FINANCIAL REPORT 2019

DUFRY

WorldClass.WorldWide.

SOLID RESULTS ACHIEVED AND TARGETS MET

DEAR ALL

In 2019, Dufry further accelerated its growth strategy and ended the year delivering a solid set of results supported mainly by an organic growth improvement quarter after quarter. Turnover reached CHF 8,848.6 million in the year with organic growth confirming the acceleration trend and reaching 3.0%. Gross Profit margin expanded by 40 basis points from 59.8% to 60.2% in 2019. Adjusted Operating Cash Flow was CHF 959.9 million, while Equity Free Cash Flow came in at CHF 383.3 million, in line with the mid-term Equity Free Cash Flow target of CHF 350–400 million.[1]

One of the main drivers for our solid results in 2019 was the continuous improvement of the organic growth, which developed positively throughout the year supported by the like-for-like performance, which also showed an ongoing improvement along the quarters and reached 0.6% for the full year. In the fourth quarter, all divisions reported positive organic growth resulting in a Group organic growth performance of 3.1% supported by a healthy like-for-like growth of 2.2% driven by the commercial activities Dufry fostered along the year, namely the brand plans and promotions.

From an accounting perspective, the 2019 business year was characterized and impacted by the introduction of IFRS 16 standard in the financials. Both P&L and Balance Sheet saw considerable changes in their structure, making the comparability difficult. Therefore, we also replaced some of our traditional KPI's, such as e.g. EBITDA, as they became irrelevant. That is why going forward we will focus more on cash-flow-related KPI's, which are not affected by the IFRS 16 introduction, thus preserving a better performance comparability. The new standard brings relevant changes in our financials, especially in the accounting treatment of leases: while before leases were accounted as expenses, now fixed components are capitalized and amortized over the lifetime of the contract. It's import to highlight that the new IFRS standard has no economic impact on Dufry as evidenced in the cash flow statement, which remained unchanged in general. In this regard, Dufry's main KPI's currently include: Organic Growth, Adjusted Operating Profit, Adjusted Net Profit and EPS, Adjusted Operating Cash Flow and Equity Free Cash Flow.

In terms of cash generation, Dufry recorded a very solid performance in 2019, with the Equity Free Cash Flow reaching 383.3 million, a 3.4% increase versus the CHF 370.8 million reported in 2018. Net debt was reduced to CHF 3,101.9 million on December 31, 2019, which on a full-year base is the lowest level since 2015. The respective covenant calculated as Net Debt/Adjusted Operating Cash Flow stood at 3.52x securing a comfortable headroom towards the threshold of 4.50x.

One of the main achievements in 2019 were the acquisitions we did along the year. In June, Dufry announced the acquisition of the majority stake of 60% in Reg-Staer Vnukovo, further consolidating our position in Russia, especially in the Moscow area, where we will be able to extract further synergies with the integration of existing operations. The newly acquired business started to be fully consolidated as of November 2019.

During October, we also had the two important acquisitions performed by Hudson: Brookstone, which started to be consolidated as of October, and OHM, adding additional growth opportunities and accelerating further expansion in the food & beverage airport market in North America.

[1] For a glossary of financial terms and key performance indicators please see page 270 of this Annual Report.

1.9%

Turnover grew by 1.9% and reached CHF 8,848.6 million

Moreover, in November, Dufry successfully issued a new bond of EUR 750 million using the proceeds to refinance the former bond of EUR 700 million and reduce existing bank debt. The new bond has a coupon of 2% and will generate annual financing cost savings of EUR 16.5 million as compared to the previous one.

Turnover
In 2019, Turnover grew by +1.9%, reaching CHF 8,848.6 million versus CHF 8,684.9 million in 2018. Organic growth for the year stood at 3.0%, with like-for-like contributing 0.6% and net new concessions adding 2.4%. Changes in Scope, which includes the contribution of the acquisitions of Vnukovo and Brookstone, amounted to 0.1%. The translational FX effect in the period was –1.2% as a net effect of the strengthening of the US Dollar and weakening of the Euro and the British Pound.

Turnover in **Europe and Africa** was CHF 3,850.9 million in 2019 from CHF 3,828.2 million one year ago. Organic growth in the division reached 5.8% in the year and 7.5% in the fourth quarter. The like-for-like contribution remained strong during Q4, reaching 6.1%.

The UK and especially Spain continued to deliver solid performance for the year. The implementation of the pilot projects across five Spanish airports including several commercial initiatives and best practices were very successful, showing improving sales during the whole year. Greece and especially Turkey maintained their positive momentum in 2019, delivering a solid growth. Other locations such as Malta, Italy and Finland also posted positive growth. Africa saw a stronger performance in most operations, with Morocco, Kenya and Egypt growing double-digit in the year.

Asia-Pacific and Middle East's turnover reached CHF 1,274.9 million in 2019 from CHF 1,153.6 million in 2018. Organic growth for the year stood at 10.8% supported mainly by the contribution of new concessions in 2019. It's worth to highlight that the like-for-like performance has also improved during the year, reaching 8.3% in the fourth quarter.

Eastern Europe posted positive performance, supported by Russia and Serbia. Asia-Pacific posted a double-digit growth mainly driven by Hong Kong with the successful opening in the MTR high-speed railway station, as well as the strong performance seen in Macau and the positive growth in Cambodia and China. Australia also posted solid performance for the year, supported by the opening of new shops in Perth. The Middle East posted a good performance, with solid growth in India, Sri Lanka and Sharjah.

Turnover in **North America** amounted to CHF 1,935.8 million compared to CHF 1,884.4 million in 2018 and organic growth came in at 1.8% in the year. The North American operation has been performing strongly for many years and in 2019 the duty-paid business confirmed its resilience despite some temporary challenges. The duty-free segment was negatively impacted by the lower spending from Chinese passengers along the first nine months, but showed signs of a recovery in the fourth quarter 2019.

Growth acceleration leads to solid performance

Central and South America's turnover stood at CHF 1,536.1 million in 2019 versus CHF 1,617.0 million in 2018. Organic growth in the region was –6.3% in the year with performance in the fourth quarter turning positive at 0.2%, mainly supported by the implementation of commercial initiatives.

