FINANCIAL REPORT 2017

DUFRY

WorldClass.WorldWide.

DELIVERING ON OUR GOALS
DEAR ALL

Dufry posted solid results in 2017. Turnover grew by 7.0% and reached CHF 8,377.4 million, while EBITDA for the first time crossed the one billion mark and reached CHF 1,007.1 million. We have delivered on our main goals also by accelerating organic growth, by delivering the synergies from the WDF acquisition and by further deleveraging the balance sheet.

One of the main drivers for our strong results in 2017 was the continuation of the organic growth recovery which started in the second semester of 2016. Despite higher comparables, Dufry managed to post +7.4% organic growth in 2017. Another main driver were the CHF 125 million synergies from the WDF acquisition, which were fully reflected for the first time in these 2017 full year results.

In 2017 we delivered on our main goals.

Free cash flow* generation was also strong at CHF 467.0 million in 2017. Without one-off items related to the signing of certain projects in the beginning of the year, free cash flow* was CHF 571.0 million, a 18% increase versus the CHF 483.8 million reported in 2016. Net debt was reduced further to CHF 3,686.9 million on December 31, 2017 and our covenant Net debt / EBITDA stood at 3.59x thus securing a comfortable headroom.

In 2017 we also took an important step on our financing strategy. In a series of transactions, started in December 2016, we managed to substantially reduce our interest costs by CHF 50 million per annum going forward, while at the same time improving the maturity profile of our credit facilities.

* before interest and minorities

TURNOVER

Turnover grew by 7.0% and reached CHF 8,377.4 million in 2017, from CHF 7,829.1 million in 2016. Organic growth contributed +7.4%, a further recovery from +1.0% and –5.3% reported in 2016 and 2015, respectively. Changes in scope contributed 0.3% to turnover growth, while FX translation effect was almost flat at –0.1%.

Turnover in **Southern Europe and Africa** reached CHF 1,857.8 million in 2017, from CHF 1,702.3 million one year before. Organic growth in the division was 6.8% in the full year 2017. In Southern Europe, Turkey grew strongly, driven by the return of Russian tourists in the country. France, Greece, Italy, Malta and Spain also posted positive growth. Africa had strong growth with most operations growing high double digits in the year, also benefiting from the opening of new locations, expansions and refurbished shops.

UK, Central and Eastern Europe's turnover grew to CHF 2,147.4 million in the year, versus CHF 2,088.9 million in 2016, with organic growth in the division reaching 6.3%. The United Kingdom continued with a good performance, despite the higher comparison base due to the annualization of the positive impact seen by the devaluation of the British Pound in June 2016. Other highlights in the division were the operations in Russia and Eastern Europe, as well as Finland.

Turnover in **Asia, Middle East and Australia** amounted to CHF 809.1 million in 2017, from CHF 770.7 million in 2016. Organic growth in the division for the full year was 5.4%. Most operations in the division did well and contributed to the improvement. In the Middle East, Sharjah, Kuwait and Jordan were positive. In Asia, South Korea saw sales growth, despite a reduction of Chinese travelers to the country. Both Hong Kong and Macau had a comeback and grew double digit in the second semester. Other operations including Cambodia and Bali also performed well. Melbourne performed well in the second semester, after the implementation of our New Generation Store and the comprehensive refurbishment undergone in this operation.

Latin America's turnover went to CHF 1,694.0 million in 2017 versus CHF 1,531.1 million one year earlier. Organic growth in the division was 10.8 %. South American countries, such as Brazil, Uruguay, Chile and Peru performed well. The same applies to The Caribbean operations with The Dominican Republic being the leader in this area. Dufry Cruise Services also posted strong growth as we started operations on a number of new ships.

Turnover in **North America** reached CHF 1,771.5 million in 2017 from CHF 1,660.9 million in the previous year. Organic growth reached 6.5 %, supported by the resilient duty-paid business and a good performance of the duty-free operations.

OPERATIONAL COSTS UNDER CONTROL

Gross profit

Gross profit grew by 8.6 % and reached CHF 4,978.6 million in 2017 versus CHF 4,584.1 million in 2016. Gross margin improved by 80 basis points, reflecting the synergies achieved from the WDF integration, which was completed at the end of 2016.

Selling expenses

Selling expenses reached CHF 2,430.1 million in 2017 from CHF 2,236.2 million in 2016. As a percentage of turnover, they went to 29.0 %, from 28.6 % in 2016. There were two main drivers for the increase: first the increase in the annual minimum guarantees in Spain; second, in several of the operations where contracts were renewed, the new fee levels became effective immediately, whereas the shop performance is impacted during the refurbishment and upgrade phase and the full benefit is only reflected with a time-lag.

Personnel and general expenses

Personnel expenses reached CHF 1,135.0 million in 2017 versus CHF 1,054.5 million one year earlier. As a percentage of turnover they stood flat and reached 13.5 % in the year as in 2016.

General expenses stood at CHF 404.8 million in the year to December from CHF 362.2 million in 2016. Measured as a percentage of turnover, it was 4.8 %, 20 basis points higher than in 2016.

EBITDA

EBITDA grew by 7.7 % and stood at CHF 1,007.1 million (CHF 935.1 million in 2016). The EBITDA margin increased to 12.0 % in 2017, compared to 11.9 % in 2016.

CHF 125 million synergies contributed to the 2017 results.

Depreciation, amortization, impairment and linearization

Depreciation reached CHF 158.9 million in 2017, at similar levels compared to CHF 166.2 million in 2016. Amortization and impairment stood at CHF 423.9 million in 2017, CHF 44.7 million higher when compared to the CHF 379.2 million reported in 2016, as a result of an impairment of a concession from the Nuance acquisition.

Linearization amounted to CHF – 58.9 million in 2017. 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 the Spanish contracts.

EBIT

EBIT grew by 53.6 % to CHF 418.7 million in 2017 from CHF 272.6 million in the last year. Other operational result (net) was a positive of CHF 53.3 million, mainly related to the release of a provision generated in the context of the Nuance acquisition.

Financial result

Financial result, net, reached CHF 216.8 million in 2017 from CHF 215.5 million in 2016. The 2017 result includes

CHF 19.6 million non-cash and CHF 22.0 million cash one-off charges related to the refinancing of the bond and bank facilities.

As mentioned, in 2017 we implemented a number of changes in our credit facilities, which will generate interest cost savings of CHF 50 million going forward compared to 2015 and extend the maturity profile.

Taxes
Income tax reached CHF 91.0 million in 2017, versus CHF 11.3 million one year before. The increase is due to the reduction in the US federal corporate income tax rate, which resulted in a net downward adjustment of CHF 41.1 million in relation to deferred taxes.

Net earnings
Net earnings reached CHF 110.9 million, 142.1 % higher compared to 2016. Net Earnings to equity holders surged to CHF 56.8 million in 2017, versus CHF 2.5 million seen in 2016.

Cash earnings, which add back acquisition-related amortization, grew by 13.9 % in 2017 and reached CHF 367.9 million versus CHF 322.9 million in 2016. Cash EPS in 2017 grew by 14.0 % and reached CHF 6.84, compared to CHF 6.00 in 2016.

DELEVERAGING ON THE WAY

Cash flow and debt
Free cash flow* reached CHF 467.0 million in 2017, compared to CHF 483.8 million in 2016. If we exclude the extraordinary cash outs we had in the beginning of the year, free cash flow would have been CHF 571.0 million, a 18.0 % increase versus 2016.

We reduced net debt and leverage as expected with net debt reducing to CHF 3,686.9 million at the end of December 2017 compared to CHF 3,750.4 million one year earlier. Our main covenant, net debt / adjusted EBITDA, stood at 3.59x as per 31 December 2017.

In 2017 we also took an important step on our financing strategy. Following the early repayment of the USD 500 million Senior Notes with expiry in 2020, executed in December, 2016, we issued a new EUR 800 million Senior Notes in October, 2017, and repaid the EUR 500 million Senior Notes in November, 2017. Last but not least, in November, 2017 we successfully refinanced our main bank facilities which now are due in 2022, thus providing a solid foundation for the business in the next years.

In February, 2018, we successfully floated our North America division at the New York Stock Exchange, under the name Hudson Ltd. Besides further expanding our duty-paid convenience business, the listing aims at evolving the business in additional opportunity streams such as food and beverage operations and master concessions. The IPO generated net proceeds of USD 714 million.

In terms of financing structure, we focused on cash generation and deleveraging since the acquisition of WDF with a goal to reach a leverage (net debt / EBITDA) of below 3.0x. The proceeds from the Hudson IPO that was launched on 1 February 2018 helped to fast forward this development. Adjusting for these proceeds, our net debt / EBITDA ratio as of December, 2017 would be 2.89x.

A LOT DONE IN 2017; MORE TO COME IN 2018

2017 was an important year for Dufry in many aspects. From a financial perspective, it was the first year in which the synergies from WDF fully impacted our results, being a decisive factor for the improvement seen in our financials. For 2018 we expect further savings, fueled by the recent changes in our financing structure, which will generate substantial savings.

In 2017 we started the implementation of our new Business Operating Model (BOM). The initiative is expected to run until end of 2018 and to generate additional efficiencies.

In 2018 we expect to see an ongoing positive market environment as experienced in 2017. We aim to benefit from those attractive operational trends, while focusing on our customary financial discipline, to generate value for our shareholders.

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

* before interest and minorities

CONSOLIDATED INCOME STATEMENT

	2017		2016	
	IN MILLIONS OF CHF	IN %	IN MILLIONS OF CHF	IN %
Net sales	8,164.7		7,622.8	
Advertising income	212.7		206.3	
Turnover	**8,377.4**	**100.0 %**	**7,829.1**	**100.0 %**
Cost of sales	(3,398.8)	40.6 %	(3,245.0)	41.4 %
Gross profit	**4,978.6**	**59.4 %**	**4,584.1**	**58.6 %**
Selling expenses	(2,430.1)	29.0 %	(2,236.2)	28.6 %
Personnel expenses	(1,135.0)	13.5 %	(1,054.5)	13.5 %
General expenses	(404.8)	4.8 %	(362.2)	4.6 %
Share of result of associates	(1.6)	0.0 %	3.9	0.0 %
EBITDA[1]	**1,007.1**	**12.0 %**	**935.1**	**11.9 %**
Depreciation, amortization and impairment	(582.8)	7.0 %	(545.4)	7.0 %
Linearization	(58.9)	0.7 %	(74.7)	1.0 %
Other operational result	53.3	(0.6 %)	(42.4)	0.5 %
Earnings before interest and taxes (EBIT)	**418.7**	**5.0 %**	**272.6**	**3.5 %**
Interest expenses	(259.6)	3.1 %	(243.4)	3.1 %
Interest income	35.4	(0.4 %)	32.3	(0.4 %)
Foreign exchange gain / (loss)	7.4	(0.1 %)	(4.4)	0.1 %
Earnings before taxes (EBT)	**201.9**	**2.4 %**	**57.1**	**0.7 %**
Income tax	(91.0)	1.1 %	(11.3)	0.1 %
Net earnings	**110.9**	**1.3 %**	**45.8**	**0.6 %**
ATTRIBUTABLE TO				
Equity holders of the parent	56.8		2.5	
Non-controlling interests	54.1		43.3	
Net earnings to equity holders adjusted for amortization in respect of acquisitions	**367.9**		**322.9**	
Basic earnings per share	1.06		0.05	
Cash earnings per share [2]	6.84		6.00	
Weighted average number of outstanding shares in thousands	53,781		53,775	

[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, 2017

IN MILLIONS OF CHF	NOTE	2017	2016
Net sales	7	8,164.7	7,622.8
Advertising income		212.7	206.3
Turnover		**8,377.4**	**7,829.1**
Cost of sales		(3,398.8)	(3,245.0)
Gross profit		**4,978.6**	**4,584.1**
Selling expenses	8	(2,430.1)	(2,236.2)
Personnel expenses	9	(1,135.0)	(1,054.5)
General expenses	10	(404.8)	(362.2)
Share of result of associates	11	(1.6)	3.9
EBITDA[1]		**1,007.1**	**935.1**
Depreciation, amortization and impairment	12	(582.8)	(545.4)
Linearization		(58.9)	(74.7)
Other operational result	13	53.3	(42.4)
Earnings before interest and taxes (EBIT)		**418.7**	**272.6**
Interest expenses	14	(259.6)	(243.4)
Interest income	14	35.4	32.3
Foreign exchange gain / (loss)		7.4	(4.4)
Earnings before taxes (EBT)		**201.9**	**57.1**
Income tax	15	(91.0)	(11.3)
Net earnings from continuing operations		**110.9**	**45.8**
ATTRIBUTABLE TO			
Equity holders of the parent		56.8	2.5
Non-controlling interests		54.1	43.3
EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT			
Basic earnings per share	16	1.06	0.05
Diluted earnings per share	16	1.05	0.05
Weighted average number of outstanding shares in thousands	16	53,781	53,775

[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, 2017

IN MILLIONS OF CHF	NOTE	2017	2016
Net earnings		**110.9**	**45.8**
OTHER COMPREHENSIVE INCOME			
Actuarial gains / (losses) on post-employment benefits	17	11.0	(17.8)
Income tax	15, 17	(1.0)	2.4
Items not being reclassified to net income in subsequent periods, net of tax		**10.0**	**(15.4)**
Exchange differences on translating foreign operations	17	(64.9)	(92.5)
Net gain / (loss) on hedge of net investment in foreign operations	17	54.7	30.6
Changes in the fair value of interest rate swaps held as cash flow hedges	17	(1.6)	1.2
Share of other comprehensive income of associates	11, 17	0.3	(0.6)
Income tax on above positions	15, 17	–	(0.3)
Items to be reclassified to net income in subsequent periods, net of tax		**(11.5)**	**(61.6)**
Total other comprehensive income, net of tax		**(1.5)**	**(77.0)**
Total comprehensive income, net of tax		**109.4**	**(31.2)**
ATTRIBUTABLE TO			
Equity holders of the parent		50.0	(76.6)
Non-controlling interests		59.4	45.4

