclassification	(13.0)	13.0	–	–	–	–
Reclassification from property, plant & equipment	–	–	–	–	3.5	3.5
Currency translation adjustments	(0.7)	(151.4)	(1.3)	(47.5)	(0.8)	(201.7)
Balance at December 31	**42.9**	**4,883.2**	**269.7**	**2,615.3**	**207.1**	**8,018.2**
ACCUMULATED AMORTIZATION						
Balance at January 1	**–**	**(756.1)**	**(3.3)**	**–**	**(115.5)**	**(874.9)**
Additions (note 12)	–	(343.8)	–	–	(32.6)	(376.4)
Disposals	–	11.2	–	–	25.8	37.0
Reclassification	–	0.7	–	–	(0.7)	–
Reclassification from property, plant & equipment	–	–	–	–	(1.2)	(1.2)
Currency translation adjustments	–	(4.3)	–	–	1.2	(3.1)
Balance at December 31	**–**	**(1,092.3)**	**(3.3)**	**–**	**(123.0)**	**(1,218.6)**
IMPAIRMENT						
Balance at January 1	**–**	**(9.4)**	**–**	**(1.0)**	**–**	**(10.4)**
Impairment (note 12)	–	(2.8)	–	–	–	(2.8)
Currency translation adjustments	–	0.2	–	–	–	0.2
Balance at December 31	**–**	**(12.0)**	**–**	**(1.0)**	**–**	**(13.0)**
CARRYING AMOUNT						
At December 31, 2016	**42.9**	**3,778.9**	**266.4**	**2,614.3**	**84.1**	**6,786.6**

* The restatement is commented in note 39

2015 IN MILLIONS OF CHF	CONCESSION RIGHTS Indefinite lives	 Finite lives	BRANDS	GOODWILL	OTHER	TOTAL
AT COST						
Restated * **Balance at January 1**	**61.2**	**3,315.4**	**174.3**	**1,670.2**	**193.2**	**5,414.3**
Business combinations (note 6)	–	1,895.0	95.7	1,125.1	7.4	3,123.2
Additions (note 21)	–	19.9	–	–	12.8	32.7
Disposals	–	(86.9)	–	–	(12.9)	(99.8)
Reclassification from prepayments	–	16.1	–	–	–	16.1
Reclassification from property, plant and equipment	–	–	–	–	7.0	7.0
Currency translation adjustments	(4.6)	(175.5)	1.0	(132.5)	(2.4)	(314.0)
Restated ** **Balance at December 31**	**56.6**	**4,984.0**	**271.0**	**2,662.8**	**205.1**	**8,179.5**
ACCUMULATED DEPRECIATION						
Restated * **Balance at January 1**	**–**	**(576.2)**	**(1.0)**	**–**	**(102.5)**	**(679.7)**
Additions (note 12)	–	(271.0)	(2.3)	–	(26.2)	(299.5)
Disposals	–	86.6	–	–	11.8	98.4
Reclassification	–	0.5	–	–	(0.5)	–
Currency translation adjustments	–	4.0	–	–	1.9	5.9
Balance at December 31	**–**	**(756.1)**	**(3.3)**	**–**	**(115.5)**	**(874.9)**
IMPAIRMENT						
Balance at January 1	**–**	**(0.4)**	**–**	**(1.0)**	**–**	**(1.4)**
Impairment (note 12)	–	(9.5)	–	–	–	(9.5)
Disposals	–	0.2	–	–	–	0.2
Currency translation adjustments	–	0.3	–	–	–	0.3
Balance at December 31	**–**	**(9.4)**	**–**	**(1.0)**	**–**	**(10.4)**
CARRYING AMOUNT						
Restated ** **at December 31, 2015**	**56.6**	**4,218.5**	**267.7**	**2,661.8**	**89.6**	**7,294.2**

* Based on the final assessment of the Purchase Price Allocation related to the Nuance Group, certain amounts presented in the annual report 2014 have been restated (see note 39 in the Annual Report 2015)

**The restatement is commented in note 39

20.1 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.

20.1.1 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	31.12.2016	RESTATED * 31.12.2015
Southern Europe and Africa	473.9	458.8
UK, Central and Eastern Europe	1,014.2	1,091.5
Asia, Middle East and Australia	88.4	90.0
Latin America	675.8	663.1
North America	320.0	316.4
Distribution Centers	42.0	42.0
Total carrying amount of goodwill	**2,614.3**	**2,661.8**

* The restatement is commented in note 39. The above units are regrouped according to the new segments (See note 5)

The recoverable amounts of each cash generating unit (CGU) is determined based on value-in-use calculations which require the use of assumptions (see table with key assumptions below). The calculations use cash flow projections based on financial forecasts approved by the management covering a five-year period. Cash flows beyond the five-year period are extrapolated using a steady growth rate that does not exceed the long-term average growth rate for the respective market and are consistent with forecasted growth included in the travel related retail industry reports. The financial results of the distribution centers have been broken down by CGU and allocated accordingly.

The key assumptions used for determining the recoverable amounts of goodwill are:

	POST TAX DISCOUNT RATES		PRE TAX DISCOUNT RATES		GROWTH RATES FOR NET SALES	
CASH GENERATING UNITS IN PERCENTAGE (%)	**2016**	**RESTATED * 2015**	**2016**	**RESTATED * 2015**	**2016**	**RESTATED * 2015**
Southern Europe and Africa	11.13	10.30	12.85	12.20	5.4 – 11.2	3.1 – 44.5
UK, Central and Eastern Europe	6.31	6.10	6.62	7.90	(0.1) – 4.6	3.6 – 66.4
Asia, Middle East and Australia	10.42	8.60	11.52	9.40	9.1 – 12.7	3.2 – 25.6
Latin America	9.59	10.30	10.11	11.30	6.4 – 16.1	4.5 – 25.6
North America	6.33	6.42	7.94	8.27	4.6 – 8.4	3.4 – 24.4

* The restatement is commented in note 39. The above units are regrouped according to the new segments (See note 5)

As basis for the calculation of these discount rates, the group uses the weighted average cost of capital, based on the following risk free interest rates (derived from past 5 year average of prime 10-year bonds rates): CHF 0.15 %, EUR 0.83 %, USD 2.08 % (2015: CHF 0.40 %, EUR 1.22 %, USD 2.16 %).

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

	2016	**2015**
Beta factor	0.86	0.88

Sensitivity to changes in assumptions

Management believes that any reasonably possible change (+/ – 1 %) in the key assumptions, on which the recoverable amounts are based, would not cause the respective recoverable amount to fall below the carrying amount.

20.1.2 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. At present, the only concession rights with indefinite useful lives of EUR 40.1 (2015: 43.6) million are located in Italy. They are considered to be with indefinite useful lives as the concessions were granted by the non-controlling interest holder.

The recoverable amounts of each cash generating unit (CGU) is determined based on value-in-use calculations which require the use of assumptions (see table with key assumptions below). The calculations use cash flow projections based on financial forecasts approved by the management covering a five-year period. Cash flows beyond the five-year period are extrapolated using a steady growth rate that does not exceed the long-term average growth rate for the respective market and are consistent with forecasted growth included in the travel related retail industry reports. The financial results of the distribution centers have been broken down by CGU and allocated accordingly.

The key assumptions used for determining the recoverable amounts for Italy are:

	POST TAX DISCOUNT RATES		PRE TAX DISCOUNT RATES		GROWTH RATES FOR NET SALES	
CONCESSION RIGHTS IN PERCENTAGE (%)	2016	2015	2016	2015	2016	2015
Italy	9.02	7.19	10.12	8.52	3.4 – 6.5	1.5 – 3.0

Sensitivity analysis to changes in assumptions

With regard to the assessment of value-in-use, Dufry believes that no reasonably possible change (+/–1%) in any of the above key assumptions would cause the recoverable amount of the concession rights to materially fall below the carrying amount.

20.1.3 Key assumptions used for value-in-use calculations

The calculation of value-in-use is most sensitive to the following assumptions:

- Sales growth
- Growth rate used to extrapolate
- Gross margin and suppliers prices
- Concession fee levels
- Discount rates

Sales growth

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

For the period after 5 years, Dufry has used a growth rate of 2.0 % – 3.0 % (2015: 2.0 % – 3.0 %) to extrapolate the cash flow projections.

Gross margins

The expected gross margins are based on average product assortment values estimated by the management for the budget 2017. These values are maintained over the planning period or where specific actions are planned and 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 interest of the past 5 years of the respective ten-year government bond and is increased by the company's effective bank spread and adjusted by the effective blended tax rate and country risk of the respective CGU.
- For the equity part, a 5 % equity risk premium is added to the base rate commented above and adjusted by the Beta of Dufry's peer group.

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

20.1.4 Brands

Dufry presented its new brand strategy in October 2015. While at corporate level the Group is recognized under the name of Dufry, for retail purposes, it is applying a multi-brand concept including, among others, brands like: Dufry, Hudson, World Duty Free, Nuance, Hellenic Duty Free, Regstaer, Colombian Emeralds, Duty Free Caribbean, do Brasil and Interbaires. The book values of these brand names remain at fair value recognized at acquisition and are subject to annual impairment testing. With regard to the assessment of value-in-use, Dufry believes that no reasonably possible change (+/–1%) in any of the below key assumptions would cause that the recoverable amount falls materially below the carrying value of the respective brand name.

The recoverable amount is determined using the Relief of Royalty method that considers a steady cash flow income from the royalty income after tax on projected sales for each brand. The following table indicates the key assumptions used for the valuation of the main brands:

	ROYALTY INCOME RATE AFTER TAX		POST TAX DISCOUNT RATES		GROWTH RATES FOR NET SALES	
BRAND NAMES IN PERCENTAGE (%)	**2016**	**2015**	**2016**	**2015**	**2016**	**2015**
Dufry	0.35	0.32	7.18	6.98	7.3 – 14.0	4.7 – 13.4
Hudson News	0.91	0.91	6.41	5.39	3.6 – 8.4	4.1 – 10.8
Colombian Emeralds	1.75	1.75	6.71	14.82	4.0 – 7.8	4.0 – 14.0
Nuance	0.35	0.30	5.61	6.20	2.0 – 4.6	2.2 – 4.5
World Duty Free	0.38	0.39	5.43	6.20	2.0 – 6.6	4.3 – 4.5

These sales growth rates are in line with the assumptions used for the impairment test of goodwill. The discount rates represent the weighted average cost of capital (WACC) of the markets where the brand is generating sales.

21. CASH FLOWS USED FOR PURCHASE OF INTANGIBLE ASSETS

IN MILLIONS OF CHF	2016	2015
Payables for capital expenditure at January 1	(1.2)	(166.5)
Additions of intangible assets (note 20)	(74.7)	(32.7)
Payables for capital expenditure at December 31	11.7	1.2
Currency translation adjustments	0.2	18.3
Total Cash Flow	**(64.0)**	**(179.7)**

22. DEFERRED TAX ASSETS AND LIABILITIES

Temporary differences arise from the following positions:

IN MILLIONS OF CHF	31.12.2016	RESTATED * 31.12.2015
DEFERRED TAX ASSETS		
Property, plant and equipment	54.6	48.6
Intangible assets	72.0	63.6
Provisions and other payables	64.2	67.2
Tax loss carry-forward	129.7	138.2
Other	43.0	46.4
Total	**363.5**	**364.0**
DEFERRED TAX LIABILITIES		
Property, plant and equipment	(75.7)	(75.1)
Intangible assets[1]	(601.7)	(740.5)
Provisions and other payables	(23.7)	(6.1)
Other	(1.7)	(10.5)
Total	**(702.8)**	**(832.2)**
Deferred tax liabilities net	**(339.3)**	**(468.2)**

* The restatement is commented in note 39
[1] The decrease is due to amortization and reduction of expected tax rate in the United Kingdom

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

IN MILLIONS OF CHF	2016	RESTATED * 2015
Deferred tax assets	177.2	203.9
Deferred tax liabilities	(516.5)	(672.1)
Balance at December 31	**(339.3)**	**(468.2)**

* The restatement is commented in note 39

Reconciliation of movements to the deferred taxes:

IN MILLIONS OF CHF	2016	RESTATED * 2015
Changes in deferred tax assets	(26.7)	8.0
Changes in deferred tax liabilities	155.6	(253.0)
Business combinations (note 6)	–	362.9
Currency translation adjustments	(33.2)	(39.6)
Total deferred tax movement at December 31	**95.7**	**78.3**
THEREOF		
Recognized in the income statement	93.8	80.0
Recognized in equity	(0.2)	(0.2)
Recognized in OCI	2.1	(1.5)

* The restatement is commented in note 39

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 may be limited in time (expiration), in quantity and by the ability of the respective subsidiary to generate enough taxable profits in the 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 by the respective entity in accordance with the budget 2017 approved by the Board of Directors and the projections prepared by the management.

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

IN MILLIONS OF CHF	31.12.2016	31.12.2015
Expiring within 1 to 3 years	20.1	35.3
Expiring within 4 to 7 years	135.4	63.9
Expiring after 7 years	266.0	178.6
With no expiration limit	383.5	315.6
Total[1]	**805.0**	**593.4**

[1] This amount includes, in 2015, CHF 164.7 million added through business combination

Due to a review of the European legislation during 2016 in relation with the amortization of intangibles, tax loss carry-forwards occurred in the past of about CHF 191 million at World Duty Free Group SA, Spain have been added to the above table again in 2016.