During 2019, performance in South America remained challenging, impacted by local currency devaluations, namely in Brazil and Argentina. Performance in Mexico was positive throughout the year, reaching solid results especially during the fourth quarter. The Dominican Republic posted positive growth, while the Caribbean was healthy along the year, supported by the cruise business.

Worth mentioning are the two positive changes in legislation approved by the Brazilian government during 2019 – the possibility to open border shops and the increase of the arrival duty-free allowance –, which will further support organic growth in this important market in South America.

Gross profit

In 2019, Gross Profit increased to CHF 5,323.2 million from CHF 5,195.7 million in the previous year, with the Gross Profit margin increasing by 40 basis points, and reaching 60.2% from 59.8% in the previous year. The continued improvement is the result of Dufry's negotiations with global and mainly local suppliers as well as the further standardization of the supply chain and the implementation of the commercial platforms, which increase the agility of the commercial teams and take them closer to the market.

Adjusted Operating Profit (Adjusted EBIT)

Adjusted Operating Profit (Adjusted EBIT) reached CHF 767.7 million, with the respective margin amounting to 8.7% in 2019.

As mentioned previously, Dufry started to report under the new IFRS 16 standard, which mainly changes the accounting treatment of leases. In short, whilst previously leases were accounted as expenses, now fixed components are capitalized and amortized over the lifetime of the contract, while all variable components of the concessions are classified as lease expenses. For 2019, Lease Expenses amounted to CHF –1,372.9 million.

Personnel Expenses amounted to CHF –1,243.3 million in 2019 from CHF –1,175.2 million one year earlier. As a percentage of turnover, Personnel Expenses increased by 60 basis points to 14.1% driven mainly by North America. Reasons were the increase in the minimum wages, as well as a one-off charge of USD 7.6 million of accrued severance expenses related to changes in the local management structure in Q1 2019.

Other Expenses reached CHF –618.8 million in 2019. Other Expenses mainly replace the former income statement line "General Expenses" and also include the former "Other Operational Expense". Other Income is now aggregated and presented in a specific line reaching CHF 121.6 million (2018: CHF 45.5 million).

Depreciation (excluding Right-of-Use) reached CHF –203.9 million, remaining stable as a percentage of turnover (–2.3%) versus last year. Amortization in absolute terms stood at CHF –402.8 million, increasing as a percentage of turnover (–4.6%) compared to last year (–4.3%) due to the acquisitions done in 2019. Depreciation of Right-of-Use was CHF –1,170.3 million, which relates to the leases that are capitalized.

Net Profit
Adjusted Net Profit reached CHF 349.3 million in 2019, while the respective Adjusted EPS was CHF 7.00. Net Profit to Equity Holders reached CHF –26.5 million in the year under review. Financial Results (excluding Lease Interest and FX) amounted CHF –127.6 million and Income Tax reached CHF –78.2 million, mainly driven by deferred taxes. Minorities were CHF –56.6 million for the year.

Cash flow and net debt
Contrary to the Income Statement, the effects of IFRS 16 on the cash flow are minimal. Cash flow KPIs will therefore continue to be key for measuring the performance of the business.

Adjusted Operating Cash Flow reached CHF 959.9 million in 2019 compared to the CHF 973.2 million in 2018. Equity Free Cash Flow increased solidly to CHF 383.3 million in 2019 compared to CHF 370.8 million in the previous year.

Continuous deleveraging in place

Net Debt amounted to CHF 3,101.9 million at the end of December 2019, including the dividend payment of CHF 199.8 million in May, compared to CHF 3,286.1 million in December 2018 and reaching the lowest level on a full year base since 2015. Our covenant, Net Debt/Adjusted Operating Cash Flow was 3.52x as per December 31, 2019, representing an ongoing improvement versus previous quarters and providing comfortable headroom against the maximum threshold of 4.50x. The covenant calculation has also been adapted to the IFRS 16 implementation, thus not directly comparable with the previous year, but reflects the same risk profile as under the former calculation method.

Targets achieved in 2019 and confident outlook
2019 was an important year where we could prove the efficiency of our growth strategy. We were able to improve organic growth quarter after quarter, in line with our expected average target. Such achievement reflects the set of commercial activities developed along the year and underlines our execution capabilities.

In terms of cash generation, we continued to deliver a record level, being able to increase the Equity Free Cash Flow from CHF 370.8 million last year to 383.3 million in 2019, in line with the Equity Free Cash Flow mid-term target of CHF 350–400 million.

From an outlook perspective I am convinced about the resilience of our business and the travel retail industry going forward in general and I also believe that the acquisitions we executed will support our development going forward. At the time we wrote this letter, Covid-19 started to create a potential temporary impact for the current business year in locations where we have Asian customers or which are directly affected by the phenomena, resulting in a low visibility and making it difficult to assess in detail the potential impacts.

I would like to thank our customers, 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,

Yves Gerster

CONSOLIDATED INCOME STATEMENT

	2019		2018	
	IN MILLIONS OF CHF	IN %	IN MILLIONS OF CHF	IN %
CONTINUING OPERATIONS				
Net sales	8,609.8		8,455.8	
Advertising income	238.8		229.1	
Turnover	**8,848.6**	**100.0 %**	**8,684.9**	**100.0 %**
Cost of sales	(3,525.4)	39.8 %	(3,489.2)	40.2 %
Gross profit	**5,323.2**	**60.2 %**	**5,195.7**	**59.8 %**
Lease expenses	(1,372.9)	15.5 %	(2,494.7)	28.7 %
Personnel expenses	(1,243.3)	14.1 %	(1,175.2)	13.5 %
Depreciation, amortization and impairment	(1,777.0)	20.1 %	(571.9)	6.6 %
Other expenses	(618.8)	7.0 %	(630.2)	7.3 %
Other income	121.6	1.4 %	45.5	0.5 %
Operating profit / (loss)	**432.8**	**4.9 %**	**369.2**	**4.3 %**
Finance income	71.7	0.8 %	68.5	0.8 %
Finance expenses	(387.0)	4.4 %	(198.0)	2.3 %
Foreign exchange gain / (loss)	(9.2)	0.1 %	(5.5)	0.1 %
Profit / (loss) before taxes	**108.3**	**1.2 %**	**234.2**	**2.7 %**
Income tax	(78.2)	0.9 %	(98.8)	1.1 %
Net profit / (loss)	**30.1**	**0.3 %**	**135.4**	**1.6 %**
ATTRIBUTABLE TO				
Non-controlling interests	56.6		63.6	
Equity holders of the parent	(26.5)		71.8	