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT DECEMBER 31, 2017

IN MILLIONS OF CHF	NOTE	31.12.2017	31.12.2016
ASSETS			
Property, plant and equipment	18	667.9	629.3
Intangible assets	20	6,598.1	6,786.6
Investments in associates	11	33.9	39.7
Deferred tax assets	22	133.3	177.2
Other non-current assets	23	338.6	296.1
Non-current assets		**7,771.8**	**7,928.9**
Inventories	24	1,022.9	917.9
Trade and credit card receivables	25	82.5	94.6
Other accounts receivable	26	508.5	501.4
Income tax receivables		40.1	26.2
Cash and cash equivalents		565.0	450.8
Current assets		**2,219.0**	**1,990.9**
Total assets		**9,990.8**	**9,919.8**
LIABILITIES AND SHAREHOLDERS' EQUITY			
Equity attributable to equity holders of the parent	27	3,130.1	3,062.0
Non-controlling interests	29,30	226.1	208.6
Total equity		**3,356.2**	**3,270.6**
Financial debt	31	4,165.1	4,073.9
Deferred tax liabilities	22	466.8	516.5
Provisions	32	103.3	183.5
Post-employment benefit obligations	33	39.4	66.0
Other non-current liabilities	34	112.9	96.1
Non-current liabilities		**4,887.5**	**4,936.0**
Trade payables		644.6	590.4
Financial debt	31	86.8	127.3
Income tax payables		58.1	46.3
Provisions	32	68.8	116.9
Other liabilities	34	888.8	832.3
Current liabilities		**1,747.1**	**1,713.2**
Total liabilities		**6,634.6**	**6,649.2**
Total liabilities and shareholders' equity		**9,990.8**	**9,919.8**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED DECEMBER 31, 2017

		ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT									
2017 IN MILLIONS OF CHF	**NOTE**	**Share capital**	**Share premium**	**Treasury shares**	**Employee benefit reserve**	**Hedging & revaluation reserves**	**Translation reserves**	**Retained earnings**	**TOTAL**	**NON-CONTROLLING INTERESTS**	**TOTAL EQUITY**
Balance at January 1		**269.4**	**4,259.3**	**(15.0)**	**(36.7)**	**1.6**	**(250.4)**	**(1,166.2)**	**3,062.0**	**208.6**	**3,270.6**
Net earnings / (loss)		–	–	–	–	–	–	56.8	56.8	54.1	110.9
Other comprehensive income / (loss)	17	–	–	–	9.8	(1.6)	(15.1)	0.1	(6.8)	5.3	(1.5)
Total comprehensive income / (loss) for the period		**–**	**–**	**–**	**9.8**	**(1.6)**	**(15.1)**	**56.9**	**50.0**	**59.4**	**109.4**
TRANSACTIONS WITH OR DISTRIBUTIONS TO SHAREHOLDERS:											
Dividends to non-controlling interests		–	–	–	–	–	–	–	–	(57.3)	(57.3)
Assignment of treasury shares	28.2	–	–	2.5	–	–	–	(2.5)	–	–	–
Share-based payment	28	–	–	–	–	–	–	22.5	22.5	–	22.5
Tax effect on equity transactions	15	–	–	–	–	–	–	(0.5)	(0.5)	–	(0.5)
Total transactions with or distributions to owners		**–**	**–**	**2.5**	**–**	**–**	**–**	**19.5**	**22.0**	**(57.3)**	**(35.3)**
CHANGES IN OWNERSHIP INTERESTS IN SUBSIDIARIES:											
Changes in participation of non-controlling interests	29	–	–	–	–	–	–	(3.9)	(3.9)	15.4	11.5
Balance at December 31		**269.4**	**4,259.3**	**(12.5)**	**(26.9)**	**–**	**(265.5)**	**(1,093.7)**	**3,130.1**	**226.1**	**3,356.2**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED DECEMBER 31, 2017

		ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT									
2016 IN MILLIONS OF CHF	**NOTE**	**Share capital**	**Share premium**	**Treasury shares**	**Employee benefit reserve**	**Hedging & revaluation reserves**	**Translation reserves**	**Retained earnings**	**TOTAL**	**NON-CONTROLLING INTERESTS**	**TOTAL EQUITY**
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**

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2017

IN MILLIONS OF CHF	NOTE	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES			
Earnings before taxes (EBT)		201.9	57.1
ADJUSTMENTS FOR			
Depreciation, amortization and impairment	12	582.8	545.4
Loss / (gain) on sale of non-current assets		7.8	3.9
Increase / (decrease) in allowances and provisions		(50.6)	(4.0)
Loss / (gain) on unrealized foreign exchange differences		(2.4)	8.9
Linearization of concession fees		(3.2)	27.7
Other non-cash items		20.0	4.7
Share of result of associates	11	1.6	(3.9)
Interest expense	14	259.6	243.4
Interest income	14	(35.4)	(32.3)
Cash flow before working capital changes		**982.1**	**850.9**
Decrease / (increase) in trade and other accounts receivable		(30.8)	(47.6)
Decrease / (increase) in inventories	24	(127.7)	(16.4)
Increase / (decrease) in trade and other accounts payable		10.8	6.6
Dividends received from associates	11	4.9	4.9
Cash generated from operations		**839.3**	**798.4**
Income taxes paid		(124.2)	(98.0)
Net cash flows from operating activities		**715.1**	**700.4**
CASH FLOW USED IN INVESTING ACTIVITIES			
Purchase of property, plant and equipment	18, 19	(205.3)	(204.4)
Purchase of intangible assets	20, 21	(80.7)	(64.0)
Purchase of interest associates	11	(1.0)	–
Proceeds from sale of property, plant and equipment		2.5	6.2
Proceeds from sale of financial assets		–	17.5
Interest received		27.1	25.4
Proceeds from sale of interests in subsidiaries and associates		–	3.8
Net cash flows used in investing activities		**(257.4)**	**(215.5)**

CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

FOR THE YEAR ENDED DECEMBER 31, 2017

IN MILLIONS OF CHF	NOTE	2017	2016
CASH FLOW FROM FINANCING ACTIVITIES			
Transaction costs for financial instruments	31	(26.9)	(16.5)
Proceeds from bank loans	31	3,078.5	313.1
Proceeds from issuance of notes	31	923.2	–
Proceeds from / (repayment of) 3rd party loans payable	31	1.0	(1.4)
Proceeds from (repayment of) 3rd party loans receivable		(4.1)	3.4
Repayment of bank loans and senior notes	31	(4,247.6)	(515.6)
Dividends paid to non-controlling interest	29	(57.3)	(48.8)
Purchase of treasury shares	28	–	(0.7)
Net contributions from / (purchase of) non-controlling interests		0.3	0.6
Interest paid		(218.1)	(220.8)
Net cash flows used in from financing activities		**(551.0)**	**(486.7)**
Currency translation on cash	31.3	207.5	18.2
Increase in cash and cash equivalents		**114.2**	**16.4**
CASH AND CASH EQUIVALENTS AT THE			
– beginning of the period		450.8	434.4
– end of the period		565.0	450.8

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2017

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, 2017 and the respective comparative information were authorized for public disclosure in accordance with a resolution of the Board of Directors of the Company dated March 7, 2018, and are subject to the approval of the Annual General meeting to be held on May 3, 2018.

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).

The consolidated financial statements have been prepared on the historical cost basis, except for available-for-sale financial assets, 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). All values are rounded to the nearest one hundred thousand, except when indicated otherwise.

2.2 BASIS OF CONSOLIDATION

The consolidated financial statements of Dufry compromise all entities directly or indirectly controlled by Dufry (its subsidiaries) as at December 31, 2017 and the respective comparative information.

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. All intra group balances, transactions, unrealized gains or losses and dividends, resulting from intragroup transactions, 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, however, 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 income statement and
- reclassifies the amounts related to the subsidiary previously recognized through other comprehensive income to the consolidated income statement.

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 group of cash-generating units that are expected to benefit from the combination.

Where goodwill forms part of a cash-generating unit and a operation within 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 for the goods, excluding sales taxes or duties. Retail sales are recognized when the goods are transferred. These transactions are settled in cash or by credit card. 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, purchase discounts (price-offs) as well as inventory valuation adjustments and inventory differences.

d) Foreign currency translation
Each subsidiary in Dufry uses its corresponding functional currency. Items included in the financial statements of each entity are measured using that functional currency. Transactions in foreign currencies are recorded at the date of the transaction in the functional currency using the exchange rate of such date.

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 through other comprehensive income, until the respective investments are disposed of. Any related deferred tax on unrealized FX is accounted accordingly. 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	
IN CHF	2017	2016	31.12.2017	31.12.2016
1 USD	0.9841	0.9850	0.9743	1.0178
1 EUR	1.1119	1.0899	1.1692	1.0706
1 GBP	1.2684	1.3348	1.3170	1.2561

e) Other operational result
The transactions included in these accounts are non-recurring and not related to the key business of the Group.

f) 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.

g) 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 Dufry 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.

h) Share capital

Ordinary shares are classified as equity. 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.

For Dufry shares purchased by Dufry AG or any subsidiary, 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.

i) Leases

Leases of property, plant and equipment where Dufry, 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 Dufry 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 Dufry 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.

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 are disclosed under “personnel expenses”. Past service costs, gains and losses on curtailments and non-routine settlements are shown under “other operational result”
- Net interest expense or income under “interest expenses or income”

Based on pension legislation of certain countries the employer and / or the employees have the obligation to remedy any default situation of the pension foundation, which usually would result in higher periodic contributions. At the balance sheet date, there was no such default situation. However the actuarial calculations based on IAS 19 resulted in a defined benefit obligation as presented in note 33.

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 the functional currency is not the local currency, the position includes the effects of foreign exchange translation on deferred tax assets or deferred tax liabilities.

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.

Software

Software is valued at amortized historical cost, or in case of internal developments by the sum of expenses incurred and amortized over useful lives (analyzed case by case).

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

These accounts include receivables related to the sale of merchandise.

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.

u) Provisions

Provisions are recognized when Dufry 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.

Lawsuits and duties

A lawsuits and duties provision is recognized to cover uncertainties dependant on the outcome of ongoing lawsuits in relation with taxes or duties.

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 risks, 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, 2017).

- Disclosure initiative – amendments to IAS 7 Statement of cash flows: Requires additional disclosure of changes in liabilities arising from financing activities (see note 31.3).
- IAS 12 Income taxes: Additional clarification on the recognition for deferred tax assets for unrealized losses on debt instruments measured at fair value. This clarification does not have any impact on Dufry.

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 holds 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.

IFRS 9
Financial Instruments (effective January 1, 2018)
IFRS 9 addresses the classification, measurement and derecognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets.

Phase 1: Classification and measurement – determines how financial assets and financial liabilities are accounted for and measured on an ongoing basis.

The Group currently has no financial assets classified as available for sale, held-to-maturity or Fair Value Through OCI (FVTOCI). The financial assets and liabilities currently classified as FVTPL will continue to meet the criteria for this category as these do not include any non-derivatives. Hence there will be no change to the accounting for these assets and liabilities.

Phase 2: Impairment – a new single expected loss impairment model is introduced that will require more timely recognition of expected credit losses.

The new impairment model requires the recognition of impairment provisions based on expected credit losses (ECL) rather than only incurred credit losses as is the case under IAS 39. It applies to financial assets classified at amortized cost, debt instruments measured at FVTOCI, contract assets under IFRS 15 Revenue from Contracts with Customers, lease receivables, loan commitments and certain financial guarantee contracts. Based on the assessments undertaken at balance sheet date, the Group does not expect a significant change in the loss allowances due to this change.

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.

As a general rule, more hedge relationships might be eligible for hedge accounting, as the standard introduces a more principles-based approach. The Group has confirmed that its current hedge relationships will qualify as continuing hedges upon the adoption of IFRS 9. In addition, the Group is considering to designate the intrinsic value of foreign currency option contracts as hedging instruments going forward. These are currently accounted as derivatives at FVTPL. Changes in the fair value of foreign exchange forward contracts attributable to forward points, and in the time value of the option contracts, will in this case in future be deferred in new costs of hedging reserve (OCI) within equity. The deferred amounts will be recognized against the related hedged transaction when it occurs.

The Group has elected to apply the limited exemption in IFRS 9 paragraph 7.2.15 relating to the transition for classification and measurement and impairment, and according will not be restating the 2017 comparative period, except in relation to changes in the fair value of foreign exchange forward contracts attributable to forward points, which will be recognized in the costs of hedging reserve (OCI) (the Group did not utilize these hedges during 2017).

This will mean that:
- any adjustments to carrying amounts of financial assets or liabilities will be recognized at the beginning of the next reporting period, with the difference recognized in opening retained earnings;
- financial assets will not be reclassified in the balance sheet for the comparative period;
- allowances for impairment will not be restated in the comparative period;
- the transition will be a change in accounting policy, and disclosures required by IAS 8 will be illustrated;
- a third balance sheet as at January 1, 2017 will not be presented. The retrospective application of the accounting for the forward element of forward contracts will not impact the balance sheet for the year ended December 31, 2016, other than on retained earnings and reserves which are disclosed in the statement of changes in equity.
- disclosure requirements arising from the consequential amendments made to IFRS 7 by IFRS 9 will not be presented in relation to the comparative period.

The new standard also introduces expanded disclosure requirements and changes in presentation. These are expected to change the nature and extent of Dufry's disclosures about its financial instruments particularly in the year of the adoption of the new standard.

Dufry expects that the reclassifications from the IAS 39 financial assets categories to the IFRS 9 categories will have no impact on the measurement categories. The current hedges are aligned with the requirements of IFRS 9. Furthermore the allowances for trade receivables and receivables for advertising income are not expected to increase due to the adoption of IFRS 9 in 2018.

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, and, has not identified any material changes to the current revenue recognition approach.

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.

The Group intends to adopt the modified retrospective approach, which means that the cumulative impact of the adoption (if any), will be recognized in retained earnings as of January 1, 2018 and that the comparatives will not be restated.

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 agreement is cancellable within 12 months.

As at the reporting date, Dufry has non-cancellable operating lease commitments with remaining duration of more than 12 months. These lease agreements have minimal firm commitments and most of them also fees in proportion to the net sales of the specific shop.

Dufry has hundreds of concession agreements with individual wording and specifications, of which more than 100 agreements are renewed every year. Had the Group adopted the new lease standard as of December 31, 2017, we estimate the amount of right-of-use assets and lease liabilities that would have to be recognized at about CHF 5 to 10 billion. In 2017 Dufry recognized the lease payments as selling expenses (concession fees and rents) of CHF 2,322.9 million and as general expenses (premises) of CHF 63.7 million.

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 – 2017 – issued December 2017
Interpretation 22 – Foreign Currency Transactions and Advance Considerations
(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. Clarification of the date to be used for the exchange rate on initial recognition of a related asset, expense or income where consideration is paid or received in advance for foreign currency denominated contracts. For each payment the date to be used is the same as the date for the initial recognition of the related non-monetary asset or liability.

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 (so-called divisions) and the distribution centers as an additional segment.

The annex "Most Important Subsidiaries" presents subsidiaries grouped by type of activity and participations.

2017 IN MILLIONS OF CHF	TURNOVER with external customers	with other divisions	TOTAL	EBITDA[1]	FULL TIME EQUIVALENTS
Southern Europe and Africa	1,857.8	–	1,857.8	240.6	5,338
UK, Central and Eastern Europe	2,147.4	–	2,147.4	259.8	5,356
Asia, Middle East and Australia	809.1	–	809.1	76.7	2,439
Latin America	1,694.0	–	1,694.0	122.9	7,298
North America	1,771.5	–	1,771.5	194.7	8,894
Distribution Centers	97.6	1,114.1	1,211.7	112.4	554
Total segments	**8,377.4**	**1,114.1**	**9,491.5**	**1,007.1**	**29,879**
Eliminations	–	(1,114.1)	(1,114.1)	–	–
Dufry	**8,377.4**	**–**	**8,377.4**	**1,007.1**	**29,879**

2016 IN MILLIONS OF CHF	TURNOVER 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**

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

Dufry generated 4.1% (2016: 4.5%) of its turnover with external customers in Switzerland (domicile).

