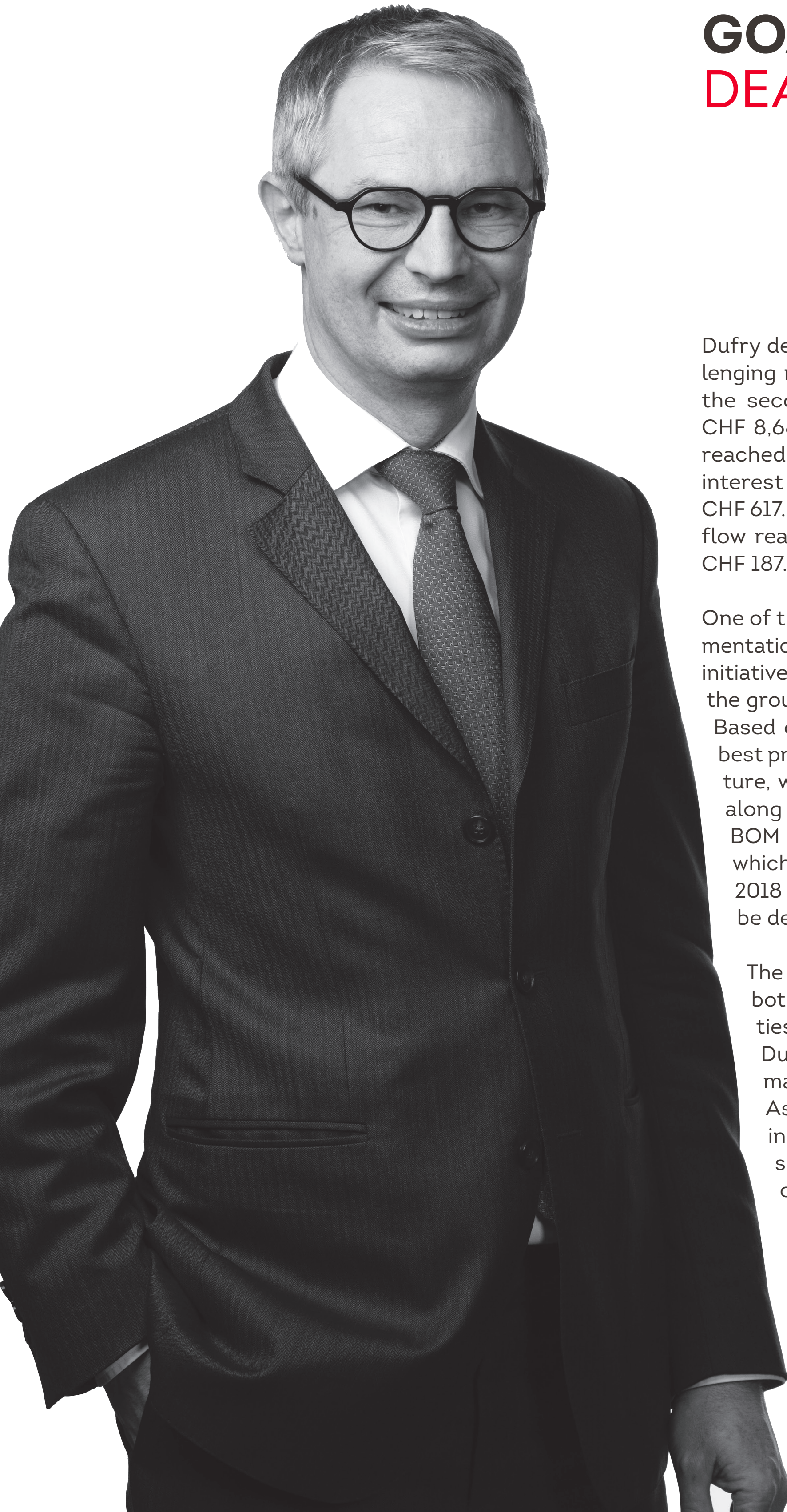
FINANCIAL REPORT 2018

DUFRY

WorldClass.WorldWide.

DELIVERING ON OUR GOALS
DEAR ALL



Dufry delivered resilient results in 2018 despite challenging market conditions in certain geographies in the second half of the year. Turnover came in at CHF 8,684.9 million and grew by 3.7% while EBITDA reached CHF 1,040.3 million. Free cash flow before interest and minorities grew as well and reached CHF 617.1 million increasing by 32.1%. Equity free cash flow reached CHF 370.8 million, almost double the CHF 187.8 million recorded in 2017.

One of the main achievements in 2018 was the implementation of the Business Operating Model (BOM). The initiative started in 2016 with a complete analysis of the group's processes, procedures and organization. Based on this work, we then defined a blueprint of best practices and standardized organization structure, which were implemented country by country along 2017 and 2018. The implementation of the BOM generates efficiencies of CHF 50 million, of which CHF 40 million are already reflected in the 2018 results, with the remaining CHF 10 million to be delivered in the financial year 2019.

The healthy growth in cash flow generation, for both free cash flow before interest and minorities and equity free cash flow, is evidence that Dufry can deliver a robust operational performance even in sub-optimal market conditions. As such, the cash generation levels achieved in 2018 are a good proxy for the future and showcase the true and resilient potential of the company.

In 2018, Dufry started to return cash to shareholders. After a series of acquisitions between 2006 and 2015, Dufry consistently de-leveraged over the past years and in 2018 reached its target leverage range of 2 to 3 times net debt/EBITDA. As a consequence,

3.7%

Turnover grew by 3.7% and reached CHF 8,684.9 million

we revised our capital allocation strategy to include both, investing in further growth and returning cash to shareholders through regular dividend payments. In 2018, the dividend payout was CHF 3.75 per share, totaling CHF 198.7 million. Additionally, in the year, we ran a share buyback program, in which we bought back shares in the value of CHF 401.9 million, which has an accretive effect in earnings per share in 2018 and 2019. The Board of Directors will propose to the Annual General Meeting of Shareholders in May 2019 to cancel these shares.

In February, 2018, we successfully floated our North America division at the New York Stock Exchange, under the name Hudson Ltd for proceeds of USD 714 million. The listing was done to provide additional strategic flexibility to our North American business to expand beyond the travel retail business into airport food and beverage operations and master concessions.

In 2018, Dufry terminated its Brazilian Depositary Receipt ("BDR") Program and canceled the registration as a foreign issuer in Brazil. This decision was taken based on the low liquidity of Dufry's BDRs and aimed at reducing costs and operational complexities.

TURNOVER

Turnover grew by 3.7% reaching CHF 8,684.9 million in 2018, from CHF 8,377.4 million in 2017 and including an FX translation effect of +1.0%. Organic growth contributed 2.7%, of which net new concessions added 1.7%.

Turnover in **Southern Europe and Africa** reached CHF 1,854.0 million in 2018, from CHF 1,857.8 million one year before. Organic performance in the division was –2.6% in the full year 2018. The Spanish business was negatively impacted by a change in the mix of passengers towards lower spending nationalities. On the other hand, Turkey benefited from the shift and posted good performance. Other locations such as Italy, France, Malta and Kenia, all posted good growth.

UK and Central Europe's turnover grew to CHF 1,974.2 million in the year, versus CHF 1,945.1 million in 2017, with organic growth in the division reaching 0.3%. The growth along most part of the year in the region was largely impacted by the closing of operations in Geneva as of October 2017. Excluding such impact, organic growth reached +3.4%.

In the UK, the main operation in the Division, performance was solid during the whole year, supported by a stable growth in passenger numbers as well as refurbishments and marketing initiatives. Switzerland, excluding Geneva, also posted good growth, due to a combination of the refurbishment and introduction of the New Generation store concept in Zurich along with growth in passengers.

Turnover in **Eastern Europe, Asia, Middle East and Australia** amounted to CHF 1,153.6 million in 2018, from CHF 1,011.4 million in 2017. Organic growth was double-digit at 15.1%. The opening of operations in Hong Kong and Perth were key to maintaining organic growth at high levels, despite the higher comparables since the third quarter.

Eastern Europe had a good performance in the year, although the performance slowed in the second half. In the Middle East, operations in Jordan, Kuwait, Sharjah and India continued to grow solidly. The growth trend in Asia remained strong during 2018 although there was some slowdown in the second half of the year due to stronger comparables. We saw a solid performance in operations such as Cambodia, Macau, South Korea and Indonesia. Australia posted double digit growth in the year, supported by the opening of the New Generation Store in Melbourne.

Latin America's turnover went to CHF 1,617.0 million in 2018 versus CHF 1,694.0 million one year earlier. Organic growth for the year stood at –3.5%. Most operations in South America faced challenging conditions driven by a strong devaluation of local currencies. Brazil and Argentina were the most impacted locations with the Brazilian Real and the Argentinean Peso devaluing 15% and 70% respectively in the year. Other operations in South America also saw a slowdown in performance as a knock-on effect from the two key countries above, especially in the second half of the year.

Central America and Caribbean had a good performance along the year, further supported by a strong development of the cruise business, where we started operations on board of a number of new ships.

Turnover in **North America** reached CHF 1,884.4 million in 2018 from CHF 1,771.5 million in the previous year. The Division delivered a good organic growth, totaling 6.8% in 2018.

This performance was driven by a combination of passenger growth and new openings along the year. The duty-paid concept delivered a solid performance throughout the year. Growth in the duty-free operations was resilient as well until the third quarter. During Q4 2018, organic growth slowed slightly down to 4.7%, mainly driven by the change in the Chinese passenger profile resulting in a lower spending and impacting the duty-free business in the region.

RESILIENT FINANCIALS IN A VOLATILE YEAR

Gross profit
Gross profit grew by 4.4% and reached CHF 5,195.7 million in 2018 versus CHF 4,978.6 million in 2017. Gross margin improved by 40 basis points, which comes partly from a mix effect and mainly as a result of further renegotiations of terms and conditions with local suppliers, supported by a contribution from the acceleration of several brand plan initiatives, resulting either in better terms or higher compensation from suppliers.

Selling expenses
Selling expenses, which include concession fees, reached CHF 2,580.5 million in 2018 from CHF 2,430. million in 2017. As a percentage of turnover, they went to 29.7%, from 29.0% in 2017. About one third of the increase is due to the effect of the minimum annual guarantee of the Spanish contracts and another 10 basis points due to new operations outside the airport channel.

Personnel and general expenses
Personnel expenses reached CHF 1,175.2 million in 2018 versus CHF 1,135.0 million one year earlier. As a percentage of turnover they were flat, reaching 13.5% in 2018.

General expenses stood at CHF 403.5 million in the year to December from CHF 404.8 million in 2017. Measured as a percentage of turnover, it was 4.6%, 20 basis points lower than in 2017.

EBITDA
EBITDA grew by 3.3% and stood at CHF 1,040.3 million (CHF 1,007.1 million in 2017). EBITDA margin was 12.0% in 2018, the same level seen in 2017.

Depreciation, amortization, impairment and linearization
Depreciation reached CHF 202.3 million in 2018, compared to CHF 158.9 million in 2017. Amortization and impairment stood at CHF 369.6 million in 2018, compared to the CHF 423.9 million reported in 2017. The amount in 2017 includes CHF 64.7 million related to the impairment charges.

Linearization amounted to CHF –47.7 million in 2018. 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 went to CHF 371.4 million in 2018 from CHF 418.7 million in the last year. Other operational result (net) was CHF –49.3 million in 2018, mainly due to costs related to openings and closings of operations. In 2017, other operational result was positive CHF 53.3 million, mainly related to the release of provisions.

Financial result
Financial result, net, reached CHF 137.2 million in 2018 from CHF 216.8 million in 2017. The improvement of CHF 79.6 million is due to the refinancing concluded in Q4 2017, lower debt levels in 2018 and refinancing related one-off charges in 2017 of CHF 41.6 million.

Taxes
Income tax reached CHF 98.8 million in 2018, versus CHF 91.0 million in 2017. The impact from deferred tax income was slightly lower in 2018, totaling CHF 27.1 million compared to CHF 29.2 million in 2017.

Net earnings
Net earnings reached CHF 135.4 million, 22.1% higher compared to 2017. Net Earnings to equity holders were CHF 71.8 million in 2018, compared to CHF 56.8 million seen in 2017.

Cash earnings, which add back acquisition-related amortization, reached CHF 379.2 million in 2018 versus CHF 367.9 million in 2017. Cash EPS in 2018 grew by 6.9% and reached CHF 7.31, versus CHF 6.84 in 2017.

Cash flow and debt
Free cash flow before interest and minorities reached CHF 617.1 million in 2018, compared to CHF 467.0 million in 2017. Apart from the EBITDA generation, net working capital management led it to only a slight negative of CHF 4.1 million, with Capex further reduced to CHF 251.1 million in 2018 from CHF 283.5 million in 2017, now standing at 2.9% of turnover and comparing to 3.4% a year earlier.

Equity free cash flow reached CHF 370.8 million in 2018, almost double of the CHF 187.8 million reported in 2017. Besides the growth in free cash flow, the reduction in interest costs connected to the refinancing executed in 2017, contributed to the result.

In terms of capital structure, we focused on cash generation and deleveraging since the acquisition of WDF in 2015. In 2018, we continued to reduce net debt to CHF 3,286.1 million at the end of December 2018 compared to CHF 3,686.9 million one year earlier. Our main covenant, net debt/adjusted EBITDA, stood at 3.20x as per December 31, 2018, thus leaving a comfortable headroom to the agreed maximum threshold of 4.0x.

A LOT DONE IN 2018; MORE TO COME IN 2019

In 2018, we reached a number of milestones. From a financial perspective, we showcased for the first time the true cash generation potential of the company, with an equity free cash flow of CHF 370.8 million. On the operational side, we finalized the implementation of our new Business Operating Model (BOM) in 2018. 2018 concludes an important era for Dufry: in the last years we focused to integrate two large acquisitions, to generate synergies and to adapt our organization, processes and systems to benefit from the enlarged size as well as our position as industry leader. As a result, we improved our financial performance again, strengthened the balance sheet, extended our maturity profile, reduced interest costs, and reverted back to our target leverage.

With the conclusion of the BOM, the strong cash flow generation and the balance sheet being in good shape, we are now in a strong position for further development going forward. The deployment of the digital strategy and our retail skills will create new opportunities to grow existing businesses and to win new contracts and we can also look again at external growth with small and mid-sized acquisitions. At the same time, we will continue to return cash to our shareholders via a dividend payment.

In 2019, we will implement the new lease accounting standard IFRS 16, which in the case of Dufry will have a significant impact on the presentation of its financials. Due to the capitalization of fixed lease and concession components, Dufry will adapt the structure of its financials, and especially the income statement. Dufry's cash flow is the least impacted by the change, therefore being the better way of measuring performance. Dufry's main KPI's therefore will include: organic growth, free cash flow and equity free cash flow.

Fundamentally positive outlook
We have seen an ongoing improvement of our sales performance in the first weeks of the year, which confirms a positive outlook for the 2019 business year, although there is overall low short-term visibility for the global political and economic environment. Moreover, traveling continues to be a mega trend long-term and in that context travel retail remains an attractive sector.

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

Kind regards,

Andreas Schneiter

CONSOLIDATED INCOME STATEMENT

	2018		2017	
	IN MILLIONS OF CHF	IN %	IN MILLIONS OF CHF	IN %
CONTINUING OPERATIONS				
Net sales	8,455.8		8,164.7	
Advertising income	229.1		212.7	
Turnover	**8,684.9**	**100.0 %**	**8,377.4**	**100.0 %**
Cost of sales	(3,489.2)	40.2 %	(3,398.8)	40.6 %
Gross profit	**5,195.7**	**59.8 %**	**4,978.6**	**59.4 %**
Selling expenses	(2,580.5)	29.7 %	(2,430.1)	29.0 %
Personnel expenses	(1,175.2)	13.5 %	(1,135.0)	13.5 %
General expenses	(403.5)	4.6 %	(404.8)	4.8 %
Share of result of associates	3.8	0.0 %	(1.6)	0.0 %
EBITDA[1]	**1,040.3**	**12.0 %**	**1,007.1**	**12.0 %**
Depreciation, amortization and impairment	(571.9)	6.6 %	(582.8)	7.0 %
Linearization	(47.7)	0.5 %	(58.9)	0.7 %
Other operational result	(49.3)	0.6 %	53.3	(0.6 %)
Earnings before interests and taxes (EBIT)	**371.4**	**4.3 %**	**418.7**	**5.0 %**
Interest expenses	(196.4)	2.3 %	(259.6)	3.1 %
Interest income	64.7	(0.7 %)	35.4	(0.4 %)
Foreign exchange gain / (loss)	(5.5)	0.1 %	7.4	(0.1 %)
Earnings before taxes (EBT)	**234.2**	**2.7 %**	**201.9**	**2.4 %**
Income tax	(98.8)	1.1 %	(91.0)	1.1 %
Net earnings from continuing operations	**135.4**	**1.6 %**	**110.9**	**1.3 %**
ATTRIBUTABLE TO				
Equity holders of the parent	71.8		56.8	
Non-controlling interests	63.6		54.1	
Net profit to equity holders adjusted for amortization in respect of acquisitions	**379.2**		**367.9**	
Basic earnings per share	1.38		1.06	
Cash earnings per share [2]	7.31		6.84	
Weighted average number of outstanding shares in thousands	51,868		53,781	

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

FINANCIAL STATEMENTS 2018 CONTENT

CONSOLIDATED INCOME STATEMENT

FOR THE YEAR ENDED DECEMBER 31, 2018

IN MILLIONS OF CHF	NOTE	2018	2017
Net sales	7	8,455.8	8,164.7
Advertising income		229.1	212.7
Turnover		**8,684.9**	**8,377.4**
Cost of sales		(3,489.2)	(3,398.8)
Gross profit		**5,195.7**	**4,978.6**
Selling expenses	8	(2,580.5)	(2,430.1)
Personnel expenses	9	(1,175.2)	(1,135.0)
General expenses	10	(403.5)	(404.8)
Share of result of associates	18	3.8	(1.6)
EBITDA[1]		**1,040.3**	**1,007.1**
Depreciation, amortization and impairment	11	(571.9)	(582.8)
Linearization		(47.7)	(58.9)
Other operational result	12	(49.3)	53.3
Earnings before interet and taxes (EBIT)		**371.4**	**418.7**
Interest expenses	13	(196.4)	(259.6)
Interest income	13	64.7	35.4
Foreign exchange gain / (loss)		(5.5)	7.4
Earnings before tax (EBT)		**234.2**	**201.9**
Income tax	14	(98.8)	(91.0)
Net earnings		**135.4**	**110.9**
ATTRIBUTABLE TO			
Equity holders of the parent		71.8	56.8
Non-controlling interests		63.6	54.1
EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT			
Basic earnings per share	24.4	1.38	1.06
Diluted earnings per share	24.4	1.38	1.05

[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, 2018

IN MILLIONS OF CHF	NOTE	2018	2017
Net earnings		**135.4**	**110.9**
OTHER COMPREHENSIVE INCOME			
Changes in the fair value of equity investments at FVOCI	15	(0.3)	–
Remeasurements of post-employment benefit plans	15	10.6	11.0
Income tax	14, 15	(1.8)	(1.0)
Items not being reclassified to net income in subsequent periods, net of tax		**8.5**	**10.0**
Exchange differences on translating foreign operations	15	(74.3)	(64.9)
Net gain / (loss) on hedge of net investment in foreign operations	15	17.1	54.7
Changes in the fair value of interest rate swaps held as cash flow hedges	15	–	(1.6)
Share of other comprehensive income of associates	15, 23	0.3	0.3
Income tax on above positions	14, 15	–	–
Items to be reclassified to net income in subsequent periods, net of tax		**(56.9)**	**(11.5)**
Total other comprehensive income, net of tax		**(48.4)**	**(1.50)**
Total comprehensive income, net of tax		**87.0**	**109.4**
ATTRIBUTABLE TO			
Equity holders of the parent		21.7	50.0
Non-controlling interests		65.3	59.4