	2019		2018	
EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT				
Basic earnings per share in CHF	(0.53)		1.38	

	2019		2018	
OTHER DUFRY KPI'S				
Adjusted operating profit	767.7		681.4	
Adjusted net profit	349.3		354.2	
Adjusted earnings per share in CHF	7.00		6.83	

FINANCIAL STATEMENTS 2019 CONTENT

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

FOR THE YEAR ENDED DECEMBER 31, 2019

IN MILLIONS OF CHF	NOTE	2019	RECLASSIFIED 2018*
Net sales	7	8,609.8	8,455.8
Advertising income		238.8	229.1
Turnover		**8,848.6**	**8,684.9**
Cost of sales		(3,525.4)	(3,489.2)
Gross profit		**5,323.2**	**5,195.7**
Lease expenses	8	(1,372.9)	(2,494.7)
Personnel expenses	9	(1,243.3)	(1,175.2)
Depreciation, amortization and impairment	10	(1,777.0)	(571.9)
Other expenses	11	(618.8)	(630.2)
Other income	12	121.6	45.5
Operating profit / (loss)		**432.8**	**369.2**
Finance expenses	13	(387.0)	(198.0)
Finance income	13	71.7	68.5
Foreign exchange gain / (loss)	13	(9.2)	(5.5)
Profit / (loss) before taxes		**108.3**	**234.2**
Income tax	14	(78.2)	(98.8)
Net profit / (loss)		**30.1**	**135.4**
ATTRIBUTABLE TO			
Non-controlling interests		56.6	63.6
Equity holders of the parent		(26.5)	71.8
EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT			
Basic earnings per share in CHF	25.4	(0.53)	1.38
Diluted earnings per share in CHF	25.4	(0.53)	1.38

* See note 43.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED DECEMBER 31, 2019

IN MILLIONS OF CHF	NOTE	2019	2018
Net profit / (loss)		**30.1**	**135.4**
OTHER COMPREHENSIVE INCOME			
Changes in the fair value of equity investments at FVOCI	15	0.3	(0.3)
Remeasurements of post-employment benefit plans	15	(16.0)	10.6
Income tax	14, 15	1.7	(1.8)
Items not being reclassified to net income in subsequent periods, net of tax		**(14.0)**	**8.5**
Exchange differences on translating foreign operations	15	(10.5)	(74.3)
Net gain / (loss) on hedge of net investment in foreign operations	15	1.8	17.1
Share of other comprehensive income of associates	15, 19	(0.4)	0.3
Items to be reclassified to net income in subsequent periods, net of tax		**(9.1)**	**(56.9)**
Total other comprehensive income, net of tax		**(23.1)**	**(48.4)**
Total comprehensive income, net of tax		**7.0**	**87.0**
ATTRIBUTABLE TO			
Non-controlling interests		53.4	65.3
Equity holders of the parent		(46.4)	21.7

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT DECEMBER 31, 2019

IN MILLIONS OF CHF	NOTE	31.12.2019	31.12.2018
ASSETS			
Property, plant and equipment	16	627.1	644.3
Right-of-use assets*	17	4,328.1	–
Intangible assets	18	3,236.1	3,516.8
Goodwill	18	2,611.3	2,601.5
Investments in associates	19	31.9	35.6
Deferred tax assets	31	122.1	138.4
Net defined benefit assets	33	3.4	4.8
Other non-current assets	20	303.1	259.6
Non-current assets		**11,263.1**	**7,201.0**
Inventories	21	1,050.0	1,062.7
Trade and credit card receivables	22	44.2	62.6
Other accounts receivable	23	422.0	475.8
Income tax assets		26.1	50.3
Cash and cash equivalents		553.5	538.2
Current assets		**2,095.8**	**2,189.6**
Total assets		**13,358.9**	**9,390.6**
LIABILITIES AND SHAREHOLDERS' EQUITY			
Equity attributable to equity holders of the parent	24	2,645.3	2,898.8
Non-controlling interests	24, 26	462.7	442.9
Total equity		**3,108.0**	**3,341.7**
Borrowings	27	3,602.2	3,766.3
Lease obligations*	28	3,319.0	–
Deferred tax liabilities	31	396.8	425.9
Provisions	32	41.1	82.4
Employee benefit obligations	33	47.4	33.4
Other non-current liabilities	30	88.3	62.8
Non-current liabilities		**7,494.8**	**4,370.8**
Trade payables		645.6	640.4
Borrowings	27	53.2	58.0
Lease obligations*	28	1,085.7	–
Income tax payables		87.9	64.8
Provisions	32	56.6	54.8
Other liabilities	30	827.1	860.1
Current liabilities		**2,756.1**	**1,678.1**
Total liabilities		**10,250.9**	**6,048.9**
Total liabilities and shareholders' equity		**13,358.9**	**9,390.6**

* The Group adopted the new Lease Standard IFRS 16 as of January 1, 2019. The non-current and current lease obligations represent the present value of Dufry's remaining unavoidable lease payments from concession- and other lease agreements. At the same time, Dufry recognized a right-of-use asset, which as of January 1, 2019 equaled the lease obligations less accrued lease expense (linearization) and which will be depreciated over the remaining lease term. For additional information please refer to Note 42 and Note 2.3 n) and w) in the accounting policies.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED DECEMBER 31, 2019