Unrecognized deferred tax liabilities

Dufry has not recognized deferred tax liabilities associated with investments in subsidiaries where Dufry can control the reversal of the timing differences and where it is not probable that the temporary differences will reverse in the foreseeable future. Dufry does not expect that these differences result in taxable amounts in determining taxable profit (tax loss) of future periods when the carrying amount of the investment is recovered.

23. OTHER NON-CURRENT ASSETS

IN MILLIONS OF CHF	31.12.2016	31.12.2015
Guarantee deposits	80.1	79.2
Loans and contractual receivables	31.9	32.8
Prepaid lease [1]	170.1	221.9
Other	16.7	14.8
Subtotal	**298.8**	**348.7**
Allowances	(2.7)	(1.3)
Total	**296.1**	**347.4**

[1] Refers to Spanish concessions, measured at amortized cost.

MOVEMENT IN ALLOWANCES

IN MILLIONS OF CHF	2016	2015
Balance at January 1	**(1.3)**	**(1.3)**
Creation	(1.3)	–
Utilization	0.1	–
Currency translation adjustments	(0.2)	–
Balance at December 31	**(2.7)**	**(1.3)**

24. INVENTORIES

IN MILLIONS OF CHF	31.12.2016	RESTATED * 31.12.2015
Purchased inventories at cost	950.5	925.3
Inventory allowance[1]	(32.6)	(20.0)
Total	**917.9**	**905.3**

* The restatement is commented in note 39

[1] The inventory impaired has a book value of CHF 72.3 (2015: 63.0) million

CASH FLOWS USED FOR INCREASE / FROM DECREASE IN INVENTORIES

IN MILLIONS OF CHF	2016	RESTATED * 2015
Balance at January 1	925.3	758.0
Balance at December 31	950.5	925.3
Gross change – at cost	**(25.2)**	**(167.3)**
Business combinations (note 6)	–	204.3
Change in unrealized profit on inventory	(1.3)	(4.0)
Utilization of allowances	16.1	5.1
Currency translation adjustments	(6.0)	(22.8)
Cash Flow – (Increase) / decrease in inventories	**(16.4)**	**15.3**

* The restatement is commented in note 39

Cost of sales includes inventories written down to net realizable value and inventory differences of CHF 25.4 (2015: 16.5) million.

25. TRADE AND CREDIT CARD RECEIVABLES

IN MILLIONS OF CHF	31.12.2016	RESTATED * 31.12.2015
Trade receivables	51.3	87.0
Credit card receivables	43.7	46.4
Gross	**95.0**	**133.4**
Allowances	(0.4)	(0.5)
Net	**94.6**	**132.9**

* The restatement is commented in note 39

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	31.12.2016	RESTATED * 31.12.2015
Not due	32.4	59.8
OVERDUE		
Up to 30 days	0.6	7.5
31 to 60 days	5.8	7.0
61 to 90 days	3.1	1.7
More than 90 days	9.4	11.0
Total overdue	**18.9**	**27.2**
Trade receivables, gross	**51.3**	**87.0**

* The restatement is commented in note 39

MOVEMENT IN ALLOWANCES

IN MILLIONS OF CHF	2016	2015
Balance at January 1	**(0.5)**	**(0.2)**
Creation	(0.4)	(0.5)
Utilized	0.4	0.1
Currency translation adjustments	0.1	0.1
Balance at December 31	**(0.4)**	**(0.5)**

26. OTHER ACCOUNTS RECEIVABLE

IN MILLIONS OF CHF	2016	RESTATED * 2015
Receivables for refund from suppliers	154.6	96.7
Receivables for rental services	144.6	92.2
Sales tax and other tax credits	112.4	87.6
Derivative financial assets[1]	28.7	1.7
Prepayments	24.7	18.6
Receivables from subtenants and business partners	10.0	13.0
Guarantee deposits	8.2	7.7
Accrued income	7.8	3.8
Personnel receivables	3.7	4.2
Loans receivable	1.5	6.2
Other	14.7	13.3
Total	**510.9**	**345.0**
Allowances	(9.5)	(12.2)
Total	**501.4**	**332.8**

* The restatement is commented in note 39

1 See note 38 Financial instruments

MOVEMENT IN ALLOWANCES

IN MILLIONS OF CHF	2016	2015
Balance at January 1	**(12.2)**	**(4.2)**
Creation	(2.5)	(6.6)
Released	–	0.1
Utilized	5.4	0.3
Reclassification[1]	(0.4)	(2.3)
Currency translation adjustments	0.2	0.5
Balance at December 31	**(9.5)**	**(12.2)**

1 Reclassification in 2015 from receivables for refund from suppliers (CHF – 2.3 million) and in 2016 from provisions (CHF – 0.4 million)

27. EQUITY

27.1 ISSUED CAPITAL

IN MILLIONS OF CHF	31.12.2016	31.12.2015
Share capital	269.4	269.4
Share premium	4,259.3	4,259.3
Total	**4,528.7**	**4,528.7**

27.1.1 Fully paid ordinary shares

IN MILLIONS OF CHF	NUMBER OF SHARES	SHARE CAPITAL	SHARE PREMIUM
Balance at January 1, 2015	**35,905,056**	**179.5**	**1,964.7**
Conversion of mandatory convertible notes	1,809,188	9.1	253.7
Issue of shares	16,157,463	80.8	2,119.2
Share issuance costs	–	–	(78.3)
Balance at December 31, 2015	**53,871,707**	**269.4**	**4,259.3**
Balance at December 31, 2016	**53,871,707**	**269.4**	**4,259.3**

27.2 AUTHORIZED AND CONDITIONAL SHARE CAPITAL

CONDITIONAL SHARE CAPITAL	NUMBER OF SHARES	IN THOUSANDS OF CHF
Balance at January 1, 2015	**2,697,620**	**13,488**
Utilization June 18, 2015	(1,809,188)	(9,046)
Balance at December 31, 2015	**888,432**	**4,442**
Balance at December 31, 2016	**888,432**	**4,442**

There was no authorized share capital outstanding in 2015 and 2016.

Share capital increase

2015

The General Meeting held on April 29, 2015, approved the increase of the share capital of Dufry from CHF 179.5 million up to CHF 336.6 million through the issuance of fully paid-in registered shares with a par value of CHF 5 each.

On June 18, 2015, Dufry AG issued 16,157,463 registered shares with a nominal value of CHF 80.8 million, representing 45 % additional shares. After this share issuance and including the shares created by the conversion of the Mandatory Convertible Notes (see comments below), the share capital of Dufry AG amounts to CHF 269.4 million. The offer price for the rights offering as well as for the committed investors was set at CHF 136.16 per share. In the rights offering, 9,744,390 shares were subscribed for by existing shareholders, while 6,413,073 shares were purchased by committed investors, resulting in gross proceeds of CHF 2,200 million.

The trading of the issued shares on the SIX Swiss Exchange commenced on June 25, 2015. Share issuance costs of CHF 78.3 million have been presented in equity.

Mandatory Convertible Notes (MCN)

2015

The Mandatory Convertible Notes amounting to CHF 262.8 million (net of issuance costs) were converted into 1,809,188 ordinary registered shares of Dufry during June 2015 at a conversion price of CHF 152 per share. Dufry issued the shares out of the existing conditional share capital.

27.3 RESERVES

IN MILLIONS OF CHF	2016	RESTATED * 2015
Employee benefit reserve	(36.7)	(21.3)
Hedging and revaluation reserves	1.6	0.7
Translation reserves	(250.4)	(185.8)
Retained earnings	(1,166.2)	(1,153.3)
Balance at December 31	**(1,451.7)**	**(1,359.7)**

* The restatement is commented in note 39

27.3.1 Employee benefit reserve

IN MILLIONS OF CHF	2016	2015
Balance at January 1	**(21.3)**	**(32.9)**
Actuarial gains (losses) on defined benefit plans	(17.8)	12.8
Income tax relating to components of other comprehensive income	2.4	(1.2)
Balance at December 31	**(36.7)**	**(21.3)**

27.3.2 Hedging and revaluation reserves

IN MILLIONS OF CHF	2016	2015
Balance at January 1	**0.7**	**–**
Gain / (loss) arising on changes in fair value of financial instruments:		
– Interest rate swaps entered for as cash flow hedges	1.2	1.0
Income tax relating to components of other comprehensive income	(0.3)	(0.3)
Balance at December 31	**1.6**	**0.7**

27.3.3 Translation reserves

IN MILLIONS OF CHF	2016	2015
Balance at January 1	**(185.8)**	**(112.2)**
Exchange differences arising on translating the foreign operations (attributed to equity holders of parent)	(94.6)	(75.3)
Net gain / (loss) on hedge of net investments in foreign operations (note 31)	30.6	2.2
Share of other comprehensive income of associates	(0.6)	(0.5)
Balance at December 31	**(250.4)**	**(185.8)**

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.

28. SHARE-BASED PAYMENTS

28.1 SHARE PLAN OF DUFRY AG

On October 27, 2016, Dufry granted to the members of the Group Executive Committee (GEC) and selected members of the senior management the Award 2016 consisting of 159,219 PSU units. The PSU Award 2016 has a contractual life of 26 months and will vest on May 1, 2019. At grant date the fair value of one PSU Award 2016 represents the market value for one Dufry share at that date, i.e. CHF 127.00, adjusted by the probability that participants comply with the ongoing contractual relationship clause. As of December 31, 2016, no PSU Award 2016 forfeited, so that all PSU Award 2016 remain outstanding.

On October 27, 2016, the Board of Directors decided, upon proposal by the Remuneration Committee, to pay out half of the 2015 bonus through a share program. Therefore, 85,015 Rights to Receive Shares (RRS) were awarded to the GEC and selected members of the senior management. These RRS have a contractual life of 26 months and will vest on January 1, 2019. At grant date the fair value of one RRS represents the market value for one Dufry share at that date, i.e. CHF 127.00, adjusted by the probability that participants comply with the ongoing contractual relationship clause. As of December 31, 2016, no RRS forfeited, so that all RRS remain outstanding.

One PSU (Award 2016 or Award 2015) will give the right to the holders to receive free of charge up to two Dufry shares depending on the effective cumulative amount of cash earnings per share (Cash EPS) reached by Dufry during the years of award and the following two years compared with the target (2016: CHF 24.59, 2015: CHF 24.12). The Cash EPS equals the basic Earnings per Share adjusted for amortization of intangible assets identified during business combinations and non-recurring effects. If at vesting the cumulative adjusted Cash EPS is at target level, each PSU grants one share. If the cumulative adjusted Cash EPS is at 150 % of the target (maximum threshold) or above, each PSU grants two shares at vesting, and if the adjusted Cash EPS is at 50 % of the target (minimum threshold) or below, no share will be granted at vesting. If the adjusted Cash EPS is between 50 % and 150 % of the target, the number of shares granted for each PSU will be allocated on a linear basis. Additionally, the allocation of shares is subject to an ongoing contractual relationship of the participant with Dufry throughout the vesting period. Holders of PSU are not entitled to vote or receive dividends, like shareholders do.

One RRS (Award 2016) will give the right to the holders to receive free of charge one Dufry share subject to an ongoing contractual relationship with Dufry throughout the vesting period (Award 2016 until January 1, 2019). Holders of these rights are not entitled to vote or receive dividends, like shareholders do.

With the Award 2014 Dufry granted to the members of the GEC 51,486 PSU options. One PSU gave the right to receive in 2017, free of charge, up to two shares, based on the performance achieved by Dufry. For the PSU Award 2014, the performance was measured as the average yearly growth rate to be reached by the earnings per share adjusted for amortization of intangible assets identified during business combinations and non-recurrent effects (adjusted Cash EPS) of Dufry between the years 2013 and 2016. Each PSU granted the right to receive one Dufry share if the targeted average yearly growth of 7% would have been achieved; no share if the average yearly growth rate would have been 3.5% or lower and two shares if the average growth rate would have been 10.5% or higher. If the effective growth rate would have been between 3.5% and 10.5% the number of shares granted for each PSU would have been allocated on a linear basis. Additionally, the allocation of shares was subject to an ongoing contractual relationship of the participant with Dufry from January 1, 2014, until January 1, 2017. At January 1, 2017, the PSU award 2014 vested achieving an average yearly growth of 5.1% so that each PSU will be exchanged for 0.45 Dufry shares, i.e. 20,020 shares in total.

In 2016 Dufry recognized through profit and loss share-based payment expenses for a total of CHF 4.7 (2015: 2.8) million.

28.2 TREASURY SHARES

Treasury shares are valued at historical cost.

	NUMBER OF SHARES	IN MILLIONS OF CHF
Balance at January 1, 2015	**94,165**	**14.3**
Share purchases	4	–
Balance at December 31, 2015	**94,169**	**14.3**
Share purchases	6,000	0.7
Balance at December 31, 2016	**100,169**	**15.0**

29. 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	2016	RESTATED * 2015
Lenrianta CSJC 20 %	16.0	–
Nuance Group Fashion & Luxury Duty Free Pvt. Ltd 50 %	7.1	–
Non-controlling interests in World Duty Free Group after initial acquisition [1]	–	(9.0)
TNG Malta participation changes [2]	(3.7)	–
Other non-controlling interests acquired	0.5	–
Increase in Dufry's interest	**19.9**	**(9.0)**
World Duty Free Group acquisition through business combination (note 6.1)	–	38.2
Division North America, increase in share capital of several subsidiaries	7.6	4.5
Chengdu Hudson Bright Power Commercial Co, Ltd. 49 %	0.7	–
Other	(0.3)	(0.3)
Total	**27.9**	**33.4**

* The restatement is commented in note 39
[1] Change in non-controlling interests from August 7, 2015, until the completion of the acquisition of the remaining interest.
[2] Internal restructuring without cash flow effects

30. INFORMATION ON COMPANIES WITH NON-CONTROLLING INTERESTS

The non-controlling interests (NCI) comprise the portion of equity of subsidiaries that are not owned by Dufry. The net earnings attributable to non-controlling interests is CHF 43.3 (2015: 42.4) million and Dufry carefully assessed the significance of each subsidiary with non-controlling interests and concluded that none of them is individually material for Dufry.