Financial Position and other disclosures

31.12.2017 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	2,445.4	691.8	(24.4)	(34.9)	(138.0)	16.9
UK, Central and Eastern Europe	2,453.4	597.0	(28.6)	(30.1)	(116.3)	(86.9)
Asia, Middle East and Australia	472.4	210.4	0.2	(27.5)	(58.4)	(15.3)
Latin America	1,786.7	376.6	5.5	(59.9)	(144.7)	(20.7)
North America	1,441.0	233.6	(29.7)	(86.7)	(107.1)	12.1
Distribution Centers	1,014.4	270.8	(1.6)	(0.5)	(2.2)	13.4
Total segments	**9,613.3**	**2,380.2**	**(78.6)**	**(239.6)**	**(566.7)**	**(80.5)**
Unallocated positions	377.5	4,254.4	(12.4)	(46.4)	(16.1)	55.2
Dufry	**9,990.8**	**6,634.6**	**(91.0)**	**(286.0)**	**(582.8)**	**(25.3)**

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**

* Other non-cash items do not include the linearization of concession fees

Reconciliation of earnings

IN MILLIONS OF CHF	2017	2016
EBITDA[1]	**1,007.1**	**935.1**
Depreciation, amortization and impairment	(582.8)	(545.4)
Linearization	(58.9)	(74.7)
Other operational result	53.3	(42.4)
Interest expenses	(259.6)	(243.4)
Interest income	35.4	32.3
Foreign exchange gain / (loss)	7.4	(4.4)
Earnings before taxes	**201.9**	**57.1**

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

Reconciliation of assets

IN MILLIONS OF CHF	31.12.2017	31.12.2016
Operating assets	**9,613.3**	**9,320.4**
Current assets of corporate and holding companies[1]	(282.4)	(24.7)
Non-current assets of corporate and holding companies	659.9	624.1
Total assets	**9,990.8**	**9,919.8**

[1] Includes notional Cash Pool overdrafts at Headquarter

Reconciliation of liabilities

IN MILLIONS OF CHF	31.12.2017	31.12.2016
Operating liabilities	**2,380.2**	**2,474.8**
Financial debt of corporate and holding companies, short-term	0.9	0.5
Financial debt of corporate and holding companies, long-term	4,153.7	4,064.0
Other non-segment liabilities	99.8	109.9
Total liabilities	**6,634.6**	**6,649.2**

6. BUSINESS COMBINATIONS

There were no transactions in 2017 and 2016.

7. NET SALES

Net sales by product categories:

IN MILLIONS OF CHF	2017	2016
Perfumes and Cosmetics	2,637.8	2,452.9
Confectionery, Food and Catering	1,398.6	1,296.1
Wine and Spirits	1,280.9	1,166.5
Tobacco goods	917.1	866.8
Watches, Jewelry and Accessories	582.3	475.2
Fashion, Leather and Baggage	495.0	449.7
Electronics	244.5	221.6
Souvenirs	206.4	217.5
Literature and Publications	197.1	213.9
Other product categories	205.0	262.6
Total	**8,164.7**	**7,622.8**

Net sales by market sector:

IN MILLIONS OF CHF	2017	2016
Duty-free	5,058.0	4,610.8
Duty-paid	3,106.7	3,012.0
Total	**8,164.7**	**7,622.8**

Net sales by channel:

IN MILLIONS OF CHF	2017	2016
Airports	7,415.3	6,941.0
Border, downtown and hotel shops	276.3	247.8
Cruise liners and seaports	207.1	164.2
Railway stations and other	266.0	269.8
Total	**8,164.7**	**7,622.8**

8. SELLING EXPENSES

IN MILLIONS OF CHF	2017	2016
Concession fees and rents	(2,322.9)	(2,143.9)
Credit card commissions	(84.8)	(77.2)
Advertising and commission expenses	(32.6)	(32.6)
Packaging materials	(15.1)	(14.1)
Other selling expenses	(23.7)	(16.7)
Selling expenses	**(2,479.1)**	**(2,284.5)**
Concession and rental income	16.9	18.0
Commission income	2.1	2.4
Commercial services and other selling income	30.0	27.9
Selling income	**49.0**	**48.3**
Total	**(2,430.1)**	**(2,236.2)**

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 or as a fee based on a criteria, such as passengers, square meters or other operating performance indicators.

9. PERSONNEL EXPENSES

IN MILLIONS OF CHF	2017	2016
Salaries and wages	(889.4)	(817.9)
Social security expenses	(142.9)	(133.0)
Retirement benefits	(13.8)	(19.5)
Other personnel expenses	(88.9)	(84.1)
Total	**(1,135.0)**	**(1,054.5)**

10. GENERAL EXPENSES

IN MILLIONS OF CHF	2017	2016
Repairs, maintenance and utilities	(86.4)	(82.5)
Premises	(63.7)	(65.3)
Legal, consulting and audit fees	(58.3)	(51.6)
IT expenses	(48.4)	(43.1)
Office and administration	(33.7)	(33.2)
Travel, car, entertainment and representation	(33.9)	(33.1)
Franchise fees and commercial services	(23.6)	(19.6)
PR and advertising	(17.2)	(12.2)
Insurances	(11.0)	(11.1)
Bank expenses	(7.3)	(7.6)
Taxes, other than income taxes	(21.3)	(2.9)
Total	**(404.8)**	**(362.2)**

11. INVESTMENTS IN ASSOCIATES

This line includes mainly Lojas Francas de Portugal SA which operates duty-paid and duty-free shops in the airport of Lisbon, as well as other locations in Portugal, and other associates.

These investments are accounted for using the equity method.

Summarized statement of financial position

IN MILLIONS OF CHF	LOJAS FRANCAS DE PORTUGAL SA	OTHER ASSOCIATES	31.12.2017
Cash and cash equivalents	7.1	4.2	11.3
Other current assets	24.3	11.3	35.6
Non-current assets	57.9	4.4	62.3
Other current liabilities	(26.2)	(12.6)	(38.8)
Non-current liabilities	–	(5.8)	(5.8)
Net assets	**63.1**	**1.5**	**64.6**
Proportion of Dufry's ownership	49%		
Dufry's share of the equity	**30.9**	**3.0**	**33.9**

IN MILLIONS OF CHF	LOJAS FRANCAS DE PORTUGAL SA	OTHER ASSOCIATES	31.12.2016
Cash and cash equivalents	3.6	2.7	6.3
Other current assets	26.7	7.8	34.5
Non-current assets	58.9	21.5	80.4
Other current liabilities	(26.8)	(7.0)	(33.8)
Non-current liabilities	–	(5.4)	(5.4)
Net assets	**62.4**	**19.6**	**82.0**
Proportion of Dufry's ownership	49%		
Dufry's share of the equity	**30.7**	**9.0**	**39.7**

Summarized statement of comprehensive income

IN MILLIONS OF CHF	LOJAS FRANCAS DE PORTUGAL SA	OTHER ASSOCIATES	2017
Turnover	261.3	42.2	303.5
Depreciation, amortization and impairment	(3.9)	(17.7)	(21.6)
Income tax	(3.9)	–	(3.9)
Net earnings for the year	**10.3**	**(19.2)**	**(8.9)**
OTHER COMPREHENSIVE INCOME			
Items to be reclassified to net income in subsequent periods	0.9	(0.3)	0.6
Total other comprehensive income	**0.9**	**(0.3)**	**0.6**
Total comprehensive income	**11.2**	**(19.5)**	**(8.3)**
DUFRY'S SHARE	49 %		
Net earnings for the year	5.0	(6.6)	(1.6)
Total other comprehensive income	0.5	(0.2)	0.3
Total comprehensive income	**5.5**	**(6.8)**	**(1.3)**

IN MILLIONS OF CHF	LOJAS FRANCAS DE PORTUGAL SA	OTHER ASSOCIATES	2016
Turnover	228.0	27.0	255.0
Depreciation, amortization and impairment	(2.2)	(4.8)	(7.0)
Income tax	(3.2)	(0.1)	(3.3)
Net earnings for the year	**9.7**	**(2.9)**	**6.8**
OTHER COMPREHENSIVE INCOME			
Items to be reclassified to net income in subsequent periods	–	(0.9)	(0.9)
Total other comprehensive income	**–**	**(0.9)**	**(0.9)**
Total comprehensive income	**9.7**	**(3.8)**	**5.9**
DUFRY'S SHARE	49 %		
Net earnings for the year	4.8	(0.9)	3.9
Total other comprehensive income	–	(0.6)	(0.6)
Total comprehensive income	**4.8**	**(1.5)**	**3.3**

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	OTHER ASSOCIATES	TOTAL
Carrying value at January 1, 2016	**30.2**	**11.2**	**41.4**
Net earnings	4.8	(0.9)	3.9
Dividends received	(4.7)	(0.2)	(4.9)
Other comprehensive income	–	(0.6)	(0.6)
Currency translation adjustments	0.4	(0.5)	(0.1)
Carrying value at December 31, 2016	**30.7**	**9.0**	**39.7**
Contribution to new partnership	–	1.0	1.0
Net earnings	5.0	(6.6)	(1.6)
Dividends received	(4.9)	–	(4.9)
Other comprehensive income	0.5	(0.2)	0.3
Currency translation adjustments	(0.4)	(0.2)	(0.6)
Carrying value at December 31, 2017	**30.9**	**3.0**	**33.9**

12. DEPRECIATION, AMORTIZATION AND IMPAIRMENT

IN MILLIONS OF CHF	2017	2016
Depreciation	(160.3)	(162.9)
Impairment	1.4	(3.3)
Subtotal (note 18 Property, Plant and Equipment)	**(158.9)**	**(166.2)**
Amortization	(359.2)	(376.4)
Impairment[1]	(64.7)	(2.8)
Subtotal (note 20 Intangible Assets)	**(423.9)**	**(379.2)**
Total	**(582.8)**	**(545.4)**

[1] After the impairment test of the current year Dufry, has partially impaired a concession rights in Southern Europe and Africa for CHF 40.9 million, as the expected sales level used for the projection has not materialized and concession rights in Asia, Middle East and Australia for the amount of CHF 25 million as Dufry has not been able to secure the extension of the contract.

13. OTHER OPERATIONAL RESULT

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

IN MILLIONS OF CHF	2017	2016
Sales taxes for past periods	(14.0)	–
Consulting fees, expenses related to projects and start-up expenses	(10.7)	(19.5)
Losses on sale of non-current assets	(8.4)	(4.6)
Impairment of loans and other receivables	(6.4)	(10.3)
Project-related costs – Hudson Ltd.	(6.1)	–
Closing or restructuring of operations	(5.8)	(3.9)
Other operating expenses	(16.1)	(9.9)
Other operational expenses	**(67.5)**	**(48.2)**

IN MILLIONS OF CHF	2017	2016
Release of long term provisions (see note 32)	93.5	–
Past service cost adjustment pension fund (see note 33.2)	22.0	–
Insurance – compensation for losses	1.8	0.4
Gain on sale of non-current assets	0.6	0.6
Recovery of write offs / release of allowances	0.2	0.5
Other income	2.7	4.3
Other operational income	**120.8**	**5.8**

IN MILLIONS OF CHF	2017	2016
Other operational expenses	(67.5)	(48.2)
Other operational income	120.8	5.8
Other operational result	**53.3**	**(42.4)**

14. INTEREST

IN MILLIONS OF CHF	2017	2016
INCOME ON FINANCIAL ASSETS		
Interest income on short-term deposits	18.1	21.8
Other financial income	9.7	8.9
Interest income on financial assets	**27.8**	**30.7**
INCOME ON NON-FINANCIAL ASSETS		
Interest income	**7.6**	**1.6**
Total interest income	**35.4**	**32.3**
EXPENSES ON FINANCIAL LIABILITIES		
Interest expense	(173.2)	(206.2)
of which bank interest	(166.3)	(193.9)
of which bank commitment fees	(3.1)	(7.1)
of which bank guarantees commission expense	(3.7)	(2.9)
of which related to other financial liabilities	(0.1)	(2.3)
Amortization / write off of arrangement fees and waiver fees	(33.9)	(16.4)
Other financial expenses	(24.1)	(9.8)
Interest expense on financial liabilities	**(231.2)**	**(232.4)**
EXPENSES ON NON-FINANCIAL LIABILITIES		
Interest and other financial expenses	**(28.4)**	**(11.0)**
Total interest (expense)	**(259.6)**	**(243.4)**

15. INCOME TAXES

INCOME TAX RECOGNIZED IN THE CONSOLIDATED INCOME STATEMENT

IN MILLIONS OF CHF	2017	2016
Current income taxes	(120.2)	(105.1)
of which corresponding to the current period	(120.3)	(106.8)
of which adjustments recognized in relation to prior years	0.1	1.7
Deferred income taxes	29.2	93.8
of which related to the origination or reversal of temporary differences	69.0	89.6
of which adjustments recognized in relation to prior years	1.3	(0.2)
of which adjustments due to change in tax rates	(41.1)	4.4
Total	**(91.0)**	**(11.3)**

IN MILLIONS OF CHF	2017	2016
Consolidated earnings before income tax (EBT)	201.9	57.1
Expected tax rate in %	21.4%	21.2%
Tax at the expected rate	(43.2)	(12.1)
EFFECT OF		
Income not subject to income tax	5.5	5.1
Different tax rates for subsidiaries in other jurisdictions	37.9	19.5
Effect of changes in tax rates on previously recognized deferred tax assets and liabilities	(41.1)	4.4
Non-deductible expenses	(7.9)	(2.4)
Net change of unrealized tax loss carry-forwards	(47.7)	(32.0)
Non recoverable withholding taxes	(11.9)	(9.8)
Minority interests*	10.6	9.8
Adjustments recognized in relation to prior year	1.4	1.5
Other items	5.4	4.7
Total	**(91.0)**	**(11.3)**

* Included in other items in 2016

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. For 2017, there have been no significant changes in these income tax rates. In December 2017, a significant decrease of the US federal income tax rate has been enacted, applicable for the year 2018 and onwards. The reduction in the U.S. federal corporate income tax rate from 35% to 21% resulted in a net downward adjustment of CHF 41.1 million in relation to deferred taxes.