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT DECEMBER 31, 2018

IN MILLIONS OF CHF	NOTE	31.12.2018	31.12.2017
ASSETS			
Property, plant and equipment	16	644.3	667.9
Intangible assets	17	3,516.8	3,929.1
Goodwill	17	2,601.5	2,669.0
Investments in associates	18	35.6	33.9
Deferred tax assets	29	138.4	133.3
Net defined benefit asset	31	4.8	–
Other non-current assets	19	259.6	338.6
Non-current assets		**7,201.0**	**7,771.8**
Inventories	20	1,062.7	1,022.9
Trade and credit card receivables	21	62.6	82.5
Other accounts receivable	22	474.1	508.5
Income tax assets		50.3	40.1
Financial instruments at fair value through other comprehensive income	33	1.7	–
Cash and cash equivalents		538.2	565.0
Current assets		**2,189.6**	**2,219.0**
Total assets		**9,390.6**	**9,990.8**
LIABILITIES AND SHAREHOLDERS' EQUITY			
Equity attributable to equity holders of the parent	23	2,898.8	3,130.1
Non-controlling interests	25	442.9	226.1
Total equity		**3,341.7**	**3,356.2**
Financial debt	26	3,766.3	4,165.1
Deferred tax liabilities	29	425.9	466.8
Provisions	30	82.4	103.3
Employee benefit obligations	31	33.4	39.4
Other non-current liabilities		62.8	112.9
Non-current liabilities		**4,370.8**	**4,887.5**
Trade payables		640.4	644.6
Financial debt	26	58.0	86.8
Income tax payables		64.8	58.1
Provisions	30	54.8	68.8
Other liabilities	28	860.1	888.8
Current liabilities		**1,678.1**	**1,747.1**
Total liabilities		**6,048.9**	**6,634.6**
Total liabilities and shareholders' equity		**9,390.6**	**9,990.8**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED DECEMBER 31, 2018

		ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT									
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, 2018		**269.4**	**4,259.3**	**(12.5)**	**(26.9)**	**–**	**(265.5)**	**(1,093.7)**	**3,130.1**	**226.1**	**3,356.2**
Profit of the period		–	–	–	–	–	–	71.8	71.8	63.6	135.4
Other comprehensive income / (loss)	15	–	–	–	8.8	(0.3)	(58.6)	–	(50.1)	1.7	(48.4)
Total comprehensive income / (loss) for the period		**–**	**–**	**–**	**8.8**	**(0.3)**	**(58.6)**	**71.8**	**21.7**	**65.3**	**87.0**
TRANSACTIONS WITH OR DISTRIBUTIONS TO SHAREHOLDERS											
Dividends to shareholders		–	(198.7)	–	–	–	–	–	(198.7)	–	(198.7)
Dividends to non-controlling interests		–	–	–	–	–	–	–	–	(76.2)	(76.2)
Purchase and sale of treasury shares	24.3	–	–	(522.6)	–	–	–	–	(522.6)	–	(522.6)
Profit on disposal of treasury shares		–	–	–		–		0.2	0.2	–	0.2
Assignment of treasury shares		–	–	14.3		–		(14.3)	–	–	–
Share-based payments		–	–	–	–	–	–	26.2	26.2	5.0	31.2
Tax effect on equity transactions	14	–	–	–	–	–	–	4.0	4.0	1.3	5.3
Total transactions with or distributions to owners		**–**	**(198.7)**	**(508.3)**	**–**	**–**	**–**	**16.1**	**(690.9)**	**(69.9)**	**(760.8)**
CHANGES IN OWNERSHIP INTERESTS IN SUBSIDIARIES											
Gain on sale of 42.6 % of Hudson Ltd	6, 25	–	–	–	–	–	–	439.5	439.5	206.4	645.9
Other changes in participation of non-controlling interests	25							(1.6)	(1.6)	15.0	13.4
Balance at December 31, 2018		**269.4**	**4,060.6**	**(520.8)**	**(18.1)**	**(0.3)**	**(324.1)**	**(567.9)**	**2,898.8**	**442.9**	**3,341.7**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED DECEMBER 31, 2018

		ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT									
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, 2017		**269.4**	**4,259.3**	**(15.0)**	**(36.7)**	**1.6**	**(250.4)**	**(1,166.2)**	**3,062.0**	**208.6**	**3,270.6**
Profit of the period		–	–	–	–	–	–	56.8	56.8	54.1	110.9
Other comprehensive income / (loss)	15	–	–	–	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	24.3	–	–	2.5	–	–	–	(2.5)	–	–	–
Share-based payments	24	–	–	–	–	–	–	22.5	22.5	–	22.5
Tax effect on equity transactions	14	–	–	–	–	–	–	(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	23	–	–	–	–	–	–	(3.9)	(3.9)	15.4	11.5
Balance at December 31, 2017		**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 CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2018

IN MILLIONS OF CHF	NOTE	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before taxes		234.2	201.9
Depreciation, amortization and impairment	11	571.9	582.8
Loss / (gain) on sale of non-current assets		6.9	7.8
Increase / (decrease) in allowances and provisions		25.5	(50.6)
Loss / (gain) on foreign exchange differences		5.4	(2.4)
Linearization of concession fees		(29.6)	(3.2)
Other non-cash items		25.2	20.0
Share of result of associates	18	(3.8)	1.6
Interest expense	13	196.4	259.6
Interest income	13	(64.7)	(35.4)
Cash flow before working capital changes		**967.4**	**982.1**
Decrease / (increase) in trade and other accounts receivable		93.7	(30.8)
Decrease / (increase) in inventories	20	(57.0)	(127.7)
Increase / (decrease) in trade and other accounts payable		(40.8)	10.8
Dividends received from associates	18	5.7	4.9
Cash generated from operations		**969.0**	**839.3**
Income taxes paid		(132.8)	(124.2)
Net cash flows from operating activities		**836.2**	**715.1**
CASH FLOW USED IN INVESTING ACTIVITIES			
Purchase of property, plant and equipment	16	(201.7)	(205.3)
Purchase of intangible assets	17	(53.8)	(80.7)
Purchase of financial assets		(2.1)	–
Purchase of interest in associates	18	(3.3)	(1.0)
Proceeds from sale of property, plant and equipment		4.4	2.5
Proceeds from sale of financial assets		0.1	–
Interest received		29.5	27.1
Net cash flows used in investing activities		**(226.9)**	**(257.4)**

CONSOLIDATED STATEMENT OF CASH FLOWS

(CONTINUED)

FOR THE YEAR ENDED DECEMBER 31, 2018

IN MILLIONS OF CHF	NOTE	2018	2017
CASH FLOW FROM FINANCING ACTIVITIES			
Proceeds from issuance of notes		–	923.2
Transaction costs for financial instruments	27	(12.0)	(26.9)
Proceeds from bank loans	27	163.1	3,078.5
Repayment of loans and senior notes[2]	27	(478.2)	(4,097.9)
Proceeds from (repayment of) loans receivable	27	0.1	(4.1)
Proceeds from loans payable		0.7	1.0
Dividends paid to shareholders of the parent	23	(198.7)	–
Dividends paid to non-controlling interest	23	(70.1)	(57.3)
Purchase of treasury shares	24	(549.8)	–
Proceeds from sale of treasury shares		27.4	–
Net contributions from / (purchase of) non-controlling interests[1]		671.1	0.3
Interest paid		(169.9)	(218.1)
Net cash flows used in from financing activities[2]		**(616.3)**	**(401.3)**
Currency translation on cash[2]	27	(19.8)	57.8
Decrease / Increase in cash and cash equivalents		**(26.8)**	**114.2**
CASH AND CASH EQUIVALENTS AT THE			
– beginning of the period		565.0	450.8
– end of the period		538.2	565.0

[1] Mainly comprises proceeds from sale of a minority share of Hudson Ltd. CHF 665.2 million (see note 6)
[2] See comments on 2017 restated figures in note 2.3

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2018

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 2,300 shops worldwide. The shares of the Company are listed on the Swiss Stock Exchange (SIX) in Zurich.

The consolidated financial statements of Dufry AG and its subsidiaries (Dufry or the Group) for the year ended December 31, 2018 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 6, 2019, and are subject to the approval of the Annual General meeting to be held on May 9, 2019.

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 certain financial assets, liabilities (including derivative instruments) and defined benefit plan assets, 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 comprise all entities directly or indirectly controlled by Dufry (its subsidiaries) as at December 31, 2018 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, 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.

For the accounting treatment of associated companies see 2.4 q).

2.3 CORRECTION OF THE 2017 CONSOLIDATED FINANCIAL STATEMENTS

In 2018 Dufry AG became aware of a classification error in the consolidated statement of cash flows for the year ended December 31, 2017.

In the fourth quarter of 2017, Dufry reorganized some group-internal finance arrangements, by simplifying the structure of these loans. Consequently existing loans have been settled and new ones issued. The resulting cash flows led to the realization of the related (positive) currency translation of CHF 149.7 million. FX variances occur when group companies hold financial positions in foreign currencies for a period of time. Such FX variances originated by inter-company loans do not eliminate during consolidation.

In the 2017 consolidated statement of cash flows, these effects were shown as “Currency translation on cash”. However, according to IAS 7.28 only unrealized gains and losses arising from changes in foreign currency exchange rates on cash and cash equivalents are to be shown under this caption. Given that the translation effects occurred on group-internal financing, the FX effect should have been eliminated, resulting in a reduction in the line item “Repayment of loans and senior notes”, which is part of the cash flow from financing activities.

The following corrections have been made in the comparative information for 2017 of the consolidated statement of cash flows: “Repayment of loans and senior notes” within “Net cash flows used in financing activities” has been decreased by CHF 149.7 million to CHF –4,097.9 million (instead of the previously reported CHF –4,247.6 million), ”Net cash flows used in financing activities” have been reduced to CHF –401.3 million (instead of the previously reported CHF –551.0 million) and the line item “Currency translation on cash” has been decreased to CHF 57.8 million (instead of the previously reported CHF 207.5 million). There was no impact in any other line items in the statement of cash flows nor on the reported amount of cash and cash equivalents in these financial statements, except at note 27 Net Debt.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Goodwill and Business combinations

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 presented 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. Thereafter any change in the fair value of the contingent consideration not classified as equity will be recognized through 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 an 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

Turnover comprises sales and advertising. Sales are measured at the fair value of the consideration received in cash (or credit card) for the goods, excluding sales taxes or duties. Retail sales are recognized at point in time when the goods are transferred. These transactions are settled in cash or by credit card. Advertising income is recognized over time when the services have been rendered.

c) Cost of sales
Cost of sales are recognized when the company sells the products and comprise the purchase price and the cost incurred until the products arrive at the warehouse, i. e. import duties, transport, purchase discounts (price-offs) as well as inventory valuation adjustments and inventory losses.

d) Personnel expenses
These expenses include all expenses related to the employees, management and board members of Dufry.

e) 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 using the functional currency exchange rate at the reporting date and the difference is 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. Deferred tax related to 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.

Goodwill, 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	2018	2017	31.12.2018	31.12.2017
1 USD	0.9784	0.9841	0.9814	0.9743
1 EUR	1.1547	1.1119	1.1259	1.1692
1 GBP	1.3055	1.2684	1.2524	1.3170

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

g) 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.

h) 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.

i) 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.

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. The plan assets are valued at fair value.

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. The actuarial calculations based on IAS 19 resulted in a defined benefit obligation / asset as presented in note 31.

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. Usually these assets are capitalized at cost, but when identified as part of a business combination, these assets are capitalized at fair value as at the date of acquisition. The useful lives of these intangible assets are assessed to be either finite or indefinite. Dufry may consider that these assets have indefinite useful lives, when concession rights are granted by a non-controlling interests holder of the company, or for brands when the company considers to use the brand for the foreseeable future. Following initial recognition, the cost model is applied to intangible assets. Intangible assets with finite lives are amortized over the useful economic life. Intangible assets with an indefinite useful life are reviewed annually to determine whether the indefinite life assessment continues to be supportable. If not, any changes are made on a prospective basis.

o) Software

Software is valued at amortized historical cost, or in case of internal developments by the sum of costs incurred less amortizations.

p) Impairment of non-financial assets

Goodwill and 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).

q) Associates

Associates are all entities over which Dufry has significant influence but not control, generally accompanying a shareholding interest 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 IFRS 15 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) Investments and other financial assets

(i) Classification

From January 1, 2018, the group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through OCI or through profit or loss), and
- those to be measured at amortized cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows. For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investments in equity instruments that are not held for trading, this will depend on whether the group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income (FVOCI).

(ii) Recognition and derecognition

Regular purchases and sales of financial assets are recognized on trade-date, the date on which the group commits to purchase or sell the asset. Financial assets are derecognized when the rights to receive cash flows from the financial assets have expired or have been transferred and the group has transferred substantially all the risks and rewards of ownership.

(iii) Measurement

At initial recognition, the group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

Debt instruments

Subsequent measurement of debt instruments depends on the group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the group classifies its debt instruments:

- Amortized cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortized cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognized directly in profit or loss and presented in the financial result together with foreign exchange gains and losses or interest income and expenses. Impairment losses are presented in the other operational result.
- FVOCI: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the asset's cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognized in profit or loss. When the financial asset is derecognized, the cumulative gain or loss previously recognized in OCI is reclassified from equity to profit or loss and recognized in other FX gains / (losses). Interest income from these financial assets is included in interest income using the effective interest rate method. Impairment expenses are presented in the other operational result.
- FVPL: Assets that do not meet the criteria for amortized cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognized in profit or loss and presented as net in the period in which it arises.

Equity instruments

The group subsequently measures all equity investments at fair value. Where the group's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognized in profit or loss as other income when the group's right to receive payments is established.

Changes in the fair value of financial assets at FVPL are recognized in the financial result in the statement of profit or loss as applicable.

(iv) Impairment of financial assets

From January 1, 2018, the group assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortized cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk. For trade receivables, receivables for refund from suppliers and related services the group applies the simplified approach which requires expected lifetime losses to be recognized from initial recognition of the receivables, see note 39 for further details.

(v) Trade, other accounts receivable and cash and cash equivalents

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.

(vi) Accounting policies applied until December 31, 2017

The group has applied IFRS 9 by using the retrospective method, but has elected not to restate comparative information. As a result, the comparative information provided continues to be accounted for in accordance with the group's previous accounting policy.

Classification

Until December 31,2017, the group classified its financial assets in the following categories:

- financial assets at fair value through profit or loss,
- loans and receivables,
- held-to-maturity investments (not applicable to Dufry at this date), and
- available-for-sale financial assets (not applicable to Dufry at this date).

The classification depended on the purpose for which the investments were acquired. Management determined the classification of its investments at initial recognition. There were no reclassifications between categories during 2017.

Subsequent measurement

The measurement at initial recognition did not change on adoption of IFRS 9, see description above. Subsequent to the initial recognition, loans and receivables were carried at amortized cost using the effective interest method.

Financial assets at FVPL were subsequently carried at fair value. Gains or losses arising from changes in the fair value were recognized in income statement within the financial result. Details on how the fair value of financial instruments is determined are disclosed in note 33.

Impairment of financial assets

The group assessed at the end of each reporting period whether there was objective evidence that a financial asset or group of financial assets was impaired. A financial asset or a group of financial assets was impaired and impairment losses were incurred only if there was objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a "loss event") and that loss event (or events) had an impact on the estimated future cash flows of the financial asset or group of financial assets that could be reliably estimated.

Assets carried at amortized cost

For loans and receivables, the amount of the loss was measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that had not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset was reduced and the amount of the loss was recognized in profit or loss. If a loan had a variable interest rate, the discount rate for measuring any impairment loss was the current effective interest rate determined under the contract. As a practical expedient, the group could measure impairment on the basis of an instrument's fair value using an observable market price. If, in a subsequent period, the amount of the impairment loss decreased and the decrease could be related objectively to an event occurring after the impairment was recognized (such as an improvement in the debtor's credit rating), the reversal of the previously recognized impairment loss was recognized in profit or loss. Impairment testing of trade receivables is described in note 21.

w) Financial liabilities

i) Financial liabilities at FVPL

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 33.

ii) Other financial liabilities

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

iii) 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.

iv) 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 27.1).

x) Derivatives and hedging activities

Derivatives are initially recognized at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at the end of each reporting period. The accounting for subsequent changes in fair value depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The group designates certain derivatives as either:

- hedges of the fair value of recognized assets or liabilities or a firm commitment (fair value hedges)
- hedges of a particular risk associated with the cash flows of recognized assets and liabilities and highly probable forecast transactions (cash flow hedges), or
- hedges of a net investment in a foreign operation (net investment hedges).

At inception of the hedge relationship, the group documents the economic relationship between hedging instruments and hedged items including whether changes in the cash flows of the hedging instruments are expected to offset changes in the cash flows of hedged items. The group documents its risk management objective and strategy for undertaking its hedge transactions. The fair values of derivative financial instruments designated in hedge relationships are disclosed in note 33. Movements in the hedging reserve in shareholders' equity are shown in note 23.3. The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining maturity of the hedged item is more than 12 months; it is classified as a current asset or liability when the remaining maturity of the hedged item is less than 12 months. Trading derivatives are classified as a current asset or liability.

Cash flow hedges that qualify for hedge accounting

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognized in the cash flow hedge reserve within OCI. The gain or loss relating to the ineffective portion is recognized immediately in profit or loss, within other gains / (losses).

When option contracts are used to hedge forecast transactions, the group designates only the intrinsic value of the options as the hedging instrument. Until December 31, 2017, the group classified foreign currency options as held-for-trading derivatives and accounted for them at FVPL.

Gains or losses relating to the effective portion of the change in intrinsic value of the options are recognized in the cash flow hedge reserve within OCI. The changes in the time value of the options that relate to the hedged item ('aligned time value') are recognized within OCI. When forward contracts are used to hedge forecast transactions, the group generally designates only the change in fair value of the forward contract related to the spot component as the hedging instrument. Gains or losses relating to the effective portion of the change in the spot component of the forward contracts are recognized in the cash flow hedge reserve within equity. The change in the forward element of the contract that relates to the hedged item ('aligned forward element') is recognized within OCI. In some cases, the entity may designate the full change in fair value of the forward contract (including forward points) as the hedging instrument. In such cases, the gains or losses relating to the effective portion of the change in fair value of the entire forward contract are recognized in the cash flow hedge reserve.

Amounts accumulated in equity are reclassified in the periods when the hedged item affects profit or loss, as follows:

- Where the hedged item subsequently results in the recognition of a non-financial asset (such as inventory), both the deferred hedging gains and losses and the deferred time value of the option contracts or deferred forward points, if any, are included within the initial cost of the asset. The deferred amounts are ultimately recognised in profit or loss as the hedged item affects profit or loss (for example through cost of sales).
- The gain or loss relating to the effective portion of the interest rate swaps hedging variable rate borrowings is recognised in profit or loss within finance cost at the same time as the interest expense on the hedged borrowings.

When a hedging instrument expires, or is sold or terminated, or when a hedge no longer meets the criteria for hedge accounting, any cumulative deferred gain or loss and deferred costs of hedging in equity at that time remains in equity until the forecast transaction occurs, resulting in the recognition of a non-financial asset such as inventory. When the forecast transaction is no longer expected to occur, the cumulative gain or loss and deferred costs of hedging that were reported in equity are immediately reclassified to profit or loss.

Net investment hedges
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 recognised in other comprehensive income and accumulated in reserves in equity. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss within other gains / (losses). Gains and losses accumulated in equity are reclassified to profit or loss when the foreign operation is partially disposed of or sold. See notes 26.1 and 26.2 for further details.

Derivatives that do not qualify for hedge accounting
Certain derivative instruments do not qualify for hedge accounting. Changes in the fair value of any derivative instrument that does not qualify for hedge accounting are recognized immediately in profit or loss and are included in other gains / (losses).