In 2016, the major part of the net earnings attributable to non-controlling interests of CHF 25.7 (2015: 23.7) million relates to several legal entities with different non-controlling interest holders within Hudson Group. The remaining CHF 17.6 (2015: 18.7) million belongs to various other subsidiaries of Dufry.

31. FINANCIAL DEBT

IN MILLIONS OF CHF	31.12.2016	31.12.2015
Bank debt (overdrafts)	29.6	23.3
Bank debt (loans)	94.9	51.1
Third party loans	2.8	2.9
Financial debt, short-term	**127.3**	**77.3**
Bank debt (loans)	2,798.2	2,537.7
Senior Notes	1,268.8	1,767.3
Third party loans	6.9	8.1
Financial debt, long-term	**4,073.9**	**4,313.1**
Total	**4,201.2**	**4,390.4**
OF WHICH ARE		
Bank debt	2,922.7	2,612.1
Senior Notes	1,268.8	1,767.3
Third party loans	9.7	11.0

BANK DEBT

IN MILLIONS OF CHF	31.12.2016	31.12.2015
MAIN BANK DEBTS ARE DENOMINATED IN		
US Dollar	2,060.2	1,035.8
British Pound Sterling	582.1	631.8
Euro	177.0	802.6
Swiss Franc	–	100.0
Subtotal	**2,819.3**	**2,570.2**
BANK DEBTS AT RETAIL SUBSIDIARIES OR OTHER MINOR BANK DEBTS IN		
Different currencies	**127.2**	**73.1**
Deferred bank arrangement fees[1]	(23.8)	(31.2)
Total	**2,922.7**	**2,612.1**

[1] The arrangement fees relate only to the main bank debt

SENIOR NOTES

IN MILLIONS OF CHF	31.12.2016	31.12.2015
SENIOR NOTES DENOMINATED IN		
Euro	1,284.7	1,303.6
US Dollar	–	499.8
Subtotal	**1,284.7**	**1,803.4**
Deferred arrangement fees	(15.9)	(36.1)
Total	**1,268.8**	**1,767.3**

DETAILED CREDIT FACILITIES

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

The bank credit agreements and the bank guarantee facility (see note 36) contain covenants and conditions customary to this type of financing. Dufry complied with the financial covenants and conditions contained in the bank credit agreements in 2015 and 2016 as well.

Main bank credit facilities

				DRAWN AMOUNT IN CHF	
IN MILLIONS OF	MATURITY	CURRENCY	CREDIT LIMIT IN LOCAL CURRENCY	31.12.2016	31.12.2015
Committed 5-year term loan	31.07.2019	USD	1,010.0	1,028.0	1,009.6
Committed 4-year term loan (multi-currency)	31.07.2019	EUR	800.0	860.8	835.9
Committed 5-year term loan	31.07.2019	EUR	500.0	558.9	543.2
5-year revolving credit facility (multi-currency)	31.07.2019	CHF	900.0	371.6	181.5
Total				**2,819.3**	**2,570.2**

On March 27, 2015, a syndicate of banks with the London Branch of ING N.V. acting as agent, granted Dufry a committed 4-year term loan of EUR 800 million which was used to replace the bank debt of World Duty Free Group.

Senior notes

					AMOUNT IN CHF	
IN MILLIONS OF	MATURITY	COUPON RATE	CURRENCY	NOMINAL IN LOCAL CURRENCY	31.12.2016	31.12.2015
Senior notes	01.08.2023	4.50 %	EUR	700.0	749.4	760.4
Senior notes	15.07.2022	4.50 %	EUR	500.0	535.3	543.2
Senior notes	15.10.2020	5.50 %	USD	500.0	–	499.8
Total					**1,284.7**	**1,803.4**

On December 2, 2016, Dufry repaid the Senior Notes of USD 500 million.

On July 28, 2015, Dufry placed denominated Senior Notes of EUR 700 million with a maturity of eight years with qualified institutional investors in Switzerland and abroad.

All notes are listed on the Dublin stock exchange and interest is payable semi-annually in arrears.

WEIGHTED AVERAGE INTEREST RATE

The borrowings under these credit facilities bear interest at a floating rate (EURIBOR or LIBOR) plus spread. Below are the overall weighted average notional interest rates on the main currencies as per December 31, 2016 of respective years:

INTEREST RATE IN PERCENTAGE (%)	2016	2015
Average on USD	3.70	3.45
Average on CHF	2.00	1.83
Average on EUR	3.70	3.53
Average on GBP	2.77	2.98
Weighted Average Total	**3.57**	**3.42**

31.1 HEDGE OF NET INVESTMENTS IN FOREIGN OPERATIONS

The following net debt is designated as hedge in net investment:

		AMOUNT IN HEDGING CURRENCY		AMOUNT IN CHF	
IN MILLIONS OF	CURRENCY	31.12.2016	31.12.2015	31.12.2016	31.12.2015
Dufry do Brasil and other subsidiaries[1]	USD	947.2	947.2	964.0	946.9
World Duty Free Group SA	GBP	240.0	240.0	301.5	353.5
Total				**1,265.5**	**1,300.4**

[1] Alliance Inc., Interbaires SA, Navinten SA, Blaicor SA, International Operation & Services SA, Duty Free Ecuador SA and Regstaer Ltd.

31.2 NET INVESTMENT IN FOREIGN OPERATIONS

Dufry granted below mentioned long-term loans to subsidiaries. These loans are considered as part of Dufry's net investment in foreign operations, as settlement is neither planned nor likely to occur in the foreseeable future.

		AMOUNT IN HEDGING CURRENCY		AMOUNT IN CHF	
IN MILLIONS OF	CURRENCY	31.12.2016	31.12.2015	31.12.2016	31.12.2015
Nuance Group (Australia) Pty Ltd.	AUD	121.8	121.8	89.5	88.8
Dufry America Holding Inc.	USD	13.4	17.2	13.7	17.2
Nuance Group (Sverige) AB	SEK	110.0	110.0	12.3	13.0
Dufry Duty Free (Nigeria) Ltd.	USD	6.1	–	6.2	–
Total				**121.7**	**119.0**

32. PROVISIONS

IN MILLIONS OF CHF	CONTIN-GENT LIABILITIES	ONEROUS CONTRACTS	CLOSEDOWN	LAWSUITS AND DUTIES	LABOR DISPUTES	OTHER	TOTAL
Restated *							
Balance at January 1	**79.9**	**171.3**	**9.8**	**21.7**	**2.3**	**48.2**	**333.2**
Charge for the year	–	–	1.0	–	1.5	9.2	11.7
Utilized	(10.7)	(18.7)	(1.0)	(0.2)	–	(22.3)	(52.9)
Unused amounts reversed	–	(3.9)	–	(0.5)	–	(3.7)	(8.1)
Interest discounted	–	10.7	–	–	–	–	10.7
Reclassification from / to other accounts[1]	–	–	–	13.2	–	(0.4)	12.8
Currency translation adjustments	(0.8)	(2.0)	(0.9)	(0.9)	–	(2.4)	(7.0)
Balance at December 31	**68.4**	**157.4**	**8.9**	**33.3**	**3.8**	**28.6**	**300.4**
THEREOF							
Current	–	57.0	8.9	33.3	1.3	16.4	116.9
Non-current	68.4	100.4	–	–	2.5	12.2	183.5

* The restatement is commented in note 39

[1] From payables for non trade services (CHF 13.2 million) and to other accounts receivable (CHF – 0.4 million)

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

Dufry as internationally operating company is exposed to contingent liabilities in respect of legal and tax claims in the ordinary course of business. It is not anticipated that any material liabilities will arise from the contingent liabilities other than provided for.

In 2016, the contingent liabilities decreased by CHF 10.7 million and relate to the reversal of the provision for VAT in Argentina. In 2015 restated, the contingent liabilities increased by CHF 8.9 million based on findings in Europe recognized during the due diligence and the integration process made for the acquisition of the World Duty Free Group.

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

ONEROUS CONTRACTS

Concession agreements usually fix the fee for the locations as a percentage on net sales. Some of these long-term concession agreements, which Dufry has entered into, include clauses to ensure a minimal concession fee during the full term of the agreement. However, in certain circumstances the economic environment around an activity deteriorates in such a way that it is highly unlikely that the operation will become profitable during the remaining concession duration. In such cases Dufry does impair the assets subject to amortization or depreciation and creates a provision for onerous contracts. This provision reflects the present value of the unavoidable cost (losses) of meeting the contractual obligation. At balance sheet date, an amount of CHF 157.4 (2015: 171.3) million has been provided in relation to operations in Asia, Europe and Australia.

CLOSE DOWN

The provision of CHF 8.9 (2015: 42.0) million relates mainly to the closing of operations in Asia and Europe.

LABOR DISPUTES

The provision of CHF 3.8 (2015: 2.3) million relates mainly to claims presented by sales staff based on disputes related to the termination of temporary labor contracts in Brazil.

LAWSUITS AND DUTIES

These provisions of CHF 33.3 (2015: 21.7) million cover uncertainties dependent on the outcome of law suits in relation to taxes, duties or other claims in India, Turkey, United Kingdom, Brazil, Ecuador and Italy. Two of Dufry's dormant operation in India still keep two open claims (CHF 13.2 million) in relation with customs duties and the other in relation with service taxes. Dufry expects that both cases won't be finally judged in the next year.

OTHER

These provisions relate mainly to the restoration of leased shops to their original condition. The charge for the year includes a provision for the expenses expected to be incurred in relation to the structural improvements and the integration of support functions of the organization. The utilization of the year is mainly related to the restructuring program in Spain and the United Kingdom.

CASH OUTFLOWS OF NON-CURRENT PROVISIONS

The expected timing of the related cash outflows of non-current provisions as of December 31, 2016 is currently projected as follows:

IN MILLIONS OF CHF	EXPECTED CASH OUTFLOW
2018	34.7
2019	28.6
2020	35.9
2021	4.0
2022+	80.4
Total non-current	**183.5**

33. POST-EMPLOYMENT BENEFIT OBLIGATIONS

Dufry provides retirement benefits through a variety of arrangements comprised principally of stand-alone defined benefit or defined contribution plans, or state administered plans that cover a substantial portion of 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. Around 95.9 % (2015: 96.2 %) of the total defined benefit obligation and 99.5 % (2015: 100 %) of the plan assets correspond to pension funds in Switzerland (CH) and the United Kingdom (UK).

			2016			2015
IN MILLIONS OF CHF	Funded	Unfunded	TOTAL	Funded	Unfunded	TOTAL
SWITZERLAND						
Fair value of plan assets	185.0	–	185.0	179.2	–	179.2
Present value of defined benefit obligation	205.2	–	205.2	194.8	–	194.8
Financial (deficit) surplus	**(20.2)**	**–**	**(20.2)**	**(15.6)**	**–**	**(15.6)**
UK						
Fair value of plan assets	191.5	–	191.5	186.3	–	186.3
Present value of defined benefit obligation	221.0	–	221.0	209.8	–	209.8
Financial (deficit) surplus	**(29.5)**	**–**	**(29.5)**	**(23.5)**	**–**	**(23.5)**
OTHER PLANS						
Fair value of plan assets	2.1	–	2.1	–	–	–
Present value of defined benefit obligation	2.3	16.1	18.4	–	16.2	16.2
Financial (deficit) surplus	**(0.2)**	**(16.1)**	**(16.3)**	**–**	**(16.2)**	**(16.2)**
TOTAL						
Fair value of plan assets	378.6	–	378.6	365.5	–	365.5
Present value of defined benefit obligation	428.5	16.1	444.6	404.6	16.2	420.8
Total net book value employee benefits	**(49.9)**	**(16.1)**	**(66.0)**	**(39.1)**	**(16.2)**	**(55.3)**

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

Reconciliation to the funded plans

		2016		2015
IN MILLIONS OF CHF	Switzerland	UK	Switzerland	UK [1]
Net defined (obligation) / asset at January 1	**(15.6)**	**(23.5)**	**(24.2)**	**–**
Net defined asset / (obligation) of acquired companies	–	–	–	(25.6)
Pension expense through income statement	(7.8)	(1.0)	(8.1)	(1.2)
Remeasurements through other comprehensive income	(3.5)	(8.6)	9.8	2.5
Contributions paid by employer	6.6	0.1	7.0	0.2
Currency translation	–	3.6	–	0.5
Net defined (obligation) / asset at December 31	**(20.2)**	**(29.5)**	**(15.6)**	**(23.5)**

[1] For the period August to December

33.1 SWITZERLAND

Dufry operates two company sponsored pension funds in form of foundations in Switzerland that provide contribution-based cash balance retirement and risk benefits to employees. All 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 overseen 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 the employer and the employee have to jointly fund potential restructurings.

These risks consist of demographic risks, primarily life expectancy, and financial risks such as 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 submitted, 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 Dufry 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 financial statements:

- In October 2015 Dufry informed their employees about the planned transfer of the PKW into the PVN as of January 1, 2016. Combined with this transfer the foundation board of the Nuance Group pension plan decided to change some of the plan benefits as from January 1, 2016, resulting in a plan change for all pension plan members. The plan change resulted in a past service credit of CHF 3.3 million which has been recognized in the 2015 pension expenses.