DEFERRED INCOME TAX RECOGNIZED IN OTHER COMPREHENSIVE INCOME / EQUITY

IN MILLIONS OF CHF	2017	2016
RECOGNIZED IN OTHER COMPREHENSIVE INCOME		
Actuarial gains / (losses) on defined benefit plans	(1.0)	2.4
Cash flow hedges	–	(0.3)
Total	**(1.0)**	**2.1**
RECOGNIZED IN EQUITY		
Tax effect on share-based payments	(0.5)	(0.2)
Total	**(0.5)**	**(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	2017	2016
Net earnings attributable to equity holders of the parent	56.8	2.5
Weighted average number of ordinary shares outstanding (in million)	53,781	53,775
Basic earnings per share in CHF	**1.06**	**0.05**

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	2017	2016
Net earnings attributable to equity holders of the parent	56.8	2.5
Weighted average number of ordinary shares outstanding adjusted for the effect of dilution (in million)	53,979	53,795
Diluted earnings per share in CHF	**1.05**	**0.05**

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	2017	2016
Net earnings attributable to equity holders of the parent	56.8	2.5
ADJUSTED FOR		
Dufry's share of the amortization in respect of acquisitions (excluding impairments)	311.1	320.4
Adjusted net earnings	**367.9**	**322.9**
Weighted average number of ordinary shares outstanding	53,781	53,775
Cash EPS	**6.84**	**6.00**
Deferred tax on above mentioned amortization in CHF per share	(1.00)	(1.19)
Linearization of Spanish contracts in CHF per share	1.10	1.39
Impairment in respect of acquisitions	1.18	–

WEIGHTED AVERAGE NUMBER OF ORDINARY SHARES

IN THOUSANDS	2017	2016
Outstanding shares	53,872	53,872
Less treasury shares	(91)	(97)
Used for calculation of basic earnings per share	**53,781**	**53,775**
EFFECT OF DILUTION		
Share options	198	20
Used for calculation of earnings per share adjusted for the effect of dilution	53,979	53,795

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

17. COMPONENTS OF OTHER COMPREHENSIVE INCOME

2017 IN MILLIONS OF CHF	ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT						
	Employee benefit reserve	Hedging & revaluation reserves	Translation reserves	Retained earnings	TOTAL	NON-CONTROLLING INTERESTS	TOTAL EQUITY
Actuarial gains / (losses) on post-employment benefits	10.8	–	–	0.1	10.9	0.1	11.0
Income tax effect	(1.0)	–	–	–	(1.0)	–	(1.0)
Subtotal	**9.8**	**–**	**–**	**0.1**	**9.9**	**0.1**	**10.0**
Exchange differences on translating foreign operations	–	–	(70.1)	–	(70.1)	5.2	(64.9)
Subtotal	**–**	**–**	**(70.1)**	**–**	**(70.1)**	**5.2**	**(64.9)**
Net gain / (loss) on hedge of net investment in foreign operations	–	–	54.7	–	54.7	–	54.7
Subtotal	**–**	**–**	**54.7**	**–**	**54.7**	**–**	**54.7**
Changes in the fair value of forward exchange contracts held as cash flow hedges	–	(1.6)	–	–	(1.6)	–	(1.6)
Income tax effect	–	–	–	–	–	–	–
Subtotal	**–**	**(1.6)**	**–**	**–**	**(1.6)**	**–**	**(1.6)**
Share of other comprehensive income of associates	–	–	0.3	–	0.3	–	0.3
Subtotal	**–**	**–**	**0.3**	**–**	**0.3**	**–**	**0.3**
Other comprehensive income	**9.8**	**(1.6)**	**(15.1)**	**0.1**	**(6.8)**	**5.3**	**(1.5)**

2016 IN MILLIONS OF CHF	ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT						
	Employee benefit reserve	Hedging & revaluation reserves	Translation reserves	Retained earnings	TOTAL	NON-CONTROLLING INTERESTS	TOTAL EQUITY
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)**
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 forward exchange contracts 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)**
Other comprehensive income	**(15.4)**	**0.9**	**(64.6)**	**–**	**(79.1)**	**2.1**	**(77.0)**

18. PROPERTY, PLANT AND EQUIPMENT

2017 IN MILLIONS OF CHF	LEASEHOLD IMPROVE-MENTS	BUILDINGS	FURNITURE FIXTURES	COMPUTER HARDWARE	VEHICLES	WORK IN PROGRESS	TOTAL
AT COST							
Balance at January 1	**481.9**	**39.0**	**457.6**	**62.3**	**8.6**	**41.1**	**1,090.5**
Additions (note 19)	64.7	0.3	30.0	12.9	1.0	105.8	214.7
Disposals	(47.5)	(0.8)	(34.3)	(5.5)	(1.1)	(0.5)	(89.7)
Reclassification within classes [1]	84.9	2.0	(2.6)	7.9	0.2	(87.8)	4.6
Reclassification to intangible assets	(0.2)	–	–	(2.2)	–	–	(2.4)
Currency translation adjustments	(14.6)	2.8	(11.5)	(4.0)	(0.3)	–	(27.6)
Balance at December 31	**569.2**	**43.3**	**439.2**	**71.4**	**8.4**	**58.6**	**1,190.1**
ACCUMULATED DEPRECIATION							
Balance at January 1	**(209.0)**	**(11.1)**	**(192.1)**	**(37.7)**	**(5.3)**	**–**	**(455.2)**
Additions (note 12)	(76.7)	(3.7)	(67.3)	(11.5)	(1.1)	–	(160.3)
Disposals	43.8	–	29.5	5.3	1.1	–	79.7
Reclassification within classes	(4.2)	(0.1)	4.8	(0.5)	–	–	–
Reclassification to intangible assets	–	–	–	0.1	–	–	0.1
Currency translation adjustments	8.4	(0.7)	11.3	3.6	0.1	–	22.7
Balance at December 31	**(237.7)**	**(15.6)**	**(213.8)**	**(40.7)**	**(5.2)**	**–**	**(513.0)**
IMPAIRMENT							
Balance at January 1	**(0.6)**	**(0.3)**	**(5.1)**	**–**	**–**	**–**	**(6.0)**
Impairment	(2.9)	–	(0.2)	(0.2)	–	–	(3.3)
Reversal of impairment	0.3	0.1	4.1	0.1	0.1	–	4.7
Net impairment (note 12)	**(2.6)**	**0.1**	**3.9**	**(0.1)**	**0.1**	**–**	**1.4**
Disposals	0.1	–	–	–	–	–	0.1
Reclassification within classes [1]	(0.3)	–	(4.1)	(0.1)	(0.1)	–	(4.6)
Currency translation adjustments	(0.3)	–	0.2	–	–	–	(0.1)
Balance at December 31	**(3.7)**	**(0.2)**	**(5.1)**	**(0.2)**	**–**	**–**	**(9.2)**
CARRYING AMOUNT							
At December 31, 2017	**327.8**	**27.5**	**220.3**	**30.5**	**3.2**	**58.6**	**667.9**

[1] Where the assets were acquired within a business combination, we have fully impaired and set off their values. In connection with the reversal of the onerous contract of Lenrianta LLC, the value of these assets (CHF 4.6 m) have been reinstated.

2016 IN MILLIONS OF CHF	LEASEHOLD IMPROVE-MENTS	BUILDINGS	FURNITURE FIXTURES	COMPUTER HARDWARE	VEHICLES	WORK IN PROGRESS	TOTAL
AT COST							
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	(0.6)	–	(3.3)	–	–	–	(3.9)
Reversal of impairment	–	0.6	–	–	–	–	0.6
Net impairment (note 12)	**(0.6)**	**0.6**	**(3.3)**	**–**	**–**	**–**	**(3.3)**
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**

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

IN MILLIONS OF CHF	2017	2016
Payables for capital expenditure at the beginning of the period	(28.5)	(30.1)
Additions of property, plant and equipment (note 18)	(214.7)	(203.8)
Payables for capital expenditure at the end of the period	36.8	28.5
Currency translation adjustments	1.1	1.0
Total Cash Flow	**(205.3)**	**(204.4)**

20. INTANGIBLE ASSETS

	CONCESSION RIGHTS					
2017 IN MILLIONS OF CHF	Indefinite lives	Finite lives	BRANDS	GOODWILL	OTHER	TOTAL
AT COST						
Balance at January 1	**42.9**	**4,883.2**	**269.7**	**2,615.3**	**207.1**	**8,018.2**
Additions (note 21)	–	23.4	–	–	57.8	81.2
Disposals	–	(7.9)	–	–	(8.0)	(15.9)
Reclassification from property, plant & equipment	–	0.2	–	–	2.2	2.4
Currency translation adjustments	4.0	85.2	8.5	55.3	(3.3)	149.7
Balance at December 31	**46.9**	**4,984.1**	**278.2**	**2,670.6**	**255.8**	**8,235.6**
ACCUMULATED AMORTIZATION						
Balance at January 1	**–**	**(1,092.3)**	**(3.3)**	**–**	**(123.0)**	**(1,218.6)**
Additions (note 12)	–	(325.4)	–	–	(33.8)	(359.2)
Disposals	–	7.8	–	–	7.7	15.5
Reclassification	–	0.3	–	–	(0.3)	–
Reclassification from property, plant & equipment	–	–	–	–	(0.1)	(0.1)
Currency translation adjustments	–	1.2	–	–	1.9	3.1
Balance at December 31	**–**	**(1,408.4)**	**(3.3)**	**–**	**(147.6)**	**(1,559.3)**
IMPAIRMENT						
Balance at January 1	**–**	**(12.0)**	**–**	**(1.0)**	**–**	**(13.0)**
Impairment	–	(65.9)	–	(0.6)	–	(66.5)
Reversal of impairment	–	1.8	–	–	–	1.8
Net impairment (note 12)	**–**	**(64.1)**	**–**	**(0.6)**	**–**	**(64.7)**
Currency translation adjustments	–	(0.5)	–	–	–	(0.5)
Balance at December 31	**–**	**(76.6)**	**–**	**(1.6)**	**–**	**(78.2)**
CARRYING AMOUNT						
At December 31, 2017	**46.9**	**3,499.1**	**274.9**	**2,669.0**	**108.2**	**6,598.1**

2016 IN MILLIONS OF CHF	CONCESSION RIGHTS Indefinite lives	 Finite lives	BRANDS	GOODWILL	OTHER	TOTAL
AT COST						
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 DEPRECIATION						
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 and 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	–	(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**

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 group of 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	31.12.2017	31.12.2016
Southern Europe and Africa	522.9	473.9
UK, Central and Eastern Europe	1,053.3	1,014.2
Asia, Middle East and Australia	85.7	88.4
Latin America	645.9	675.8
North America	319.2	320.0
Distribution Centers	42.0	42.0
Total carrying amount of goodwill	**2,669.0**	**2,614.3**

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 (%)	2017	2016	2017	2016	2017	2016
Southern Europe and Africa	7.63	11.13	8.61	12.85	4.0 – 6.5	5.4 – 11.2
UK, Central and Eastern Europe	5.79	6.31	6.34	6.62	1.7 – 3.4	(0.1) – 4.6
Asia, Middle East and Australia	8.20	10.42	9.07	11.52	7.6 – 8.5	9.1 – 12.7
Latin America	9.24	9.59	9.95	10.11	8.0 – 12.6	6.4 – 16.1
North America	7.27	6.33	8.79	7.94	4.3 – 5.6	4.6 – 8.4

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 0.04%, EUR 0.64%, USD 2.23% (2016: CHF 0.15%, EUR 0.83%, USD 2.08%).

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

	2017	2016
Beta factor	0.85	0.86

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 concession rights with indefinite useful lives of EUR 40.1 (2016: 40.1) million relate to our Italian operations where the concessions are 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 (%)	2017	2016	2017	2016	2017	2016
Italy	7.63	9.02	8.61	10.12	4.1 – 6.6	3.4 – 6.5

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 passenger 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 cash generating unit.

Gross rates used to extrapolate

For the period after 5 years, Dufry has used a growth rate of 2.0%–3.0% (2016: 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

While at corporate level the Group is recognized under the name of Dufry, for retail purposes, it is applying several brands including, among others, Dufry, Hudson, World Duty Free, Nuance, Hellenic Duty Free, Regstaer, Colombian Emeralds, Duty Free Caribbean, do Brasil or 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:

BRAND NAMES IN PERCENTAGE (%)	ROYALTY INCOME AFTER TAX 2017	ROYALTY INCOME AFTER TAX 2016	POST TAX DISCOUNT RATES 2017	POST TAX DISCOUNT RATES 2016	GROWTH RATES FOR NET SALES 2017	GROWTH RATES FOR NET SALES 2016
Dufry	0.34	0.35	7.36	7.18	6.3 – 13.3	7.3 – 14.0
Hudson News	1.11	0.91	7.26	6.41	3.1 – 5.6	3.6 – 8.4
Colombian Emeralds	1.75	1.75	7.92	6.71	(5.0) – 4.5	4.0 – 7.8
Nuance	0.35	0.35	6.32	5.61	2.0 – 4.6	2.0 – 4.6
World Duty Free	0.40	0.38	6.28	5.43	2.0 – 5.7	2.0 – 6.6

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	2017	2016
Payables for capital expenditure at January 1	(11.7)	(1.2)
Additions of intangible assets (note 20)	(81.2)	(74.7)
Payables for capital expenditure at December 31	11.3	11.7
Currency translation adjustments	0.9	0.2
Total Cash Flow	**(80.7)**	**(64.0)**

22. DEFERRED TAX ASSETS AND LIABILITIES

Temporary differences arise from the following positions:

IN MILLIONS OF CHF	31.12.2017	31.12.2016
DEFERRED TAX ASSETS		
Property, plant and equipment	55.0	54.6
Intangible assets	29.1	72.0
Inventories	18.6	23.6
Provisions and other payables	32.1	64.2
Tax loss carry-forward	128.9	129.7
Other	15.0	19.4
Total	**278.7**	**363.5**
DEFERRED TAX LIABILITIES		
Property, plant and equipment	(44.5)	(75.7)
Intangible assets	(561.4)	(601.7)
Provisions and other payables	(6.3)	(23.7)
Other	(0.0)	(1.7)
Total	**(612.2)**	**(702.8)**
Deferred tax liabilities net	**(333.5)**	**(339.3)**

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

IN MILLIONS OF CHF	2017	2016
Deferred tax assets	133.3	177.2
Deferred tax liabilities	(466.8)	(516.5)
Balance at December 31	**(333.5)**	**(339.3)**

Reconciliation of movements to the deferred taxes:

IN MILLIONS OF CHF	2017	2016
Changes in deferred tax assets	(43.9)	(26.7)
Changes in deferred tax liabilities	49.7	155.6
Currency translation adjustments	21.9	(33.2)
Deferred tax income (expense) at December 31	**27.7**	**95.7**
THEREOF		
Recognized in the income statement	29.2	93.8
Recognized in equity	(0.5)	(0.2)
Recognized in OCI	(1.0)	2.1

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 by local law in time (expiration) or in quantity or limited 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 approved budget 2018 and the management projections thereafter.