		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, 2019		**269.4**	**4,060.6**	**(520.8)**	**(18.1)**	**(0.3)**	**(324.1)**	**(567.9)**	**2,898.8**	**442.9**	**3,341.7**
Net Profit / (loss) of the period		–	–	–	–	–	–	(26.5)	(26.5)	56.6	30.1
Other comprehensive income / (loss)	15	–	–	–	(14.4)	0.3	(5.8)	–	(19.9)	(3.2)	(23.1)
Total comprehensive income / (loss) for the period		**–**	**–**	**–**	**(14.4)**	**0.3**	**(5.8)**	**(26.5)**	**(46.4)**	**53.4**	**7.0**
TRANSACTIONS WITH ORDISTRIBUTIONS TO SHAREHOLDERS											
Dividends to shareholders	24.1	–	(199.8)	–	–	–	–	–	(199.8)	–	(199.8)
Dividends to non-controlling interests		–	–	–	–	–	–	–	–	(73.8)	(73.8)
Share capital reduction	24	(16.6)	(385.3)	401.9	–	–	–	–	–	–	–
Assignment of treasury shares		–	–	26.4	–	–	–	(27.8)	(1.4)	(2.0)	(3.4)
Share-based payments		–	–	–	–	–	–	13.3	13.3	0.4	13.7
Income tax on equity transactions	14	–	–	–	–	–	–	1.6	1.6	1.2	2.8
Total transactions with or distributions to owners		**(16.6)**	**(585.1)**	**428.3**	**–**	**–**	**–**	**(12.9)**	**(186.3)**	**(74.2)**	**(260.5)**
CHANGES IN OWNERSHIP INTERESTS IN SUBSIDIARIES											
Put option held by non-controlling interests	6.1	–	–	–	–	–	–	–	–	(55.7)	(55.7)
Other changes in participation of non-controlling interests	26	–	–	–	–	–	–	(20.8)	(20.8)	96.3	75.5
Changes in participation of non-controlling interests	**26**	**–**	**–**	**–**	**–**	**–**	**–**	**(20.8)**	**(20.8)**	**40.6**	**19.8**
Balance at December 31, 2019		**252.8**	**3,475.5**	**(92.5)**	**(32.5)**	**–**	**(329.9)**	**(628.1)**	**2,645.3**	**462.7**	**3,108.0**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED DECEMBER 31, 2019

		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 / (loss) 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	24.1	–	(198.7)	–	–	–	–	–	(198.7)	–	(198.7)
Dividends to non-controlling interests		–	–	–	–	–	–	–	–	(76.2)	(76.2)
Purchase and sale of treasury shares	25.3	–	–	(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
Income 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		–	–	–	–	–	–	439.5	439.5	206.4	645.9
Other changes in participation of non-controlling interests		–	–	–	–	–	–	(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 CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2019

IN MILLIONS OF CHF	NOTE	2019	Reclassified 2018
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit / (loss) before taxes		108.3	234.2
ADJUSTMENTS FOR:			
Depreciation, amortization and impairment	10	1,777.0	571.9
Increase / (decrease) in allowances and provisions		0.6	25.5
Linearization of concession fees		–	(29.6)
Other non-cash items		9.7	25.2
Loss / (gain) on sale of non-current assets		3.0	6.9
Loss / (gain) on foreign exchange differences		9.6	5.4
Finance expense	13	387.0	196.4
Finance income	13	(71.7)	(68.5)
Cash flow before working capital changes		**2,223.5**	**967.4**
Decrease / (increase) in trade and other accounts receivable		(98.4)	93.7
Decrease / (increase) in inventories		2.8	(57.0)
Increase / (decrease) in trade and other accounts payable		71.2	(40.8)
Dividends received from associates	19	5.6	5.7
Cash generated from operations		**2,204.7**	**969.0**
Income tax paid [1]		(97.0)	(132.8)
Net cash flows from operating activities		**2,107.7**	**836.2**
CASH FLOW USED IN INVESTING ACTIVITIES			
Purchase of property, plant and equipment	16	(199.3)	(201.7)
Purchase of intangible assets	18	(54.1)	(53.8)
Purchase of financial assets		(0.1)	(2.1)
Purchase of interest in associates	19	(2.5)	(3.3)
Proceeds from lease income		5.9	–
Proceeds from loans receivable repaid [2]		3.2	0.2
Proceeds from sale of property, plant and equipment		8.7	4.4
Proceeds from sale of financial assets		0.2	0.1
Other investing activities		(0.6)	–
Interest received		31.2	29.5
Business combinations, net of cash	6.3	(48.1)	–
Net cash flows used in investing activities		**(255.5)**	**(226.7)**

CONSOLIDATED STATEMENT OF CASH FLOWS

(CONTINUED)

FOR THE YEAR ENDED DECEMBER 31, 2019

IN MILLIONS OF CHF	NOTE	2019	Reclassified 2018
CASH FLOW FROM FINANCING ACTIVITIES			
Transaction costs for financial instruments[3]	29	(2.5)	(12.0)
Proceeds from borrowings	29	914.0	163.8
Repayment of borrowings	29	(976.7)	(478.2)
Dividends paid to shareholders of the parent	24	(199.8)	(198.7)
Dividends paid to non-controlling interests	26.1	(70.5)	(70.1)
Purchase of treasury shares	25.3	–	(549.8)
Proceeds from sale of treasury shares		–	27.4
Contributions from non-controlling interests		4.3	671.1
Lease payments[4]		(1,269.5)	–
Interest paid[5]		(199.3)	(169.9)
Net cash flows used in financing activities		**(1,800.0)**	**(616.4)**
Currency translation on cash	29	(36.9)	(19.9)
Decrease / Increase in cash and cash equivalents		**15.3**	**(26.8)**
CASH AND CASH EQUIVALENTS AT THE			
– beginning of the period		538.2	565.0
– end of the period		553.5	538.2

[1] Income tax paid includes a refund of CHF 17.7 (EUR 15.1) million from Spanish tax authorities.

[2] 2018 comparative amounts have been reclassified from cash flow from financing activities.

[3] Transaction costs for financial instruments includes fees paid for the issuance of financing instruments (2019: Senior Notes; 2018: Hudson IPO).

[4] Lease payments includes CHF 187.7 million interests accrued on lease obligation (note 13).

[5] Includes CHF 18.0 million call premium and other fees paid for the cancellation and amendment of financing arrangements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2019

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 2.400 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, 2019 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 4, 2020, and are subject to the approval of the Annual General meeting to be held on May 7, 2020.

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") as issued by the International Accounting Standards Board ("IASB").

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, 2019 and December 31, 2018 respectively for the 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 or dividends are eliminated in full.