Further details of derivative financial instruments are disclosed in note 34.

2.5 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, 2018). The impact is disclosed in note 42.

IFRS 9
Financial Instruments
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.

At January 1, 2018, the Group had no financial assets classified as available for sale, held-to-maturity or fair value through OCI (FVOCI). The financial assets and liabilities which are classified as fair value through profit or loss (FVPL) meet the criteria for this category as these do not include any non-derivative components. Hence there have not been any change to the accounting classification for Dufry's 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 it was the case under IAS 39. It applies to financial assets classified at amortized cost, debt instruments measured at FVOCI, contract assets under IFRS 15 Revenue from Contracts with Customers, lease receivables, loan commitments and certain financial guarantee contracts. Based on the assessments, no significant change in the allowances has been identified, as the company has measured the credit risk in the past based on expected future losses.

Phase 3: Hedge accounting – the new model aligns the accounting treatment with risk management activities. Users of the financial statements will be provided with better information about risk management and the effect of hedge accounting on the financial statements.

Based on IFRS 9, 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 qualify as continuing hedges upon the adoption of IFRS 9. In addition, the Group started to designate the intrinsic value of foreign currency option contracts as hedging instruments going forward, which until December 31, 2017 have been accounted as derivatives at FVPL. 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 be deferred in new costs of hedging reserve OCI. Thereafter, the deferred amounts will be recycled against the related hedged transaction when it occurs.

The Group has not utilized hedges in relation to changes in the fair value of foreign exchange forward contracts attributable to forward points at December 31, 2017.

In 2018, Dufry's disclosures about financial instruments expanded, commenting about changes in nature and extent.

Dufry did not identify any cases where the new classifications and measurements of financial assets and financial liabilities as introduced by IFRS 9 had any material impact on the current financial statements. The valuation and presentation of hedges are aligned with the requirements of IFRS 9. Furthermore, the allowances for trade receivables and receivables for advertising services are not expected to increase due to the adoption of IFRS 9.

IFRS 15 – Revenue from contracts with customers
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 goods or services and thus has the ability to direct the use and obtain the benefits from the goods or services.

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 need for material changes to the current revenue recognition approach.

Dufry considered the following aspects:

(a) Net Sales
The Group recognizes net sales, and the related cost of goods sold at point in time, when it sells and hands over directly at the shops to the traveler consumables or fashion products manufactured by third parties. The sale has to be settled by cash on delivery. Net sales are presented net of customary discounts or sales taxes.

(b) Advertising income
The Group's advertising income is resulting from several distinctive marketing support activities, not affecting the retail price, performed by Dufry after having been developed and coordinated together with our suppliers. The income is recognized in the period the advertising is performed. The settlement will be based on contractual terms. Usually Dufry is not entitled to offset the income with trade payables related with the same supplier. An allowance on the advertising income is recognized to reflect the risks in relation with the final achievements of incentives based on thresholds, to be confirmed only after the end of the program, as well as other uncertainties.

There has been no impact on retained earnings as of January 1, 2018 after the adoption of IFRS 15.

Annual Improvements – IAS 28 – Investments in Associates and Joint Ventures
Clarification that the election to measure at fair value through profit or loss is available on an investment-by-investment basis, upon initial recognition.

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.

Impairment tests assets
Dufry annually tests the intangible assets with indefinite useful lives and assesses those tangible or intangible assets with finite lives for impairment indications. Where required, the company performs impairments test which are based on the discounted value models of future cash flows. The underlying calculation requires the use of estimates. The comments and assumptions used are disclosed in note 17.1.2.

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 30.

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 notes 17.1.1 and17.1.4.

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 14 and 29.

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 29.

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 30.

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 24.

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 31.

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.

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 25 and 25.1 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 16 – Leases (effective January 1, 2019)
(The Group adopted the standard as of January 1, 2019 under modified retrospective approach)
IFRS 16 replaces IAS 17 and sets the principles for recognition, measurement, presentation of leases, specifying the requirements for disclosures of lessees or lessors more extensive than under IAS 17. The main difference on the Group's financial statements is that IFRS 16 introduces a single lessee accounting model and requires lessee to recognize right-of-use assets and lease liabilities for lease contracts.

To contain a lease, an agreement has to convey the right to control the use of an identified asset throughout the period of use in exchange for consideration, 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 lease term corresponds to the non-cancellable period of each contract, except in cases where the Group is reasonably certain of exercising renewal options contractually foreseen. Right-of-use assets are capitalized at a value equivalent to the lease obligation at inception and depreciated over the useful life of the asset, except for leases with a remaining useful life of less than 12 months and leases of low value assets.

The lease liability represents the net present value of lease payments over the lease term. The implied interest charge will be presented as interest expenses. Where these lease agreements do not specify a discount rate and as these subsidiaries are financed internally, Dufry uses a discount rate based on a risk free rates for the respective currency and lease terms, increased by individual company spread. The company made an assessment where the lease contains options to extend or terminate the lease. Initial direct costs for contracts signed in the past will not be recognized as part of the right-of-use asset at the date of initial application.

Short term leases with a duration of less than 12 months and low value leases, as well as those lease elements, partially or totally not complying with the principles of recognition defined by IFRS 16 also in future will be treated similarly to operating leases i. e. recognized only through the income statement when accrued.

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 which in substance can be considered leases. These concessions lease agreements contain complex features, which can include variable payment components e. g. based on sales, and minimal payments (MAG), which again be fixed or variable depending on certain parameters. Such payment features are often determined on the basis of the individual circumstances of the parties to the contract and are unique to the particular contract. Management signs and renews on average more than 50 agreements every year with a typical duration of 5 to 10 years. These agreements do not contain a residual value guarantee. In some cases, parts of the lease obligations are secured with

bank guarantees in case the Group would not fulfill its contractual commitments. Dufry will capitalize all elements of the lease contracts in accordance with IFRS 16 when at the commencement of the agreement such commitments are fixed in the respective contractual terms or these commitments depend on an index or rate that can be estimated reliably. Payments obligations that cannot be reasonably projected, if any, will continue to be presented as variable lease expense. Dufry has identified a number of agreements in its portfolio which are not fulfilling the principles of recognition defined by IFRS 16, i.e. they have minimal guaranteed payments based on non-predictable parameters or variables, such as actual number of passengers or a percentage of previous year total lease payments, which will continue to be presented fully as operating lease expense.

b) Building leases
Rental agreements for offices or warehouse buildings will usually qualify under IFRS 16 capitalization rules.

c) Other leases
Dufry has also entered into many other lease agreements for e.g. vehicles, hard- or software, and other assets, which in accordance with IFRS 16 will qualify for capitalization of leases.

On January 1, 2019 the Group adopted IFRS 16 and recognize about CHF 4.1 billion in right-of-use assets and CHF 4.1 billion lease liabilities. These amounts include the existing prepayment for leases and accrued lease expense. For 2018 all remaining things being equal, under the new standard, concession fees and premises expense would have been lower by approximately CHF 971 million mostly compensated by higher depreciation of right-of-use assets charges of CHF 964 million. In addition there would be interest expenses on lease obligations of CHF 155 million among the most important impacts on the income statement, resulting in an overall negative impact on the net earnings of CHF (77) million for the year 2018. The operating cash flow would have increased and the financing cash flow would decreased as the payment of the lease obligation of CHF 1,004 million would have been classified as cash flow used in financing activities.

In 2018 Dufry recognized lease expenses of CHF 2,464.7 (2017: 2,322.9) million as concession fees and CHF 70.5 (2017: 63.7) million as premise expenses in the income statement.

Unless specified in the respective contract, Dufry uses discount rates based on duration and currencies, of which the weighted average at January 1, 2019 was for CHF 1.50 %, for EUR 1.50 % and for USD 4.53 %

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.

IFRIC Interpretation 23 – Uncertainty over Income Tax Treatments
(effective January 1, 2019)
The interpretation is to be applied to the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under IAS 12.

- An entity is required to use judgment to determine whether each tax treatment should be considered independently or whether some tax treatments should be considered together. The decision should be based on which approach provides better predictions of the resolution of the uncertainty.
- An entity is to assume that a taxation authority with the right to examine any amounts reported to it will examine those amounts and will have full knowledge of all relevant information when doing so.
- An entity has to consider whether it is probable that the relevant authority will accept each tax treatment, or group of tax treatments, that it used or plans to use in its income tax filing. If the entity concludes that it is probable that a particular tax treatment is accepted, the entity has to determine taxable profit (tax loss), tax bases, unused tax losses, unused tax credits or tax rates consistently with the tax treatment included in its income tax filings. If the entity concludes that it is not probable that a particular tax treatment is accepted, the entity has to use the most likely amount or the expected value of the tax treatment when determining taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates. The decision should be based on which method provides better predictions of the resolution of the uncertainty.

Amendments to IFRS 9 – Prepayment Features with Negative Compensation
(effective January 1, 2019)
This refers to the classification and measurement of a debt instrument if the borrower was permitted to prepay the instrument at an amount less than the unpaid principal and interest owed. The amendment to IFRS 9 enables companies to measure some prepayable financial assets at amortized cost.

Amendments to IAS 28 – Long-term interests in Associates and Joint Ventures
(effective January 1, 2019)
Clarification that IFRS 9, including its impairment requirements, applies to long-term interests in an associate or joint venture that form part of the net investment in the associate or joint venture, if the equity method is not applied.

Amendments to IAS 19 – Plan Amendment, Curtailment or Settlement
(effective January 1, 2019)

- If a plan amendment, curtailment or settlement occurs, it is now mandatory that the current service cost and the net interest for the period after the remeasurement are determined using the assumptions used for the remeasurement.
- Clarification of the effect of a plan amendment, curtailment or settlement on the requirements regarding the asset ceiling.

Annual Improvements to IFRS Standards 2015 – 2017 Cycle issued December 2017 (effective January 1, 2019)
Contain the following amendments to IFRSs:

- **IFRS 3 Business Combinations and IFRS 11 Joint Arrangements**
  The amendments to IFRS 3 clarify that when an entity obtains control of a business that is a joint operation, it remeasures previously held interests in that business. The amendments to IFRS 11 clarify that when an entity obtains joint control of a business that is a joint operation, the entity does not remeasure previously held interests in that business.
- **IAS 12 Income Taxes**
  The amendments clarify that the requirements in the former paragraph 52B (to recognise the income tax consequences of dividends where the transactions or events that generated distributable profits are recognised) apply to all income tax consequences of dividends by moving the paragraph away from paragraph 52A that only deals with situations where there are different tax rates for distributed and undistributed profits.
- **IAS 23 Borrowing Costs**
  The amendments clarify that if any specific borrowing remains outstanding after the related asset is ready for its intended use or sale, that borrowing becomes part of the funds that an entity borrows generally when calculating the capitalisation rate on general borrowings.

The Conceptual Framework for Financial Reporting (effective January 1, 2020)
The revised Conceptual Framework introduces the following main improvements:

New definitions

- Measurement
  Concepts on measurement, including factors to be considered when selecting a measurement basis
- Presentation and disclosure
  Concepts on presentation and disclosure, including when to classify income and expenses in other comprehensive income
- Derecognition
  Guidance on when assets and liabilities are removed from financial statements
- Definitions
  Definitions of an asset and a liability

Updated criteria
Recognition criteria for including assets and liabilities in financial statements

Clarified items
Prudence, Stewardship, Measurement, Uncertainty and Substance over form

Amendments to IFRS 3 – Business Combinations (effective January 1, 2020)
The amended definition of business assists in whether an acquisition made is of a business or group of assets. It emphasis, that the output of a business is to provide goods and services to customers.

5. SEGMENT INFORMATION

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

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

2018 IN MILLIONS OF CHF	TURNOVER with external customers	with other divisions	TOTAL	EBITDA*	FULL TIME EQUIVALENTS
Southern Europe and Africa	1,854.0	–	1,854.0	193.0	5,437
UK and Central Europe	1,974.2	–	1,974.2	243.4	4,384
Eastern Europe, Middle East, Asia and Australia	1,153.6	–	1,153.6	114.5	3,588
Latin America	1,617.0	–	1,617.0	103.7	6,899
North America	1,884.4	–	1,884.4	229.7	9,372
Distribution Centers	201.7	1,463.5	1,665.2	156.0	584
Total divisions	**8,684.9**	**1,463.5**	**10,148.4**	**1,040.3**	**30,264**
Eliminations	–	(1,463.5)	(1,463.5)	–	–
Dufry	**8,684.9**	**–**	**8,684.9**	**1,040.3**	**30,264**

2017 IN MILLIONS OF CHF	TURNOVER with external customers	with other divisions	TOTAL	EBITDA*	FULL TIME EQUIVALENTS
Southern Europe and Africa	1,857.8	–	1,857.8	240.6	5,338
UK and Central Europe[1]	1,945.1	–	1,945.1	240.6	4,408
Eastern Europe, Middle East, Asia and Australia[1]	1,011.4	–	1,011.4	95.9	3,387
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 divisions	**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**

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

[1] On January 1, 2018, Dufry assigned certain Russian and Central Asian operations from Division UK and Central Europe to Division Eastern Europe, Middle East, Asia, and Australia. The 2017 figures have been adjusted accordingly.

Dufry generated 3.9 % (2017: 4.1 %) of its turnover with external customers in Switzerland (domicile).

Financial Position and other disclosures

31.12.2018 IN MILLIONS OF CHF	TOTAL ASSETS	TOTAL LIABILITIES	INCOME TAX (EXPENSE) / INCOME	CAPITAL EXPENDITURE PAID	DEPRECIATION AND AMORTIZATION	OTHER NON-CASH ITEMS*
Southern Europe and Africa	2,165.4	584.4	(24.0)	(51.2)	(119.7)	8.5
UK and Central Europe	2,091.7	515.8	(20.6)	(40.8)	(119.6)	6.0
Eastern Europe, Middle East, Asia and Australia	606.5	201.8	(3.1)	(24.9)	(41.2)	1.8
Latin America	1,419.6	306.7	(13.7)	(47.9)	(144.1)	11.7
North America	1,338.9	234.1	(3.2)	(67.9)	(126.2)	10.0
Distribution Centers	1,183.1	339.7	(8.0)	(6.7)	(2.3)	(1.1)
Total divisions	**8,805.2**	**2,182.5**	**(72.6)**	**(239.4)**	**(553.1)**	**36.9**
Unallocated positions	585.4	3,866.4	(26.2)	(16.1)	(18.8)	22.2
Dufry	**9,390.6**	**6,048.9**	**(98.8)**	**(255.5)**	**(571.9)**	**59.1**

31.12.2017 IN MILLIONS OF CHF	TOTAL ASSETS	TOTAL LIABILITIES	INCOME TAX (EXPENSE) / INCOME	CAPITAL EXPENDITURE PAID	DEPRECIATION AND AMORTIZATION	OTHER NON-CASH ITEMS*
Southern Europe and Africa [1]	2,447.8	692.9	(28.2)	(34.9)	(138.0)	16.9
UK and Central Europe [2]	2,298.7	566.0	(28.2)	(27.2)	(114.8)	1.4
Eastern Europe, Middle East, Asia and Australia [2]	627.2	241.3	(0.2)	(30.4)	(59.9)	(103.6)
Latin America	1,786.7	376.6	5.5	(59.9)	(144.7)	(20.7)
North America [1]	1,438.5	232.6	(25.9)	(86.7)	(107.1)	12.1
Distribution Centers	1,014.4	270.8	(1.6)	(0.5)	(2.2)	13.4
Total divisions	**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)**

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

[1] During 2018, the investment of an entity from Division Southern Europe and Africa have been sold to division North America. The 2017 figures have been adjusted accordingly.

[2] On January 1, 2018, Dufry assigned certain Russian and Central Asian operations from Division UK and Central Europe to Division Eastern Europe, Middle East, Asia, and Australia. The 2017 figures have been adjusted accordingly.

Reconciliation of earnings

IN MILLIONS OF CHF	2018	2017
EBITDA[1]	**1,040.3**	**1,007.1**
Depreciation, amortization and impairment	(571.9)	(582.8)
Linearization	(47.7)	(58.9)
Other operational result	(49.3)	53.3
Interest expenses	(196.4)	(259.6)
Interest income	64.7	35.4
Foreign exchange gain / (loss)	(5.5)	7.4
Earnings before taxes	**234.2**	**201.9**

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

Reconciliation of assets

IN MILLIONS OF CHF	31.12.2018	31.12.2017
Operating assets	**8,805.2**	**9,613.3**
Current assets of corporate and holding companies[1]	(175.3)	(282.4)
Non-current assets of corporate and holding companies	760.7	659.9
Total assets	**9,390.6**	**9,990.8**

1 Includes notional Cash Pool overdrafts at Headquarter

Reconciliation of liabilities

IN MILLIONS OF CHF	31.12.2018	31.12.2017
Operating liabilities	**2,182.5**	**2,380.2**
Financial debt of corporate and holding companies, short-term	–	0.9
Financial debt of corporate and holding companies, long-term	3,754.0	4,153.7
Other non-segment liabilities	112.4	99.8
Total liabilities	**6,048.9**	**6,634.6**

6. HUDSON IPO

Prior to the completion of the secondary initial public offering, Dufry International AG created Hudson Ltd, a fully owned subsidiary in Bermuda, 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 The Nuance Group (Canada), Inc. the parent entity of WDFG Vancouver LP. All these operations comprise Dufry's North America division. 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 gross income of CHF 697.4 (USD 748.9) million. The underwriting discounts and commissions incurred were CHF 32.2 (USD 34.5) million, resulting in proceeds of CHF 665.2 (USD 714.4) million. The shares began trading on the New York Stock Exchange on February 1, 2018, under the ticker symbol "HUD". Dufry used the proceeds mainly to reduce the bank debt. The gain of this transaction after transaction expenses amounted to CHF 439.5 million and will have no material income tax effect. After the IPO Dufry retained the control of Hudson Ltd, as the shares offered through the IPO represented less than 50% of the total in terms of shares or voting rights.

IN MILLIONS OF CHF	USD	CHF
Initial public offering proceeds	748.9	697.4
Underwriting discounts and commissions	(34.5)	(32.2)
Proceeds from sale	714.4	665.2
Transaction cost for financial instruments	(11.1)	(10.3)
IPO award Hudson (see note 24.2)	(9.2)	(9.0)
Net proceeds	**694.1**	**645.9**
Cost of sale of 42.6% share of investment in Hudson	–	(206.4)
Gain on sale of minority share in Hudson Ltd.	**–**	**439.5**

The gain on sale of a minority share of a controlled entity is presented in equity.

7. NET SALES

Net sales by product categories:

IN MILLIONS OF CHF	2018	2017
Perfumes and Cosmetics	2,694.6	2,637.8
Confectionery, Food and Catering	1,490.9	1,398.6
Wine and Spirits	1,311.4	1,280.9
Tobacco goods	995.0	917.1
Watches, Jewelry and Accessories	600.0	582.3
Fashion, Leather and Baggage	494.9	495.0
Electronics	186.1	244.5
Souvenirs	220.8	206.4
Literature and Publications	188.7	197.1
Other product categories	273.4	205.0
Total	**8,455.8**	**8,164.7**

Net sales by market sector:

IN MILLIONS OF CHF	2018	2017
Duty-free	5,182.3	5,058.0
Duty-paid	3,273.5	3,106.7
Total	**8,455.8**	**8,164.7**

Net sales by channel:

IN MILLIONS OF CHF	2018	2017
Airports	7,597.0	7,415.3
Border, downtown and hotel shops	275.3	276.3
Cruise liners and seaports	255.1	207.1
Railway stations and other	328.4	266.0
Total	**8,455.8**	**8,164.7**

8. SELLING EXPENSES

IN MILLIONS OF CHF	2018	2017
Concession fees and rents	(2,464.7)	(2,322.9)
Credit card commissions	(91.2)	(84.8)
Advertising and commission expenses	(36.1)	(32.6)
Packaging materials	(14.1)	(15.1)
Other selling expenses	(19.3)	(23.7)
Selling expenses	**(2,625.4)**	**(2,479.1)**
Concession and rental income	17.8	16.9
Commission income	1.9	2.1
Commercial services and other selling income	25.2	30.0
Selling income	**44.9**	**49.0**
Total	**(2,580.5)**	**(2,430.1)**

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. Note 4 explains changes in accounting policy as of January 1, 2019 in relation to these leases.