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

IN MILLIONS OF CHF	31.12.2017	31.12.2016
Expiring within 1 to 3 years	54.6	20.1
Expiring within 4 to 7 years	221.8	135.4
Expiring after 7 years	162.3	266.0
With no expiration limit	687.9	383.5
Total	**1,126.6**	**805.0**

The increase in the current year's category "with no expiration limit" includes a reclassification of previously expiring unrecognized tax loss carry-forwards in the amount of CHF 140 million triggered by changes in the respective local tax regulations.

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	31.12.2017	31.12.2016
Guarantee deposits	109.9	80.1
Loans and contractual receivables	31.6	31.9
Prepayment for leases	190.2	170.1
Other	8.9	16.7
Subtotal	**340.6**	**298.8**
Allowances	(2.0)	(2.7)
Total	**338.6**	**296.1**

MOVEMENT IN ALLOWANCES

IN MILLIONS OF CHF	2017	2016
Balance at January 1	**(2.7)**	**(1.3)**
Creation	(0.3)	(1.3)
Utilized	0.8	0.1
Currency translation adjustments	0.2	(0.2)
Balance at December 31	**(2.0)**	**(2.7)**

24. INVENTORIES

IN MILLIONS OF CHF	31.12.2017	31.12.2016
Purchased inventories at cost	1,074.6	950.5
Inventory allowance[1]	(51.7)	(32.6)
Total	**1,022.9**	**917.9**

[1] The historical cost of all items impaired is CHF 63.0 (2016: 72.3) million

CASH FLOWS USED FOR INCREASE / FROM DECREASE IN INVENTORIES

IN MILLIONS OF CHF	2017	2016
Balance at January 1	950.5	925.3
Balance at December 31	1,074.6	950.5
Gross change – at cost	**(124.1)**	**(25.2)**
Change in unrealized profit on inventory	(4.5)	(1.3)
Utilized	(0.4)	16.1
Currency translation adjustments	1.3	(6.0)
Cash Flow – (Increase) / decrease in inventories	**(127.7)**	**(16.4)**

Cost of sales includes inventories written down to net realizable value and inventory differences of CHF 26.8 (2016: 25.4) million.

25. TRADE AND CREDIT CARD RECEIVABLES

IN MILLIONS OF CHF	31.12.2017	31.12.2016
Trade receivables	61.9	51.3
Credit card receivables	22.1	43.7
Gross	**84.0**	**95.0**
Allowances	(1.5)	(0.4)
Net	**82.5**	**94.6**

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	31.12.2017	31.12.2016
Not due	29.5	32.4
OVERDUE		
Up to 30 days	18.7	0.6
31 to 60 days	5.1	5.8
61 to 90 days	1.5	3.1
More than 90 days	7.1	9.4
Total overdue	**32.4**	**18.9**
Trade receivables, gross	**61.9**	**51.3**

MOVEMENT IN ALLOWANCES

IN MILLIONS OF CHF	31.12.2017	31.12.2016
Balance at January 1	**(0.4)**	**(0.5)**
Creation	(1.0)	(0.4)
Utilized	0.1	0.4
Currency translation adjustments	(0.2)	0.1
Balance at December 31	**(1.5)**	**(0.4)**

26. OTHER ACCOUNTS RECEIVABLE

IN MILLIONS OF CHF	31.12.2017	31.12.2016
Advertising receivables[1]	159.1	–
Services provided to suppliers	56.8	154.6
Loans receivable	5.7	1.5
Receivables from subtenants and business partners	4.9	10.0
Personnel receivables	4.2	3.7
Accounts receivables	**230.7**	**169.8**
Prepayments for concession fees and rents	98.3	144.6
Prepayments of sales and other taxes	120.6	112.4
Prepayments to suppliers	6.3	12.9
Prepayments, other	18.2	11.8
Prepayments	**243.4**	**281.7**
Guarantee deposits	16.0	8.2
Derivative financial assets	10.0	28.7
Accrued income	0.8	7.8
Other	25.1	14.7
Other receivables	**51.9**	**59.4**
Total	**526.0**	**510.9**
Allowances	(17.5)	(9.5)
Total	**508.5**	**501.4**

[1] The advertising receivables on December 31, 2016 were CHF 121 million (of which CHF 7.8 million was recorded in trade receivables and CHF 110.6 million in receivables for services provided to suppliers)

MOVEMENT IN OTHER ALLOWANCES

IN MILLIONS OF CHF	31.12.2017	31.12.2016
Balance at January 1	**(9.5)**	**(12.2)**
Creation	(8.1)	(2.5)
Utilized	–	5.4
Reclassification[1]	–	(0.4)
Currency translation adjustments	0.1	0.2
Balance at December 31	**(17.5)**	**(9.5)**

[1] Reclassification in 2016 from provisions (CHF – 0.4 million)

27. EQUITY

27.1 ISSUED CAPITAL

IN MILLIONS OF CHF	31.12.2017	31.12.2016
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, 2016	**53,871,707**	**269.4**	**4,259.3**
Balance at December 31, 2016	**53,871,707**	**269.4**	**4,259.3**
Balance at December 31, 2017	**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, 2016	**888,432**	**4,442**
Balance at December 31, 2016	**888,432**	**4,442**
Balance at December 31, 2017	**888,432**	**4,442**

There was no authorized share capital outstanding in 2016 and 2017.

27.3 RESERVES

IN MILLIONS OF CHF	2017	2016
Employee benefit reserve	(26.9)	(36.7)
Hedging and revaluation reserves	–	1.6
Translation reserves	(265.5)	(250.4)
Retained earnings	(1,093.7)	(1,166.2)
Balance at December 31	**(1,386.1)**	**(1,451.7)**

27.3.1 Employee benefit reserve

IN MILLIONS OF CHF	2017	2016
Balance at January 1	**(36.7)**	**(21.3)**
Actuarial gains (losses) on defined benefit plans	10.8	(17.8)
Income tax relating to components of other comprehensive income	(1.0)	2.4
Balance at December 31	**(26.9)**	**(36.7)**

27.3.2 Hedging and revaluation reserves

IN MILLIONS OF CHF	2017	2016
Balance at January 1	**1.6**	**0.7**
Gain / (loss) arising on changes in fair value of financial instruments:		
- Interest rate swaps entered for as cash flow hedges	(1.6)	1.2
Income tax relating to components of other comprehensive income	–	(0.3)
Balance at December 31	**–**	**1.6**

27.3.3 Translation reserves

IN MILLIONS OF CHF	2017	2016
Balance at January 1	**(250.4)**	**(185.8)**
Exchange differences arising on translating the foreign operations (attributed to equity holders of parent)	(70.1)	(94.6)
Net gain / (loss) on hedge of net investments in foreign operations (note 31)	54.7	30.6
Share of other comprehensive income of associates	0.3	(0.6)
Balance at December 31	**(265.5)**	**(250.4)**

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 December 1, 2017, Dufry granted to the members of the Group Executive Committee (GEC) and selected members of the senior management the Award 2017 consisting of 144,654 PSU units. The PSU Award 2017 has a contractual life of 29 months and will vest on May 4, 2020. At grant date the fair value of one PSU Award 2017 represents the market value for one Dufry share at that date, i.e. CHF 140.69, adjusted by the probability that participants comply with the ongoing contractual relationship clause. As of December 31, 2017, no PSU Award 2017 forfeited, so that 144,654 PSU Award 2017 remain outstanding.

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 30 months and will vest on May 2, 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, 2017, no PSU Award 2016 forfeited, so that 159,219 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, 2017, no RRS forfeited, so that all RRS remain outstanding.

One PSU (Award 2017 or Award 2016) 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 (2017: CHF 25.97, 2016: CHF 24.59). 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 1.5 (2016: 2) 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 2015 Dufry granted to the members of the GEC and selected members of the senior management 122,052 PSU options. One PSU gave the right to receive in 2018, free of charge, up to two shares, based on the performance achieved by Dufry.

For the PSU Award 2015, the performance was measured based on the target Cash EPS of CHF 24.42 to be achieve over the three-year period 2015 – 2017 as described for the awards mentioned above. In May 2018 the PSU award 2015 will vest and Dufry will assign 0.926 Dufry shares per PSU award 2015 as during the preceding three-year period the effectively cash EPS achieved was of CHF 23.51, making a total of 113,020 shares.

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 2017 Dufry recognized through profit and loss share-based payment expenses for a total of CHF 22.3 (2016: 4.7) million (including social charges).

28.2 TREASURY SHARES

Treasury shares are valued at historical cost.

	NUMBER OF SHARES	IN MILLIONS OF CHF
Balance at January 1, 2016	**94,169**	**14.3**
Share purchases	6,000	0.7
Balance at December 31, 2016	**100,169**	**15.0**
Assigned to holders of PSU-Awards	(15,979)	(2.5)
Balance at December 31, 2017	**84,190**	**12.5**

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	2017	2016
Dufry do Brasil DF Shop Ltda 13.05 % disposed[1]	20.0	–
Dufry Lojas Francas Ltd 6.95 % acquired (new NCI share 13.05 %)[1]	(15.3)	–
Dufry Aruba N.V. 20 % acquired[1]	0.4	–
Dufry Sharjah FZC 1 % disposed[1]	0.3	–
Nuance Group (India) Pvt. Ltd 50 % acquired[1]	(1.3)	–
Lenrianta CSJC 20 % acquired	–	16.0
Nuance Group Fashion & Luxury Duty Free Pvt. Ltd 50 % acquired	–	7.1
TNG Malta participation changes[1]	–	(3.7)
Other non-controlling interests acquired	(0.2)	0.5
Change in Dufry's interest	**3.9**	**19.9**
Dufry Mozambique Ltda 75 %	0.4	–
Dufry HWG Shopping Sdn Bhn (Malaysia) 51 %	0.2	–
Division North America, increase in share capital of several subsidiaries	10.4	7.6
Chengdu Hudson Bright Power Commercial Co, Ltd. 49 %	–	0.7
Other	0.5	(0.3)
Total	**15.4**	**27.9**

1 No cash flow effects in current financial period

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 are CHF 54.1 (2016: 43.3) 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 2017, the major part of the net earnings attributable to non-controlling interests of CHF 29.0 (2016: 25.7) million relates to several legal entities with different non-controlling interest holders within Hudson Group. The remaining CHF 25.1 (2016: 17.6) million belongs to various other subsidiaries of Dufry.

31. FINANCIAL DEBT

IN MILLIONS OF CHF	31.12.2017	31.12.2016
Bank debt (overdrafts)	10.8	29.6
Bank debt (loans)	72.9	94.9
Third party loans	3.1	2.8
Financial debt, short-term	**86.8**	**127.3**
Bank debt (loans)	2,420.1	2,798.2
Senior Notes	1,737.6	1,268.8
Third party loans	7.4	6.9
Financial debt, long-term	**4,165.1**	**4,073.9**
Total	**4,251.9**	**4,201.2**
OF WHICH ARE		
Bank debt	2,503.8	2,922.7
Senior Notes	1,737.6	1,268.8
Third party loans	10.5	9.7

BANK DEBT

IN MILLIONS OF CHF	31.12.2017	31.12.2016
MAIN BANK DEBTS ARE DENOMINATED IN		
US Dollar	1,266.6	2,060.2
British Pound Sterling	316.1	582.1
Euro	584.6	177.0
Swiss Franc	265.7	–
Subtotal	**2,433.0**	**2,819.3**
BANK DEBTS AT SUBSIDIARIES IN		
Different currencies	**87.7**	**127.2**
Deferred bank arrangement fees	(16.9)	(23.8)
Total	**2,503.8**	**2,922.7**

SENIOR NOTES

IN MILLIONS OF CHF	31.12.2017	31.12.2016
Senior Notes denominated in Euro	1,753.8	1,284.7
Deferred arrangement fees	(16.2)	(15.9)
Total	**1,737.6**	**1,268.8**

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 2016 and 2017 as well.

Main bank credit facilities

				DRAWN AMOUNT IN CHF	
IN MILLIONS OF	MATURITY	CURRENCY	CREDIT LIMIT IN LOCAL CURRENCY	31.12.2017	31.12.2016
Committed short-term financing	03.11.2018	EUR	500.0	584.6	–
Committed 5-year term loan	03.11.2022	USD	700.0	682.0	–
Committed 5-year term loan (multi-currency)	03.11.2022	EUR	500.0	581.8	–
5-year revolving credit facility (multi-currency)	03.11.2022	EUR	1,300.0	584.6	–
Committed 5-year term loan	31.07.2019	USD	1,010.0	–	1,028.0
Committed 4-year term loan (multi-currency)	31.07.2019	EUR	800.0	–	860.8
Committed 5-year term loan	31.07.2019	EUR	500.0	–	558.9
5-year revolving credit facility (multi-currency)	31.07.2019	CHF	900.0	–	371.6
Total				**2,433.0**	**2,819.3**

On November 9, 2017, a syndicate of banks with the London Branch of ING N.V. acting as agent, granted Dufry a committed 5-year term loan of USD 700.0 million, EUR 500.0 million and a revolving credit facility (RCF) of EUR 1,300.0 million which was used to refinance existing debts. Moreover, the syndicate of banks granted Dufry a committed 1-year short term loan of EUR 500.0m.

Senior notes

					AMOUNT IN CHF	
IN MILLIONS OF	MATURITY	COUPON RATE	CURRENCY	NOMINAL IN LOCAL CURRENCY	31.12.2017	31.12.2016
Senior notes	01.08.2023	4.50 %	EUR	700.0	811.0	740.5
Senior notes	15.07.2022	4.50 %	EUR	500.0	–	528.3
Senior notes	15.10.2024	2.50 %	EUR	800.0	926.6	–
Total					**1,737.6**	**1,268.8**

On November 13, 2017, Dufry repaid the Senior Notes of EUR 500 million.

On October 15, 2017, Dufry placed denominated Senior Notes of EUR 800 million with a maturity of seven years with qualified institutional investors in Switzerland and abroad.