33.2 UNITED KINGDOM (UK)

Dufry operates another defined benefit pension plan in the UK under specific regulatory frameworks. The UK plan provides a retirement benefit in the form of a pension payment based on a guaranteed percentage of salary accruing for each year of service, revalued to and payable from retirement. In the UK plan, pension payments increase annually in line with the retail price index, subject to certain limits. The pension payments are made from trustee-administered funds; however, where plans are underfunded, the company meets the benefit payment obligation as it falls due. The plan is governed by local legislation and its own trust documentation. The responsibility for the governance of the plan, including investment decisions and contribution schedules, lies with the Board of Trustees. The Board of Trustees must be composed of representatives of the Company and plan participants in accordance with the plans' regulations.

Cost of defined benefit plans

	2016		2015	
IN MILLIONS OF CHF	Switzerland	UK	Switzerland	UK[1]
SERVICE COSTS				
Current service costs	(7.3)	(0.2)	(10.7)	(0.3)
Past service costs	–	–	3.3	–
Fund administration	(0.4)	–	(0.4)	–
Net interest	(0.1)	(0.8)	(0.3)	(0.9)
Total pension expenses recognized in the income statement	**(7.8)**	**(1.0)**	**(8.1)**	**(1.2)**

[1] For the period August to December

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

Remeasurements employee benefits

	2016		2015	
IN MILLIONS OF CHF	Switzerland	UK	Switzerland	UK[1]
Actuarial gains (losses) – experience	(1.6)	3.4	3.6	1.0
Actuarial gains (losses) – demographic assumptions	1.6	2.0	7.8	2.2
Actuarial gains (losses) – financial assumptions	(8.6)	(46.4)	(6.7)	3.0
Return on plan assets exceeding expected interest	5.1	32.4	5.1	(3.7)
Other effects	(5.4)	–	–	–
Total remeasurements recorded in other comprehensive income	**(8.9)**	**(8.6)**	**9.8**	**2.5**

[1] For the period August to December

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

Change in the fair value of plan assets

		2016		2015
IN MILLIONS OF CHF	Switzerland	UK	Switzerland	UK[1]
Balance at January 1	**179.2**	**186.3**	**181.1**	**–**
Business combinations	–	–	–	194.6
Interest income[2]	1.8	6.0	2.2	6.9
Return on plan assets, above interest income	5.1	32.4	5.1	(3.7)
Contributions paid by employer	6.6	0.1	7.0	0.2
Contributions paid by employees	3.8	0.1	3.6	0.1
Benefits paid	(11.5)	(6.0)	(19.8)	(7.1)
Currency translation	–	(27.4)	–	(4.7)
Balance at December 31	**185.0**	**191.5**	**179.2**	**186.3**

1 For the period August to December
2 Expected interest income on plan assets based on discount rate. See actuarial assumptions.

Change in present value of defined benefit obligation

		2016		2015
IN MILLIONS OF CHF	Switzerland	UK	Switzerland	UK[1]
Balance at January 1	**194.8**	**209.8**	**205.3**	**–**
Business combinations	–	–	–	220.2
Current service costs	7.3	0.2	10.7	0.3
Interest costs	1.9	6.8	2.6	7.8
Contributions paid by employees	3.8	0.1	3.6	0.1
Accrual of expected future administration costs	0.4	–	0.4	–
Actuarial losses / (gains) – experience	1.6	(3.4)	(3.6)	(1.0)
Actuarial losses / (gains) – demographic assumptions	(1.6)	(2.0)	(7.8)	(2.2)
Actuarial losses / (gains) – financial assumptions	8.6	46.4	6.7	(3.0)
Benefits paid	(11.5)	(6.0)	(19.8)	(7.1)
Past service cost – plan amendments	–	–	(3.3)	–
Currency translation	–	(30.9)	–	(5.3)
Balance at December 31	**205.2**	**221.0**	**194.8**	**209.8**
Net defined benefit (obligation) / asset at December 31	**(20.2)**	**(29.5)**	**(15.6)**	**(23.5)**

1 For the period August to December

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:

	2016		2015	
IN PERCENTAGE (%)	Switzerland	UK	Switzerland	UK[1]
Discount rates	0.75	2.75	1.00	3.85
Future salary increases	1.50	4.30	1.50	4.25
Future pension increases	0.25	2.20	0.25	2.20
Average retirement age (in years)	64	65	64	65
Mortality table (generational tables)	2015	2016	2010	2015

[1] For the period August to December

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:

	2016		2015	
IN PERCENTAGE (%)	Switzerland	UK	Switzerland	UK[1]
Shares	31.6	29.1	30.9	29.4
Bonds	26.1	52.8	30.3	58.5
Real estate	38.3	–	28.1	–
Other[2]	4.0	18.1	10.7	12.1
Total	**100.0**	**100.0**	**100.0**	**100.0**

[1] For the period August to December
[2] Includes liquid positions and alternative investments.

All assets held by the Pension fund in Switzerland and UK are fair-value-level 1 (quoted prices in active markets), except certain real estate in Switzerland which are fair-value-level 2 (significant observable inputs) representing 15 % (2015: 13.9 %) of the total assets.

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

Plan participants

	2016		2015	
IN THOUSAND OF CHF	Switzerland	UK	Switzerland	UK[1]
ACTIVE PARTICIPANTS				
Number at December 31 (persons)	865	25	882	25
Average annual plan salary	77.0	62.8	70.3	70
Average age (years)	40.7	48.6	40.0	49.0
Average benefit service (years)	9.9	–	10.0	14.1
DEFERRED PARTICIPANTS				
Number at December 31 (persons)	–	1,397	–	1,397
Average annual plan pension	–	4.7	–	5.3
BENEFIT RECEIVING PARTICIPANTS				
Number at December 31 (persons)	141	910	137	910
Average annual plan rent	24.0	3.6	24.0	4.0

[1] For the period August to December

	2016		2015	
IN MILLIONS OF CHF	Switzerland	UK	Switzerland	UK[1]
EXPECTED CONTRIBUTIONS FOR				
Employer	6.0	0.1	5.8	0.2
Employees	3.5	0.1	3.1	0.1
Weighted average duration of defined benefit obligation (years)	20.6	22.0	19.7	21.2

[1] For the period August to December

	2016		2015	
IN MILLIONS OF CHF	Switzerland	UK	Switzerland	UK
MATURITY PROFILE OF DEFINED BENEFIT OBLIGATION				
Expected payments within 1 year	7.0	6.4	7.5	6.5
Expected payments in year 2	6.9	6.0	7.1	5.5
Expected payments in year 3	6.7	5.4	7.1	6.0
Expected payments in year 4	6.5	5.6	7.0	5.4
Expected payments in year 5	6.4	6.2	6.6	5.6
Expected payments in year 6 and beyond	33.3	38.2	36.7	36.7

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:

2016 IN MILLIONS OF CHF	SWITZERLAND Increase	 Decrease	UK Increase	 Decrease
A CHANGE OF 0.5 % IN THE FOLLOWING ASSUMPTIONS WOULD IMPLY				
Discount rate	(16.7)	19.0	n / a	24.1
Salary rate	4.1	(3.9)	n / a	n / a.

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	2017 Switzerland	 UK
Current service cost	7.6	0.4
Fund administration expenses	0.4	–
Net interest expenses	0.1	0.8
Costs to be recognized in income statement	**8.1**	**1.2**

34. OTHER LIABILITIES

IN MILLIONS OF CHF	31.12.2016	RESTATED * 31.12.2015
Concession fee payables[1]	281.0	246.7
Personnel payables	170.8	167.5
Other service related vendors	154.5	239.0
Sales tax and other tax liabilities	101.0	98.5
Accrual for lease expenses	88.3	61.9
Payables for capital expenditure	40.2	31.3
Interest payables	32.2	50.8
Accrued liabilities	21.1	16.5
Financial derivative liabilities	6.5	2.6
Payables to local business partners	2.8	1.7
Payables for projects	1.4	19.5
Payables for acquisitions	–	0.1
Other payables	28.6	25.1
Total	**928.4**	**961.2**
THEREOF		
Current liabilities	832.3	896.3
Non-current liabilities	96.1	64.9
Total	**928.4**	**961.2**

* The restatement is commented in note 39

[1] In 2015, a reclassification of CHF 78.7 million from Other service related vendors to Concession fee payables was made.

35. RELATED PARTIES AND RELATED PARTY TRANSACTIONS

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

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

IN MILLIONS OF CHF	2016	2015
PURCHASE OF GOODS FROM		
Hudson Wholesale, purchase of merchandises [1]	15.3	18.5
Hudson RPM, purchase of merchandises [1]	4.9	4.1
Folli Follie Group, purchase of goods [2]	2.5	3.7
PURCHASE OF OTHER SERVICES FROM		
Folli Follie Group, rent of building [2]	1.8	0.6
Pension Fund Weitnauer, post-employment benefits	–	4.2
Pension Fund Nuance, post-employment benefits	6.6	6.5
OUTSTANDING PAYABLES AT DECEMBER 31		
Hudson Wholesale, trade payables [1]	0.9	1.1
Hudson RPM, trade payables [1]	0.5	0.3
Folli Follie Group, trade payables [2]	3.6	4.2
Pension Fund Nuance, personnel payables	1.2	0.4
OUTSTANDING RECEIVABLES AT DECEMBER 31		
Folli Follie Group, trade receivables [2]	0.4	0.3

[1] These two Hudson companies are controlled by James S. Cohen, a member of the Board of Directors
[2] Folli Follie Group is controlled by George Koutsolioutsos, a member of the Board of Directors

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

IN MILLIONS OF CHF	2016	2015
BOARD OF DIRECTORS		
Number of directors	9	9
Short-term employee benefits	6.5	5.6
Post-employment benefits	0.3	0.3
Total compensation	**6.8**	**5.9**
GROUP EXECUTIVE COMMITTEE		
Number of members	12	9
Short-term employee benefits	18.7	16.1
Post-employment benefits	1.7	1.2
Share-based payments[1]	1.2	2.8
Total compensation	**21.6**	**20.1**

[1] Expenses accrued during the year for members of the Group Executive Committee

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

36. 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 agreements have been backed with guarantees provided by Dufry or a financial institution. During the years 2016 or 2015, no party has exercised their right to call upon such guarantees. All accrued, but still unpaid concession fees are presented as liabilities in the balance sheet.

37. 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, Dufry considers that the carrying amounts of financial assets and financial liabilities recognized in the financial statements approximate their fair values.

The following tables provide the fair value measurement hierarchy of Dufry'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, 2016 IN MILLIONS OF CHF	DATE OF VALUATION	TOTAL	FAIR VALUE MEASUREMENT USING Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	BOOK VALUES
ASSETS MEASURED AT FAIR VALUE						
Derivative financial assets						
Foreign exchange forward contracts – USD	31.12.2016	–		–		–
Foreign exchange forward contracts – EUR	31.12.2016	0.9		0.9		0.9
Foreign exchange swaps contracts – USD	31.12.2016	0.4		0.4		0.4
Cross currency swaps contracts – EUR	31.12.2016	27.3		27.3		27.3
Cross currency swaps contracts – GBP	31.12.2016	0.1		0.1		0.1
Total (Note 38.5.2)		**28.7**		**28.7**		**28.7**
ASSETS FOR WHICH FAIR VALUES ARE DISCLOSED						
Loans and receivables						
Credit card receivables	31.12.2016	42.9		42.9		43.7

DECEMBER 31, 2015 IN MILLIONS OF CHF	DATE OF VALUATION	TOTAL	FAIR VALUE MEASUREMENT USING Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	BOOK VALUES
ASSETS MEASURED AT FAIR VALUE						
Derivative financial assets						
Foreign exchange forward contracts – USD	31.12.2015	0.5		0.5		0.5
Foreign exchange forward contracts – EUR	31.12.2015	1.2		1.2		1.2
Total (Note 38.5.2)		**1.7**		**1.7**		**1.7**
Financial assets valued at FVTPL						
Short-term deposits	31.12.2015	29.5	29.5			29.5
Short-term financial investments	31.12.2015	17.7	17.7			17.7
Total (Note 38.2)		**47.2**	**47.2**			**47.2**
ASSETS FOR WHICH FAIR VALUES ARE DISCLOSED						
Loans and receivables						
Credit card receivables	31.12.2015	45.5		45.5		46.4

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

Quantitative disclosures fair value measurement hierarchy for liabilities

DECEMBER 31, 2016 IN MILLIONS OF CHF	DATE OF VALUATION	TOTAL	FAIR VALUE MEASUREMENT USING: Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	BOOK VALUES
LIABILITIES MEASURED AT FAIR VALUE						
Derivative financial liabilities						
Foreign exchange forward contracts – USD	31.12.2016	0.2		0.2		0.2
Foreign exchange forward contracts – EUR	31.12.2016	–		–		–
Foreign exchange swaps contracts – EUR	31.12.2016	0.2		0.2		0.2
Cross currency swaps contracts – GBP	31.12.2016	1.5		1.5		1.5
Total (Note 38.5.2)		**1.9**		**1.9**		**1.9**
Financial liabilities valued at FVTPL						
Interest rate swaps	31.12.2016	4.6		4.6		4.6
Total (Note 38.6.1)		**4.6**		**4.6**		**4.6**
LIABILITIES FOR WHICH FAIR VALUES ARE DISCLOSED						
At amortized cost						
Senior Notes EUR 500	31.12.2016	562.1	562.1			528.3
Senior Notes EUR 700	31.12.2016	801.2	801.2			740.5
Total		**1,363.3**	**1,363.3**			**1,268.8**
Floating rate borrowings USD	31.12.2016	2,150.6		2,150.6		2,038.3
Floating rate borrowings EUR	31.12.2016	189.4		189.4		175.1
Floating rate borrowings GBP	31.12.2016	616.2		616.2		582.1
Total		**2,956.2**		**2,956.2**		**2,795.5**