9. PERSONNEL EXPENSES

IN MILLIONS OF CHF	2018	2017
Salaries and wages	(919.2)	(889.4)
Social security expenses	(144.0)	(142.9)
Retirement benefits	(20.2)	(13.8)
Other personnel expenses	(91.8)	(88.9)
Total	**(1,175.2)**	**(1,135.0)**

10. GENERAL EXPENSES

IN MILLIONS OF CHF	2018	2017
Repairs, maintenance and utilities	(84.7)	(86.4)
Premises	(70.5)	(63.7)
Legal, consulting and audit fees	(62.8)	(58.3)
IT expenses	(47.1)	(48.4)
Office and administration	(32.0)	(33.7)
Travel, car, entertainment and representation	(33.0)	(33.9)
Franchise fees and commercial services	(22.4)	(23.6)
PR and advertising	(22.8)	(17.2)
Insurances	(12.1)	(11.0)
Bank expenses	(6.1)	(7.3)
Taxes, other than income taxes	(10.0)	(21.3)
Total	**(403.5)**	**(404.8)**

11. DEPRECIATION, AMORTIZATION AND IMPAIRMENT

IN MILLIONS OF CHF	2018	2017
Depreciation	(178.1)	(160.3)
Impairment [1]	(24.2)	1.4
Subtotal (note 16 Property, Plant and Equipment)	**(202.3)**	**(158.9)**
Amortization	(367.4)	(359.2)
Impairment [2]	(2.2)	(64.7)
Subtotal (note 17 Intangible Assets)	**(369.6)**	**(423.9)**
Total	**(571.9)**	**(582.8)**

[1] In 2018, the Group has impaired leasehold improvements and furniture and fixtures in North America for CHF 14.5 million and Southern Europe and Africa for CHF 9.7 million.

[2] In 2017, after the annual impairment test of Dufry, the Group has partially impaired concession rights in Southern Europe and Africa for CHF 40.9 million, as the expected sales level used for the projection has not been 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.

12. OTHER OPERATIONAL RESULT

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

IN MILLIONS OF CHF	2018	2017
Sales taxes for past periods	(11.5)	(14.0)
Consulting fees, expenses related to projects and start-up expenses	(11.0)	(10.7)
Losses on sale of non-current assets	(7.4)	(8.4)
Impairment of loans and other receivables	(2.3)	(6.4)
Project-related costs (includes Hudson and WDF)	(17.1)	(6.1)
Closing or restructuring of operations	(7.6)	(5.8)
Other operating expenses	(12.7)	(16.1)
Other operational expenses	**(69.6)**	**(67.5)**

IN MILLIONS OF CHF	2018	2017
Release of long term provisions and payables	16.0	93.5
Past service cost adjustment pension fund	–	22.0
Insurance – compensation for losses	1.2	1.8
Gain on sale of non-current assets	0.5	0.6
Recovery of write offs / release of allowances	–	0.2
Other income	2.6	2.7
Other operational income	**20.3**	**120.8**

IN MILLIONS OF CHF	2018	2017
Other operational expenses	(69.6)	(67.5)
Other operational income	20.3	120.8
Other operational result	**(49.3)**	**53.3**

13. INTEREST

IN MILLIONS OF CHF	2018	2017
INCOME ON FINANCIAL ASSETS		
Interest income on short-term deposits	21.8	18.1
Other financial income	36.2	9.7
Interest income on financial assets	**58.0**	**27.8**
INCOME ON NON-FINANCIAL ASSETS		
Interest income	**6.7**	**7.6**
Total interest income	**64.7**	**35.4**
EXPENSES ON FINANCIAL LIABILITIES		
Interest expense	(162.6)	(173.2)
of which bank interest	(153.3)	(166.1)
of which bank commitment fees	(4.9)	(3.1)
of which bank guarantees commission expense	(3.0)	(3.7)
of which related to other financial liabilities	(1.4)	(0.3)
Amortization / write off of arrangement fees and waiver fees	(6.0)	(33.9)
Other financial expenses	(24.7)	(24.1)
Interest expense on financial liabilities	**(193.3)**	**(231.2)**
EXPENSES ON NON-FINANCIAL LIABILITIES		
Interest and other financial expenses	**(3.1)**	**(28.4)**
Total interest (expense)	**(196.4)**	**(259.6)**

14. INCOME TAXES

INCOME TAX RECOGNIZED IN THE CONSOLIDATED INCOME STATEMENT

IN MILLIONS OF CHF	2018	2017
Current income taxes	(125.9)	(120.2)
of which corresponding to the current period	(128.5)	(120.3)
of which adjustments recognized in relation to prior years	2.6	0.1
Deferred income taxes	27.1	29.2
of which related to the origination or reversal of temporary differences	18.3	69.3
of which adjustments recognized in relation to prior years	5.6	1.3
of which relates to foreign exchange movements [1]	(9.4)	(0.3)
of which adjustments due to change in tax rates	12.6	(41.1)
Total	**(98.8)**	**(91.0)**

[1] In countries where Dufry pays taxes in another currency than the fuctional currency, deferred tax assets and liabilites are impacted by foreign exchange fluctuations between the functional and local currencies. These changes are included in the group's tax expense line.

IN MILLIONS OF CHF	2018	2017
Consolidated earnings before income tax (EBT)	234.2	201.9
Expected tax rate in %	21.1%	21.4%
Tax at the expected rate	(49.4)	(43.2)
EFFECT OF		
Income not subject to income tax	5.8	5.5
Different tax rates for subsidiaries in other jurisdictions	14.8	37.9
Effect of changes in tax rates on previously recognized deferred tax assets and liabilities	12.6	(41.1)
Non-deductible expenses	(11.3)	(7.9)
Net change of unrealized tax loss carry-forwards	(52.9)	(47.7)
Non recoverable withholding taxes	(12.0)	(11.9)
Minority interests	9.4	10.6
Adjustments recognized in relation to prior year	8.2	1.4
Foreign exchange movements on deferred tax balances [1]	(9.4)	(0.3)
Other items [2]	(14.6)	5.4
Total	**(98.8)**	**(91.0)**

[1] In countries where Dufry pays taxes in another currency than the fuctional currency, deferred tax assets and liabilites are impacted by foreign exchange fluctuations between the functional and local currencies. These changes are included in the group's tax expense line.

[2] Other includes CHF 13.5 capital gain taxes resulting from internal restructuring in connection with the IPO of division 5 (Hudson).

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 2018, the most important change in tax rate related to the reduction of the federal US corporate income tax rate. A gradual tax rate change of the Greek current income tax rate from currently 29% to perspectively 25% was enacted in December 2018, which resulted in a deferred tax income of CHF 11.6 millions. 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	2018	2017
RECOGNIZED IN OTHER COMPREHENSIVE INCOME		
Actuarial gains / (losses) on defined benefit plans	(1.8)	(1.0)
Total	**(1.8)**	**(1.0)**
RECOGNIZED IN EQUITY		
Tax effect on share-based payments	5.3	(0.5)
Total	**5.3**	**(0.5)**

[1] Includes CHF 1.3 million recognized as equity attributable to non-controlling interests.

15. COMPONENTS OF OTHER COMPREHENSIVE INCOME

	ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT						
2018 IN MILLIONS OF CHF	Employee benefit reserve	Hedging & revaluation reserves	Translation reserves	Retained earnings	TOTAL	NON-CONTROLLING INTERESTS	TOTAL EQUITY
Remeasurement of post-employment benefits plans	10.6	–	–	–	10.6	–	10.6
Income tax effect	(1.8)	–	–	–	(1.8)	–	(1.8)
Subtotal	**8.8**	**–**	**–**	**–**	**8.8**	**–**	**8.8**
Exchange differences on translating foreign operations	–	–	(76.0)	–	(76.0)	1.7	(74.3)
Subtotal	**–**	**–**	**(76.0)**	**–**	**(76.0)**	**1.7**	**(74.3)**
Net gain / (loss) on hedge of net investment in foreign operations	–	–	17.1	–	17.1	–	17.1
Subtotal	**–**	**–**	**17.1**	**–**	**17.1**	**–**	**17.1**
Changes in the fair value of equity investments at FVOCI	–	(0.3)	–	–	(0.3)	–	(0.3)
Subtotal	**–**	**(0.3)**	**–**	**–**	**(0.3)**	**–**	**(0.3)**
Share of other comprehensive income of associates	–	–	0.3	–	0.3	–	0.3
Subtotal	**–**	**–**	**0.3**	**–**	**0.3**	**–**	**0.3**
Other comprehensive income	**8.8**	**(0.3)**	**(58.6)**	**–**	**(50.1)**	**1.7**	**(48.4)**

	ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT						
2017 IN MILLIONS OF CHF	Employee benefit re-serve	Hedging & revaluation reserves	Translation reserves	Retained earnings	TOTAL	NON-CONTROLLING INTERESTS	TOTAL EQUITY
Remeasurement of post-employment benefits plans	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 interest rate swap 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)**

16. PROPERTY, PLANT AND EQUIPMENT

2018 IN MILLIONS OF CHF	LEASEHOLD IMPROVE-MENTS	BUILDINGS	FURNITURE FIXTURES	COMPUTER HARDWARE	VEHICLES	WORK IN PROGRESS	TOTAL
AT COST							
Balance at January 1	**569.2**	**43.3**	**439.2**	**71.4**	**8.4**	**58.6**	**1,190.1**
Additions	48.2	0.6	24.4	12.6	1.1	111.1	198.0
Disposals	(31.5)	(4.5)	(95.9)	(41.9)	(1.9)	(0.8)	(176.5)
Reclassification within classes	48.4	12.0	35.5	8.5	0.1	(104.5)	–
Reclassification to intangible assets	–	–	–	(2.7)	–	–	(2.7)
Currency translation adjustments	(6.6)	(1.7)	(7.2)	(0.9)	(0.1)	(1.5)	(18.0)
Balance at December 31	**627.7**	**49.7**	**396.0**	**47.0**	**7.6**	**62.9**	**1,190.9**
ACCUMULATED DEPRECIATION							
Balance at January 1	**(237.7)**	**(15.6)**	**(213.8)**	**(40.7)**	**(5.2)**	**–**	**(513.0)**
Additions (note 11)	(84.3)	(4.7)	(74.5)	(13.4)	(1.2)	–	(178.1)
Disposals	29.5	2.4	92.5	41.7	1.9	–	168.0
Reclassification within classes	(1.5)	–	1.5	–	–	–	–
Reclassification to intangible assets	–	–	–	0.2	–	–	0.2
Currency translation adjustments	3.0	0.5	4.6	0.4	0.1	–	8.6
Balance at December 31	**(291.0)**	**(17.4)**	**(189.7)**	**(11.8)**	**(4.4)**	**–**	**(514.3)**
IMPAIRMENT							
Balance at January 1	**(3.7)**	**(0.2)**	**(5.1)**	**(0.2)**	**–**	**–**	**(9.2)**
Impairment	(14.8)	–	(8.8)	(0.6)	–	–	(24.2)
Net impairment (note 11)	**(14.8)**	**–**	**(8.8)**	**(0.6)**	**–**	**–**	**(24.2)**
Disposals	0.5	–	–	–	–	–	0.5
Currency translation adjustments	0.4	–	0.2	–	–	–	0.6
Balance at December 31	**(17.6)**	**(0.2)**	**(13.7)**	**(0.8)**	**–**	**–**	**(32.3)**
CARRYING AMOUNT							
At December 31, 2018	**319.1**	**32.1**	**192.6**	**34.4**	**3.2**	**62.9**	**644.3**

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	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 11)	(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 11)	**(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] In connection with the reversal of the onerous contract of Lenrianta LLC, assets for a value of CHF 4.6 millions have been reinstated.

Cash flow used for purchase of property, plant and equipment

IN MILLIONS OF CHF	2018	2017
Payables for capital expenditure at the beginning of the period	(36.8)	(28.5)
Additions of property, plant and equipment	(198.0)	(214.7)
Payables for capital expenditure at the end of the period	32.7	36.8
Currency translation adjustments	0.4	1.1
Total Cash Flow	**(201.7)**	**(205.3)**

17. INTANGIBLE ASSETS

2018 IN MILLIONS OF CHF	CONCESSION RIGHTS Indefinite lives	 Finite lives	BRANDS	OTHER	TOTAL	GOODWILL
AT COST						
Balance at January 1	**46.9**	**4,984.1**	**278.2**	**255.8**	**5,565.0**	**2,670.6**
Additions (note 17.1.5)	–	8.8	–	39.2	48.0	–
Disposals	–	(2.1)	–	(12.0)	(14.1)	–
Reclassification	–	(4.9)	–	4.9	–	–
Reclassification from property, plant & equipment	–	–	–	2.7	2.7	–
Currency translation adjustments	(1.7)	(108.9)	(3.8)	(1.3)	(115.7)	(67.5)
Balance at December 31	**45.2**	**4,877.0**	**274.4**	**289.3**	**5,485.9**	**2,603.1**
ACCUMULATED AMORTIZATION						
Balance at January 1	**–**	**(1,408.4)**	**(3.3)**	**(147.6)**	**(1,559.3)**	**–**
Additions (note 11)	–	(331.7)	–	(35.7)	(367.4)	–
Disposals	–	2.0	–	8.6	10.6	–
Reclassification from property, plant & equipment	–	–	–	(0.2)	(0.2)	–
Currency translation adjustments	–	23.2	–	0.9	24.1	–
Balance at December 31	**–**	**(1,714.9)**	**(3.3)**	**(174.0)**	**(1,892.2)**	**–**
IMPAIRMENT						
Balance at January 1	**–**	**(76.6)**	**–**	**–**	**(76.6)**	**(1.6)**
Impairment	–	(2.2)	–	–	(2.2)	–
Net impairment (note 11)	**–**	**(2.2)**	**–**	**–**	**(2.2)**	**–**
Disposals	–	0.1	–	–	0.1	–
Currency translation adjustments	–	1.8	–	–	1.8	–
Balance at December 31	**–**	**(76.9)**	**–**	**–**	**(76.9)**	**(1.6)**
CARRYING AMOUNT						
At December 31, 2018	**45.2**	**3,085.2**	**271.1**	**115.3**	**3,516.8**	**2,601.5**

2017 IN MILLIONS OF CHF	CONCESSION RIGHTS Indefinite lives	CONCESSION RIGHTS Finite lives	BRANDS	OTHER	TOTAL	GOODWILL
AT COST						
Balance at January 1	**42.9**	**4,883.2**	**269.7**	**207.1**	**5,402.9**	**2,615.3**
Additions (note 17.1.5)	–	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	(3.3)	94.4	55.3
Balance at December 31	**46.9**	**4,984.1**	**278.2**	**255.8**	**5,565.0**	**2,670.6**
ACCUMULATED DEPRECIATION						
Balance at January 1	**–**	**(1,092.3)**	**(3.3)**	**(123.0)**	**(1,218.6)**	**–**
Additions (note 11)	–	(325.4)	–	(33.8)	(359.2)	–
Disposals	–	7.8	–	7.7	15.5	–
Reclassification	–	0.3	–	(0.3)	–	–
Reclassification from property, plant and 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)**	**–**	**–**	**(12.0)**	**(1.0)**
Impairment	–	(65.9)	–	–	(65.9)	(0.6)
Reversal of impairment	–	1.8	–	–	1.8	–
Net impairment (note 11)	**–**	**(64.1)**	**–**	**–**	**(64.1)**	**(0.6)**
Currency translation adjustments	–	(0.5)	–	–	(0.5)	–
Balance at December 31	**–**	**(76.6)**	**–**	**–**	**(76.6)**	**(1.6)**
CARRYING AMOUNT						
At December 31, 2017	**46.9**	**3,499.1**	**274.9**	**108.2**	**3,929.1**	**2,669.0**

17.1 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.

17.1.1 Impairment test of goodwill

For the purpose of impairment testing, goodwill recognized from business combinations has been allocated to the following groups 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	31.12.2018	31.12.2017
Southern Europe and Africa	501.5	522.9
UK and Central Europe	1,011.7	1,053.3
Eastern Europe, Middle East, Asia and Australia	87.5	85.7
Latin America	652.7	645.9
North America	306.1	319.2
Distribution Centers	42.0	42.0
Total carrying amount of goodwill	**2,601.5**	**2,669.0**

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 (%)	**2018**	**2017**	**2018**	**2017**	**2018**	**2017**
Southern Europe and Africa	7.72	7.63	8.90	8.61	4.1 – 4.8	4.0 – 6.5
UK and Central Europe	5.55	5.79	6.14	6.34	3.1 – 4.9	1.7 – 3.4
Eastern Europe, Middle East, Asia and Australia	8.76	8.20	10.06	9.07	6.0 – 10.6	7.6 – 8.5
Latin America	9.11	9.24	10.14	9.95	4.3 – 6.3	8.0 – 12.6
North America	7.13	7.27	8.91	8.79	4.9 – 5.7	4.3 – 5.6

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 (0.21 %), EUR 0.30 %, USD 2.18 % (2017: CHF 0.04 %, EUR 0.64 %, USD 2.23 %)

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

	2018	**2017**
Beta factor	0.97	0.85

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, except for the goodwill allocated to the division Latin America, where an increase of the risk free rate by 1 %, would result in the carrying amount exceeding the recoverable amount by CHF 30.9 million.

17.1.2 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 (2017: 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 (%)	2018	2017	2018	2017	2018	2017
Italy	7.55	7.63	8.53	8.61	0.4 – 3.6	4.1 – 6.6

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.

17.1.3 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.

Growth rates used to extrapolate

For the period after 5 years, Dufry has used a growth rate of 1.0 % – 2.0 % (2017: 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 2019. 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.

17.1.4 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		POST TAX DISCOUNT RATES		GROWTH RATES FOR NET SALES	
	2018	2017	2018	2017	2018	2017
Dufry	0.31	0.34	7.36	7.36	0.1 – 4.7	6.3 – 13.3
Hudson News	1.10	1.11	7.16	7.26	4.5 – 5.7	3.1 – 5.6
Colombian Emeralds	1.70	1.75	7.88	7.92	(3.3) – 3.7	(5.0) – 4.5
Nuance	0.33	0.35	6.20	6.32	3.6 – 17.7	2.0 – 4.6
World Duty Free	0.32	0.40	6.19	6.28	3.6 – 5.4	2.0 – 5.7

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.

17.1.5 Cash flows used for purchase of intangible assets

IN MILLIONS OF CHF	2018	2017
Payables for capital expenditure at January 1	(11.3)	(11.7)
Additions of intangible assets	(48.0)	(81.2)
Payables for capital expenditure at December 31	4.7	11.3
Currency translation adjustments	0.8	0.9
Total Cash Flow	**(53.8)**	**(80.7)**

18. INVESTMENTS IN ASSOCIATES

This 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.