The new notes are listed on The International Stock Exchange (TISE) in Guernsey 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, 2017 of respective years:

INTEREST RATE IN PERCENTAGE (%)	2017	2016
Average on USD	3.15	3.70
Average on CHF	1.57	2.00
Average on EUR	3.85	3.70
Average on GBP	2.50	2.77
Weighted Average Total	**3.36**	**3.57**

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	31.12.2017	31.12.2016	31.12.2017	31.12.2016
Dufry do Brasil and other subsidiaries [1]	USD	947.2	947.2	922.8	964.0
World Duty Free Group SA	GBP	50.0	240.0	65.8	301.5
Total				**988.6**	**1,265.5**

[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	31.12.2017	31.12.2016	31.12.2017	31.12.2016
Nuance Group (Australia) Pty Ltd.	AUD	121.8	121.8	92.6	89.5
Dufry America Holding Inc.	USD	13.4	13.4	13.0	13.7
Nuance Group (Sverige) AB	SEK	110.0	110.0	13.1	12.3
Dufry Duty Free (Nigeria) Ltd.	USD	6.1	6.1	5.9	6.2
Total				**124.6**	**121.7**

31.3 NET DEBT

IN MILLIONS OF CHF	CASH AND CASH EQUIVALENTS	FINANCIAL DEBT CURRENT	FINANCIAL DEBT NON-CURRENT	NET DEBT
Balance at January 1, 2017	**450.8**	**127.3**	**4,073.9**	**3,750.4**
Cash flows from operating, financing and investing activities	(93.3)	–	–	93.3
Transaction costs for financial instruments	–	–	(26.9)	(26.9)
Proceeds from bank loans and senior notes	–	30.2	3,972.5	4,002.7
Repayments of bank loans and senior notes	–	(68.8)	(4,178.8)	(4,247.6)
Cash flow	**(93.3)**	**(38.6)**	**(233.2)**	**(178.5)**
Currency translation adjustments	29.0	(1.4)	192.6	162.2
Unrealized exchange differences on the translation of net debt in foreign currencies	178.5	(0.5)	96.7	(82.3)
Foreign exchange adjustments	**207.5**	**(1.9)**	**289.3**	**79.9**
Fair value adjustments	–	–	0.7	0.7
Arrangement fees amortization	–	–	34.4	34.4
Other non-cash movements	**–**	**–**	**35.1**	**35.1**
Balance at December 31, 2017	**565.0**	**86.8**	**4,165.1**	**3,686.9**

32. PROVISIONS

IN MILLIONS OF CHF	CONTINGENT LIABILITIES	ONEROUS CONTRACTS	CLOSEDOWN	LAWSUITS AND DUTIES	LABOR DISPUTES	OTHER	TOTAL
Balance at January 1	**68.4**	**157.4**	**8.9**	**33.3**	**3.8**	**28.6**	**300.4**
Charge for the year	0.5	3.5	0.7	5.5	0.5	4.9	15.6
Utilized	(23.8)	(39.1)	–	(4.2)	–	(9.7)	(76.8)
Unused amounts reversed	–	(87.9)	(4.1)	–	–	(1.5)	(93.5)
Interest discounted	–	10.6	–	–	–	0.1	10.7
Currency translation adjustments	2.2	11.1	–	1.3	(0.1)	1.2	15.7
Balance at December 31	**47.3**	**55.6**	**5.5**	**35.9**	**4.2**	**23.6**	**172.1**
THEREOF							
Current	–	15.2	5.5	35.9	1.4	10.8	68.8
Non-current	47.3	40.4	–	–	2.8	12.8	103.3

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

Contingent liabilities are recognized in combination with business combinations, usually in relation with legal and tax claims, from which the final outcome is difficult to assess.

In 2017, Dufry used CHF 23.8 million of the provision to settle claims in relation to Sales Taxes in Latin America.

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 55.6 (2016: 157.4) million has been provided in relation to operations in Europe.

In 2017, Dufry successfully renegotiated the terms of existing concession contracts in Europe and consequently released provisions for this CHF 87.9 million.

CLOSE DOWN

The provision of CHF 5.5 (2016: 8.9) million relates mainly to the closing of operations in Asia and Europe. In 2017 we have reverted the provision for Sri Lanka, as the concession was renewed.

LAWSUITS AND DUTIES

The provision for lawsuits and duties of CHF 35.9 (2016: 33.3) million cover uncertainties dependent on the outcome of law suits in relation to taxes, duties or other claims with our subsidiaries located in India, Turkey, Brazil, Ecuador and Italy. Two of Dufry's dormant operations in India still keep two open claims (CHF 13.2 million) in relation with customs duties and service taxes. Dufry expects that both cases won't be finally judged in the next year. After reaching an agreement with the tax authorities Italy has used CHF (4.2) million of the provision. Other charges of the year relate to a penalty claim in relation with a VAT case in Italy as well as interests on a custom claim in Ecuador,

LABOR DISPUTES

The provision of CHF 4.2 (2016: 3.8) million relates mainly to claims presented by sales staff in Brazil based on disputes due to the termination of temporary labor contracts.

OTHER

Other provisions comprise mainly those to cover the cost for restoration of leased shops to their original condition at the end of the lease agreement. The charges for the year in connection with a loyalty program and a potential penalty fee due to the close down of a store in the Caribbean Islands. The utilization of the year mainly relates to the restructuring program in Spain.

CASH OUTFLOWS OF NON-CURRENT PROVISIONS

The cash outflows of non-current provisions as of December 31, 2017 are expected to occur in:

IN MILLIONS OF CHF	EXPECTED CASH OUTFLOW
2019	3.1
2020	2.2
2021	0.3
2022	38.9
2023+	58.8
Total non-current	**103.3**

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 99.6 % (2016: 95.9 %) of the total defined benefit obligation and 99.4 % (2016: 99.5 %) of the plan assets correspond to pension funds in Switzerland (CH) and the United Kingdom (UK).

			2017			2016
IN MILLIONS OF CHF	Funded	Unfunded	TOTAL	Funded	Unfunded	TOTAL
SWITZERLAND						
Fair value of plan assets	189.7	–	189.7	185.0	–	185.0
Present value of defined benefit obligation	203.4	–	203.4	205.2	–	205.2
Financial (deficit) surplus	**(13.7)**	**–**	**(13.7)**	**(20.2)**	**–**	**(20.2)**
UK						
Fair value of plan assets	203.8	–	203.8	191.5	–	191.5
Present value of defined benefit obligation	211.5	–	211.5	221.0	–	221.0
Financial (deficit) surplus	**(7.7)**	**–**	**(7.7)**	**(29.5)**	**–**	**(29.5)**
OTHER PLANS						
Fair value of plan assets	2.2	–	2.2	2.1	–	2.1
Present value of defined benefit obligation	2.1	18.1	20.2	2.3	16.1	18.4
Financial (deficit) surplus	**0.1**	**(18.1)**	**(18.0)**	**(0.2)**	**(16.1)**	**(16.3)**
TOTAL						
Fair value of plan assets	395.7	–	395.7	378.6	–	378.6
Present value of defined benefit obligation	417.0	18.1	435.1	428.5	16.1	444.6
Total net book value employee benefits	**(21.3)**	**(18.1)**	**(39.4)**	**(49.9)**	**(16.1)**	**(66.0)**

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

Reconciliation to the funded plans

		2017		2016
IN MILLIONS OF CHF	Switzerland	UK	Switzerland	UK
Net defined (obligation) / asset at January 1	**(20.2)**	**(29.5)**	**(15.6)**	**(23.5)**
Pension income / (expense) through income statement	(8.1)	20.1	(7.8)	(1.0)
Remeasurements through other comprehensive income	8.0	2.3	(3.5)	(8.6)
Contributions paid by employer	6.6	0.1	6.6	0.1
Currency translation	–	(0.7)	–	3.6
Net defined (obligation) / asset at December 31	**(13.7)**	**(7.7)**	**(20.2)**	**(29.5)**

33.1 SWITZERLAND

Dufry operates a company sponsored pension fund in form of a foundation in Switzerland that provide contribution-based cash balance retirement and risk benefits to employees. 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 deposited in a global custody account (Bank), whereby the investments in properties are directly managed by the fund administration.

Under Swiss pension law Dufry cannot recover any surplus from the pension foundation.

The pension fund currently invests 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.

33.2 UNITED KINGDOM (UK)

Dufry operates another defined benefit pension plan in the UK under specific regulatory frameworks. The Plan has been closed to new members for many years and was closed to existing members on August 31, 2017. Under the Plan, members are entitled to annual pensions on retirement at age 65 of one sixtieth of revalued pensionable salary for each year of service. Pensionable salary is defined as basic salary less the statutory Lower Earnings limit. The Plan is administered by a separate board of trustees which is legally separate from the Company. The Trustees are comprised of representatives of both employer, employees and independent trustees. The trustees are required by law to act in the interest of all relevant beneficiaries and are responsible for the investment policy with regards to assets plus the day to day administration of the scheme. The pension payments are made from the trustee-administered funds; however, where plans are underfunded, the company meets the benefit payment obligation as it falls due.

Cost of defined benefit plans

		2017		2016
IN MILLIONS OF CHF	**Switzerland**	**UK**	**Switzerland**	**UK**
SERVICE COSTS				
Current service costs	(7.6)	(0.2)	(7.3)	(0.2)
Past service costs[1]	–	21.1	–	–
Fund administration	(0.4)	–	(0.4)	–
Net interest	(0.1)	(0.8)	(0.1)	(0.8)
Total pension expenses recognized in the income statement	**(8.1)**	**20.1**	**(7.8)**	**(1.0)**

[1] The pension expense for the current year is materially lower than prior year, as it reflects a £15,8 million past service credit arising from the move from RPI-linked to CPI-linked pension increases. The above past service credit was calculated as at the date that the change was announced to the Plan membership (November 9, 2017) using a discount rate of 2.75 % p. a. (reflecting market conditions at that date).

The current service costs and the change to the cash balance plan of Dufry are included in personnel expenses (see note 9 retirement benefits). The past service costs are included in the other operational result (see note 13.2).

Remeasurements employee benefits

		2017		2016
IN MILLIONS OF CHF	**Switzerland**	**UK**	**Switzerland**	**UK**
Actuarial gains (losses) – experience	1.1	1.6	(1.6)	3.4
Actuarial gains (losses) – demographic assumptions	–	0.9	1.6	2.0
Actuarial gains (losses) – financial assumptions	–	(5.3)	(8.6)	(46.4)
Return on plan assets exceeding expected interest	6.9	5.1	5.1	32.4
Other effects	–	–	(5.4)	–
Total remeasurements recorded in other comprehensive income	**8.0**	**2.3**	**(8.9)**	**(8.6)**

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

	2017		2016	
IN MILLIONS OF CHF	Switzerland	UK	Switzerland	UK
Balance at January 1	**185.0**	**191.5**	**179.2**	**186.3**
Interest income [1]	1.4	5.4	1.8	6.0
Return on plan assets, above interest income	6.9	5.1	5.1	32.4
Contributions paid by employer	6.6	0.1	6.6	0.1
Contributions paid by employees	3.8	0.1	3.8	0.1
Benefits paid	(14.0)	(7.6)	(11.5)	(6.0)
Currency translation	–	9.2	–	(27.4)
Balance at December 31	**189.7**	**203.8**	**185.0**	**191.5**

[1] Expected interest income on plan assets based on discount rate. See actuarial assumptions.

Change in present value of defined benefit obligation

	2017		2016	
IN MILLIONS OF CHF	Switzerland	UK	Switzerland	UK
Balance at January 1	**205.2**	**221.0**	**194.8**	**209.8**
Current service costs	7.6	0.2	7.3	0.2
Interest costs	1.5	6.3	1.9	6.8
Contributions paid by employees	3.8	0.1	3.8	0.1
Accrual of expected future administration costs	0.4	–	0.4	–
Actuarial losses / (gains) – experience	(1.1)	(1.6)	1.6	(3.4)
Actuarial losses / (gains) – demographic assumptions	–	(0.9)	(1.6)	(2.0)
Actuarial losses / (gains) – financial assumptions	–	5.3	8.6	46.4
Benefits paid	(14.0)	(7.6)	(11.5)	(6.0)
Past service cost – plan amendments	–	(21.1)	–	–
Currency translation	–	9.8	–	(30.9)
Balance at December 31	**203.4**	**211.5**	**205.2**	**221.0**
Net defined benefit (obligation) / asset at December 31	**(13.7)**	**(7.7)**	**(20.2)**	**(29.5)**

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:

	2017		2016	
IN PERCENTAGE (%)	**Switzerland**	**UK**	**Switzerland**	**UK**
Discount rates	0.75	2.60	0.75	2.75
Future salary increases	1.50	–	1.50	4.30
Future pension increases	0.25	1.80	0.25	2.20
Average retirement age (in years)	64	65	64	65
Mortality table (generational tables)	2015	2016	2015	2016

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:

	2017		2016	
IN PERCENTAGE (%)	**Switzerland**	**UK**	**Switzerland**	**UK**
Shares	31.5	31.4	31.6	29.1
Bonds	22.6	50.4	26.1	52.8
Real estate	31.9	–	38.3	–
Other [1]	14.0	18.2	4.0	18.1
Total	**100.0**	**100.0**	**100.0**	**100.0**

[1] 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 29.0 % (2016: 15.0 %) 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

	2017		2016	
IN THOUSAND OF CHF	**Switzerland**	**UK**	**Switzerland**	**UK**
ACTIVE PARTICIPANTS				
Number at December 31 (persons)	794	–	865	25
Average annual plan salary	82.0	–	77.0	62.8
Average age (years)	41.0	–	40.7	48.6
Average benefit service (years)	10.2	–	9.9	–
DEFERRED PARTICIPANTS				
Number at December 31 (persons)	–	1,242	–	1,397
Average annual plan pension	–	5.3	–	4.7
BENEFIT RECEIVING PARTICIPANTS				
Number at December 31 (persons)	141	1,026	141	910
Average annual plan pension	25.0	3.7	24.0	3.6

	2017		2016	
IN MILLIONS OF CHF	**Switzerland**	**UK**	**Switzerland**	**UK**
EXPECTED CONTRIBUTIONS FOR				
Employer	6.0	0.1	6.0	0.1
Employees	3.4	0.1	3.5	0.1
Weighted average duration of defined benefit obligation (years)	20.5	20.0	20.6	22.0

	2017		2016	
IN MILLIONS OF CHF	**Switzerland**	**UK**	**Switzerland**	**UK**
MATURITY PROFILE OF DEFINED BENEFIT OBLIGATION				
Expected payments within 1 year	6.8	5.5	7.0	6.4
Expected payments in year 2	6.7	4.8	6.9	6.0
Expected payments in year 3	6.6	5.0	6.7	5.4
Expected payments in year 4	6.4	5.9	6.5	5.6
Expected payments in year 5	6.3	5.3	6.4	6.2
Expected payments in year 6 and beyond	32.9	33.6	33.3	38.2

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:

2017 IN MILLIONS OF CHF	SWITZERLAND Increase	SWITZERLAND Decrease	UK Increase	UK Decrease
A CHANGE OF 0.5 % IN THE FOLLOWING ASSUMPTIONS WOULD IMPLY				
Discount rate	(16.3)	18.7	–	20.5
Salary rate	3.9	(3.6)	–	–

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	2018 Switzerland	2018 UK
Current service cost	7.5	–
Fund administration expenses	0.4	–
Net interest expenses	0.1	0.2
Costs to be recognized in income statement	**8.0**	**0.2**