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

If Dufry loses control over a subsidiary, it:
- derecognizes the assets (including goodwill) and liabilities of the subsidiary,
- derecognizes the carrying amount of any non-controlling interest as well as derecognizes the cumulative translation differences recorded in equity,
- recognizes the fair value of the consideration received, recognizes the fair value of any investment retained as well as recognizes any surplus or deficit in the statement of profit or loss,
- recognizes any receivable from / payable to this former subsidiary.

2.3 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 expenses. 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 statement of profit or loss.

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 statement of profit or loss.

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 identifiable.

b) 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 statement of profit or loss, 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 exchange differences is accounted for 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 statements of profit or loss 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 statement of profit or loss 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	2019	2018	31.12.2019	31.12.2018
1 USD	0.9935	0.9784	0.9678	0.9814
1 EUR	1.1124	1.1547	1.0853	1.1259
1 GBP	1.2691	1.3055	1.2844	1.2524

c) Net sales

Turnover is comprised of net sales and advertising income and is recognized from contracts with customers. The Group recognizes revenue from retail sales and the related cost of goods sold at point in time, when it sells and hands over directly at the stores to the traveler consumables or fashion products manufactured by third parties. These transactions have to be settled by cash or credit card on delivery. Net sales are measured at fair value of the consideration received for the goods sold, excluding discounts or sales taxes.

d) 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 compensation will be received on contractual terms. Usually Dufry is not entitled to offset the income with trade payables related with the same supplier. An allowance on these advertising receivables is recognized to reflect the risks and uncertainties in relation with the final achievements of incentives based on thresholds, to be confirmed after the end of the respective program.

e) 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.

f) 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 statement of profit or loss on the purchase, sale, issue or cancellation of Dufry's own equity instruments.

g) 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.

h) 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 statement of profit or loss:

- 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 expenses"
- Net interest expense or income under "finance expenses" or "finance 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 statement of financial position 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 33.

i) Share-based payments

Equity settled share-based payments to employees and other third parties providing services are measured at the fair value of the equity instruments at grant date. The fair value determined at grant date of the equity-settled share-based payments is expensed on a 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 statement of profit or loss such that the cumulative expense reflects the revised estimate.

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

j) Taxation

Income tax expense represents the sum of the 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 statement of profit or loss, 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.

k) Property, plant and equipment

These are stated at cost less accumulated depreciation and any impairment in fair value. Depreciation is computed on a straight-line basis over the shorter of the estimated useful life of the asset or the lease term. The useful lives applied are as follows:
- Real estate (buildings) 20 to 40 years
- Leasehold improvements the shorter of 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

l) Right-of-use assets

The Group recognizes right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any re-measurement of lease obligations. The cost of right-of-use assets includes the amount of lease obligations recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognized right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life or the lease term. Right-of-use assets are subject to impairment. The contractual term of our assets is up to 40 years.

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 lessee 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 and 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 Leaseterm (or remaining upon adoption) of less than 12 months or leases of low value assets.

Initial direct costs for contracts signed in the past were not recognized as part of the right-of-use asset at the date of initial adoption.

Short term leases with a duration of less than 12 months and low value leases, as well as those lease elements, not complying with the principles of recognition defined by IFRS 16 are recognized in Profit or Loss when incurred.

The standard affects the accounting of:

a) Shops
Dufry enters into lease agreements with operators of airports, seaports, railway stations etc. to operate retail shops which in substance are considered leases. These lease agreements contain complex features, which include variable payment based on sales, which cannot be lower than a minimal threshold (MAG). The MAG can be fixed or variable depending on certain parameters. The MAG amounts may: a) be fixed by the lease agreement or b) be calculated based on a percentage of fees paid in the previous year, or c) adjusted based on an index. In these cases, the unavoidable portions of the fees are considered as in substance fixed payments, despite having a variable component. 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, the current parts of the lease obligations are secured with bank guarantees in case the Group would not fulfill its contractual commitments. Dufry has capitalized all elements of the lease contracts in accordance with IFRS 16 when at the commencement of the agreement such commitments are in substance fixed. Payment obligations that do not have a fixed or in substance fixed commitment, 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, which will continue to be presented as variable lease expense.

b) Other buildings
Lease agreements for offices or warehouse buildings will usually qualify for capitalization under IFRS 16.

c) Vehicles and other
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.

m) Short-term leases and leases of low-value assets
The Group applies the short-term lease recognition exemption to its short-term leases (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered of low value (i.e., below CHF 5,000, division North America below USD 25.000). Lease payments on short-term leases and leases of low-value assets are recognized as expense on a straight-line basis over the lease term.

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. 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. The brand assets have indefinite useful life, whereas the concession rights have a useful life based on the lease term, which can be up to 40 years.

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

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 or 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 changes in the Group's share of net assets of the associate 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 profit/(loss) is recognized in the statement of profit or loss, 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 profit/(loss) 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 within the finance expense in the statement of profit or loss.

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 statement of profit or loss.

r) Inventories

Inventories are valued at the lower of historical cost or net realizable value.

Historical cost includes all expenses incurred in bringing the inventories to their present location and condition. Beside the purchase price of the goods less the discounts or rebates obtained, the historical cost includes import duties and transport cost. In 2019, Dufry changed its accounting policy adopting the weighted average cost method to determine the historical costs of the inventory. In the past periods, the Group was using the first in, first out inventory valuation cost method and has evaluated that this change does not generate material differences since the group companies are reporting in hard currencies, the inflation is low and the inventory rotation short. The benefit of the weighted average cost method is to be simpler to apply. Dufry purchases most of the inventory centrally and provides the subsidiaries the goods in their reporting currency, i.e. free of currency risk for them.

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 for 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 current deposits at banks with initial maturity below 91 days. Credit card receivables with a maturity of up to 4 working days are included as cash in transit. Current 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) Lease obligations
At the commencement date of the lease, the Group recognizes lease obligations measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognized as expense in the period on which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease obligations is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease obligations is re-measured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

Dufry uses a discount rate which is the aggregation of the risk free rate for the respective currency and lease duration, increased by individual company risk factors.