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	31.12.2018
Cash and cash equivalents	10.0	3.5	13.5
Other current assets	22.2	11.7	33.9
Non-current assets	53.9	10.2	64.1
Other current liabilities	(26.7)	(12.0)	(38.7)
Non-current liabilities	–	(5.6)	(5.6)
Net assets	**59.4**	**7.8**	**67.2**
Proportion of Dufry's ownership	49%		
Dufry's share of the equity	**29.1**	**6.5**	**35.6**

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**

Summarized statement of comprehensive income

IN MILLIONS OF CHF	LOJAS FRANCAS DE PORTUGAL SA	OTHER ASSOCIATES	2018
Turnover	286.4	50.8	337.2
Depreciation, amortization and impairment	(7.6)	(0.3)	(7.9)
Interest expenses	–	(0.4)	(0.4)
Income tax	(4.1)	–	(4.1)
Net earnings for the year	**8.4**	**(1.4)**	**7.0**
OTHER COMPREHENSIVE INCOME			
Items to be reclassified to net income in subsequent periods	(0.5)	1.1	0.6
Total other comprehensive income	**(0.5)**	**1.1**	**0.6**
Total comprehensive income	**7.9**	**(0.3)**	**7.6**
DUFRY'S SHARE	49 %		
Net earnings for the year	4.1	(0.3)	3.8
Total other comprehensive income	(0.2)	0.5	0.3
Total comprehensive income	**3.9**	**0.2**	**4.1**

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)**

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, 2017	**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**
Additions	–	3.3	3.3
Net earnings	4.1	(0.3)	3.8
Dividends received	(5.7)	–	(5.7)
Other comprehensive income	(0.2)	0.5	0.3
Carrying value at December 31, 2018	**29.1**	**6.5**	**35.6**

19. OTHER NON-CURRENT ASSETS

IN MILLIONS OF CHF	31.12.2018	31.12.2017
Guarantee deposits	102.1	109.9
Loans and contractual receivables	33.9	31.6
Prepayment for leases	120.9	190.2
Other	5.7	8.9
Subtotal	**262.6**	**340.6**
Allowances	(3.0)	(2.0)
Total	**259.6**	**338.6**

MOVEMENT IN ALLOWANCES

IN MILLIONS OF CHF	2018	2017
Balance at January 1	**(2.0)**	**(2.7)**
Creation	(2.6)	(0.3)
Utilized	1.6	0.8
Currency translation adjustments	–	0.2
Balance at December 31	**(3.0)**	**(2.0)**

20. INVENTORIES

IN MILLIONS OF CHF	31.12.2018	31.12.2017
Purchased inventories at cost	1,126.7	1,074.6
Inventory allowance[1]	(64.0)	(51.7)
Total	**1,062.7**	**1,022.9**

[1] The historical cost of all items impaired is CHF 116.4 (2017: 63.0) million

CASH FLOWS USED FOR INCREASE / FROM DECREASE IN INVENTORIES

IN MILLIONS OF CHF	2018	2017
Balance at January 1	1,074.6	950.5
Balance at December 31	1,126.7	1,074.6
Gross change – at cost	**(52.1)**	**(124.1)**
Change in unrealized profit on inventory	4.1	(4.5)
Utilization of allowances	4.0	(0.4)
Currency translation adjustments	(13.0)	1.3
Cash Flow – (Increase) / decrease in inventories	**(57.0)**	**(127.7)**

Cost of sales includes inventories written down to net realizable value and inventory losses of CHF 30.7 (2017: 26.8) million.

21. TRADE AND CREDIT CARD RECEIVABLES

IN MILLIONS OF CHF	31.12.2018	31.12.2017
Trade receivables	47.3	61.9
Credit card receivables	18.6	22.1
Gross	**65.9**	**84.0**
Allowances	(3.3)	(1.5)
Net	**62.6**	**82.5**

AGING ANALYSIS OF TRADE RECEIVABLES

IN MILLIONS OF CHF	31.12.2018	31.12.2017
Not due	19.7	29.5
OVERDUE		
Up to 30 days	8.3	18.7
31 to 60 days	7.4	5.1
61 to 90 days	1.4	1.5
More than 90 days	10.5	7.1
Total overdue	**27.6**	**32.4**
Trade receivables, gross	**47.3**	**61.9**

MOVEMENT IN ALLOWANCES

IN MILLIONS OF CHF	31.12.2018	31.12.2017
Balance at January 1	**(1.5)**	**(0.4)**
Creation	(1.9)	(1.0)
Utilized	0.1	0.1
Currency translation adjustments	–	(0.2)
Balance at December 31	**(3.3)**	**(1.5)**

22. OTHER ACCOUNTS RECEIVABLE

IN MILLIONS OF CHF	31.12.2018	31.12.2017
Advertising receivables	146.4	159.1
Services provided to suppliers	60.2	56.8
Loans receivable	4.8	5.7
Receivables from subtenants and business partners	4.8	4.9
Personnel receivables	2.1	4.2
Accounts receivables	**218.3**	**230.7**
Prepayments for concession fees and rents	108.7	98.3
Prepayments of sales and other taxes	109.4	120.6
Prepayments to suppliers	7.3	6.3
Prepayments, other	15.3	18.2
Prepayments	**240.7**	**243.4**
Guarantee deposits	5.9	16.0
Derivative financial assets	7.6	10.0
Accrued income	0.3	0.8
Other	19.5	25.1
Other receivables	**33.3**	**51.9**
Total	**492.3**	**526.0**
Allowances	(18.2)	(17.5)
Total	**474.1**	**508.5**

MOVEMENT IN ALLOWANCES

IN MILLIONS OF CHF	31.12.2018	31.12.2017
Balance at January 1	**(17.5)**	**(9.5)**
Creation	(3.9)	(8.1)
Released	1.7	–
Utilized	1.3	–
Currency translation adjustments	0.2	0.1
Balance at December 31	**(18.2)**	**(17.5)**

23. EQUITY

IN MILLIONS OF CHF	NOTE	31.12.2018	31.12.2017
Attributable to equity holders of the parent			
Share capital	23.0.1	269.4	269.4
Share premium	23.0.1	4,060.6	4,259.3
Treasury shares	24.3	(520.8)	(12.5)
Employee benefit reserve	23.2	(18.1)	(26.9)
Hedging and revaluation reserves	23.3	(0.3)	–
Translation reserves	23.4	(324.1)	(265.5)
Retained earnings	23.5	(567.9)	(1,093.7)
Total		**2,898.8**	**3,130.1**
Non-controlling interests		**442.9**	**226.1**
Total Equity		**3,341.7**	**3,356.2**

23.0.1 Fully paid ordinary shares

IN MILLIONS OF CHF	NUMBER OF SHARES	SHARE CAPITAL	SHARE PREMIUM
Balance at January 1, 2017	**53,871,707**	**269.4**	**4,259.3**
Balance at December 31, 2017	**53,871,707**	**269.4**	**4,259.3**
Distribution to shareholders	–	–	(198.7)
Balance at December 31, 2018	**53,871,707**	**269.4**	**4,060.6**

The ordinary general assembly approved a dividend of CHF 3.75 per share on May 3, 2018 and the company paid such dividend totalling CHF 198.7 million during the year ended December 31, 2018. No dividend was approved or paid in 2017.

23.1 AUTHORIZED AND CONDITIONAL SHARE CAPITAL

CONDITIONAL SHARE CAPITAL	NUMBER OF SHARES	IN THOUSANDS OF CHF
Balance at January 1, 2017	**888,432**	**4,442**
Balance at December 31, 2017	**888,432**	**4,442**
Balance at December 31, 2018	**888,432**	**4,442**

There was no authorized share capital outstanding in 2017 and 2018.

23.2 EMPLOYEE BENEFITS RESERVE

IN MILLIONS OF CHF	ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT	NON-CONTROLLING INTERESTS	TOTAL EQUITY
Balance at January 1, 2017	**(36.7)**	**–**	**(36.7)**
Actuarial gains (losses) on defined benefit plans	10.8	–	10.8
Income tax	(1.0)	–	(1.0)
Balance at December 31, 2017	**(26.9)**	**–**	**(26.9)**
Actuarial gains (losses) on defined benefit plans	10.6	–	10.6
Income tax	(1.8)	–	(1.8)
Balance at December 31, 2018	**(18.1)**	**–**	**(18.1)**

23.3 HEDGING AND REVALUATION RESERVES

IN MILLIONS OF CHF	ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT	NON-CONTROLLING INTERESTS	TOTAL EQUITY
Balance at January 1, 2017	**1.6**		**1.6**
Gain / (loss) arising on changes in fair value of financial instruments:			
- Interest rate swaps entered for as cash flow hedges	(1.6)	–	(1.6)
Balance at December 31, 2017	**–**	**–**	**–**
Gain / (loss) arising on changes in fair value of financial instruments:			
- Fair value changes of equity investments	(0.3)	–	(0.3)
Balance at December 31, 2018	**(0.3)**		**(0.3)**

23.4 TRANSLATION RESERVES

IN MILLIONS OF CHF	ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT	NON-CONTROLLING INTERESTS	TOTAL EQUITY
Balance at January 1, 2017	**(250.4)**		**(250.4)**
Exchange differences arising on translating the foreign operations	(70.1)	5.3	(64.8)
Net gain / (loss) on hedge of net investments in foreign operations (note 31)	54.7	–	54.7
Share of other comprehensive income of associates	0.3	–	0.3
Balance at December 31, 2017	**(265.5)**		**(260.2)**
Exchange differences arising on translating the foreign operations	(76.0)	1.7	(74.3)
Net gain / (loss) on hedge of net investments in foreign operations (note 31)	17.1	–	17.1
Share of other comprehensive income of associates	0.3	–	0.3
Balance at December 31, 2018	**(324.1)**		**(317.1)**

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.

23.5 RETAINED EARNINGS

IN MILLIONS OF CHF	ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT	NON-CONTROLLING INTERESTS	TOTAL EQUITY
Balance at January 1, 2017	**(1,166.2)**		
Profit of the period	56.8	54.1	110.9
Other comprehensive income / (loss)	0.1	–	0.1
Dividends to non-controlling interests	–	(57.3)	(57.3)
Assignment of treasury shares	(2.5)	–	(2.5)
Share-based payments	22.5	–	22.5
Tax effect on equity transactions	(0.5)	–	(0.5)
Other changes in participation of non-controlling interests	(3.9)	15.4	11.5
Balance at December 31, 2017	**(1,093.7)**		
Profit of the period	71.8	63.6	135.4
Dividends to non-controlling interests	–	(76.2)	(76.2)
Profit on disposal of treasury shares	0.2	–	0.2
Assignment of treasury shares	(14.3)	–	(14.3)
Share-based payments	26.2	5.0	31.2
Tax effect on equity transactions	4.0	1.3	5.3
Gain on sale of 42.6 % of Hudson Ltd	439.5	206.4	645.9
Other changes in participation of non-controlling interests	(1.6)	15.0	13.4
Balance at December 31, 2018	**(567.9)**		

24. SHARE-BASED PAYMENTS

24.1 SHARE PLAN OF DUFRY AG

On December 12, 2018, Dufry granted to selected members of the senior management the award 2018 consisting of 136,443 PSU units. The PSU award 2018 has a contractual life of 29 months and will vest on May 1, 2021. At grant date the fair value of one PSU award 2018 represents the market value for one Dufry share at that date, i.e. CHF 91.48. As of December 31, 2018, no PSU award 2018 forfeited and 136,443 PSU award 2018 remain outstanding.

On December 1, 2017, Dufry granted to the members of the Group Executive Committee 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, 2018, no PSU award 2017 forfeited, so that 144,654 PSU award 2017 remain outstanding.

Holders of one PSU award 2018 or award 2017 will have the right 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 grant year of award and the following two years compared with the target (2018: CHF 29.23, 2017: CHF 25.97). 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 2 (2017: 1.5) 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.

On May 3, 2018, the PSU-award 2015 vested and the company assigned and delivered free of charge 97,308 Dufry shares to the holders of these certificates. The performance of the PSU award 2015 was measured against the target Cash EPS of CHF 24.42 and achieved a pay-out ratio of 0.926 Dufry shares per PSU award 2015, i.e. a total of 97,308 shares.

Holders of 82,536 RSU-award 2016 will have the right to receive free of charge one Dufry share per RSU 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.

Dufry has granted to selected members of the senior management the award 2016 consisting of 159,220 PSU units. The PSU award 2016 has a contractual life of 30 months and will vest on May 2, 2019. The performance of the PSU award 2016 was measured against the target Cash EPS of CHF 24.59, whereby the group achieved over the three-year period 2016 – 2018 a Cash EPS of CHF 24.72, so that in May 2019 the PSU award 2016 will vest and Dufry will assign 1.010 Dufry shares per PSU award 2016, i.e. a total of 160,812 shares.

24.2 SHARE PLAN OF HUDSON LTD.

On June 28, 2018, Hudson Ltd. granted an IPO-award in the form of restricted share units (RSU's) to selected members of management. The IPO-award consists of 526,313 RSU's in total. One RSU gives the holder the right to receive free of charge one Hudson Ltd. Class A common share. At grant date, the fair value of one RSU award represented the market value for one Hudson Ltd. share at that date, i. e. CHF 17.24 (USD 17.39). The RSUs were vested on the grant date and will be settled 50 % in first quarter 2019 and 50 % in first quarter 2020. Hudson expects to settle such awards by purchasing Class A common shares in the market or by issuing new shares. Hudson recognized the CHF 9.0 (USD 9.2 million) expenses related to this award through shareholders' equity as these incentives were provided in connection with the successful listing of Hudson Ltd. As of December 31, 2018, no IPO-award forfeited, so that 526,313 RSU awards remain outstanding.

On November 1, 2018, Hudson Ltd granted to selected members of its senior management the Hudson- award 2018 consisting of 435,449 PSU's units and 145,150 RSU's units. Both plans have a contractual life of 30 months and will vest on May 1, 2021. At grant date the fair value of one PSU or RSU award 2018 represents the market value for one Hudson share at that date, i. e. CHF 20.85 (USD 21.06), adjusted by the probability that participants comply with the ongoing contractual relationship clauses As of December 31, 2018, no PSU or RSU Hudson-award 2018 forfeited, so that the remaining 435,449 PSU's and 145,150 RSU Hudson-awards 2018 remain outstanding.

The holders of one PSU award 2018 will have the right to receive free of charge up to two Hudson Ltd Class A common share based on the cumulative results achieved by the Hudson over a three year period on three performance metrics (PM) against the respective targets and thus as follows: 30 % on Sales of CHF 5,719 (USD 5,828) million, 30 % on EBITDA of CHF 694.8 (USD 708) million and 40 % on Cash EPS of CHF 2.17 (USD 2.22). Whereby 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 effective cumulative PM are at target level, each PSU grants one share. If a cumulative PM is at 150 % of the target (maximum threshold) or above, each PSU will grant at vesting the specific PM weight of two shares, and if a PM is at 50 % of the PM target (minimum threshold) or below, no share will be granted at vesting. If a PM is between 50 % and 150 % of the target, the pay-out ratio will be allocated on a linear basis. Finally, the number of shares granted for each PSU will be the sum of the three pay-out ratios. Additionally, the allocation of shares is subject to an ongoing contractual relationship of the participant with Hudson throughout the vesting period. Holders of PSU are not entitled to vote or receive dividends, like shareholders do. The plans consider different rights in case of early termination.

The holders of one RSU award 2018 will have the right to receive free of charge one Hudson share subject to an ongoing contractual relationship with Hudson throughout the vesting period (Award 2018 until May 1, 2021). Holders of these rights are not entitled to vote or receive dividends, like shareholders do. The plans consider different rights in case of early termination.

In 2018 Dufry recognized through profit and loss for all these share-based plans expenses for a total of CHF 22.2 (2017: CHF 22.3) million.

24.3 TREASURY SHARES

Treasury shares are valued at historical cost.

TOTAL EQUITY	NUMBER OF SHARES	IN MILLIONS OF CHF
Balance at January 1, 2017	**100,169**	**(15.0)**
Assigned to holders of RSU-Awards	(15,979)	2.5
Balance at December 31, 2017	**84,190**	**(12.5)**
Share purchases	4,379,541	(549.8)
Share sales	(197,334)	27.2
Assigned to holders of PSU-Awards	(97,308)	14.3
Balance at December 31, 2018	**4,169,089**	**(520.8)**

24.4 EARNINGS PER SHARE

24.4.1 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	2018	2017
Net earnings attributable to equity holders of the parent	71.8	56.8
Weighted average number of ordinary shares outstanding	51,867,767	53,781,257
Basic earnings per share in CHF	**1.38**	**1.06**

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	2018	2017
Net earnings attributable to equity holders of the parent	71.8	56.8
Weighted average number of ordinary shares outstanding adjusted for the effect of dilution	52,156,991	53,979,059
Diluted earnings per share in CHF	**1.38**	**1.05**

24.4.2 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	2018	2017
Net earnings attributable to equity holders of the parent	71.8	56.8
ADJUSTED FOR		
Dufry's share of the amortization in respect of acquisitions (excluding impairments)	307.4	311.1
Adjusted net earnings	**379.2**	**367.9**
Weighted average number of ordinary shares outstanding	51,867,767	53,781,257
Cash EPS	**7.31**	**6.84**
Deferred tax on above mentioned amortization in CHF per share	(1.05)	(1.00)
Linearization of Spanish contracts in CHF per share	0.92	1.10
Impairment in respect of acquisitions	0.04	1.18

24.4.3 Weighted average number of ordinary shares

IN THOUSANDS	2018	2017
Outstanding shares	53,871,707	53,871,707
Less treasury shares	(2,003,940)	(90,450)
Used for calculation of basic earnings per share	**51,867,767**	**53,781,257**
EFFECT OF DILUTION		
PSU / RSU Awards 2016 – 2017	289,224	197,802
Used for calculation of earnings per share adjusted for the effect of dilution	52,156,991	53,979,059

For movements in shares see note 23 Equity, note 24 Share-based payment and Treasury shares.

25. 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	2018	2017
Hudson Ltd 42.6 % disposed (see note 6)	206.4	–
Dufry Cyprus Ltd 30 % acquired (holding of Russian entity)	0.3	–
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)
Other non-controlling interests acquired	–	(0.2)
Change in Dufry's interest	**206.7**	**3.9**
Division North America, increase in share capital of several subsidiaries	15.1	10.4
Dufry Kenia Ltd share capital increase [1]	0.2	–
Dufry Thomas Julie Korea Co. Ltd share capital increase	0.2	–
Dufry TCDC Ltd liquidation (Taiwan)	(0.5)	–
Nuance Group (Bulgaria) AD liquidation	(0.2)	–
Dufry Mozambique Ltda 75 %	–	0.4
Dufry HWG Shopping Sdn Bhn (Malaysia) 51 %	–	0.2
Other	(0.1)	0.5
Total	**221.4**	**15.4**

[1] No cash flow effects in current financial period

25.1 INFORMATION ON COMPANIES WITH NON-CONTROLLING INTERESTS

In 2018, Dufry allocated CHF 63.6 (2017: 54.1) million of net earnings to non-controlling interests (NCI). Within the Dufry Group, the net earnings allocated to non-controlling interests is predominantly related to Hudson sub-group, totaling CHF 46.3 (2017: 29.0) million. As of February 1, 2018 Dufry sold a minority interest in Hudson Ltd. (see note 6), and thereafter holds 57.4 % of the outstanding shares of Hudson Ltd., providing Dufry with 93.1 % of the voting rights as of December 31, 2018. Hudson Ltd. is a holding company incorporated in Hamilton, Bermuda which is the ultimate parent of various subsidiaries with NCI's (none of which is individually material) in the United States and Canada and operates duty free and duty paid shops. Details about the name of these subsidiaries, location of primary operations, Hudson's share in ownership and share capital of these subsidiaries, sorted by country of incorporation, have been disclosed in the list of most important subsidiaries within the financial statements.

Airport authorities in the United States frequently require Dufry group companies to partner with local business partners based on Airport Concession Disadvantaged Business Enterprise ("ACDBE") regulation. Dufry also may partner with third parties to win new business opportunities and maintain existing ones. Consequently, Dufry's business model contemplates the involvement of local partners. Net earnings from these operating subsidiaries attributed to Dufry and to non-controlling interests reflect the applicable ownership structure, and as a result net earnings and dividend payments attributable to non-controlling interests exclude expenses borne by Dufry which are not attributable to the local partners, such as acquisition related interest expenses, income taxes and amortization on fair value step-ups from acquisitions.