34. OTHER LIABILITIES

IN MILLIONS OF CHF	31.12.2017	31.12.2016
Concession fee payables	385.8	369.3
Personnel payables	168.9	170.8
Other service related vendors	196.8	175.6
Sales and other tax liabilities	123.0	101.0
Payables for capital expenditure	48.1	39.2
Interest payables	26.2	32.2
Advertising income payables	15.0	–
Financial derivative liabilities	–	6.5
Payables to local business partners	2.3	2.8
Payables for projects	0.2	1.4
Other payables	35.4	29.6
Total	**1,001.7**	**928.4**
THEREOF		
Current liabilities	888.8	832.3
Non-current liabilities	112.9	96.1
Total	**1,001.7**	**928.4**

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	2017	2016
PURCHASE OF GOODS FROM		
Folli Follie Group, luxury goods[1]	2.0	2.5
PURCHASE OF SERVICES FROM		
Folli Follie Group, rent of building[1]	1.8	1.8
Pension Fund Dufry, post-employment benefits	6.6	6.6
ACCOUNTS PAYABLES AT DECEMBER 31		
Folli Follie Group[1]	3.5	3.6
Pension Fund Dufry	0.9	1.2
ACCOUNTS RECEIVABLES AT DECEMBER 31		
Folli Follie Group[1]	–	0.4

[1] Folli Follie Group is controlled by George Koutsolioutsos, a member of the Board of Directors

The transactions with associated companies are the following:

IN MILLIONS OF CHF	2017	2016
PURCHASE OF SERVICES FROM		
Lojas Francas de Portugal S.A.	(1.6)	(0.5)
SALES OF SERVICES TO		
Lojas Francas de Portugal S.A.	0.6	1.7
Nuance Basel LLC (Sochi)	0.4	0.5
Nuance Group (Chicago) LLC	0.9	0.9
SALES OF GOODS TO		
Lojas Francas de Portugal S.A.	34.4	27.0
Nuance Basel LLC (Sochi)	2.8	2.1
Nuance Group (Chicago) LLC	3.2	0.2
ACCOUNTS RECEIVABLES AT DECEMBER 31		
Lojas Francas de Portugal S.A.	4.7	4.1
Nuance Basel LLC (Sochi)	10.8	9.1
Nuance Group (Chicago) LLC	1.4	0.3

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	2017	2016
BOARD OF DIRECTORS		
Number of directors	9	9
Short-term employee benefits	5.0	6.5
Post-employment benefits	0.4	0.3
Total compensation	**5.4**	**6.8**
GROUP EXECUTIVE COMMITTEE		
Number of members	12	12
Short-term employee benefits	19.2	18.7
Post-employment benefits	1.6	1.7
Share-based payments [1]	12.5	1.2
Total compensation	**33.3**	**21.6**

[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 2017 or 2016, no party has exercised their right to call upon such guarantees. All accrued, but still unpaid concession fees are presented as liabilities in the statement of financial position.

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, 2017 IN MILLIONS OF CHF	TOTAL	FAIR VALUE MEASUREMENT AT DECEMBER 31, 2017 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	0.1		0.1		0.1
Foreign exchange forward contracts – EUR	–		–		–
Foreign exchange swaps contracts – USD	5.0		5.0		5.0
Cross currency swaps contracts – EUR	3.9		3.9		3.9
Cross currency swaps contracts – GBP	0.4		0.4		0.4
Cross currency swaps contracts – OTHER	0.7		0.7		0.7
Total (Note 38.5.2)	**10.1**		**10.1**		**10.1**
ASSETS FOR WHICH FAIR VALUES ARE DISCLOSED					
Loans and receivables					
Credit card receivables	21.6		21.6		22.1

DECEMBER 31, 2016 IN MILLIONS OF CHF	TOTAL	FAIR VALUE MEASUREMENT AT DECEMBER 31, 2016 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	–		–		–
Foreign exchange forward contracts – EUR	0.9		0.9		0.9
Foreign exchange swaps contracts – USD	0.4		0.4		0.4
Cross currency swaps contracts – EUR	27.3		27.3		27.3
Cross currency swaps contracts – GBP	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	42.9		42.9		43.7

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

Quantitative disclosures fair value measurement hierarchy for liabilities

DECEMBER 31, 2017 IN MILLIONS OF CHF	TOTAL	FAIR VALUE MEASUREMENT AT DECEMBER 31, 2017 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	–		–		–
Foreign exchange forward contracts – EUR	–		–		–
Foreign exchange swaps contracts – EUR	–		–		–
Cross currency swaps contracts – GBP	–		–		–
Total (Note 38.5.2)	**–**		**–**		**–**
Financial liabilities valued at FVTPL					
Interest rate swaps	–		–		–
Total (Note 38.6.1)	**–**		**–**		**–**
LIABILITIES FOR WHICH FAIR VALUES ARE DISCLOSED					
At amortized cost					
Senior Notes EUR 800	953.6	953.6			926.6
Senior Notes EUR 700	857.5	857.5			811.0
Total	**1,811.1**	**1,811.1**			**1,737.6**
Floating rate borrowings USD	1,294.9		1,294.9		1,256.5
Floating rate borrowings EUR	591.2		591.2		579.9
Floating rate borrowings CHF	287.0		287.0		263.6
Floating rate borrowings GBP	331.0		331.0		316.1
Total	**2,504.1**		**2,504.1**		**2,416.1**

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

DECEMBER 31, 2016 IN MILLIONS OF CHF	FAIR VALUE MEASUREMENT AT DECEMBER 31, 2016 USING TOTAL	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	0.2		0.2		0.2
Foreign exchange forward contracts – EUR	–		–		–
Foreign exchange swaps contracts – EUR	0.2		0.2		0.2
Cross currency swaps contracts – GBP	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	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	562.1	562.1			528.3
Senior Notes EUR 700	801.2	801.2			740.5
Total	**1,363.3**	**1,363.3**			**1,268.8**
Floating rate borrowings USD	2,150.6		2,150.6		2,038.3
Floating rate borrowings EUR	189.4		189.4		175.1
Floating rate borrowings GBP	616.2		616.2		582.1
Total	**2,956.2**		**2,956.2**		**2,795.5**

There were no transfers between 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	31.12.2017	31.12.2016
Cash and cash equivalents	(565.0)	(450.8)
Financial debt, short-term	86.8	127.3
Financial debt, long-term	4,165.1	4,073.9
Net debt	**3,686.9**	**3,750.4**
Equity attributable to equity holders of the parent	3,130.1	3,062.0
ADJUSTED FOR		
Accumulated hedged gains / (losses)	(45.2)	9.6
Effects from transactions with non-controlling interests [1]	1,839.0	1,835.5
Total capital [2]	**4,923.9**	**4,907.1**
Total net debt and capital	**8,610.8**	**8,657.5**
Gearing ratio	**42.8 %**	**43.3 %**

[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, 2017

IN MILLIONS OF CHF	FINANCIAL ASSETS Loans and receivables	at FVTPL	SUBTOTAL	NON-FINANCIAL ASSETS	TOTAL
Cash and cash equivalents	565.0	–	565.0	–	565.0
Trade and credit card receivables	82.5	–	82.5	–	82.5
Other accounts receivable	246.0	10.0	256.0	252.5	508.5
Other non-current assets	136.5	–	136.5	202.1	338.6
Total	**1,030.0**	**10.0**	**1,040.0**		

IN MILLIONS OF CHF	FINANCIAL LIABILITIES at amortized cost	at FVTPL	SUBTOTAL	NON-FINANCIAL LIABILITIES	TOTAL
Trade payables	644.6	–	644.6	–	644.6
Financial debt short-term	86.8	–	86.8	–	86.8
Other liabilities	761.5	–	761.5	127.3	888.8
Financial debt long-term	4,165.1	–	4,165.1	–	4,165.1
Other non-current liabilities	18.3	–	18.3	94.6	112.9
Total	**5,676.3**	**–**	**5,676.3**		

AT DECEMBER 31, 2016

IN MILLIONS OF CHF	FINANCIAL ASSETS Loans and receivables	at FVTPL[1]	SUBTOTAL	NON-FINANCIAL ASSETS[2]	TOTAL
Cash and cash equivalents	450.8	–	450.8	–	450.8
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**		

IN MILLIONS OF CHF	FINANCIAL LIABILITIES at amortized cost	at FVTPL[1]	SUBTOTAL	NON-FINANCIAL LIABILITIES[2]	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**		

[1] Financial assets and financial liabilities at fair value through profit and loss
[2] Non-financial assets or non-financial 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, 2017

IN MILLIONS OF CHF	LOANS AND RECEIVABLES	AT FVTPL	TOTAL
Interest income	18.1	–	18.1
Other finance income	1.0	8.7	9.7
From interest	**19.1**	**8.7**	**27.8**
Foreign exchange gain (loss) [1]	17.1	(16.6)	0.5
Impairments / allowances [2]	(7.5)	–	(7.5)
Total – from subsequent valuation	**9.6**	**(16.6)**	**(7.0)**
Net (expense) / income	**28.7**	**(7.9)**	**20.8**

Financial Liabilities at December 31, 2017

IN MILLIONS OF CHF	AT AMORTIZED COST	AT FVTPL	TOTAL
Interest expenses and arrangement fees	(207.1)	–	(207.1)
Other finance expenses	(24.1)	–	(24.1)
From interest	**(231.2)**	**–**	**(231.2)**
Foreign exchange gain (loss) [1]	15.7	–	15.7
Total – from subsequent valuation	**15.7**	**–**	**15.7**
Net (expense) / income	**(215.5)**	**–**	**(215.5)**

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, 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**
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 and arrangement fees	(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

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, 2017						
Monetary assets	2,031.4	1,269.1	323.7	19.1	1,043.8	4,687.1
Monetary liabilities	3,384.1	1,834.8	452.7	43.4	521.5	6,236.5
Net currency exposure before foreign currency contracts and hedging	**(1,352.7)**	**(565.7)**	**(129.0)**	**(24.3)**	**522.3**	**(1,549.4)**
Foreign currency contracts	(262.1)	963.3	(50.9)	11.8	(229.0)	433.1
Hedging	903.8	–	65.8	–	(105.7)	863.9
Net currency exposure	**(711.0)**	**397.6**	**(114.1)**	**(12.5)**	**187.6**	**(252.4)**
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 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)**

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	31.12.2017	31.12.2016
Effect on the Income Statement – profit (loss) of USD	22.5	5.0
Other comprehensive income – profit (loss) of USD	45.2	47.1
Effect on the Income Statement – profit (loss) of EUR	25.8	8.3
Effect on the Income Statement – profit (loss) of GBP	9.7	(2.3)
Other comprehensive income – profit (loss) of GBP	(3.3)	15.1

Reconciliation to categories of financial instruments:

IN MILLIONS OF CHF	31.12.2017	31.12.2016
FINANCIAL ASSETS		
Total financial assets held in foreign currencies (see above)	4,687.1	5,275.4
less intercompany financial assets in foreign currencies	(4,430.6)	(4,824.6)
Third party financial assets held in foreign currencies	256.5	450.8
Third party financial assets held in reporting currencies	783.5	413.1
Total third party financial assets [1]	**1,040.0**	**863.9**
FINANCIAL LIABILITIES		
Total financial liabilities held in foreign currencies (see above)	6,236.5	7,270.4
less intercompany financial liabilities in foreign currencies	(2,944.4)	(2,610.1)
Third party financial liabilities held in foreign currencies	3,292.1	4,660.3
Third party financial liabilities held in reporting currencies	2,384.2	849.5
Total third party financial liabilities [1]	**5,676.3**	**5,509.8**

[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, 2017	1,130.4	10.1	–
December 31, 2016	986.0	28.7	1.9

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 no outstanding interest swaps contracts during 2017 (6 in 2016).

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.

IN MILLIONS OF CHF	CONTRACT OR UNDERLYING PRINCIPAL AMOUNT	POSITIVE FAIR VALUE	NEGATIVE FAIR VALUE
December 31, 2017	–	–	–
December 31, 2016	1,028.0	–	4.6

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 2017 would decrease by CHF 43.3 (2016: decrease by 43.2) million.

38.6.3 Allocation of financial assets and liabilities to interest classes

	IN %		IN MILLIONS OF CHF				
AT DECEMBER 31, 2017	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	0.7%	0.8%	157.5	8.4	165.9	399.1	565.0
Trade and credit card receivables			–	–	–	82.5	82.5
Other accounts receivable		6.0%	–	0.5	0.5	255.5	256.0
Other non-current assets	4.7%		51.4	–	51.4	85.1	136.5
Financial assets			**208.9**	**8.9**	**217.8**	**822.2**	**1,040.0**
Trade payables			–	–	–	644.6	644.6
Financial debt, short-term	3.7%	4.1%	44.2	40.5	84.7	2.1	86.8
Other liabilities			–	–	–	761.5	761.5
Financial debt, long-term	0.7%	3.4%	2,433.0	1,731.1	4,164.1	1.0	4,165.1
Other non-current liabilities			–	16.6	16.6	1.7	18.3
Financial liabilities			**2,477.2**	**1,788.2**	**4,265.4**	**1,410.9**	**5,676.3**
Net financial liabilities			**2,268.3**	**1,779.3**	**4,047.6**	**588.7**	**4,636.3**

	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
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**

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, 2017 IN MILLIONS OF CHF	1–6 MONTHS	6–12 MONTHS	1–2 YEARS	MORE THAN 2 YEARS	TOTAL
Cash and cash equivalents	575.5	3.9	–	–	579.4
Financial instruments at fair value through profit and loss	–	–	–	–	–
Trade and credit card receivables	82.3	0.2	–	–	82.5
Other accounts receivable	238.7	7.3	–	–	246.0
Other non-current assets	1.2	1.2	4.4	136.7	143.5
Total cash inflows	**897.7**	**12.6**	**4.4**	**136.7**	**1,051.4**
Trade payables	644.7	–	–	–	644.7
Financial debt, short-term	86.3	10.9	–	–	97.2
Other liabilities	759.6	1.9	–	–	761.5
Financial debt, long-term	39.9	42.5	165.1	4,427.4	4,674.9
Other non-current liabilities	0.1	0.1	16.9	1.9	19.0
Total cash outflows	**1,530.6**	**55.4**	**182.0**	**4,429.3**	**6,197.3**

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**

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 46.6 (2016: 39.4) 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
31.12.2017			
Cash and cash equivalents	1,243.7	(678.7)	565.0
Financial debt, short-term	765.5	(678.7)	86.8
31.12.2016			
Cash and cash equivalents	1,039.1	(588.3)	450.8
Financial debt, short-term	715.6	(588.3)	127.3

39. EVENTS AFTER REPORTING DATE

Prior to the completion of the initial public offering, Dufry International AG created Hudson Ltd, Bermuda a fully owned subsidiary to hold all the shares of Dufry America Holding, Inc. the parent entity of the Hudson Group (HG), Inc. in the USA and Canada, as well as Nuance Group (Canada), Inc. the parent entity of World Duty Free Group (Vancouver), Inc.. All these operations comprise Dufry's North America division which offers through 989 shops in 88 locations a diversified portfolio of travel retail brands and concepts and generated in 2017 a turnover of CHF 1,771.5 (USD 1,802.5) million.