The lease liability represents the net present value of fixed or in substance fixed lease payments over the lease term. The implied interest charge is presented as interest expenses on lease obligation. Where a lease agreement does not specify a discount rate and as the subsidiaries are financed internally, Dufry uses a discount rate which is the aggregation of the risk free rate for the respective currency and lease duration, increased by individual company risk factors.

Usually the lease contracts do not specify interest, so that when the Group pays the variable amount of lease commitment, the minimal in substance fix commitments are presented as lease payments under cash flow from financing, whereas the remaining part is presented as cash outflow from operations.

v) 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 income recognized in accordance with IFRS 15 Revenue from contracts with customers.

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 dependent on the outcome of ongoing lawsuits in relation with taxes, other than income taxes and duties.

w) Investments and other financial assets

(i) Classification

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. 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. Interest income from these financial assets is included in finance 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 finance income or finance expenses in the statement of profit or loss as applicable.

(iv) Impairment of financial assets
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.

x) 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.

y) 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 statement of profit or loss. The net gain or loss recognized in the consolidated statement of profit or loss incorporates any interest paid on the financial liability and is included in the finance income or finance expenses in the statement of profit or loss. Fair value is determined in the manner described in note 35.

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 statement of profit or loss.

iv) Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the 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 29.1).

z) 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 34.

Movements in the hedging reserve in shareholders' equity are shown in note 24.4. 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.

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 the statement of profit or loss within other finance income or finance expense. Gains and losses accumulated in equity are reclassified to profit or loss when the foreign operation is partially disposed of or sold. See notes 27.1 and 27.2 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 the statement of profit or loss and are included in other finance income or finance expense.

Further details of derivative financial instruments are disclosed in note 35.

2.4 CHANGES IN ACCOUNTING POLICY AND DISCLOSURES

New and amended standards and interpretations
The accounting policies adopted are consistent with those of the previous financial year, except for the following revised Standards and the Interpretations adopted in these financial statements (effective January 1, 2019).

IFRS 16 - Leases
The Group adopted the standard as of January 1, 2019 under the 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 and lessors more extensive than under IAS 17. The main difference in the Group's consolidated financial statements is that IFRS 16 introduces a single lessee accounting model and requires a lessee for lease contracts to recognize right-of-use assets (RoU), see note 17 and lease obligations, see note 28.

IFRIC Interpretation 23 – Uncertainty over Income Tax Treatments

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, when there is uncertainty over income tax.

The impact on the statement of financial position due to implementation of IFRS 16 and IFRIC 23 is disclosed in note 42.

Other amendments and interpretations
Other amendments and interpretations applicable for the first time in 2019 have no material impact on the consolidated financial statements of the Group.

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.

Impairment tests assets
Dufry annually tests goodwill and intangible assets with indefinite useful lives and assesses other non-financial assets for impairment indications. Where required, the company performs impairment tests which are based on the discounted value models of future cash flows. The underlying calculation requires the use of estimates. The estimates and assumptions used are disclosed in note 18.1.1 and 18.1.3.

Onerous contracts
Some of the long-term lease agreements 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 the business behind such a contract presents a non-profitable outlook. In this event, an impairment of the tangible, intangible and Right-of-Use assets may be required, or even a provision based on the present value of the unavoidable future negative cash flows expected is established. The unavoidable costs are the lower of the costs of fulfilling the contract and any compensation or penalties arising from failure to fulfil it. Further details are given in note 32.

Income taxes
Dufry is active in numerous jurisdictions which makes it subject to local income tax. Significant judgment is required in determining the taxability of certain transactions based on the local tax regulations. In case of uncertainties for some transactions in relation with the correct tax treatment, Dufry recognizes a tax expense and a liability for the amounts required to settle the estimated tax obligations. Where the final tax outcome is different from the carrying amounts, such difference will impact the net profit in the period in which the obligations become certain. Further details are given in notes 14 and 31.

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 credits can be utilized. Management judgment is required to determine the amount of future taxable profits that can be generated in each jurisdiction, and the limitations in use of the respective tax credits to calculate 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 31.

Provisions
Management makes assumptions in relation to the expected outcome and required cash outflows based on the development of each individual case. Further details are given in note 32.

Share-based payments
Dufry measures the cost of equity settled transactions with employees by reference to the fair value of the equity instruments at the grant date. Estimating such fair values 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 25.

Pension and other post-employment benefit obligations
The cost of defined benefit pension plans is determined using actuarial valuations. The actuarial valuation involves assumptions about discount rates, future salary and pension increases as well as mortality rates. Due to the long-term nature of these plans, such estimates are subject to significant uncertainty. Further details are given in note 33.

Purchase price allocation
The determination of the fair values of the identifiable assets (especially the concession rights) and the assumed liabilities (especially the contingent liabilities recognized as provisions), resulting from business combinations, is based on valuation techniques such as the discounted cash flow model. Some of the inputs to this model are partially based on assumptions and judgments and any changes thereof would affect the carrying 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 26 and 26.1 as well as the list “Most important subsidiaries” in the financial statements of Dufry AG.

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

Certain new accounting standards and interpretations were issued that are not effective for 2019. Dufry will adopt these when they become mandatory. From the current point of view they are not expected to have a material impact in future reporting periods.

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 Global Executive Committee, using geographical segments and the distribution centers as an additional segment.

As of January 1, 2019 Dufry merged the division Southern Europe and Africa with the division UK, Central Europe and Eastern Europe into one division Europe and Africa. All the remaining structure remained equal. The comparative figures have been presented accordingly to reflect these changes.

The list of most important subsidiaries indicates the entities consolidated in each segment in the financial statements of Dufry AG.

Following the adoption of the new lease standard, the Group is presenting as alternative performance indicator an Adjusted Operating Profit to its chief operating decision maker. This indicator is calculated from the operating profit plus amortizations of intangible assets identified during previous acquisitions. The Group discontinued the adjusted EBITDA concept.