31.12.2018 IN MILLIONS OF CHF	HUDSON LTD. [1]	OTHER [2]	TOTAL
Dividends paid to NCI	(38.6)	(31.5)	(70.1)
Current assets	457.1	613.2	1,070.3
of which cash and cash equivalents	229.8	109.3	339.1
Non-current assets	658.5	774.0	1,432.5
Current liabilities	265.8	756.3	1,022.1
of which financial liabilities	50.4	726.7	777.1
Non-current liabilities	523.7	185.2	708.9
of which financial liabilities	483.5	124.2	607.7
Net assets	**326.1**	**445.7**	**771.8**
Equity attributable to NCI	310.2	132.7	442.9

31.12.2017 IN MILLIONS OF CHF	HUDSON LTD. [1]	OTHER [2]	TOTAL
Dividends paid to NCI	(33.9)	(23.4)	(57.3)
Current assets	285.4	559.5	844.9
of which cash and cash equivalents	108.3	105.6	213.9
Non-current assets	231.9	660.7	892.6
Current liabilities	173.6	591.5	765.1
of which financial liabilities	159.0	574.1	733.1
Non-current liabilities	8.5	186.8	195.3
of which financial liabilities	–	129.9	129.9
Net assets	**335.2**	**441.9**	**777.1**
NCI share of the equity	76.7	149.4	226.1

[1] More information about Hudson Ltd. is available under www.hudsongroup.com

[2] Comprises subsidiaries worldwide, except US and Canada, with non-controlling interests (see list of most important subsidiaries within the financial statements)

31.12.2018 IN MILLIONS OF CHF	HUDSON LTD. [1]	OTHER [2]	TOTAL
Turnover	1,884.4	1,454.4	3,338.8
Depreciation, amortization and impairment	(126.2)	(80.2)	(206.4)
Interest income	2.5	2.4	4.9
Interest expense	(30.4)	(18.7)	(49.1)
Income tax	(3.2)	(19.8)	(23.0)
Net earnings	65.0	7.5	72.5
of which attributable to NCI [3]	46.3	17.3	63.6
Other comprehensive income	10.0	(4.1)	5.9
Total comprehensive income	75.0	3.4	78.4
of which attributable to NCI	50.5	14.8	65.3

31.12.2017 IN MILLIONS OF CHF	HUDSON LTD. [1]	OTHER [2]	TOTAL
Turnover	1,112.2	1,251.7	2,363.9
Depreciation, amortization and impairment	(44.8)	(52.3)	(97.1)
Interest income	0.2	6.2	6.4
Interest expense	(0.3)	(19.4)	(19.7)
Income tax	4.5	(3.9)	0.6
Net earnings	119.3	53.2	172.5
of which attributable to NCI [3]	29.0	25.1	54.1
Other comprehensive income	(13.1)	16.6	3.5
Total comprehensive income	106.2	69.8	176.0
of which attributable to NCI	26.4	33.0	59.4

1 More information about Hudson Ltd. is available under www.hudsongroup.com

2 Comprises subsidiaries worldwide, except US and Canada, with non-controlling interests (see list of most important subsidiaries within the financial statements)

3 The net earnings attributable to NCI represent the share the NCI have in the result of the respective subsidiaries prepared on local GAAP's. The net earnings attributable to the Group for these operations represent the remaining part of the net earnings adjusted to comply with IFRS as well as adjusted with the fair value adjustments made at the time of acquisitions.

26. FINANCIAL DEBT

IN MILLIONS OF CHF	31.12.2018	31.12.2017
Bank debt (overdrafts)	9.4	10.8
Bank debt (loans)	44.7	72.9
Third party loans	3.9	3.1
Financial debt, short-term	**58.0**	**86.8**
Bank debt (loans)	2,083.6	2,420.1
Senior Notes	1,675.4	1,737.6
Third party loans	7.3	7.4
Financial debt, long-term	**3,766.3**	**4,165.1**
Total	**3,824.3**	**4,251.9**
OF WHICH ARE		
Bank debt	2,137.7	2,503.8
Senior Notes	1,675.4	1,737.6
Third party loans	11.2	10.5

BANK DEBT

IN MILLIONS OF CHF	31.12.2018	31.12.2017
MAIN BANK DEBTS ARE DENOMINATED IN		
US Dollar	1,324.9	1,266.6
British Pound Sterling	563.6	316.10
Euro	–	584.6
Swiss Franc	200.4	265.7
Subtotal	**2,088.9**	**2,433.0**
BANK DEBTS AT SUBSIDIARIES IN		
Different currencies	**60.0**	**87.7**
Deferred bank arrangement fees	(11.2)	(16.9)
Total	**2,137.7**	**2,503.8**

SENIOR NOTES

IN MILLIONS OF CHF	31.12.2018	31.12.2017
Senior Notes denominated in Euro	1,688.8	1,753.8
Deferred arrangement fees	(13.4)	(16.2)
Total	**1,675.4**	**1,737.6**

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 32) 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 2017 and 2018 as well.

Main bank credit facilities

				DRAWN AMOUNT IN CHF	
IN MILLIONS OF	MATURITY	CURRENCY	CREDIT LIMIT IN LOCAL CURRENCY	31.12.2018	31.12.2017
Committed short-term financing	03.11.2018	EUR	500.0	–	584.6
Committed 5-year term loan (multi-currency)	03.11.2022	USD	700.0	687.0	682.0
Committed 5-year term loan (multi-currency)	03.11.2022	EUR	500.0	551.4	581.8
5+1+1-year revolving credit facility (multi-currency)	03.11.2023	EUR	1,300.0	700.5	584.6
Uncommited short-term facilities	n. a.	CHF	–	150.0	–
Total				**2,088.9**	**2,433.0**

On September 3, 2018, Dufry extended the 5+1+1 year revolving credit facility (multi-currency) by one year to November 3, 2023.

Senior notes

					AMOUNT IN CHF	
IN MILLIONS OF	MATURITY	COUPON RATE	CURRENCY	NOMINAL IN LOCAL CURRENCY	31.12.2018	31.12.2017
Senior notes	01.08.2023	4.50 %	EUR	700.0	782.0	811.0
Senior notes	15.10.2024	2.50 %	EUR	800.0	893.4	926.6
Total					**1,675.4**	**1,737.6**

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, 2018 of respective years:

INTEREST RATE IN PERCENTAGE (%)	2018	2017
Average on USD	3.67	3.15
Average on CHF	1.40	1.57
Average on EUR	3.35	3.85
Average on GBP	2.02	2.50
Weighted Average Total	**3.21**	**3.36**

26.1 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	31.12.2018	31.12.2017	31.12.2018	31.12.2017
Dufry do Brasil and other subsidiaries [1]	USD	292.9	947.2	287.4	922.8
World Duty Free Group SA	GBP	–	50.0	–	65.8
Total				**287.4**	**988.6**

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

26.2 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	31.12.2018	31.12.2017	31.12.2018	31.12.2017
Nuance Group (Australia) Pty Ltd.	AUD	121.8	121.8	84.3	92.6
Dufry America Holding Inc.	USD	10.2	13.4	10.0	13.0
Nuance Group (Sverige) AB	SEK	110.0	110.0	12.2	13.1
Dufry Duty Free (Nigeria) Ltd.	USD	6.1	6.1	6.0	5.9
Total				**112.5**	**124.6**

27. NET DEBT

IN MILLIONS OF CHF	CASH AND CASH EQUIVALENTS	FINANCIAL DEBT CURRENT	FINANCIAL DEBT NON-CURRENT	NET DEBT
Balance at January 1, 2018	**565.0**	**86.8**	**4,165.1**	**3,686.9**
Cash flows from operating, financing and investing activities	(7.0)	–	–	7.0
Transaction costs for financial instruments	–	–	(1.7)	(1.7)
Proceeds from bank loans, senior notes and 3rd party loan	–	2.8	161.0	163.8
Repayments of bank loans and senior notes	–	(41.4)	(436.8)	(478.2)
Cash flow	**(7.0)**	**(38.6)**	**(277.5)**	**(309.1)**
Foreign exchange adjustments	**(19.8)**	**9.8**	**(131.1)**	**(101.5)**
Arrangement fees amortization	–	–	9.8	9.8
Other non-cash movements	**–**	**–**	**9.8**	**9.8**
Balance at December 31, 2018	**538.2**	**58.0**	**3,766.3**	**3,286.1**

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	56.4	–	–	(56.4)
Transaction costs for financial instruments	–	–	(26.9)	(26.9)
Proceeds from loans, senior notes and 3rd party loan	–	30.2	3,972.5	4,002.7
Repayments of bank loans and senior notes[1]	–	(68.8)	(4,029.1)	(4,097.9)
Cash flow	**56.4**	**(38.6)**	**(83.5)**	**(178.5)**
Foreign exchange adjustments[1]	**57.8**	**(1.9)**	**139.6**	**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**

[1] See comments about 2017 restated figures in note 2.3

27.1 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
31.12.2018			
Cash and cash equivalents	1,440.6	(902.4)	538.2
Financial debt, short-term	960.4	(902.4)	58.0
31.12.2017			
Cash and cash equivalents	1,243.7	(678.7)	565.0
Financial debt, short-term	765.5	(678.7)	86.8

27.2 LEGAL RESTRICTIONS ON MONEY TRANSFER

Cash and cash equivalents at the end of the reporting period include CHF 58.4 (2017: 46.6) million held by subsidiaries operating in countries with exchange controls or other legal restrictions on money transfer.

28. OTHER LIABILITIES

IN MILLIONS OF CHF	31.12.2018	31.12.2017
Accrued lease expense	210.2	205.7
Concession fee payables	184.8	180.1
Personnel payables	155.1	168.9
Other service related vendors	178.2	196.8
Sales and other tax liabilities	72.7	123.0
Payables for capital expenditure	37.4	48.1
Interest payables	23.7	26.2
Advertising payables	–	15.0
Other payables	60.8	37.9
Total	**922.9**	**1,001.7**
THEREOF		
Current liabilities	860.1	888.8
Non-current liabilities	62.8	112.9
Total	**922.9**	**1,001.7**

29. DEFERRED TAX ASSETS AND LIABILITIES

Defered tax assest or liabilities arising from the following positions:

IN MILLIONS OF CHF	31.12.2018	31.12.2017
DEFERRED TAX ASSETS		
Inventories	15.3	18.6
Property, plant and equipment	28.3	55.0
Intangible assets	33.2	29.1
Provisions and other payables	41.6	32.1
Tax loss carry-forward	96.9	128.9
Other	23.4	15.0
Total	**238.7**	**278.7**
DEFERRED TAX LIABILITIES		
Property, plant and equipment	(14.1)	(44.5)
Intangible assets	(497.7)	(561.4)
Provisions and other payables	(14.3)	(6.3)
Other	(0.1)	–
Total	**(526.2)**	**(612.2)**
Deferred tax liabilities net	**(287.5)**	**(333.5)**

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

IN MILLIONS OF CHF	2018	2017
Deferred tax assets	138.4	133.3
Deferred tax liabilities	(425.9)	(466.8)
Balance at December 31	**(287.5)**	**(333.5)**

Reconciliation of movements to the deferred taxes:

IN MILLIONS OF CHF	2018	2017
Changes in deferred tax assets	5.1	–
Changes in deferred tax liabilities	40.9	205.3
Currency translation adjustments	(15.4)	(177.6)
Deferred tax movements (expense) at December 31	**30.6**	**27.7**
THEREOF		
Recognized in the income statement	27.1	29.2
Recognized in equity[1]	5.3	(0.5)
Recognized in OCI	(1.8)	(1.0)

[1] Includes CHF 1.3 million recognized as equity attributable to non-controlling interests.

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 2019 and the management projections thereafter.

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

IN MILLIONS OF CHF	31.12.2018	31.12.2017
Expiring within 1 to 3 years	5.7	54.6
Expiring within 4 to 7 years	348.2	221.8
Expiring after 7 years	56.6	162.3
With no expiration limit	731.9	687.9
Total	**1,142.4**	**1,126.6**

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.

30. PROVISIONS

IN MILLIONS OF CHF	CONTINGENT LIABILITIES	ONEROUS CONTRACTS	CLOSEDOWN	LAWSUITS AND DUTIES	LABOR DISPUTES	OTHER	TOTAL
Balance at January 1	**47.3**	**55.6**	**5.5**	**35.9**	**4.2**	**23.6**	**172.1**
Charge for the year	1.7	8.1	1.0	0.7	0.1	4.9	16.5
Utilized	(1.0)	(31.5)	(0.8)	(1.3)	(1.2)	(10.6)	(46.4)
Unused amounts reversed	–	–	(0.6)	–	–	(1.4)	(2.0)
Interest discounted	–	2.5	–	–	–	–	2.5
Reclassification from / to other accounts	–	–	–	–	1.1	(1.1)	–
Currency translation adjustments	(1.7)	(1.3)	–	(1.7)	(0.1)	(0.7)	(5.5)
Balance at December 31	**46.3**	**33.4**	**5.1**	**33.6**	**4.1**	**14.7**	**137.2**
THEREOF							
Current	–	10.3	5.1	33.6	1.1	4.7	54.8
Non-current	46.3	23.1	–	–	3.0	10.0	82.4

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 connection with business combinations, usually in relation with legal and tax claims, from which the final outcome is difficult to assess.

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 33.4 (2017: 55.6) million has been provided in relation to operations in Europe.

CLOSE DOWN

The provision of CHF 5.1 (2017: 5.5) million relates mainly to the closing of operations in Asia and Europe. In 2018 CHF 0.6 million has been reversed after the closing of an operation in China.

LAWSUITS AND DUTIES

The provision for lawsuits and duties of CHF 33.6 (2017: 35.9) 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 and Ecuador. Two of Dufry's dormant operations in India still keep two open claims (CHF 12.9 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 (1.3) million of the provision. Other charges of the year relate to interests on a custom claim in Ecuador,

LABOR DISPUTES

The provision of CHF 4.1 (2017: 4.2) 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 are in connection with a loyalty program and a potential penalty fee due to the close down of a store in a Caribbean Island. The utilization of the year mainly relates to the restructuring program in Spain and the loyalty program.

CASH OUTFLOWS OF NON-CURRENT PROVISIONS

The cash outflows of non-current provisions as of December 31, 2018 are expected to occur in:

IN MILLIONS OF CHF	EXPECTED CASH OUTFLOW
2020	7.1
2021	5.7
2022	4.4
2023	5.4
2024 +	59.8
Total non-current	**82.4**

31. 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 99.5 % (2017: 99.6 %) of the total defined benefit obligation and 99.5 % (2017: 99.4 %) of the plan assets correspond to pension funds in Switzerland (CH) and the United Kingdom (UK).

			2018			2017
IN MILLIONS OF CHF	Funded	Unfunded	TOTAL	Funded	Unfunded	TOTAL
SWITZERLAND						
Fair value of plan assets	189.7	–	189.7	189.7	–	189.7
Present value of defined benefit obligation	205.0	–	205.0	203.4	–	203.4
Financial (liability) asset	**(15.3)**	**–**	**(15.3)**	**(13.7)**	**–**	**(13.7)**
UK						
Fair value of plan assets	182.5	–	182.5	203.8	–	203.8
Present value of defined benefit obligation	177.9	–	177.9	211.5	–	211.5
Financial (liability) asset	**4.6**	**–**	**4.6**	**(7.7)**	**–**	**(7.7)**
OTHER PLANS						
Fair value of plan assets	2.0	–	2.0	2.2	–	2.2
Present value of defined benefit obligation	1.8	18.1	19.9	2.1	18.1	20.2
Financial (liability) asset	**0.2**	**(18.1)**	**(17.9)**	**0.1**	**(18.1)**	**(18.0)**
NET DEFINED BENEFIT						
Net defined benefit asset	4.8	–	4.8	–	–	–
Employee benefit obligations	(15.3)	18.1	(33.4)	(21.3)	18.1	(39.4)
Total net book value employee benefits	**(10.5)**	**(18.1)**	**(28.6)**	**(21.3)**	**(18.1)**	**(39.4)**

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

Reconciliation to the funded plans

		2018		2017
IN MILLIONS OF CHF	Switzerland	UK	Switzerland	UK
Net defined (obligation) / asset at January 1	**(13.7)**	**(7.7)**	**(20.2)**	**(29.5)**
Pension income / (expense) through income statement	(8.0)	(0.2)	(8.1)	20.1
Remeasurements through other comprehensive income	0.2	10.0	8.0	2.3
Contributions paid by employer	6.0	2.1	6.6	0.1
Currency translation	–	0.4	–	(0.7)
Net defined (obligation) / asset at December 31	**(15.3)**	**4.6**	**(13.7)**	**(7.7)**

31.1 SWITZERLAND

Dufry operates a company sponsored pension fund in form of a foundation in Switzerland that provides 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 law 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 increasing future contributions revising the investment strategy or the benefits granted above the legally granted rents. The BVG law prescribes how the employer and the employee have to jointly fund potential restructurings. Under Swiss pension law Dufry cannot recover any surplus from the pension foundation.

The main risks assumed by the pension fund are eventual discrepancies between: a) the effective average life expectancy compared with the official demographic statistics, b) the effective future returns on plan assets compared with the estimated discount rate used to calculate the conversion factors and c) the effective invalidity cases compared with the demographic statistics. 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 allocation, 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 from time to time at least once a year. The Investment Committee supervises the investment process. The plan assets are deposited in a global custody bank account, whereby the investments in Real estate funds are directly managed by the fund administration.

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.

31.2 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 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

	2018		2017	
IN MILLIONS OF CHF	**Switzerland**	**UK**	**Switzerland**	**UK**
SERVICE COSTS				
Current service costs	(7.5)	–	(7.6)	(0.2)
Past service costs[1]	–	–	–	21.1
Fund administration	(0.4)	–	(0.4)	(0.8)
Net interest	(0.1)	(0.2)	(0.1)	–
Total pension expenses recognized in the income statement	**(8.0)**	**(0.2)**	**(8.1)**	**20.1**

[1] The past service cost in the UK for 2018 is materially lower than prior year, as it reflects a CHF 21.1 (GBP 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 are included in personnel expenses, whereas the past service costs are included in the other operational result.