On January 31, 2018 the initial public offering (IPO) took place in which Dufry International AG offered 42.6 % or 39,417,765 Class A common shares of Hudson Ltd at a public offering price of USD 19.00 per share, adding up to a total consideration received by Dufry International AG of CHF 696.0 million (USD 714.4 million) at the exchange rate of December 31, 2017, after underwriting discounts and commissions, but before expenses. The shares began trading on the New York Stock Exchange on February 1, 2018, under the ticker symbol "HUD". Dufry will use the proceeds mainly to reduce the bank debt.

After the IPO Dufry retained the control of Hudson Ltd, as the shares offered through the IPO represent less than 50 % of the total in terms of shares or voting rights.

MOST IMPORTANT SUBSIDIARIES

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

AS OF DECEMBER 31, 2017	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
Regstaer Ltd	Moscow	Russia	R	51	3,991	EUR
Dufry East OOO	Moscow	Russia	R	100	712	USD
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	London	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	100	1,035,250	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 Shops Colombo Limited	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	20,306	USD
Dufry Aruba N.V.	Oranjestad	Aruba	R	100	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	87	98,175	USD
Dufry Lojas Francas Ltda	Sao Paulo	Brazil	R	87	99,745	USD
Aldeasa Chile, Ltd	Santiago de Chile	Chile	R	100	2,517	USD
Inversiones Tunc SRL	Santo Domingo	Dominican Republic	R	100	–	USD

AS OF DECEMBER 31, 2017	LOCATION	COUNTRY	TYPE	OWNERSHIP IN %	SHARE CAPITAL IN THOUSANDS	CURRENCY
Inversiones Pánamo SRL	Santo Domingo	Dominican Republic	R	100	–	USD
Aldeasa Jamaica, Ltd	St. James	Jamaica	R	100	280	USD
Dufry Mexico SA de CV	Mexico City	Mexico	R	100	268	USD
Dufry Yucatan SA de CV	Mexico City	Mexico	R	100	1,141	USD
World Duty Free Group Peru S.A.C.	Lima	Peru	R	100	1,010	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
NORTH AMERICA						
Nuance Group (Canada) Inc.	Toronto	Canada	R	100	13,260	CAD
WDFG 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
Atlanta WDFG LTL ATL JV LLC	Delaware	USA	R	70	–	USD
HG Denver JV	Denver	USA	R	76	–	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	68	–	USD
Airport Management Services LLC	Los Angeles	USA	H / R	100	–	USD
Hudson-Magic Johnson Ent. CV LLC	Los Angeles	USA	R	91	–	USD
LAX Retail Magic 2 JV	Los Angeles	USA	R	73	–	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
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
AMS-SJC JV	San Jose	USA	R	91	–	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	1,000	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

To the General Meeting of
Dufry AG, Basel

Basel, 7 March 2018

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 statement of financial position as at 31 December 2017 and the consolidated statement of income, consolidated statement of comprehensive income, consolidated statement of changes in equity and 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 108 to 197) give a true and fair view of the consolidated financial position of the Group as at 31 December 2017, 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.

Valuation of goodwill / intangible assets with indefinite useful life

Area of Focus

Goodwill and intangible assets with indefinite useful live represent 30% of the Group's total assets and 89 % of the Group's total shareholders' equity as at 31 December 2017. 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 2017 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 intangible assets with indefinite useful life 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 assumptions and methods that were used by the Company for its annual impairment test. 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.

Deferred tax assets – recoverability of tax loss carry forwards

Area of Focus

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 2017, the Group has current and deferred tax assets of CHF 173 million, current and deferred tax liabilities of CHF 525 million, and has disclosed a contingent liability of CHF 47 million which includes tax-related exposures.

The company has incurred tax losses of CHF 1'127 million as at 31 December 2017. The company has recognized deferred tax assets related to tax losses to the extent that the realization of the related tax benefits through future taxable profits are probable. The estimate of future taxable profits is based on the strategic plan which is then allocated to the tax-paying entities in the various jurisdictions. The recognition of deferred tax assets is therefore sensitive to changes in the strategic plan. Based on internal calculations with respect to the expected taxable profits in future years the company has recognized a deferred tax asset of CHF 129 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 particularly for tax contingencies. 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 in each jurisdiction. 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.

Accounting for concession fees, above all minimum annual guarantees

Area of Focus

Capitalized concession rights, amounting to CHF 3'546 million, represent 35 % of the balance sheet total as at 31 December 2017. 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.

Other information in the annual report

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

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

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

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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

Christian Krämer Licensed audit expert (Auditor in charge)	Philipp Baumann Licensed audit expert

INCOME STATEMENT

FOR THE YEAR ENDED DECEMBER 31, 2017

IN THOUSANDS OF CHF	NOTE	2017	2016
Financial income		10,591	11,893
Franchise fee income		13,740	10,324
Other income	4	34,544	–
Total income		**58,875**	**22,217**
Personnel expenses	8	(33,104)	(14,077)
General and administrative expenses		(4,154)	(4,386)
Management fee expenses		(19,311)	(11,860)
Amortization of intangibles		–	(5,755)
Financial expenses		(8)	(806)
Direct taxes		(2,436)	(2,331)
Total expenses		**(59,013)**	**(39,215)**
(Loss) / profit for the year		**(138)**	**(16,998)**

STATEMENT OF FINANCIAL POSITION

AT DECEMBER 31, 2017

IN THOUSANDS OF CHF	NOTE	31.12.2017	31.12.2016
ASSETS			
Cash and cash equivalents		11,052	14,099
Current receivables third parties		60	55
Current receivables subsidiaries		3,563	1,819
Current receivables other group companies		–	1
Current financial assets subsidiaries		346,000	346,000
Current assets		**360,675**	**361,974**
Investments	3	4,238,415	4,238,415
Intangible assets	4	110,780	76,251
Non-current assets		**4,349,195**	**4,314,666**
Total assets		**4,709,870**	**4,676,640**
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities third parties		413	1,808
Current liabilities participants and bodies		916	855
Current liabilities subsidiaries		18,025	11,639
Current liabilities other group companies		14	5
Deferred income and accrued expenses		46,417	20,587
Current liabilities		**65,785**	**34,894**
Total liabilities		**65,785**	**34,894**
Share capital	6	269,359	269,359
Legal capital reserves			
Reserve from capital contribution	6	4,290,806	4,290,806
Legal retained earnings			
Other legal reserves		5,927	5,927
Voluntary retained earnings			
Results carried forward	13	90,637	107,635
(Loss) / profit for the year	13	(138)	(16,998)
Treasury shares	7	(12,505)	(14,983)
Shareholders' equity		**4,644,086**	**4,641,746**
Total liabilities and shareholders' equity		**4,709,870**	**4,676,640**

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 recognized at historical values, 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 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, are 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	2017	2016	2017	2016
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. RELEASE OF HIDDEN RESERVES

IN THOUSANDS OF CHF	2017	2016
Intangible assets (trademarks)	34,544	–

5. SIGNIFICANT SHAREHOLDERS' PARTICIPATION

IN PERCENTAGE (%) OF OUTSTANDING REGISTERED SHARES	31.12.2017	31.12.2016
Hainan Province Cihang Foundation	20.92 %	–
Group of shareholders consisting of various companies and legal entities representing the interests of: Andrés Holzer Neumann, Julián Díaz González, Juan Carlos Torres Carretero, James S. Cohen, James S. Cohen Family Dynasty Trust, Dimitrios Koutsolioutsos and Nucleo Capital Co-Investment Fund I Ltd.	18.27 %	19.47 %
State of Qatar	6.92 %	6.92 %
Paul E. Singer	5.57 %	–
Compagnie Financiere Rupert	5.00 %	–
Norges Bank (the Central Bank of Norway)	3.30 %	–
Black Rock, Inc.	2.64 %	3.06 %
Temasek Holdings (Private) Ltd.	–	8.55 %
Government of Singapore	–	7.79 %

6. SHARE CAPITAL

6.1 ORDINARY SHARES

IN THOUSANDS OF CHF	NUMBER OF SHARES	SHARE CAPITAL	CAPITAL CONTRIBUTION RESERVE
Balance at January 1, 2016	**53,871,707**	**269,359**	**4,290,806**
Balance at December 31, 2016	**53,871,707**	**269,359**	**4,290,806**
Balance at December 31, 2017	**53,871,707**	**269,359**	**4,290,806**

6.2 CONDITIONAL SHARE CAPITAL

IN THOUSANDS OF	SHARES	CHF
Balance at January 1, 2016	**888**	**4,442**
Balance at December 31, 2016	**888**	**4,442**
Balance at December 31, 2017	**888**	**4,442**

7. TREASURY SHARES

IN THOUSANDS OF	SHARES	CHF
Balance at January 1, 2016	**94.2**	**14,277**
Share purchases	6.0	706
Balance at December 31, 2016	**100.2**	**14,983**
Assigned to holders of RSU Awards 2014	(16.0)	(2,479)
Balance at December 31, 2017	**84.2**	**12,504**

8. PERSONNEL EXPENSES

The personnel expenses correspond to the share-based payments for the Group Executive Committee members and selected members of the senior management, as described in Note 28 of Dufry Annual Report 2017, as well as the compensation to the board members.

Dufry AG employed less than 10 people in 2017 and 2016.

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

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

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

10. CONTINGENT LIABILITIES

Dufry AG jointly and severally with Dufry International AG 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	31.12.2017	31.12.2016
MAIN BANK CREDIT FACILITIES						
Committed 5-year term loan	03.11.2022		USD	700.0	682.0	–
Committed short-term financing	03.11.2018		EUR	500.0	584.6	–
5-year revolving credit facility	03.11.2022		EUR	1,300.0	584.5	–
Committed 5-years term loan	03.11.2022		EUR	500.0	581.8	–
Committed 5-year term loan	31.07.2019		USD	1,010.0	–	1,028.0
Committed 4-year term loan	31.07.2019		EUR	800.0	–	860.8
Committed 5-year term loan	31.07.2019		EUR	500.0	–	558.9
5-year revolving credit facility	31.07.2019		CHF	900.0	–	371.6
Subtotal					**2,432.9**	**2,819.3**
SENIOR NOTES						
Senior notes	15.10.2024	2.50 %	EUR	800.0	926.6	–
Senior notes	01.08.2023	4.50 %	EUR	700.0	811.0	740.5
Senior notes	15.07.2022	4.50 %	EUR	500.0	–	528.3
Subtotal					**1,737.6**	**1,268.8**
GUARANTEE FACILITY						
Committed 5-year term guarantee line Unicredit AG	09.09.2019		EUR	250.0	–	93.4
Subtotal					**–**	**93.4**
Total					**4,170.5**	**4,181.5**

There are no assets pledged in 2017 and 2016.

11. 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, 2017 or December 31, 2016 (members not listed do not hold any shares or options):

			31.12.2017			31.12.2016
IN THOUSANDS	**SHARES**	**FINANCIAL INSTRUMENTS [1]**	**PARTICIP.**	**SHARES**	**FINANCIAL INSTRUMENTS [1]**	**PARTICIP.**
MEMBERS OF THE BOARD OF DIRECTORS						
Juan Carlos Torres Carretero, Chairman	970.3	118.3	2.02 %	982.2	118.3	2.04 %
Andrés Holzer Neumann, Vice-Chairman	4,324.0	220.8	8.44 %	4,308.8	276.1	8.51 %
Jorge Born, Director	22.0	30.9 [2]	0.10 %	–	30.9 [2]	0.06 %
Julián Diáz Gonzalez, Director and CEO	263.1	43.8	0.57 %	284.5	43.8	0.61 %
George Koutsolioutsos, Director	1,608.4	200.0	3.36 %	1,608.4	200.0	3.36 %
Total Board of Directors	**7,187.8**	**613.8**	**14.48 %**	**7,183.9**	**669.1**	**14.58 %**
MEMBERS OF THE GROUP EXECUTIVE COMMITTEE						
Julián Diáz Gonzalez, CEO	263.1	43.8	0.57 %	284.5	43.8	0.61 %
Andreas Schneiter, CFO	7.5	–	0.01 %	6.1	–	0.01 %
José Antonio Gea, GCOO	4.1	–	0.01 %	4.1	–	0.01 %
Luis Marin, CCO	1.8	–	0.00 %	1.2	–	0.00 %
Jordi Martin-Consuegra, CRD	1.1	–	0.00 %	1.1	–	0.00 %
René Riedi, Division CEO Latin America	0.9	–	0.00 %			
Joseph DiDomizio, Division CEO North America	1.0	–	0.00 %			
Gustavo Magalhães Fagundes, GM Brazil and Bolivia	6.9	–	0.01 %	6.9	–	0.01 %
Total Group Executive Committee	**286.4**	**43.8**	**0.61 %**	**303.9**	**43.8**	**0.64 %**

[1] The detailed terms of the various financial instruments disclosed above are as disclosed to the SIX Swiss Exchange and published on December 28, 2017, for the year 2017 and on September 15, 2016, for the year 2016.

[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.

At December 31, 2017, a Dufry share quoted at CHF 144.9 (2016: 127) each.

In addition to the above, the shareholders' group consisting, among others, of different legal entities controlled by Andrés Holzer Neumann, Juan Carlos Torres, Julián Díaz González and Dimitrios Koutsolioutsos holds sale positions of 7.31% through options (3,937,130 voting rights) as of December 31, 2017 (as of December 31, 2016: sale positions of 7.59% through options (4,087,520 voting rights)).

The detailed terms of these financial instruments are as disclosed to the SIX Swiss Exchange and published on December 28, 2017 (for sales position as of December 31, 2016: publication of disclosure notice on September 15, 2016).

Disclosure notices are available on the SIX Swiss Exchange website

www.six-exchange-regulation.com/en/home/publications/significant-shareholders.html

12. SHARE-BASED PLAN FOR THE GROUP EXECUTIVE COMMITTEE

Members of the Group Executive Committee received 79,895 (2016: 92,319) stock options with a value of CHF 11,943 (2016: 11,678) thousands.

13. APPROPRIATION OF AVAILABLE EARNINGS

IN THOUSANDS OF CHF	2017	2016
Result carried forward	90,637	107,635
Loss for the year	(138)	(16,998)
Retained earnings at December 31	**90,499**	**90,637**
To be carried forward	**90,499**	**90,637**

Building a better working world

To the General Meeting of
Dufry AG, Basel

Basel, 7 March 2018

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 202 to 209), for the year ended 31 December 2017.

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 2017 comply with Swiss law and the company's articles of incorporation.

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

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

We have fulfilled the responsibilities described in the Auditor's 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 rates and discount rates (WACC). 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

Christian Krämer Licensed audit expert (Auditor in charge)	Philipp Baumann 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 2018 please refer to pages 252 / 253 of this Annual Report.