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

DECEMBER 31, 2015 IN MILLIONS OF CHF	DATE OF VALUATION	TOTAL	FAIR VALUE MEASUREMENT USING Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	BOOK VALUES
LIABILITIES MEASURED AT FAIR VALUE						
Derivative financial liabilities						
Foreign exchange forward contracts – USD	31.12.2015	0.9		0.9		0.9
Foreign exchange forward contracts – EUR	31.12.2015	0.1		0.1		0.1
Foreign exchange forward contracts – GBP	31.12.2015	0.1		0.1		0.1
Total (Note 38.5.2)		**1.1**		**1.1**		**1.1**
Financial liabilities valued at FVTPL						
Interest rate swaps	31.12.2015	1.5		1.5		1.5
Total (Note 38.6.1)		**1.5**		**1.5**		**1.5**
LIABILITIES FOR WHICH FAIR VALUES ARE DISCLOSED						
At amortized cost						
Senior Notes USD 500	31.12.2015	519.2	519.2			493.2
Senior Notes EUR 500	31.12.2015	569.3	569.3			529.6
Senior Notes EUR 700	31.12.2015	792.5	792.5			744.5
Total		**1,881.0**	**1,881.0**			**1,767.3**
Floating rate borrowings USD	31.12.2015	1,089.5		1,089.5		1,019.1
Floating rate borrowings EUR	31.12.2015	859.1		859.1		789.7
Floating rate borrowings CHF	31.12.2015	102.4		102.4		98.4
Floating rate borrowings GBP	31.12.2015	674.0		674.0		631.8
Total		**2,725.0**		**2,725.0**		**2,539.0**

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

38. FINANCIAL INSTRUMENTS

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

38.1 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 Dufry'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.

Dufry 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, Dufry may adjust dividend payments to shareholders, return capital to shareholders, issue new shares or issue equity-linked instruments or equity-like instruments.

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

38.1.1 Gearing ratio

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

IN MILLIONS OF CHF	31.12.2016	RESTATED * 31.12.2015
Cash and cash equivalents	(450.8)	(434.4)
Financial debt, short-term	127.3	77.3
Financial debt, long-term	4,073.9	4,313.1
Net debt	**3,750.4**	**3,956.0**
Equity attributable to equity holders of the parent	3,062.0	3,154.7
ADJUSTED FOR		
Accumulated hedged gains / (losses)	9.6	40.1
Effects from transactions with non-controlling interests [1]	1,835.5	1,821.0
Total capital [2]	**4,907.1**	**5,015.8**
Total net debt and capital	**8,657.5**	**8,971.8**
Gearing ratio	**43.3 %**	**44.1 %**

* The restatement is commented in note 39

[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 (IFRS 10.23)

[2] Includes all capital and reserves of Dufry that are managed as capital

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

38.2 CATEGORIES OF FINANCIAL INSTRUMENTS

AT DECEMBER 31, 2016	FINANCIAL ASSETS				
IN MILLIONS OF CHF	Loans and receivables	at FVTPL	SUBTOTAL	NON-FINANCIAL ASSETS	TOTAL
Cash and cash equivalents	450.8	–	450.8	–	450.8
Financial instruments at fair value through profit and loss	–	–	–	–	–
Trade and credit card receivables	94.6	–	94.6	–	94.6
Other accounts receivable	183.4	28.7	212.1	289.3	501.4
Other non-current assets	106.4	–	106.4	189.7	296.1
Total	**835.2**	**28.7**	**863.9**		

	FINANCIAL LIABILITIES				
IN MILLIONS OF CHF	at amortized cost	at FVTPL	SUBTOTAL	NON-FINANCIAL LIABILITIES	TOTAL
Trade payables	590.4	–	590.4	–	590.4
Financial debt short-term	127.3	–	127.3	–	127.3
Other liabilities	703.9	6.5	710.4	121.9	832.3
Financial debt long-term	4,073.9	–	4,073.9	–	4,073.9
Other non-current liabilities	7.8	–	7.8	88.3	96.1
Total	**5,503.3**	**6.5**	**5,509.8**		

RESTATED * AT DECEMBER 31, 2015	FINANCIAL ASSETS				
IN MILLIONS OF CHF	Loans and receivables	at FVTPL [1]	SUBTOTAL	NON-FINANCIAL ASSETS [2]	TOTAL
Cash and cash equivalents	404.9	29.5	434.4	–	434.4
Financial instruments at fair value through profit and loss	–	17.7	17.7	–	17.7
Trade and credit card receivables	132.9	–	132.9	–	132.9
Other accounts receivable	128.6	1.7	130.3	202.5	332.8
Other non-current assets	109.4	–	109.4	238.0	347.4
Total	**775.8**	**48.9**	**824.7**		

	FINANCIAL LIABILITIES				
IN MILLIONS OF CHF	at amortized cost	at FVTPL [1]	SUBTOTAL	NON-FINANCIAL LIABILITIES [2]	TOTAL
Trade payables	547.3	–	547.3	–	547.3
Financial debt short-term	77.3	–	77.3	–	77.3
Other liabilities	777.7	2.6	780.3	116.0	896.3
Financial debt long-term	4,313.1	–	4,313.1	–	4,313.1
Other non-current liabilities	3.0	–	3.0	61.9	64.9
Total	**5,718.4**	**2.6**	**5,721.0**		

* The restatement is commented in note 39

[1] Financial assets and liabilities at fair value through profit and loss

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

38.2.1 Net income by IAS 39 valuation category

Financial Assets at December 31, 2016

IN MILLIONS OF CHF	LOANS AND RECEIVABLES	AT FVTPL	TOTAL
Interest income	21.8	–	21.8
Other finance income	2.6	6.3	8.9
From interest	**24.4**	**6.3**	**30.7**
Fair values gain (loss)	–	–	–
Foreign exchange gain (loss)[1]	97.1	30.2	127.2
Impairments / allowances[2]	(9.2)	–	(9.2)
Total – from subsequent valuation	**87.9**	**30.2**	**118.0**
Net (expense) / income	**112.3**	**36.5**	**148.7**

Financial Liabilities at December 31, 2016

IN MILLIONS OF CHF	AT AMORTIZED COST	AT FVTPL	TOTAL
Interest expenses	(222.6)	–	(222.6)
Other finance expenses	(4.3)	(5.5)	(9.8)
From interest	**(226.9)**	**(5.5)**	**(232.4)**
Foreign exchange gain (loss)[1]	(130.5)	–	(130.5)
Total – from subsequent valuation	**(130.5)**	**–**	**(130.5)**
Net (expense) / income	**(357.4)**	**(5.5)**	**(362.9)**

[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 released impairments and allowances and recoveries during the period less the increase of impairments and allowances

Financial Assets at December 31, 2015

IN MILLIONS OF CHF	LOANS AND RECEIVABLES	AT FVTPL	TOTAL
Interest income	5.6	0.7	6.3
Other finance income	0.4	4.5	4.9
From interest	**6.0**	**5.2**	**11.2**
Fair values gain (loss)	–	4.9	4.9
Foreign exchange gain (loss)[1]	(148.3)	10.9	(137.3)
Impairments / allowances[2]	(11.7)	–	(11.7)
Total – from subsequent valuation	**(160.0)**	**15.8**	**(144.2)**
Net (expense) / income	**(154.0)**	**21.0**	**(133.0)**

Financial Liabilities at December 31, 2015

IN MILLIONS OF CHF	AT AMORTIZED COST	AT FVTPL	TOTAL
Interest expenses	(172.6)	–	(172.6)
Other finance expenses	(5.5)	(1.2)	(6.7)
From interest	**(178.1)**	**(1.2)**	**(179.3)**
Foreign exchange gain (loss)[1]	136.3	–	136.3
Total – from subsequent valuation	**136.3**	**–**	**136.3**
Net (expense) / income	**(41.8)**	**(1.2)**	**(43.0)**

[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 released impairments and allowances and recoveries during the period less the increase of impairments and allowances

38.3 FINANCIAL RISK MANAGEMENT OBJECTIVES

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

Dufry continuously monitors the market risk, such as risks related to foreign currency, interest rate, credit, liquidity and capital. Dufry 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.

38.4 MARKET RISK

Dufry's financial assets and liabilities are mainly exposed to market risk in foreign currency exchange and interest rates. Dufry's objective is to minimize the 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, Dufry may use financial instruments to hedge the respective exposure.

Dufry 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 Dufry utilized foreign currency forward contracts and options for hedging purposes.

38.5 FOREIGN CURRENCY RISK MANAGEMENT

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

38.5.1 Foreign currency sensitivity analysis

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

Foreign Currency Exposure:

IN MILLIONS OF CHF	USD	EURO	GBP	BRL	OTHER	TOTAL
DECEMBER 31, 2016						
Monetary assets	2,227.5	2,082.6	673.5	50.7	241.1	5,275.4
Monetary liabilities	3,832.2	2,087.8	1,054.7	102.4	193.3	7,270.4
Net currency exposure before foreign currency contracts and hedging	**(1,604.7)**	**(5.2)**	**(381.2)**	**(51.7)**	**47.8**	**(1,995.0)**
Foreign currency contracts	561.3	(160.7)	124.9	–	–	525.5
Hedging	944.2	–	301.5	–	(101.8)	1,143.9
Net currency exposure	**(99.2)**	**(165.9)**	**45.2**	**(51.7)**	**(54.0)**	**(325.6)**
RESTATED * DECEMBER 31, 2015						
Monetary assets	1,653.0	1,896.9	661.0	20.2	256.8	4,487.9
Monetary liabilities	3,139.5	2,130.2	1,016.1	36.0	166.3	6,488.1
Net currency exposure before hedging	**(1,486.5)**	**(233.3)**	**(355.1)**	**(15.8)**	**90.5**	**(2,000.2)**
Hedging	929.7	–	353.5	–	(101.8)	1,181.4
Net currency exposure	**(556.8)**	**(233.3)**	**(1.6)**	**(15.8)**	**(11.3)**	**(818.8)**

* The restatement is commented in note 39

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. Consequently, the related exchange differences are presented in other comprehensive income and thereafter as translation reserve in equity and Dufry has entered into cross currency swaps to reduce the currency exposure.

The foreign exchange rate sensitivity is calculated by aggregation of the net foreign exchange rate exposure of Dufry 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 income statement or in the hedging and revaluation reserves when the CHF strengthens against the relevant currency.

IN MILLIONS OF CHF	31.12.2016	RESTATED 31.12.2015
Effect on the Income Statement – profit (loss) of USD	5.0	27.8
Other comprehensive income – profit (loss) of USD	47.1	46.5
Effect on the Income Statement – profit (loss) of EUR	8.3	11.7
Effect on the Income Statement – profit (loss) of GBP	(2.3)	0.1
Other comprehensive income – profit (loss) of GBP	15.1	17.7

Reconciliation to categories of financial instruments:

IN MILLIONS OF CHF	31.12.2016	RESTATED * 31.12.2015
FINANCIAL ASSETS		
Total financial assets held in foreign currencies (see above)	5,275.4	4,487.9
less intercompany financial assets in foreign currencies	(4,824.6)	(4,278.6)
Third party financial assets held in foreign currencies	450.8	209.3
Third party financial assets held in reporting currencies	413.1	615.4
Total third party financial assets [1]	**863.9**	**824.7**
FINANCIAL LIABILITIES		
Total financial liabilities held in foreign currencies (see above)	7,270.4	6,488.1
less intercompany financial liabilities in foreign currencies	(2,610.1)	(2,868.4)
Third party financial liabilities held in foreign currencies	4,660.3	3,619.7
Third party financial liabilities held in reporting currencies	849.5	2,101.3
Total third party financial liabilities [1]	**5,509.8**	**5,721.0**

* The restatement is commented in note 39
[1] See note 38.2 Categories of financial instruments

38.5.2 Foreign exchange forward 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 Dufry 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, including foreign exchange forwards and foreign exchange swaps as well as cross currency interest rate swaps. 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. During 2016, Dufry has entered into a number of cross currency swap contracts in order to optimize interest expenses, which led to a material increase of contractual underlying amounts as of December 31, 2016 compared to previous year.

IN MILLIONS OF CHF	CONTRACT OR UNDERLYING PRINCIPAL AMOUNT	POSITIVE FAIR VALUE	NEGATIVE FAIR VALUE
December 31, 2016	986.0	28.7	1.9
December 31, 2015	273.7	1.7	1.1

38.5.3 Financial instruments at fair value through profit and loss

The Argentinian subsidiary was subject to international cash transfer restrictions. Consequently excess of cash was placed in Bonds denominated in USD to reduce the currency exposure. The changes in fair value were booked through profit and loss.

Denomination: Bono de la Nacion Argentina vinculado al dolar (BONAD 16)
Issuer: Argentinian Government
Fixed interest rate: 1.75 %
Maturity date: 28.10.2016
Currency: Issued in USD and settled in Argentinian Pesos

The movements of the listed public bonds denominated in USD are as follows:

IN MILLIONS OF CHF	2016	2015
Balance at January 1	**17.7**	**–**
Additions	–	11.7
Disposals	(17.5)	–
Fair value adjustment	–	4.9
Currency translation	(0.2)	1.1
Balance at December 31	**–**	**17.7**

The fair value of the listed public bonds was based on their current bid prices in the market.