	TURNOVER				
2019 IN MILLIONS OF CHF	**with external customers**	**with other divisions**	**TOTAL**	**ADJUSTED OPERATING PROFIT (unaudited)**	**EMPLOYEES (FTE) (unaudited)**
Europe and Africa	3,850.9	–	3,850.9	334.1	10,015
Asia Pacific & Middle East	1,274.9	–	1,274.9	96.4	4,644
North America	1,935.8	–	1,935.8	150.0	8,776
Central & South America	1,536.1	–	1,536.1	170.6	7,329
Distribution Centers	250.9	1,595.1	1,846.0	16.6	572
Total divisions	**8,848.6**	**1,595.1**	**10,443.7**	**767.7**	**31,336**
Eliminations	–	(1,595.1)	(1,595.1)	–	–
Dufry	**8,848.6**	**–**	**8,848.6**	**767.7**	**31,336**

	TURNOVER				
2018 IN MILLIONS OF CHF	**with external customers**	**with other divisions**	**TOTAL**	**ADJUSTED OPERATING PROFIT (unaudited)**	**EMPLOYEES (FTE) (unaudited)**
Europe and Africa	3,828.2	–	3,828.2	343.4	9,821
Asia Pacific & Middle East	1,153.6	–	1,153.6	122.2	3,588
North America	1,884.4	–	1,884.4	104.5	9,372
Central & South America	1,617.0	–	1,617.0	101.0	6,899
Distribution Centers	201.7	1,463.5	1,665.2	10.3	584
Total divisions	**8,684.9**	**1,463.5**	**10,148.4**	**681.4**	**30,264**
Eliminations	–	(1,463.5)	(1,463.5)	–	–
Dufry	**8,684.9**	**–**	**8,684.9**	**681.4**	**30,264**

Dufry generated 5.4 % (2018: 3.9%) of its turnover with external customers in Switzerland (domicile).

Adjusted Operating Profit

IN MILLIONS OF CHF	NOTE	2019	2018[1]
Operating profit / (loss)		**432.8**	**369.2**
Adjusted for:			
Amortization of concession rights*	18	308.9	310.1
Impairment of concession rights*	18	26.0	2.1
Adjusted operating profit		**767.7**	**681.4**

* Related to acquisitions.
[1] Restated for comparability purposes.

Financial Position and other disclosures

31.12.2019 IN MILLIONS OF CHF	TOTAL ASSETS	TOTAL LIABILITIES	INCOME TAX (EXPENSE) / INCOME	CAPITAL EXPENDITURE PAID	DEPRECIATION AND AMORTIZATION
Europe and Africa	5,554.7	2,661.0	(30.9)	(81.0)	(817.5)
Asia Pacific & Middle East	1,427.3	1,025.4	(1.7)	(35.4)	(255.5)
North America	2,863.6	1,533.7	(14.4)	(72.5)	(361.1)
Central & South America	2,421.7	915.8	(20.1)	(38.1)	(316.6)
Distribution Centers	773.9	390.9	(4.8)	(3.1)	(5.8)
Total divisions	**13,041.2**	**6,526.8**	**(71.9)**	**(230.1)**	**(1,756.5)**
Unallocated positions	317.7	3,724.1	(6.3)	(23.3)	(20.5)
Dufry	**13,358.9**	**10,250.9**	**(78.2)**	**(253.4)**	**(1,777.0)**

31.12.2018 IN MILLIONS OF CHF	TOTAL ASSETS	TOTAL LIABILITIES	INCOME TAX (EXPENSE) / INCOME	CAPITAL EXPENDITURE PAID	DEPRECIATION AND AMORTIZATION
Europe and Africa	4,257.1	1,100.2	(44.6)	(92.0)	(239.3)
Asia Pacific & Middle East	606.5	201.8	(3.1)	(24.9)	(41.2)
North America	1,338.9	234.1	(3.2)	(67.9)	(126.2)
Central & South America	1,419.6	306.7	(13.7)	(47.9)	(144.1)
Distribution Centers	1,183.1	339.7	(8.0)	(6.7)	(2.3)
Total divisions	**8,805.2**	**2,182.5**	**(72.6)**	**(239.4)**	**(553.1)**
Unallocated positions	585.4	3,866.4	(26.2)	(16.1)	(18.8)
Dufry	**9,390.6**	**6,048.9**	**(98.8)**	**(255.5)**	**(571.9)**

Reconciliation of assets

IN MILLIONS OF CHF	31.12.2019	31.12.2018
Operating assets	**13,041.2**	**8,805.2**
Current assets of corporate and holding companies[1]	(312.8)	(175.3)
Non-current assets of corporate and holding companies	630.5	760.7
Total assets	**13,358.9**	**9,390.6**

[1] Includes notional Cash Pool overdrafts at Headquarter.

Reconciliation of liabilities

IN MILLIONS OF CHF	31.12.2019	31.12.2018
Operating liabilities	**6,526.8**	**2,182.5**
Borrowings of corporate and holding companies, current	0.2	–
Borrowings of corporate and holding companies, non-current	3,591.9	3,754.0
Other non-segment liabilities	132.0	112.4
Total liabilities	**10,250.9**	**6,048.9**

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

2019 TRANSACTIONS

6.1 ACQUISITION OF REGSTAER M LLC, RUSSIA

RegStaer M Ltd. operates at the Vnukovo airport in Moscow a retail concession running for 15 years consisting of 6,800 square meters of duty-free and duty-paid shops offering a broad assortment of core duty free products, complemented with a selection of fashion and accessories. In 2019, the company generated net sales of CHF 83.7 (EUR 76.3) million, both unaudited figures, and an operating profit of CHF 9.0 (EUR 8.2) million. With this acquisition, Dufry is now present in all the airports of Moscow.

On November 6, 2019, the Group acquired 60% of RegStaer M LLC ("Vnukovo") through its majority owned (51%) subsidiary Dufry Staer Holding Ltd for a total consideration partially contributed in shares, equivalent to CHF 80.2 (EUR 73.7) millions. The transaction was closed in November 2019, when the Group obtained control and the required regulatory approvals. The acquisition was accounted for using the acquisition method. The transaction costs in relation to this acquisition amounted to CHF 0.3 (EUR 0.3) million. The non-controlling interests, resulting from the transaction was measured at the proportionate share in the identifiable net assets.

Dufry will integrate this company with its remaining operations in Russia into a subdivision which will generate synergies, which are reflected in the value of the goodwill besides other intangibles that are not recognized individually. The resulting goodwill is not amortized, is not tax deductible and is subject to annual impairment testing.