Remeasurements employee benefits

	2018		2017	
IN MILLIONS OF CHF	**Switzerland**	**UK**	**Switzerland**	**UK**
Actuarial gains (losses) – experience	(1.3)	(3.1)	1.1	1.6
Actuarial gains (losses) – demographic assumptions	–	5.2	–	0.9
Actuarial gains (losses) – financial assumptions	5.4	15.1	–	(5.3)
Return on plan assets exceeding expected interest	(3.9)	(7.2)	6.9	5.1
Total remeasurements recorded in other comprehensive income	**0.2**	**10.0**	**8.0**	**2.3**

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

	2018		2017	
IN MILLIONS OF CHF	Switzerland	UK	Switzerland	UK
Balance at January 1	**189.7**	**203.8**	**185.0**	**191.5**
Interest income [1]	1.5	4.9	1.4	5.4
Return on plan assets, above interest income	(3.9)	(7.2)	6.9	5.1
Contributions paid by employer	6.0	2.1	6.6	0.1
Contributions paid by employees	3.7	–	3.8	0.1
Benefits paid	(10.6)	(11.1)	(14.0)	(7.6)
Transfer payment	3.3	–	–	–
Currency translation	–	(10.0)	–	9.2
Balance at December 31	**189.7**	**182.5**	**189.7**	**203.8**

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

Change in present value of defined benefit obligation

	2018		2017	
IN MILLIONS OF CHF	Switzerland	UK	Switzerland	UK
Balance at January 1	**203.4**	**211.5**	**205.2**	**221.0**
Current service costs	7.5	–	7.6	0.2
Interest costs	1.5	5.1	1.5	6.3
Contributions paid by employees	3.7	–	3.8	0.1
Accrual of expected future administration costs	0.4	–	0.4	–
Actuarial losses / (gains) – experience	1.3	3.1	(1.1)	(1.6)
Actuarial losses / (gains) – demographic assumptions	–	(5.2)	–	(0.9)
Actuarial losses / (gains) – financial assumptions	(5.4)	(15.1)	–	5.3
Benefits paid	(10.6)	(11.1)	(14.0)	(7.6)
Past service cost – plan amendments	–	–	–	(21.1)
Transfer payment	3.2	–	–	–
Currency translation	–	(10.4)	–	9.8
Balance at December 31	**205.0**	**177.9**	**203.4**	**211.5**
Net defined benefit (obligation) / asset at December 31	**(15.3)**	**4.6**	**(13.7)**	**(7.7)**

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:

	2018		2017	
IN PERCENTAGE (%)	**Switzerland**	**UK**	**Switzerland**	**UK**
Discount rates	0.90	3.00	0.75	2.60
Future salary increases	1.50	–	1.50	–
Future pension increases	0.25	1.80	0.25	1.80
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:

	2018		2017	
IN PERCENTAGE (%)	**Switzerland**	**UK**	**Switzerland**	**UK**
Shares	34.5	33.3	31.5	31.4
Bonds	22.1	–	22.6	50.4
Real estate	42.6	–	31.9	–
Other [1]	0.8	66.7	14.0	18.2
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 27.7 % (2017: 29.0 %) 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

IN THOUSAND OF CHF	2018 Switzerland	2018 UK	2017 Switzerland	2017 UK
ACTIVE PARTICIPANTS				
Number at December 31 (persons)	774	–	794	–
Average annual plan salary	82.0	–	82.0	–
Average age (years)	41.5	–	41.0	–
Average benefit service (years)	10.8	–	10.2	–
DEFERRED PARTICIPANTS				
Number at December 31 (persons)	–	1,194	–	1,242
Average annual plan pension	–	5.3	–	5.3
BENEFIT RECEIVING PARTICIPANTS				
Number at December 31 (persons)	150	1,053	141	1,026
Average annual plan pension	24.0	4.0	25.0	3.7

IN MILLIONS OF CHF	2018 Switzerland	2018 UK	2017 Switzerland	2017 UK
EXPECTED CONTRIBUTIONS FOR				
Employer	5.6	2.2	6.0	0.1
Employees	3.2	–	3.4	0.1
Weighted average duration of defined benefit obligation (years)	20.2	19.0	20.5	20.0

IN MILLIONS OF CHF	2018 Switzerland	2018 UK	2017 Switzerland	2017 UK
MATURITY PROFILE OF DEFINED BENEFIT OBLIGATION				
Expected payments within 1 year	6.9	4.9	6.8	5.5
Expected payments in year 2	6.7	5.1	6.7	4.8
Expected payments in year 3	6.6	6.0	6.6	5.0
Expected payments in year 4	6.4	6.0	6.4	5.9
Expected payments in year 5	7.4	5.5	6.3	5.3
Expected payments in year 6 and beyond	32.4	30.4	32.9	33.6

Sensitivities of significant actuarial assumptions

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

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

2018 IN MILLIONS OF CHF	SWITZERLAND Increase	 Decrease	UK Increase	 Decrease
A CHANGE OF 0.5 % IN THE FOLLOWING ASSUMPTIONS WOULD IMPLY				
Discount rate	(16.5)	18.9	–	18.8
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

2019 IN MILLIONS OF CHF	SWITZERLAND	UK
Current service cost	7.1	–
Fund administration expenses	0.3	–
Net interest expenses	0.1	0.2
Costs to be recognized in income statement	**7.5**	**0.2**

32. 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 2018 or 2017, 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.

33. 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, 2018 IN MILLIONS OF CHF	TOTAL	FAIR VALUE MEASUREMENT AT DECEMBER 31, 2018 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	0.2		0.2		0.2
Foreign exchange swaps contracts – USD	0.5		0.5		0.5
Foreign exchange swaps contracts – EUR	4.5		4.5		4.5
Foreign exchange swaps contracts – OTHER	0.9		0.9		0.9
Cross currency swaps contracts – USD	1.0		1.0		1.0
Cross currency swaps contracts – GBP	0.5		0.5		0.5
Total (Note 37.3)	**7.6**		**7.6**		**7.6**
Financial assets valued at FVOCI					
Equity investments at FVOCI	1.7	1.7	–		1.7
	1.7	**1.7**	**–**		**1.7**
ASSETS FOR WHICH FAIR VALUES ARE DISCLOSED					
Loans and receivables					
Credit card receivables	18.1		18.1		18.6

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 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	0.3		0.3		0.3
Cross currency swaps contracts – OTHER	0.7		0.7		0.7
Total (Note 37.3)	**10.0**		**10.0**		**10.0**
ASSETS FOR WHICH FAIR VALUES ARE DISCLOSED					
Loans and receivables					
Credit card receivables	21.6		21.6		22.1

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

Quantitative disclosures fair value measurement hierarchy for liabilities

	FAIR VALUE MEASUREMENT AT DECEMBER 31, 2018 USING				
DECEMBER 31, 2018 IN MILLIONS OF CHF	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 swaps contracts – USD	0.5		0.5		0.5
Foreign exchange swaps contracts – OTHER	1.5		1.5		1.5
Cross currency swaps contracts – USD	5.9		5.9		5.9
Cross currency swaps contracts – GBP	6.7		6.7		6.7
Total (Note 37.3)	**14.6**		**14.6**		**14.6**
Financial liabilities valued at FVPL					
Interest rate swaps	2.7		2.7		2.7
Total (Note 38.1)	**2.7**		**2.7**		**2.7**
LIABILITIES FOR WHICH FAIR VALUES ARE DISCLOSED					
At amortized cost					
Senior Notes EUR 800	857.8	857.8			893.4
Senior Notes EUR 700	805.0	805.0			782.0
Total	**1,662.8**	**1,662.8**			**1,675.4**
Floating rate borrowings USD	1,368.5		1,368.5		1,317.8
Floating rate borrowings CHF	201.4		201.4		199.3
Floating rate borrowings GBP	583.4		583.4		560.6
Total	**2,153.3**		**2,153.3**		**2,077.7**

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

DECEMBER 31, 2017 IN MILLIONS OF CHF	FAIR VALUE MEASUREMENT AT DECEMBER 31, 2017 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	–		–		–
Foreign exchange forward contracts – EUR	–		–		–
Foreign exchange forward contracts – GBP	–		–		–
Foreign exchange swaps contracts – EUR	–		–		–
Cross currency swaps contracts – GBP	–		–		–
Total (Note 37.3)	**–**		**–**		**–**
Financial liabilities valued at FVPL					
Interest rate swaps	–		–		–
Total (Note 38.1)	**–**		**–**		**–**
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.

34. FINANCIAL INSTRUMENTS

Significant accounting policies are described in notes 2.4.v) and 2.5.

35. 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 investments, 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.

35.1 GEARING RATIO

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

IN MILLIONS OF CHF	31.12.2018	31.12.2017
Cash and cash equivalents	(538.2)	(565.0)
Financial debt, short-term	58.0	86.8
Financial debt, long-term	3,766.3	4,165.1
Net debt	**3,286.1**	**3,686.9**
Equity attributable to equity holders of the parent	2,898.8	3,130.1
ADJUSTED FOR		
Accumulated hedged gains / (losses)	(62.3)	(45.2)
Effects from transactions with non-controlling interests [1]	1,355.1	1,839.0
Total capital [2]	**4,191.6**	**4,923.9**
Total net debt and capital	**7,477.7**	**8,610.8**
Gearing ratio	**43.9 %**	**42.8 %**

[1] Represents the excess paid (received) above fair value of non-controlling interests on shares acquired (sold) as long as there is no change in control (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.

35.2 CATEGORIES OF FINANCIAL INSTRUMENTS

AT DECEMBER 31, 2018

IN MILLIONS OF CHF	FINANCIAL ASSETS at amortized cost	at FVOCI (non-recyclable)	at FVPL	SUBTOTAL	NON-FINANCIAL ASSETS[1]	TOTAL
Cash and cash equivalents	538.2	–	–	538.2	–	538.2
Financial instruments at fair value through profit and loss	–	1.7	–	1.7	–	1.7
Trade and credit card receivables	62.6	–	–	62.6	–	62.6
Other accounts receivable	220.0	–	7.6	227.6	246.5	474.1
Other non-current assets	134.9	–	–	134.9	124.7	259.6
Total	**955.5**	**1.7**	**7.8**	**965.0**		

IN MILLIONS OF CHF	FINANCIAL LIABILITIES at amortized cost	at FVPL	SUBTOTAL	NON-FINANCIAL LIABILITIES[1]	TOTAL
Trade payables	640.4	–	640.4	–	640.4
Financial debt short-term	58.0	–	58.0	–	58.0
Other liabilities	761.4	17.3	778.7	81.4	860.1
Financial debt long-term	3,790.9	–	3,790.9	(24.6)	3,766.3
Other non-current liabilities	1.1	–	1.1	61.7	62.8
Total	**5,251.8**	**17.3**	**5,269.1**		

[1] Non-financial assets or non-financial liabilities comprise prepaid expenses (Incl. arrangement fees set off from financial debt) and deferred income, which will not generate a cash outflow or inflow as well as other tax positions

AT DECEMBER 31, 2017

IN MILLIONS OF CHF	FINANCIAL ASSETS Loans and receivables	at FVPL	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 FVPL	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**		

35.3 NET INCOME BY IFRS 9 VALUATION CATEGORY

Financial Assets at December 31, 2018

IN MILLIONS OF CHF	AT AMORTIZED COST	AT FVOCI (NON-RECYCLABLE)	AT FVPL	TOTAL
Interest income	21.7		0.1	21.8
Other finance income	0.3	–	35.9	36.2
From interest	**22.0**		**36.0**	**58.0**
Fair values gain (loss)	–	–	–	–
Foreign exchange gain (loss)[1]	(57.1)	–	9.5	(47.6)
Impairments / allowances[2]	(2.1)	–	–	(2.1)
Total – from subsequent valuation	**(59.2)**	**–**	**9.5**	**(49.7)**
Net (expense) / income	**(37.2)**	**–**	**45.5**	**8.3**

Financial Liabilities at December 31, 2018

IN MILLIONS OF CHF	AT AMORTIZED COST	AT FVPL	TOTAL
Interest expenses and arrangement fees	(168.6)	–	(168.6)
Other finance expenses	(3.8)	(20.9)	(24.7)
From interest	**(172.4)**	**(20.9)**	**(193.3)**
Foreign exchange gain (loss)[1]	68.2	(26.0)	42.2
Total – from subsequent valuation	**68.2**	**(26.0)**	**42.2**
Net (expense) / income	**(104.2)**	**(46.9)**	**(151.1)**

[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, 2017

IN MILLIONS OF CHF	LOANS AND RECEIVABLES	AT FVPL	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 FVPL	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

36. 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.

37. 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.

37.1 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.

37.2 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, 2018						
Monetary assets	1,314.0	1,086.9	215.6	23.3	454.1	3,093.9
Monetary liabilities	2,261.6	1,706.0	728.1	32.2	277.5	5,005.4
Net currency exposure before foreign currency contracts and hedging	**(947.6)**	**(619.1)**	**(512.5)**	**(8.9)**	**176.6**	**(1,911.5)**
Foreign currency contracts	543.1	527.7	501.0	15.2	(16.2)	1,570.8
Hedging	271.4	–	–	–	(96.5)	174.9
Net currency exposure	**(133.1)**	**(91.4)**	**(11.5)**	**6.3**	**63.9**	**(165.8)**
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 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)**

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 currency exposure of Dufry entities at December 31 of the respective year. The values and risk disclosed here are the hedged and remaining net currency exposure 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	31.12.2018	31.12.2017
Effect on the Income Statement – profit (loss) of USD	6.7	35.6
Other comprehensive income – profit (loss) of USD	13.6	45.2
Effect on the Income Statement – profit (loss) of EUR	4.6	(19.9)
Effect on the Income Statement – profit (loss) of GBP	0.6	5.7
Other comprehensive income – profit (loss) of GBP	–	3.3

Reconciliation to categories of financial instruments:

IN MILLIONS OF CHF	31.12.2018	31.12.2017
FINANCIAL ASSETS		
Total financial assets held in foreign currencies (see above)	3,093.9	4,687.1
less intercompany financial assets in foreign currencies	(2,874.7)	(4,430.6)
Third party financial assets held in foreign currencies	219.2	256.5
Third party financial assets held in reporting currencies	745.8	783.5
Total third party financial assets [1]	**965.0**	**1,040.0**
FINANCIAL LIABILITIES		
Total financial liabilities held in foreign currencies (see above)	5,005.4	6,236.5
less intercompany financial liabilities in foreign currencies	(1,167.0)	(2,944.4)
Third party financial liabilities held in foreign currencies	3,838.4	3,292.1
Third party financial liabilities held in reporting currencies	1,430.7	2,384.2
Total third party financial liabilities [1]	**5,269.1**	**5,676.3**

[1] See note 35.2 Categories of financial instruments

37.3 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 2018, 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, 2018 compared to previous year.

IN MILLIONS OF CHF	CONTRACT OR UNDERLYING PRINCIPAL AMOUNT	POSITIVE FAIR VALUE	NEGATIVE FAIR VALUE
December 31, 2018	2,044.7	7.6	14.6
December 31, 2017	1,130.4	10.0	–

38. 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.

38.1 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, 2018	687.0	–	2.7
December 31, 2017	–	–	–

38.2 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 2018 would decrease by CHF 37.0 (2017: decrease by 43.3) million.

38.3 ALLOCATION OF FINANCIAL ASSETS AND LIABILITIES TO INTEREST CLASSES

	IN %		IN MILLIONS OF CHF				
AT DECEMBER 31, 2018	**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	0.6%	2.5%	214.5	23.6	238.1	300.1	538.2
Financial investments at FVOCI			–	–	–	1.7	1.7
Trade and credit card receivables			–	–	–	62.6	62.6
Other accounts receivable	1.6%	4.9%	0.5	0.3	0.8	226.8	227.6
Other non-current assets	6.4%	4.0%	37.1	2.1	39.2	95.7	134.9
Financial assets			**252.1**	**26.0**	**278.1**	**686.9**	**965.0**
Trade payables			–	–	–	640.4	640.4
Financial debt, short-term	5.5%	4.5%	30.7	3.9	34.6	23.4	58.0
Other liabilities			–	–	–	778.7	778.7
Financial debt, long-term	2.8%	3.4%	2,088.0	1,701.9	3,789.9	1.0	3,790.9
Other non-current liabilities			–	–	–	1.1	1.1
Financial liabilities			**2,118.7**	**1,705.8**	**3,824.5**	**1,444.6**	**5,269.1**
Net financial liabilities			**1,866.6**	**1,679.8**	**3,546.4**	**757.7**	**4,304.1**

	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**

39. 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.

39.1 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.

40. 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 26).

40.1 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, 2018 IN MILLIONS OF CHF	1–6 MONTHS	6–12 MONTHS	1–2 YEARS	MORE THAN 2 YEARS	TOTAL
Cash and cash equivalents	545.7	19.8	–	–	565.5
Financial instruments at FVOCI	1.7	–	–	–	1.7
Trade and credit card receivables	62.0	0.6	–	–	62.6
Other accounts receivable	217.4	2.7	–	–	220.1
Other non-current assets	2.8	2.9	41.9	90.1	137.7
Total cash inflows	**829.6**	**26.0**	**41.9**	**90.1**	**987.6**
Trade payables	640.4	–	–	–	640.4
Financial debt, short-term	66.0	9.1	–	–	75.1
Other liabilities	759.9	1.5	–	–	761.4
Financial debt, long-term	59.7	52.9	115.2	4,050.9	4,278.7
Other non-current liabilities	–	–	–	1.1	1.1
Total cash outflows	**1,526.0**	**63.5**	**115.2**	**4,052.0**	**5,756.7**

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
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**

40.2 REMAINING MATURITIES FOR DERIVATIVE FINANCIAL INSTRUMENTS

Dufry holds derivative financial instruments at year-end of net CHF –10.5 millions with maturity below 6 months and CHF 0.8 million with maturity from 6 to 12 months.

41. 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	2018	2017
PURCHASE OF GOODS FROM		
Folli Follie Group, luxury goods[1]	1.2	2.0
PURCHASE OF SERVICES FROM		
Folli Follie Group, rent of building[1]	0.8	1.8
Pension Fund Dufry, post-employment benefits	6.2	6.6
ACCOUNTS PAYABLES AT DECEMBER 31		
Folli Follie Group[1]	–	3.5
Pension Fund Dufry	1.6	0.9

[1] Folli Follie is a company controlled by George Koutsoulioutsos, a member of the board of directors until June 2018. The values 2018 of Folli Follie correspond to the period January to June 2018.

The transactions with associated companies are the following:

IN MILLIONS OF CHF	2018	2017
PURCHASE OF SERVICES FROM		
Lojas Francas de Portugal S.A.	(2.3)	(1.6)
SALES OF SERVICES TO		
Lojas Francas de Portugal S.A.	2.6	0.6
Nuance Basel LLC (Sochi)	0.5	0.4
Nuance Group (Chicago) LLC	0.9	0.9
SALES OF GOODS TO		
Lojas Francas de Portugal S.A.	38.0	34.4
Nuance Basel LLC (Sochi)	3.5	2.8
Nuance Group (Chicago) LLC	4.2	3.2
ACCOUNTS RECEIVABLES AT DECEMBER 31		
Lojas Francas de Portugal S.A.	6.7	4.7
Nuance Basel LLC (Sochi)	10.7	10.8
Nuance Group (Chicago) LLC	0.8	1.4

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	2018	2017
BOARD OF DIRECTORS		
Number of directors	11	9
Short-term employee benefits	7.2	5.0
Post-employment benefits	0.3	0.4
Total compensation	**7.5**	**5.4**
GROUP EXECUTIVE COMMITTEE		
Number of members	6	12
Short-term employee benefits	12.0	19.2
Post-employment benefits	1.6	1.6
Share-based payments[1]	8.5	12.5
Total compensation	**22.1**	**33.3**

[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.

42. ACCOUNTING POLICY CHANGES

The group adopted IFRS 9 as of January 1, 2018, implying changes in our accounting policies. In accordance with the transitional provisions in IFRS 9 (7.2.15) and (7.2.26), comparative figures have not been restated.

10.1 CLASSIFICATION AND MEASUREMENT OF FINANCIAL INSTRUMENTS

There was no impact on the group's retained earnings as of January 1, 2018 due to classification and measurement of financial instruments.

On January 1, 2018 the group's management has assessed which business models apply to the financial assets held by the group at the date of initial application of IFRS 9 (January 1, 2018) and has classified its financial instruments into the appropriate IFRS 9 categories. There was no effect resulting from this reclassification. As of December 31, 2017 the group had no financial assets classified as available for sale (AfS), held-to-maturity or FVOCI. The financial assets and liabilities classified as FVPL will continue to meet the criteria for this category as these do not include any non-derivatives components. Hence there will be no change to the accounting classification for these assets and liabilities. These reclassifications have no impact on the measurement categories.