Purchases of and proceeds from the sale of financial assets at fair value through profit and loss are presented within investing activities in the statement of cash flows.

38.6 INTEREST RATE RISK MANAGEMENT

Dufry 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. Dufry had 6 outstanding interest swaps contracts during 2016 (9 in 2015).

38.6.1 Interest rate swap contracts

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 December 31. The fair values are determined by reference to market prices or standard pricing models that used observable market inputs at December 31. During 2016, Dufry has entered into a number of interest rate swaps in order to optimize interest expenses.

IN MILLIONS OF CHF	CONTRACT OR UNDERLYING PRINCIPAL AMOUNT	POSITIVE FAIR VALUE	NEGATIVE FAIR VALUE
December 31, 2016	1,028.0	–	4.6
December 31, 2015	195.5	–	1.5

38.6.2 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, Dufry's net earnings for the year 2016 would decrease by CHF 43.2 (2015: decrease by 33.2) million.

38.6.3 Allocation of financial assets and liabilities to interest classes

	IN %		IN MILLIONS OF CHF				
AT DECEMBER 31, 2016	Average variable interest rate	Average fixed interest rate	Variable interest rate	Fixed interest rate	Total interest bearing	Non-interest bearing	TOTAL
Cash and cash equivalents	0.1%	1.5%	283.5	2.9	286.4	164.4	450.8
Financial instruments at fair value through profit and loss			–	–	–	–	–
Trade and credit card receivables			–	–	–	94.6	94.6
Other accounts receivable	4.5%		2.3	–	2.3	209.8	212.1
Other non-current assets	3.0%	3.1%	56.4	1.7	58.1	48.3	106.4
Financial assets			**342.2**	**4.6**	**346.8**	**517.1**	**863.9**
Trade payables			–	–	–	590.4	590.4
Financial debt, short-term	7.3%	17.3%	75.9	49.9	125.8	1.5	127.3
Other liabilities			–	–	–	710.4	710.4
Financial debt, long-term	2.7%	4.5%	2,818.6	1,255.3	4,073.9	–	4,073.9
Other non-current liabilities			–	–	–	7.8	7.8
Financial liabilities			**2,894.5**	**1,305.2**	**4,199.7**	**1,310.1**	**5,509.8**
Net financial liabilities			**2,552.3**	**1,300.6**	**3,852.9**	**793.0**	**4,645.9**

	IN %		IN MILLIONS OF CHF				
RESTATED * AT DECEMBER 31, 2015	Average variable interest rate	Average fixed interest rate	Variable interest rate	Fixed interest rate	Total interest bearing	Non-interest bearing	TOTAL
Cash and cash equivalents	0.4%	17.3%	155.2	38.7	193.9	240.5	434.4
Financial instruments at fair value through profit and loss		1.8%	–	17.7	17.7	–	17.7
Trade and credit card receivables			–	–	–	132.9	132.9
Other accounts receivable	7.1%		2.9	–	2.9	127.4	130.3
Other non-current assets	3.1%	0.5%	36.4	0.4	36.8	72.6	109.4
Financial assets			**194.5**	**56.8**	**251.3**	**573.4**	**824.7**
Trade payables			–	–	–	547.3	547.3
Financial debt, short-term	6.1%		74.4	2.5	76.9	0.4	77.3
Other liabilities		1.3%	–	1.5	1.5	778.8	780.3
Financial debt, long-term	2.6%	5.0%	2,569.0	1,744.1	4,313.1	–	4,313.1
Other non-current liabilities			–	–	–	3.0	3.0
Financial liabilities			**2,643.4**	**1,748.1**	**4,391.5**	**1,329.5**	**5,721.0**
Net financial liabilities			**2,448.9**	**1,691.3**	**4,140.2**	**756.1**	**4,896.3**

* The restatement is commented in note 39

38.7 CREDIT RISK MANAGEMENT

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

Almost all Dufry 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. Dufry monitors the credit ranking of these institutions and does not expect defaults from non-performance of these counterparties.

The main banks where the group keeps net assets positions hold a credit rating of A– or higher.

38.7.1 Maximum credit risk

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

38.8 LIQUIDITY RISK MANAGEMENT

Dufry evaluates this risk as the ability to settle its financial liabilities on time and at a reasonable price. Beside its capability to generate cash through its operations, Dufry mitigates liquidity risk by keeping unused credit facilities with financial institutions (see note 31).

38.8.1 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 Dufry can receive or be required to pay). The tables include principal and interest cash flows.

AT DECEMBER 31, 2016 IN MILLIONS OF CHF	1 – 6 MONTHS	6 – 12 MONTHS	1 – 2 YEARS	MORE THAN 2 YEARS	TOTAL
Cash and cash equivalents	454.8	3.6	–	–	458.4
Financial instruments at fair value through profit and loss	–	–	–	–	–
Trade and credit card receivables	88.6	6.0	–	–	94.6
Other accounts receivable	181.2	2.3	–	–	183.5
Other non-current assets	0.4	0.4	0.9	108.0	109.7
Total cash inflows	**725.0**	**12.3**	**0.9**	**108.0**	**846.2**
Trade payables	590.4	–	–	–	590.4
Financial debt, short-term	109.6	30.1	–	–	139.7
Other liabilities	703.6	0.3	–	–	703.9
Financial debt, long-term	15.6	66.7	136.6	4,468.4	4,687.3
Other non-current liabilities	–	–	–	7.8	7.8
Total cash outflows	**1,419.2**	**97.1**	**136.6**	**4,476.2**	**6,129.1**

RESTATED * AT DECEMBER 31, 2015 IN MILLIONS OF CHF	1 – 6 MONTHS	6 – 12 MONTHS	1 – 2 YEARS	MORE THAN 2 YEARS	TOTAL
Cash and cash equivalents	436.5	0.2	–	–	436.7
Financial instruments at fair value through profit and loss	–	17.9	–	–	17.9
Trade and credit card receivables	132.1	0.8	–	–	132.9
Other accounts receivable	128.6	0.1	–	–	128.7
Other non-current assets	0.4	0.8	1.0	112.5	114.7
Total cash inflows	**697.6**	**19.8**	**1.0**	**112.5**	**830.9**
Trade payables	547.4	–	–	–	547.4
Financial debt, short-term	82.7	6.2	–	–	88.9
Other liabilities	777.7	–	–	–	777.7
Financial debt, long-term	79.7	79.8	161.0	4,856.5	5,177.0
Other non-current liabilities	–	–	–	3.0	3.0
Total cash outflows	**1,487.5**	**86.0**	**161.0**	**4,859.5**	**6,594.0**

* The restatement is commented in note 39

38.8.2 Remaining maturities for derivative financial instruments

Dufry holds derivative financial instruments at year-end of net CHF 1.0 million with maturities below 6 month.

38.9 LEGAL RESTRICTIONS ON MONEY TRANSFER

Cash and cash equivalents at the end of the reporting period include CHF 39.4 (2015: 71.7) million held by subsidiaries operating in countries with exchange controls or other legal restrictions on money transfer.

38.10 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
31.12.2016			
Cash and cash equivalents	1,039.1	(588.3)	450.8
Financial debt, short-term	715.6	(588.3)	127.3
RESTATED * 31.12.2015			
Cash and cash equivalents	1,011.6	(577.2)	434.4
Financial debt, short-term	654.5	(577.2)	77.3

* The restatement is commented in note 39

39. RESTATEMENT

Based on IFRS 3, Dufry revised after twelve months the assumptions used to calculate the fair values acquired resulting in an updated brand name valuation and tax risk assessment.

The impact on the income statement and the statement of comprehensive income is negligible.

The following positions in the annual report 2015 were restated and are presented in the below tables at closing rate:

39.1 CONSOLIDATED STATEMENT OF FINANCIAL POSITION

IN MILLIONS OF CHF	PUBLISHED 31.12.2015	RESTATEMENT	RESTATED 31.12.2015
ASSETS			
Property, plant and equipment	604.6	0.1	604.7
Intangible assets	7,308.2	(14.0)	7,294.2
Investments in associates	41.4	–	41.4
Deferred tax assets	203.9	–	203.9
Other non-current assets	347.4	–	347.4
Non-current assets	**8,505.5**	**(13.9)**	**8,491.6**
Inventories	907.3	(2.0)	905.3
Trade and credit card receivables	132.8	0.1	132.9
Other accounts receivable	336.0	(3.2)	332.8
Income tax receivables	27.8	–	27.8
Financial instruments at fair value through profit and loss	17.7	–	17.7
Cash and cash equivalents	432.5	1.9	434.4
Current assets	**1,854.1**	**(3.2)**	**1,850.9**
Assets of discontinued operations held for sale	–	–	–
Total assets	**10,359.6**	**(17.1)**	**10,342.5**
LIABILITIES AND SHAREHOLDERS' EQUITY			
Equity attributable to equity holders of the parent	3,149.1	5.6	3,154.7
Non-controlling interests	183.6	0.5	184.1
Total equity	**3,332.7**	**6.1**	**3,338.8**
Financial debt	4,313.1	–	4,313.1
Deferred tax liabilities	693.1	(21.0)	672.1
Provisions	183.9	2.2	186.1
Post-employment benefit obligations	55.3	–	55.3
Other non-current liabilities	64.9	–	64.9
Non-current liabilities	**5,310.3**	**(18.8)**	**5,291.5**
Trade payables	546.8	0.5	547.3
Financial debt	77.3	–	77.3
Income tax payables	44.1	–	44.1
Provisions	153.7	(6.5)	147.2
Other liabilities	894.7	1.6	896.3
Current liabilities	**1,716.6**	**(4.4)**	**1,712.2**
Total liabilities	**7,026.9**	**(23.2)**	**7,003.7**
Total liabilities and shareholders' equity	**10,359.6**	**(17.1)**	**10,342.5**

39.2 CONSOLIDATED STATEMENT OF CASH FLOWS

IN MILLIONS OF CHF	PUBLISHED 2015	RESTATEMENT	RESTATED 2015
CASH FLOWS FROM OPERATING ACTIVITIES			
Net cash flows from operating activities	**414.8**	**–**	**414.8**
CASH FLOW FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment	(134.8)	–	(134.8)
Purchase of intangible assets	(179.7)	–	(179.7)
Purchase of financial assets	(11.7)	–	(11.7)
Proceeds from sale of property, plant and equipment	4.9	–	4.9
Interest received	11.4	–	11.4
Business combinations, net of cash	(1,366.7)	1.9	(1,364.8)
Proceeds from sale of interests in subsidiaries and associates	28.6	–	28.6
Net cash flows used in investing activities	**(1,648.0)**	**1.9**	**(1,646.1)**
CASH FLOW FROM FINANCING ACTIVITIES			
Net cash flows (used in) / from financing activities	**1,069.0**	**–**	**1,069.0**
Currency translation on cash	83.7	–	83.7
(Decrease) / increase in cash and cash equivalents	**(80.5)**	**1.9**	**(78.6)**
CASH AND CASH EQUIVALENTS AT THE			
– beginning of the period	513.0	–	513.0
– end of the period	432.5	1.9	434.4

MOST IMPORTANT SUBSIDIARIES

H = Holding **R = Retail** **D = Distribution Center**

AS OF DECEMBER 31, 2016	LOCATION	COUNTRY	TYPE	OWNER-SHIP IN %	SHARE CAPITAL IN THOUSANDS	CURRENCY
SOUTHERN EUROPE AND AFRICA						
Dufry France SA	Nice	France	R	100	8,291	EUR
Hellenic Duty Free Shops SA	Athens	Greece	R	100	397,535	EUR
Dufrital SpA	Milan	Italy	R	60	466	EUR
Nuance Group (Malta) Ltd	Luqa	Malta	R	52	2,796	EUR
Dufry Maroc SARL	Casablanca	Morocco	R	80	2,500	MAD
World Duty Free Group SA	Madrid	Spain	R	100	19,832	EUR
Sociedad de Distribucion Comercial Aeroportuaria de Canarias, S.L.	Telde	Spain	R	60	667	EUR
Urart Gumr. Magaza Isletm. ve Ticaret A.S.	Antalya	Turkey	R	100	1,161	EUR
UK, CENTRAL AND EASTERN EUROPE						
ADF Shops CJSC	Yerevan	Armenia	R	100	553,834	AMD
World Duty Free Group Helsinki Ltd	Vantaa	Finland	R	100	2,500	EUR
World Duty Free Group Germany GmbH	Düsseldorf	Germany	R	100	250	EUR
Dufry East OOO	Moscow	Russia	R	100	712	USD
Regstaer Ltd	Moscow	Russia	R	51	3,991	EUR
Lenrianta CSJC	St. Petersburg	Russia	R	100	315	EUR
Dufry D.O.O.	Belgrade	Serbia	R	100	693,078	RSD
Nuance Group (Sverige) AB	Stockholm	Sweden	R	100	100	SEK
Dufry Basel-Mulhouse AG	Basel	Switzerland	R	100	100	CHF
The Nuance Group AG	Zurich	Switzerland	R	100	82,100	CHF
World Duty Free Group UK Ltd	London	UK	R	100	360	GBP
Nuance Group (UK) Ltd	Southampton	UK	R	100	50	GBP
ASIA, MIDDLE EAST AND AUSTRALIA						
Nuance Group (Australia) Pty Ltd	Melbourne	Australia	R	100	210,000	AUD
Dufry (Cambodia) Ltd	Phnom Pen	Cambodia	R	80	1,231	USD
The Nuance Group (HK) Ltd	Hong Kong	China	R	100	–	HKD
The Nuance Group (Macau) Ltd	Macau	China	R	100	49	HKD
Dufry (Shanghai) Commercial Co., Ltd	Shanghai	China	R	100	19,497	CNY
The Nuance Group (India) Pvt. Ltd	Bangalore	India	R	50	828,200	INR
Aldeasa Jordan Airports Duty Free Shops Ltd	Amman	Jordan	R	100	705	USD
World Duty Free Group SA*	Kuwait City	Kuwait	R	100	2,383	KWD
Dufry Thomas Julie Korea Co. Ltd	Busan	South Korea	R	70	100,000	KRW
WDFG Lanka	Colombo	Sri Lanka	R	100	30,000	LKR
Dufry Sharjah FZC	Sharjah	U. Arab. Emirates	R	50	2,054	AED
LATIN AMERICA						
Interbaires SA	Buenos Aires	Argentina	R	100	306	USD
Dufry Aruba N.V.	Oranjestad	Aruba	R	80	1,900	USD
Duty Free Caribbean Ltd.	St. Michael	Barbados	R	60	5,000	USD
Dufry do Brasil DF Shop Ltda	Rio de Janeiro	Brazil	R	100	98,175	USD
Dufry Lojas Francas Ltda	Sao Paulo	Brazil	R	80	99,745	USD
Aldeasa Chile, Ltd	Santiago de Chile	Chile	R	100	2,517	USD

AS OF DECEMBER 31, 2016	LOCATION	COUNTRY	TYPE	OWNER-SHIP IN %	SHARE CAPITAL IN THOUSANDS	CURRENCY
Inversiones Tunc SRL	Santo Domingo	Dominican Republic	R	100	–	USD
Inversiones Pánamo SRL	Santo Domingo	Dominican Republic	R	100	–	USD
Aldeasa Jamaica, Ltd	St. James	Jamaica	R	100	280	USD
Aldeasa Mexico, S.A de C.V.	Cancun	Mexico	R	100	186	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
World Duty Free Group SA *	Lima	Peru	R	100	1,163	USD
Alliance Duty Free, Inc.	San Juan	Puerto Rico	R	100	2,213	USD
Dufry Trinidad Ltd	Port of Spain	Trinidad and Tobago	R	60	392	USD
Navinten SA	Montevideo	Uruguay	R	100	126	USD
Dufry Cruise Services, Inc.	Miami	USA	R	100	–	USD
NORTH AMERICA						
Nuance Group (Canada) Inc.	Toronto	Canada	R	100	13,260	CAD
World Duty Free Group Vancouver LP	Vancouver	Canada	R	100	9,500	CAD
Hudson Group Canada Inc.	Vancouver	Canada	R	100	–	CAD
Hudson News O'Hare JV	Chicago	USA	R	70	–	USD
Dufry O'Hare T5 JV	Chicago	USA	R	80	–	USD
HG-Multiplex-Regali Dallas JV	Dallas	USA	R	75	–	USD
Atlanta WDFG TAC ATL Retail LLC	Delaware	USA	R	86	–	USD
HG Denver JV	Denver	USA	R	76	–	USD
AMS of South Florida JV	Fort Lauderdale	USA	R	62	–	USD
WDFG Houston 8 2014 LLC	Houston	USA	R	60	–	USD
Hudson Las Vegas JV	Las Vegas	USA	R	73	–	USD
Nuance Group Las Vegas Partnership	Las Vegas	USA	R	73	850	USD
HG Magic Concourse TBIT JV	Los Angeles	USA	R	70	–	USD
LAX Retail Magic 2 JV	Los Angeles	USA	R	80	–	USD
AMS-Olympic Nashville JV	Nashville	USA	R	83	–	USD
Hudson Group (HG) Retail, LLC	New Jersey	USA	H/R	100	–	USD
New Orleans Air Ventures II	New Orleans	USA	R	66	–	USD
JFK Air Ventures II JV	New York	USA	R	80	–	USD
Airport Management Services LLC	Los Angeles	USA	H/R	100	–	USD
Hudson-NIA JFK T1 JV	New York	USA	R	90	–	USD
HG-KCGI-TEI JFK T8 JV	New York	USA	R	85	–	USD
Hudson-Retail NEU LaGuardia JV	New York	USA	R	80	–	USD
Seattle Air Ventures II	Olympia	USA	R	75	–	USD
Dufry Seattle JV	Seattle	USA	R	88	–	USD
HG St Louis JV	St. Louis	USA	R	70	–	USD
HG National JV	Virginia	USA	R	70	–	USD
GLOBAL DISTRIBUTION CENTERS						
International Operations & Services (HK) Ltd	Hong Kong	Hong Kong	D	100	10	HKD
International Operations & Services (CH) AG	Basel	Switzerland	D	100	5,000	CHF
International Operations & Services (UY) SA	Montevideo	Uruguay	D	100	50	USD
International Operations & Services (USA) Inc.	Miami	USA	D	100	398	USD
HEADQUARTERS						
Dufry International AG	Basel	Switzerland	H	100	1,000	CHF
Dufry Holdings & Investments AG	Basel	Switzerland	H	100	1,000	CHF
Dufry Financial Services B.V.	Eindhoven	Netherlands	H	100	–	EUR

* Branch of World Duty Free Group SA, Spain

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To the General Meeting of
Dufry AG, Basel

Basel, 7 March 2017

Statutory auditor's report on the audit of the consolidated financial statements

Opinion
We have audited the consolidated financial statements of Dufry AG and its subsidiaries (the Group), which comprise the consolidated income statement as at 31 December 2016 and the consolidated statement of comprehensive income, consolidated statement of financial position, consolidated statement of changes in equity, consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion the consolidated financial statements (pages 94 to 191) give a true and fair view of the consolidated financial position of the Group as at 31 December 2016, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) and comply with Swiss law.

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

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

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

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

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

Goodwill and intangible assets with indefinite useful lives

Area of Focus

Goodwill and intangible assets with indefinite useful live represent 29% of the Group's total assets and 89% of the Group's total shareholders' equity as at 31 December 2016. As stated in Note 3 to the consolidated financial statements, the carrying value of goodwill and intangible assets with indefinite useful live is tested annually for impairment. The Company performed its annual impairment test of goodwill and intangible assets with indefinite useful live in the fourth quarter of 2016 and determined that there was no impairment. Key assumptions relating to the impairment test are disclosed in Note 20.1 to the consolidated financial statements. In determining the value in use of cash generating units and intangible assets with indefinite useful live, the Company must apply judgment in estimating – amongst other factors – future sales and margins, long-term growth rates and discount rates. Due to the significance of the carrying values for goodwill and indefinite-lived intangible assets and the judgment involved in performing the impairment test, this matter was considered significant to our audit.

Our audit response

Our procedures included, amongst other, an assessment of the Company's internal controls over its annual impairment test and key assumptions applied. We also evaluated management's allocation of reporting units. We involved valuation specialists to assist in examining the Company's valuation model and analyzing the underlying key assumptions, including future sales, expected margins, long-term growth rates and discount rates (WACC). We assessed the historical accuracy of the Company's estimates and considered its ability to produce accurate long-term forecasts. Our work moreover included an evaluation of the sensitivity in the valuation resulting from changes to the key assumptions applied and a comparison of these assumptions to corroborating information, including industry reports and statistics published by external experts to estimate the rate of future passenger growth.

Concession contracts / Onerous Contracts

Area of Focus

Capitalized concession rights, amounting to CHF 3,822 million, represent 39% of the balance sheet total as at 31 December 2016. The useful life of virtually all concession rights are assessed to be finite. Concession rights acquired separately are capitalized at cost and those acquired in a business acquisition are capitalized at fair value as at the date of acquisition and are subject to impairment considerations as outlined in Note 3 to the consolidated financial statements. In many instances, concession agreements include a concession payment, which is defined as a certain percentage on net sales. Some of these long-term concession agreements, which Dufry has entered into, include clauses to ensure a minimal concession fee during the full term of the agreement (minimal annual guarantees, "MAG"). Under certain circumstances, the economic environment around an activity may deteriorate in such a way that it is unlikely that the operation will become profitable during the remaining concession duration. In such cases, Dufry impairs tangible and intangible assets and creates, if still needed, a provision for onerous contracts. The fair value calculation of concession rights as well as the determination of provision for onerous contracts comprise significant judgment of management.

Our audit response

In the course of our audit, we assessed whether valid concession contracts are on hand and evaluated the concession fees, including minimal annual guarantees. We assessed management's process to identify potential impairments for capitalized concession rights. In addition, we focused on entities reporting negative cash flows in order to identify potential impairment needs and potential onerous contracts. In connection with the acquisition of WDF Group, we assessed the accounting treatment of acquired concession rights.

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Tax accounting – Deferred taxes as well as tax risks

Area of Focus

The company has operations in multiple countries, each with its own taxation regime. The nature of the Group's activities triggers various taxation obligations including corporation tax and employment related taxes. The cross-border nature of the Group's sale of goods also creates complexities associated with international transfer pricing. Application of taxation legislation to the Group's affairs is inherently complex, highly specialized, and requires judgement to be exercised in relation to estimating tax exposures and quantifying provisions and/or contingent liabilities. As at 31 December 2016, the Group has current and deferred tax assets of CHF 203 million, current and deferred tax payable of CHF 563 million, and has disclosed a contingent liability of CHF 68 million which includes tax-related exposures.

The company has incurred tax losses of CHF 805 million as at 31 December 2016. The company has recognized the tax losses to the extent that the realization of the related tax benefits through future taxable profits are probable. Based on internal calculations with respect to the expected taxable profits in future years the company has recognized a deferred tax asset of CHF 130 million. We refer to Note 22 of the financial statements. This area was important to our audit due to the amount of the tax losses as well as the judgment involved in management's assessment of the likelihood and magnitude of creating future taxable profits to offset the tax losses. This assessment requires the Management Board to make assumptions to be used in the forecasts of future taxable profits, including expectations for future sales and margin developments and overall market and economic conditions.

Our audit response

In this area, our audit procedures included, amongst others, assessment of correspondence with the relevant tax authorities and the evaluation of tax exposures. In addition, in respect of deferred tax assets we assessed management's assumptions to determine the probability that deferred tax assets recognized in the statement of financial position will be recovered through taxable income in future years and available tax planning strategies. We included tax specialists to evaluate the assumptions used to determine tax positions. During our procedures, we also used management's budgets and forecasts. In addition, where considered relevant, we evaluated the historical accuracy of management's assumptions.

Other information in the annual report

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

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

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

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

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

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

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

Report on other legal and regulatory requirements

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

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

Ernst & Young Ltd

Bruno Chiomento Licensed audit expert (Auditor in charge)	Christian Krämer Licensed audit expert

INCOME STATEMENT

FOR THE YEAR ENDED DECEMBER 31, 2016

IN THOUSANDS OF CHF	NOTE	2016	2015
Financial income		11,893	11,411
Management and franchise fee income		10,324	6,175
Total income		**22,217**	**17,586**
Personnel expenses	7	(14,077)	(8,659)
General and administrative expenses		(4,386)	(4,921)
Management and franchise fee expenses		(11,860)	(15,965)
Amortization of intangibles		(5,755)	(5,755)
Financial expenses		(806)	(1,286)
Expenses related with capital increase		–	(595)
Direct taxes		(2,331)	(8,868)
Total expenses		**(39,215)**	**(46,049)**
(Loss) / profit for the year		**(16,998)**	**(28,463)**

STATEMENT OF FINANCIAL POSITION

AT DECEMBER 31, 2016

IN THOUSANDS OF CHF	NOTE	31.12.2016	31.12.2015
ASSETS			
Cash and cash equivalents		14,099	10,746
Current receivables third parties		55	41
Current receivables participants and bodies		–	1
Current receivables subsidiaries		1,819	980
Current receivables other group companies		1	11
Prepaid expenses and accrued income		–	7
Current financial assets subsidiaries		346,000	357,000
Current assets		**361,974**	**368,786**
Investments	3	4,238,415	4,238,415
Intangible assets		76,251	82,006
Non-current assets		**4,314,666**	**4,320,421**
Total assets		**4,676,640**	**4,689,207**
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities third parties		1,808	2,626
Current liabilities participants and bodies		855	994
Current liabilities subsidiaries		11,639	12,788
Current liabilities other group companies		5	2
Deferred income and accrued expenses		20,587	13,347
Current liabilities		**34,894**	**29,757**
Total liabilities		**34,894**	**29,757**
Share capital	5	269,359	269,359
Legal capital reserves			
Reserve from capital contribution	5	4,290,806	4,290,806
Legal retained earnings			
Other legal reserves		5,927	5,927
Voluntary retained earnings			
Results carried forward		107,635	136,098
(Loss) / profit for the year	12	(16,998)	(28,463)
Treasury shares	6	(14,983)	(14,277)
Shareholders' equity		**4,641,746**	**4,659,450**
Total liabilities and shareholders' equity		**4,676,640**	**4,689,207**

NOTES TO THE FINANCIAL STATEMENTS

1. CORPORATE INFORMATION

Dufry AG (the company) is a publicly listed company. 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 Paolo.

Dufry AG was incorporated in 1865 and is registered with the commercial register in the canton of Basel Stadt, Switzerland.