		AMORTIZED COSTS	FVOCI	FVPL	TOTAL
IN MILLIONS OF CHF	NOTE	HELD-TO-MATURITY (2017)	AVAILABLE-FOR-SALE (2017)		01.01.2018
Opening balance – IAS 39		**–**	**–**	**10.0**	**10.0**
Reclassify investments from AfS to FVPL		–	–	–	–
Reclassify corporate bonds from AfS to amoritzed costs		–	–	–	–
Total reclassification		**–**	**–**	**–**	**–**
Opening balance – IFRS 9		**–**	**–**	**10.0**	**10.0**

	MEASUREMENT CATEGORY		CARRYING AMOUNT		
IN MILLIONS OF CHF	ORIGINAL (IAS 39)	NEW (IFRS 9)	ORIGINAL IN MILLIONS OF CHF	NEW IN MILLIONS OF CHF	DIFFERENCE
Other non current assets	Amortized costs	Amortized costs	136.5	136.5	–
Derivatives	FVPL	FVPL	–	–	–
Non-current financial assets			**136.5**	**136.5**	**–**
Trade receivables	Amortized costs	Amortized costs	82.5	82.5	–
Cash and cash equivalents	Amortized costs	Amortized costs	565.0	565.0	–
Other receivables	Amortized costs	Amortized costs	246.0	246.0	–
Derivatives	FVPL	FVPL	10.0	10.0	–
Current financial assets			**903.5**	**903.5**	**–**
Derivatives	FVPL	FVPL	–	–	–
Current financial liabilities			**–**	**–**	**–**

MOST IMPORTANT SUBSIDIARIES

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

AS OF DECEMBER 31, 2018	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 AND CENTRAL EUROPE						
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
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
WDFG UK Limited	London	UK	R	100	360	GBP
Nuance Group (UK) Ltd	London	UK	R	100	50	GBP
EASTERN EUROPE, MIDDLE EAST, ASIA AND AUSTRALIA						
ADF Shops CJSC	Yerevan	Armenia	R	100	553,834	AMD
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	123,547	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
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
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	25,743	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	OWNER-SHIP 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
Dufry Cruise Services, Inc.	Miami	USA	R	100	–	USD
NORTH AMERICA						
Hudson Ltd	Hamilton	Bermuda	H	57	–	USD
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
HG Denver JV	Denver	USA	R	76	–	USD
AMS of South Florida JV	Fort Lauderdale	USA	R	31	–	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
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	109,000	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
Dufry One B.V.	Eindhoven	Netherlands	H	100	–	EUR

* Branch of World Duty Free Group SA, Spain

Building a better working world

To the General Meeting of
Dufry AG, Basel

Basel, March 6, 2019

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 2018 and the consolidated income statement, 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 112 to 207) give a true and fair view of the consolidated financial position of the Group as at 31 December 2018, 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.

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Valuation of goodwill / intangible assets with indefinite useful life
Area of Focus
As of December 31, 2018 the Group has recorded intangibles assets with indefinite useful lives of CHF 2'918 million, of which CHF 2'602 million relates to goodwill. The carrying value of goodwill and other intangible assets with indefinite useful lives is tested annually for impairment. The impairment assessment for goodwill and other intangible assets with indefinite useful lives is dependent on the estimation of future cash flows and the discount rates applied. Due to the significance of the carrying values of goodwill and other intangible assets with indefinite useful lives and the judgment involved in performing the impairment tests, this matter was considered to be significant to our audit. The accounting policies regarding goodwill and other intangible assets with indefinite useful lives applied by the Group are explained in the notes to the consolidated financial statements in sections 2.3a, 2.3n and 2.3p. Further details on intangible assets with indefinite useful lives and the annual impairment tests are disclosed in notes 3, 17 and 17.1 to the consolidated financial statements.

Our audit response
We tested, with the support of our valuation specialists, the appropriateness of the Group's valuation model and evaluated management's key assumptions, including growth rates used in the cash flow projections during the forecast period, the terminal growth rate assumption and the discount rate. Further, we assessed the historical accuracy of management's estimates and considered their ability to produce accurate long-term forecasts. Our work moreover included an evaluation of management's sensitivity analysis on changes to the key assumptions, in order to quantify the downside changes in assumptions that could result in an impairment. Our audit procedures did not lead to any reservations concerning the valuation of goodwill and other intangible assets with indefinite useful lives.

Deferred tax assets – recoverability of tax loss carry forwards
Area of Focus
As of December 31, 2018 the Group has recorded deferred tax assets of CHF 239 million (gross), of which CHF 97 million relate to tax loss carry-forwards. The Group records deferred tax assets for unused tax losses to the extent that it is probable that future taxable profit will be available against which the tax losses can be utilized. This assessment requires management to estimate future taxable profits. Due to the significant judgment involved in forecasting timing and level of future taxable profits, this matter was considered to be significant to our audit.

The accounting policies regarding deferred income taxes, including deferred tax assets for tax loss carry-forwards, applied by the Group are explained in the notes to the consolidated financial statements in section 2.3l. Further details on deferred income taxes, including deferred tax assets for tax loss carry-forwards, are disclosed in notes 3, 14 and 29 to the consolidated financial statements.

Our audit response
We evaluated, with the support of our taxation specialists, the model used to recognise deferred tax assets and the tax rates applied. We evaluated management's forecasts regarding timing and level of future taxable profits by comparing these future taxable profits to historical results and assessed any significant assumptions impacting these profits. Further, we evaluated the historical accuracy of management's estimates and ensured the consistency between management's estimates regarding future taxable profits and other available prospective financial information, such as future cash flow estimates. Our audit procedures did not lead to any reservations concerning the recoverability of deferred tax assets for tax loss carry-forwards.

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Accounting for concession fees, above all minimum annual guarantees

Area of Focus

As of December 31, 2018 the Group has capitalized concession rights with definite useful lives of CHF 3'085 million and capitalized concession rights with indefinite useful lives of CHF 45 million. As of December 31, 2018, there are provisions for onerous concession contracts of CHF 33.4 million. Acquired concession rights are measured at cost as of the date of the acquisition. Concessions rights that were acquired as part of a business combination are measured at their fair value as of the date of the acquisition. Subsequently, all capitalized concessions are amortized over their useful lives. Management assesses quarterly whether there are indicators for a potential impairment of a capitalized concession right. Whenever such indicators are identified, the carrying value of a concession right is tested for impairment. For some concession rights, management estimates that the unavoidable costs of meeting the obligations under such a concession contract exceed the economic benefits expected to be received under it. In such cases, the Group records a provision for onerous concession rights, after having impaired any intangible and tangible assets associated with this concession right. Due to the significance of the carrying values of concession rights and the judgment involved in performing impairment tests or in assessing future unavoidable costs and economic benefits of a contract, this matter was considered to be significant to our audit. The accounting policies regarding concession rights and provisions for onerous concession contracts applied by the Group are explained in the notes to the consolidated financial statements in sections 2.3g, 2.3n and 2.3u, respectively. Further details on concession rights and provisions for onerous concession contracts are disclosed in notes 3, 17 and 30 to the consolidated financial statements.

Our audit response

We assessed management's controls for identifying indicators of potential impairment. For those concession rights for which a potential impairment or need for an onerous concession contract provision was identified, we tested, with the support of our valuation specialists, the appropriateness of the Group's valuation model and evaluated management's key assumptions, including growth rates used in the cash flow projections during the forecast period, the terminal growth rate assumption and the discount rate. Further, we assessed the historical accuracy of management's estimates and considered their ability to produce accurate long-term forecasts. Our audit procedures did not lead to any reservations concerning the valuation of concession rights and provisions for onerous concession 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, the remuneration report and our auditor's reports thereon.

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

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

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, 2018

IN THOUSANDS OF CHF	NOTE	2018	2017
Financial income		8,229	10,591
Franchise fee income		2,698	13,740
Other income	4	15	34,544
Total income		**10,942**	**58,875**
Personnel expenses	8	(14,962)	(33,104)
General and administrative expenses		(4,315)	(4,154)
Management fee expenses		(17,889)	(19,311)
Financial expenses		(2,316)	(8)
Direct taxes		(2,032)	(2,436)
Total expenses		**(41,514)**	**(59,013)**
(Loss) / profit for the year		**(30,572)**	**(138)**

STATEMENT OF FINANCIAL POSITION

AT DECEMBER 31, 2018

IN THOUSANDS OF CHF	NOTE	31.12.2018	31.12.2017
ASSETS			
Cash and cash equivalents		217	11,052
Current receivables third parties		137	60
Current receivables subsidiaries		3,248	3,563
Prepaid expenses and accrued income		107	–
Current financial assets subsidiaries		–	346,000
Current assets		**3,709**	**360,675**
Investments	3	4,238,415	4,238,415
Intangible assets	4	–	110,780
Non-current assets		**4,238,415**	**4,349,195**
Total assets		**4,242,124**	**4,709,870**
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current interest bearing liabilities		121	–
Current liabilities third parties		1,661	413
Current liabilities participants and bodies		909	916
Current liabilities subsidiaries		4,571	18,025
Current liabilities other group companies		–	14
Deferred income and accrued expenses		43,945	46,417
Current liabilities		**51,207**	**65,785**
Long-term interest-bearing liabilities – subsidiaries		175,717	–
Non-current liabilities		**175,717**	**–**
Total liabilities		**226,924**	**65,785**
Share capital	6.1	269,359	269,359
Legal capital reserves			
Reserve from capital contribution	6.1	3,983,404	4,290,806
Reserve from capital contribution for own shares held in subsidiaries	6.1	108,699	–
Legal retained earnings			
Other legal reserves		5,927	5,927
Voluntary retained earnings			
Results carried forward	13	90,499	90,637
(Loss) / profit for the year	13	(30,572)	(138)
Treasury shares	7	(412,116)	(12,505)
Shareholders' equity		**4,015,200**	**4,644,086**
Total liabilities and shareholders' equity		**4,242,124**	**4,709,870**

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.

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. A gain or loss is recognized as financial income or expenses through the income statement when these shares are sold.

Intangible assets

Intangible assets are recognized at cost, or when generated internally they must meet additionally all the following conditions at the date of recognition:

- To be identifiable and controlled by the entity;
- They generate a measurable benefit for more than one year for the entity;
- The costs incurred in relation with the internally generated intangible assets 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 as there are indications that book values may be overstated, these are reviewed and, if necessary, adjusted.

Share-based payments

The company recognizes as personnel expenses the accrued cost of the share-base plan for the respective period against the deferred income and accrued liabilities. Any difference between the acquisition costs of treasury shares and the reserve created for this plan will be recognized in retained earnings, when the shares are assigned to the member of the share-based payment.

Current and non-currnt interest-bearing liabilities

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

Exchange rate differences

All assets and liabilities denominated in foreign currencies are translated into Swiss francs (CHF) using year-end exchange rates, except investments which are recognized at historical values. Net unrealized exchange losses are recognized in the income statement and net unrealized gains are deferred within accrued expenses. Realized exchange gains or losses arising from business transactions denominated in foreign currencies are recognized in the income statement.

Cash flow statement and additional disclosures in the notes

Dufry AG desisted to present additional disclosures in the notes like interest-bearing liabilities, audit fees and a cash flow statement as required by law, as this information is presented in the consolidated financial statements prepared on International Financial Reporting Standards (IFRS) basis.

3. SIGNIFICANT INVESTMENTS

	SHARE IN CAPITAL AND VOTING RIGHTS		SHARE CAPITAL	
IN THOUSANDS OF CHF	2018	2017	2018	2017
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	2018	2017
Intangible assets (trademarks)	–	34,544

5. SIGNIFICANT SHAREHOLDERS' PARTICIPATION

IN PERCENTAGE (%) OF OUTSTANDING REGISTERED SHARES	31.12.2018	31.12.2017
Hainan Province Cihang Foundation	20.92 %	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.	16.34 %	18.27 %
State of Qatar	6.92 %	6.92 %
Franklin Resources, Inc.	5.09 %	–
Government of Singapore	5.05 %	–
Compagnie Financiere Rupert	5.00 %	5.00 %
Black Rock, Inc.	3.25 %	2.64 %
JP Morgan Chase	0.77 %	–
Morgan Stanley	0.48 %	–
Paul E. Singer	–	5.57 %
Norges Bank (the Central Bank of Norway)	–	3.30 %

6. SHARE CAPITAL

6.1 ORDINARY SHARES

IN THOUSANDS OF CHF	NUMBER OF SHARES	SHARE CAPITAL	CAPITAL CONTRIBUTION RESERVE
Balance at January 1, 2017	**53,871,707**	**269,359**	**4,290,806**
Balance at December 31, 2017	**53,871,707**	**269,359**	**4,290,806**
Distribution	–	–	(198,703)
Balance at December 31, 2018	**53,871,707**	**269,359**	**4,092,103**

6.2 CONDITIONAL SHARE CAPITAL

IN THOUSANDS OF	SHARES	CHF
Balance at January 1, 2017	**888**	**4,442**
Balance at December 31, 2017	**888**	**4,442**
Balance at December 31, 2018	**888**	**4,442**

7. TREASURY SHARES

IN THOUSANDS OF	SHARES	CHF
Balance at January 1, 2017	**100.2**	**14,983**
Assigned to holders of RSU Awards 2014	(16.0)	(2,479)
Share purchases	–	–
Balance at December 31, 2017	**84.2**	**12,504**
Assigned to holders of RSU Awards 2015	(97.3)	(14,310)
Share purchases	3,392.2	413,922
Balance at December 31, 2018	**3,379.1**	**412,116**

8. PERSONNEL EXPENSES

The personnel expenses correspond to the share-based payments for selected members of the senior management, as described in Note 24 of Dufry Annual Report 2018, as well as in the remuneration report.

Dufry AG employed less than 10 people in 2018 and 2017.

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	31.12.2018	31.12.2017
MAIN BANK CREDIT FACILITIES						
Committed 5-year term loan	03.11.2022		USD	700.0	687.0	682.0
Committed short-term financing	03.11.2018		EUR	500.0	–	584.6
Committed 5-years term loan (multi-currency)	03.11.2022		EUR	500.0	551.4	581.8
5+1+1-year revolving credit facility (multi-currency)	03.11.2023		EUR	1,300.0	700.5	584.5
Uncommitted revolving credit agreement	n.a.		CHF	50.0	–	–
Subtotal					**1,938.9**	**2,432.9**
SENIOR NOTES						
Senior notes	15.10.2024	2.50 %	EUR	800.0	900.7	935.4
Senior notes	01.08.2023	4.50 %	EUR	700.0	788.1	818.4
Subtotal					**1,688.8**	**1,753.8**
GUARANTEE FACILITY						
Uncomitted guarantee facility	n.a.		EUR	49.0	26.2	–
Subtotal					**26.2**	**–**
Total					**3,653.9**	**4,186.7**

There are no assets pledged in 2018 and 2017.

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, 2018 or December 31, 2017 (members not listed do not hold any shares or options):

			31.12.2018			31.12.2017
IN THOUSANDS	SHARES	FINANCIAL INSTRUMENTS [1]	PARTICIP.	SHARES	FINANCIAL INSTRUMENTS [1]	PARTICIP.
MEMBERS OF THE BOARD OF DIRECTORS						
Juan Carlos Torres Carretero, Chairman	1,001.0	71.1 [1]	1.99 %	970.3	118.3 [1]	2.02 %
Andrés Holzer Neumann, Director (2017: Vice-Chairman)	4,334.4	55.2 [1]	8.15 %	4,324.0	220.8 [1]	8.44 %
Jorge Born, Vice-Chairman (2017: Director)	22.0	30.9 [2]	0.10 %	22.0	30.9 [2]	0.10 %
Julián Diáz Gonzalez, Director and CEO	230.0	35.1 [1]	0.49 %	263.1	43.8 [1]	0.57 %
H. Jo Min, Director	0.5	–	0.00 %	–	–	0.00 %
George Koutsolioutsos, Director (until June 2018)	n. a.	n. a.	n. a.	1,608.4	200.0	3.36 %
Total Board of Directors	**5,587.9**	**192.3**	**10.73 %**	**7,187.8**	**613.8**	**14.48 %**
MEMBERS OF THE GLOBAL EXECUTIVE COMMITTEE						
Julián Diáz Gonzalez, CEO	230.0	35.1 [1]	0.49 %	263.1	43.8 [1]	0.57 %
Andreas Schneiter, CFO	12.9	–	0.02 %	7.5	–	0.01 %
José Antonio Gea, GCEO	14.4	–	0.03 %	4.1	–	0.01 %
Luis Marin, CCO	4.3	–	0.01 %	1.8	–	0.00 %
J. Gonzalez, Global Marketing and Digital Innovation Director	2.0	–	0.00 %	n. a.	n. a.	n. a.
ADDITIONAL MEMBERS OF FORMER GROUP EXECUTIVE COMMITTEE (IN 2017)						
Jordi Martin-Consuegra, CRD	n. a.	n. a.	n. a.	1.1	–	0.00 %
René Riedi, Division CEO Latin America	n. a.	n. a.	n. a.	0.9	–	0.00 %
Joseph DiDomizio, Division CEO North America	n. a.	n. a.	n. a.	1.0	–	0.00 %
Gustavo Magalhães Fagundes, GM Brazil and Bolivia	n. a.	n. a.	n. a.	6.9	–	0.01 %
Total Global Executive Committee (2017: Group Executive Committee)	**263.6**	**35.1**	**0.55 %**	**286.4**	**43.8**	**0.61 %**

[1] The detailed terms of the various financial instruments disclosed above are as disclosed to the SIX Swiss Exchange and published on December 28, 2018, for the year 2018 and December 28, 2017, for the year 2017.

[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, 2018, a Dufry share quoted at CHF 93.04 (2017: 144.90) 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 for 2017) holds sale positions of 5.09 % through options (2.739.430 voting rights) as of December 31, 2018 (as of December 31, 2017: sale positions of 7.31 % through options 3,937,130 voting rights).

The detailed terms of these financial instruments are as disclosed to the SIX Swiss Exchange and published on December 28, 2018 (for sales position as of December 31, 2017: publication of disclosure notice on December 28, 2017.

Disclosure notices are available on the SIX Swiss Exchange website:
www.six-exchange-regulation.com/en/home/publications/significant-shareholders.html

12. PROPOSED APPROPRIATION OF RETAINED EARNINGS AND CAPITAL DISTRIBUTION

IN THOUSANDS OF CHF	2018	2017
Proposed appropriation of retained earnings		
Result carried forward	90,499	90,637
Loss for the year	(30,572)	(138)
Retained earnings at December 31	**59,927**	**90,499**
Proposed distribution out of capital contribution reserves [1]		
Balance at beginning of the year	4,290,806	4,290,806
Distribution of capital reserves	(198,703)	–
Reserves for treasury shares held by the company's subsidiaries [2]	(108,699)	–
Reserve from capital contribution at December 31	**3,983,404**	**4,290,806**
Proposed distribution of CHF 4.00 per registered share for the financial year 2018	(199,141)	
Reserve from capital contribution after proposed distribution	**3,784,263**	**4,290,806**

1 Distributions are free of Swiss withholding tax and are not subject to income tax for Swiss resident individuals holding the shares as a private investment.

2 Reclassification to reserve from capital contribution for own shares held in subsidiaries.

Assuming that this proposal by the Board of Directors is approved by the Annual General Meeting of shareholders, payment of the distribution will be made as from May 16, 2019. The last trading day with entitlement to receive the dividend is May 13, 2019. As from May 14, 2019 the shares will be traded ex-dividend.

To the General Meeting of
Dufry AG, Basel

Basel, 6 March 2019

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 212 to 219), for the year ended 31 December 2018.

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 2018 comply with Swiss law and the company's articles of incorporation.

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

Key audit matters are those matters that, in our professional 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 of December 31, 2018, investments in subsidiaries amounted to CHF 4'238 million and accounted for 100% of the Company's total assets. Investments in subsidiaries are initially recorded at cost. At every balance sheet date, the carrying value of each investment is compared to its equity balance as of that date. In those cases where the equity value is below the carrying value, management tests the investment for impairment. The impairment assessment depends on the estimation of future cash flows and the discount rates applied. Due to the significance of the carrying values of the investments in subsidiaries and the judgment involved in performing the impairment tests, this matter was considered to be significant to our audit. Further details on the Company's investments in subsidiaries are disclosed in note 3 to the financial statements.

Our audit response
We assessed the difference between the carrying amounts of the investments in subsidiaries and their equity balances. Further we examined the Company's valuation model and evaluated management's key assumptions. Our audit procedures did not lead to any reservations concerning the valuation of investments in subsidiaries.

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 2019 please refer to pages 260 / 261 of this Annual Report.