2. ACCOUNTING POLICIES

2.1 BASIS OF PREPARATION

These financial statements of Dufry AG were prepared in accordance with the requirements of the Swiss law on Accounting and Financial Reporting (32nd title of the Swiss Code of Obligations).

Where not prescribed by law, the significant accounting and valuation principles applied are described below.

2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Assets
Financial assets include loans. A valuation adjustment reserve has not been accounted for. Loans granted in foreign currencies are translated at the rate at the balance sheet date, whereby unrealized losses are recorded through the income statement whereas unrealized profits are deferred within accrued liabilities.

Treasury Shares
Treasury shares are recognized at acquisition cost and deducted from shareholders' equity at the time of acquisition. In case of a resale, the gain or loss is recognized through the income statement as financial income or expenses.

Intangible assets

Intangible assets generated internally are capitalized if they meet the following conditions cumulatively at the date of recognition:

- The intangible assets generated internally are identifiable and controlled by the entity;
- the intangible assets generated internally will generate a measurable benefit for the entity for more than one year;
- the expenses incurred in the creation of the intangible assets generated internally can be separately recognized and measured;
- it is likely that the resources required to complete and market or use the intangible assets for the entity's own purposes are available or will be made available.

Intangible assets are amortized using the straight-line method. As soon there are indicators that book values may be overstated, these are reviewed and, if necessary, adjusted.

Share-based payments

Should treasury shares be used for share-based payment programs for members of the management, the difference between the acquisition costs and any consideration paid by the employees at grant date is recognized as personnel expenses.

Current interest-bearing liabilities

Interest-bearing liabilities are recognized in the balance sheet at nominal value.

Exchange rate differences

Except for investments in subsidiaries which are translated at historical rates, all assets and liabilities denominated in foreign currencies are translated into Swiss francs (CHF) using year-end exchange rates. Realized exchange gains and losses arising from these as well as those from business transactions denominated in foreign currencies are recorded in the income statement. Net unrealized exchange losses are recorded in the income statement; net unrealized gains, as deferred within accrued liabilities.

Foregoing a cash flow statement and additional disclosures in the notes

Dufry AG has decided to forego presenting additional information on interest-bearing liabilities and audit fees in the notes as well as a cash flow statement in accordance with the law, as it has prepared its consolidated financial statements in accordance with a recognized accounting standard (IFRS),

3. SIGNIFICANT INVESTMENTS

	SHARE IN CAPITAL AND VOTING RIGHTS		SHARE CAPITAL	
IN THOUSANDS OF CHF	2016	2015	2016	2015
Dufry International AG, Switzerland	100 %	100 %	1,000	1,000
Dufry Management AG, Switzerland	100 %	100 %	100	100
Dufry Corporate AG, Switzerland	100 %	100 %	100	100
Dufry Holdings & Investments AG, Switzerland	100 %	100 %	1,000	1,000

4. SIGNIFICANT SHAREHOLDERS' PARTICIPATION

IN PERCENTAGE (%) OF OUTSTANDING REGISTERED SHARES	31.12.2016	31.12.2015
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	19.47 %	20.50 %
Temasek Holdings (Private) Ltd.	8.55 %	8.55 %
Government of Singapore	7.79 %	7.79 %
State of Qatar	6.92 %	6.92 %
Black Rock, Inc.	3.06 %	3.06 %

5. SHARE CAPITAL

5.1 ORDINARY SHARES

IN THOUSANDS OF CHF	NUMBER OF SHARES	SHARE CAPITAL	CAPITAL CONTRIBUTION RESERVE*
Balance at January 1, 2015	**35,905,056**	**179,525**	**2,030,305**
Conversion of mandatory convertible notes	1,809,188	9,046	231,073
Issue of shares	16,157,463	80,788	2,119,213
Reclassification to retained earnings	–	–	(8,064)
Balance at December 31, 2015	**53,871,707**	**269,359**	**4,290,806**
Balance at December 31, 2016	**53,871,707**	**269,359**	**4,290,806**

* The amount of the reserve from capital contribution (share premium) is subject to a formal confirmation by the Swiss tax authorities. As of December 31, 2015, CHF 2,022,241,801 of the total amount disclosed are recognized by the Swiss tax authorities.

The General Meeting held on April 29, 2015, approved the increase of the share capital of Dufry from CHF 179,525,280 up to CHF 336,668,140 through the issuance of fully paid-in registered shares with a par value of CHF 5 each.

On June 18, 2015, Dufry AG issued 16,157,463 registered shares with a nominal value of CHF 80,788 million, representing 45 % additional shares. After this share issuance and including the shares created by the conversion of the Mandatory Convertible Notes (see comment below), the share capital of Dufry AG amount to CHF 269,358,535. The offer price for the rights offering as well as for the committed investors was set at CHF 136.16 per share. In the rights offering, 9,744,390 shares were subscribed for by existing shareholders, while 6,413,073 shares were purchased by committed investors, resulting in gross proceeds of CHF 2,200 million.

During June 2015, the Mandatory Convertible Notes amounting to CHF 262,800 were converted into 1,809,188 ordinary registered shares of Dufry AG at a conversion price of CHF 152 per share. Dufry issued the shares out of the existing conditional share capital.

5.2 CONDITIONAL SHARE CAPITAL

IN THOUSANDS OF	SHARES	CHF
Balance at January 1, 2015	**2,698**	**13,488**
Utilization June, 2015	(1,809)	(9,046)
Balance at December 31, 2015	**888**	**4,442**
Balance at December 31, 2016	**888**	**4,442**

6. TREASURY SHARES

IN THOUSANDS OF	SHARES	CHF
Balance at January 1, 2015	**94.2**	**14,100**
Share purchases	–	1
Revaluation	–	177
Balance at December 31, 2015	**94.2**	**14,277**
Share purchases	6.0	706
Balance at December 31, 2016	**100.2**	**14,983**

7. PERSONNEL EXPENSES

The personnel expenses correspond to the share-based payments for the Group Executive Committee members, as described in Note 28 of Dufry Annual Report 2016, as well as the compensation to the board members.

Dufry AG employed less than 10 people in 2016 and 2015.

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

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

- DUFRY International AG
- International Operations & Services (CH) AG
- DUFRY Samnaun AG
- DUFRY Participations AG
- DUFRY Russia Holding AG
- DUFRY Trading AG
- DUFRY Basel Mulhouse AG
- DUFRY Management AG
- DUFRY Corporate AG
- DUFRY Holdings & Investments AG
- DUFRY AG
- DUFRY Altay AG
- The Nuance Group AG

9. CONTINGENT LIABILITIES

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 facilities:

					DRAWN AMOUNT IN CHF	
IN MILLIONS OF	MATURITY	COUPON RATE	CURRENCY	NOMINAL IN LOCAL CURRENCY	31.12.2016	31.12.2015
MAIN BANK CREDIT FACILITIES						
Committed 5-year term loan	31.07.2019		USD	1,010.0	1,028.0	1,009.7
Committed 4-year term loan	31.07.2019		EUR	800.0	860.8	835.9
Committed 5-year term loan	31.07.2019		EUR	500.0	558.9	543.2
5-year revolving credit facility	31.07.2019		CHF	900.0	371.6	181.5
Subtotal					**2,819.3**	**2,570.3**
SENIOR NOTES						
Senior notes	01.08.2023	4.50 %	EUR	700.0	749.4	760.4
Senior notes	15.07.2022	4.50 %	EUR	500.0	535.3	543.2
Senior notes	15.10.2020	5.50 %	USD	500.0	–	499.8
Subtotal					**1,284.7**	**1,803.4**
GUARANTEE FACILITY						
Committed 5-year term guarantee line Unicredit AG	09.09.2019		EUR	250.0	93.4	103.7
Subtotal					**93.4**	**103.7**
Total					**4,197.4**	**4,477.4**

There are no assets pledged in 2016 and 2015.

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

The following members of the Board of Directors or of the Group Executive Committee of Dufry AG (including related parties) hold directly or indirectly shares or share options of the Company as at December 31, 2016 or December 31, 2015 (members not listed do not hold any shares or options):

			31.12.2016			31.12.2015
IN THOUSANDS	**SHARES**	**FINANCIAL INSTRUMENTS** [1]	**PARTICIP.**	**SHARES**	**FINANCIAL INSTRUMENTS** [1]	**PARTICIP.**
MEMBERS OF THE BOARD OF DIRECTORS						
Juan Carlos Torres Carretero, Chairman	982.2	118.3	2.04 %	982.2	257.1	2.38 %
Andrés Holzer Neumann, Vice-Chairman	4,308.8	276.1	8.51 %	4,291.3	463.6	9.13 %
Jorge Born, Director	–	30.9 [2]	0.06 %	21.9	30.9 [2]	0.10 %
James S. Cohen, Director [3]	n / a	n / a	n / a	2,059.3	–	3.96 %
Julián Diáz Gonzalez, Director and CEO	284.5	43.8	0.61 %	284.5	92.6	0.72 %
George Koutsolioutsos, Director	1,608.4	200.0	3.36 %	1,608.4	200.0	3.47 %
Total Board of Directors	**7,183.9**	**669.1**	**14.58 %**	**9,247.6**	**1,044.2**	**19.77 %**
MEMBERS OF THE GROUP EXECUTIVE COMMITTEE						
Julián Diáz Gonzalez, CEO	284.5	43.8	0.61 %	284.5	92.6	0.72 %
Andreas Schneiter, CFO	6.1	–	0.01 %	6.1	–	0.01 %
José Antonio Gea, GCOO	4.1	–	0.01 %	4.1	–	0.01 %
Luis Marin, CCO	1.2	–	0.00 %	1.5	–	0.00 %
Jordi Martin-Consuegra, GRD	1.1	–	0.00 %	n / a	n / a	n / a
Gustavo Magalhães Fagundes, GM Brazil and Bolivia	6.9	–	0.01 %	n / a	n / a	n / a
Total Group Executive Committee	**303.9**	**43.8**	**0.64 %**	**296.2**	**92.6**	**0.73 %**

[1] The detailed terms of the various financial instruments disclosed above are as disclosed to the SIX Swiss Exchange and published on September 15. 2016 for the year 2016 and on July 9, 2015, for the year 2015.

[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 until AGM on April 28, 2016.

At December 31, 2016, a Dufry share quoted at CHF 127 (2015: 120) each.

In addition to the above, the shareholders' group consisting of different legal entities controlled by Andrés Holzer Neumann, Juan Carlos Torres, Julián Díaz González and Dimitrios Koutsolioutsos holds sale positions of 7.59 % through options (4,087,520 voting rights) as of December 31, 2016 (as of December 31, 2015: sale positions of 8.81 % through options (4,589,120 voting rights), which included the sale positions of James S. Cohen and James S. Cohen Family Dynasty Trust).

The detailed terms of these financial instruments are as disclosed to the SIX Swiss Exchange and published on September 15, 2016 (for sales position as of December 31, 2015: publication of disclosure notice on July 9, 2015). Disclosure notices are available on the SIX Swiss Exchange website: https://www.six-exchange-regulation.com/en/home/publications/significant-shareholders.html

11. SHARE-BASED PLAN FOR THE GROUP EXECUTIVE COMMITTEE

Members of the Group Executive Committee received 92,319 (2015: 56,965) stock options with a value of CHF 11,678 (2015: 6,288) thousands.

12. APPROPRIATION OF AVAILABLE EARNINGS

IN THOUSANDS OF CHF	2016	2015
Result carried forward	107,635	124,128
Other	–	3,906
Reclassification from reserve from capital contribution (see note 5.1)	–	8,064
Loss for the year	(16,998)	(28,463)
Retained earnings at December 31	**90,637**	**107,635**
To be carried forward	**90,637**	**107,635**

To the General Meeting of
Dufry AG, Basel

Basel, 7 March 2017

Report of the statutory auditor on the financial statements

As statutory auditor, we have audited the financial statements of Dufry AG, which comprise the income statement, statement of financial position and notes (pages 196 to 205), for the year ended 31 December 2016.

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 2016 comply with Swiss law and the company's articles of incorporation.

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Report on key audit matters based on the circular 1/2015 of the Federal Audit Oversight Authority

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

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

Recoverability of investments in subsidiaries
Area of focus
As controlling company of the Group, Dufry AG directly and indirectly holds investments in various subsidiaries. The overview of investments in Note 3 lists the significant companies directly held by Dufry AG. The carrying amount for all investments is reflected in the balance sheet. In case of impairment indicators, management sets up an impairment test and makes the required value adjustments should this be necessary. In determining the fair value of the investments, the Company must apply judgment in estimating – amongst other factors – future revenues and margins, multiples, long-term growth and discount rates. Due to the significance of the carrying values for investments in subsidiaries and the judgment involved in performing the impairment test, this matter was considered significant to our audit.

Our audit response
We examined the Company's valuation model and analyzed the underlying key assumptions, including future revenues and margins, long-term growth and discount rates. We assessed the historical accuracy of the Company's estimates and considered its ability to produce accurate long-term forecasts. We evaluated the sensitivity in the valuation resulting from changes to the key assumptions applied and compared these assumptions to corroborating information, including expected inflation rates and market growth.

Report on other legal requirements

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

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

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

Ernst & Young Ltd

Bruno Chiomento Licensed audit expert (Auditor in charge)	Christian Krämer Licensed audit expert

The financial reports are available under:

https://www.dufry.com/en/investors/ir-reports-presentations-and-publications
Page section "Presentation of results and other publications" – select Financial Reports

For the Investor Relations and Corporate Communications contacts as well as a summary of anticipated key dates in 2017 please refer to pages 244 / 245 of this Annual Report.