The fair value of the identifiable assets and liabilities of RegStaer M, LLC at the date of the acquisition are determined preliminary as the company is in the process of verifying the values. These values are as follows:

	PRELIMINARY FAIR VALUE AT NOVEMBER 6, 2019	
IN MILLIONS OF	CHF	EUR
Inventories	16.7	15.4
Other current assets	1.5	0.5
Property, plant and equipment	10.9	10.1
Right-of-use assets	7.7	7.1
Concession rights	95.4	87.7
Trade payables	(3.3)	(3.0)
Lease obligations	(7.7)	(7.1)
Provisions	(2.0)	(1.8)
Other liabilities	(4.9)	(3.9)
Deferred tax liabilities	(19.2)	(17.6)
Identifiable net assets	**95.1**	**87.4**
Non-controlling interests (40.0 %)	38.0	35.0
Dufry's share in the net assets (60.0 %)	57.0	52.4
Goodwill	23.1	21.3
Consideration in cash	41.3	38.0
Consideration in shares [1]	38.9	35.7
Total consideration	**80.2**	**73.7**

[1] The fair value of the shares contributed by the partner of Dufry Staer Holding are derived from Dufry's transaction.

From the date when Dufry took control of RegStaer M, LLC operations in November 2019 until December 2019 these operations contributed CHF 12.4 (EUR 11.3) million in turnover and CHF 1.6 (EUR 1.4) million, in operating profit to the consolidated statement of profit or loss (both unaudited figures).

As part of the transaction, the Group entered into put and call options with the non-controlling interest holder Dufry Staer Holding Ltd which mainly provide to our partner after a holding period of three years the option to sell its non-controlling interest (49 %) subject to the completion of certain contractual conditions for a fair value of the entity to be determined upon exercise of the option.

The put option was accounted for as a liability in these financial statements and valued to the respective portion of the fair value of Dufry Staer Holding. The difference between this value and the eliminated non-controlling interest was booked against the reserve for transactions with non-controlling interest in the Group's equity.

6.2 BROOKSTONE

On October 10, 2019, the Group acquired the business and assets related to the operations in Brookstone airport stores in the U.S.. Hudson obtained the license to use the Brookstone brand and trademarks. Brookstone sells a unique selection of innovative products in the categories travel, wellness, home and entertainment for a net consideration of CHF 7.4 (USD 7.4) million. Brookstone has been integrated to the Hudson Group. Through this acquisition, Hudson Group expects to expand the business and to generate cost synergies through the integration of Brookstone into its marketing and supply chain as well as support functions, which are reflected in the value of the goodwill besides other intangibles like concession rights (CHF 5.5 (USD 5.5) million determined preliminary) that are recognized individually. The result in goodwill is not amortized but is tax deductible and will be subject to annual impairment testing. The Group incurred in transaction costs in relation to this acquisition of CHF 0.5 (USD 0.5) million.

6.3 CASH FLOWS USED FOR BUSINESS COMBINATIONS, NET OF CASH

2019 IN MILLIONS OF CHF	TOTAL CONSIDERATION	NET CASH ACQUIRED	NET CASH FLOW
RegStaer M Ltd	(41.3)	0.3	(41.0)
Brookstone Group	(7.1)	–	(7.1)
TOTAL	**(48.4)**	**0.3**	**(48.1)**

6.4 ACQUISITIONS TRANSACTION EXPENSES

Dufry incurred in transaction expenses related to acquisitions in the amount of CHF 2.9 million.

2018 TRANSACTIONS

There were no transactions during 2018.

7. NET SALES

Net sales by product categories:

IN MILLIONS OF CHF	2019	2018
Perfumes and Cosmetics	2,744.4	2,694.6
Food, Confectionery and Catering	1,566.2	1,490.9
Wine and Spirits	1,427.0	1,311.4
Luxury goods	1,074.9	1,094.9
Tobacco goods	988.4	995.0
Electronics	194.7	186.1
Literature and Publications	171.0	188.7
Other	443.2	494.2
Total	**8,609.8**	**8,455.8**

Net sales by market sector:

IN MILLIONS OF CHF	2019	2018
Duty-free	5,260.4	5,182.3
Duty-paid	3,349.4	3,273.5
Total	**8,609.8**	**8,455.8**

Net sales by channel:

IN MILLIONS OF CHF	2019	2018
Airports	7,587.9	7,597.0
Border, downtown and hotel shops	295.3	275.3
Cruise liners and seaports	306.1	255.1
Railway stations and other	420.5	328.4
Total	**8,609.8**	**8,455.8**

8. LEASE EXPENSES

IN MILLIONS OF CHF	2019	2018
Lease expenses relating to variable lease payments[1]	(1,277.2)	(2,512.5)
Lease expenses relating to variable lease payments - MAG complement	(102.9)	–
Lease expenses short term contracts	(5.2)	–
Lease expenses low value contracts	(1.4)	–
Sublease income	13.8	17.8
Total	**(1,372.9)**	**(2,494.7)**

[1] Not included in the measurement of lease obligations.

Most lease contracts require as compensation the higher of two amounts: a) a percentage of sales or b) a fixed minimal guaranteed amount (MAG). The fair value of these MAG commitments over the contractual term are presented usually as right-of-use assets and expensed as depreciation. Lease payments exceeding the MAG are presented as lease expenses and are normally calculated as a percentage of sales. Other lease contracts require only variable payments, which are fully presented as lease expense. For the following year, the Group estimates that the lease expenses may be between 14 % and 16 % of net sales.

Variable lease expense approximates the related cash flows due to the short payment term characteristic of these contracts.

9. PERSONNEL EXPENSES

IN MILLIONS OF CHF	2019	2018
Salaries and wages	(980.0)	(919.2)
Social security expenses	(147.6)	(144.0)
Retirement benefits	(22.0)	(20.2)
Other personnel expenses	(93.7)	(91.8)
Total	**(1,243.3)**	**(1,175.2)**

10. DEPRECIATION, AMORTIZATION AND IMPAIRMENT

IN MILLIONS OF CHF	2019	2018
Depreciation of Property, Plant and Equipment	(184.2)	(178.1)
Impairment of Property, Plant and Equipment	(19.7)	(24.2)
Subtotal (note 16 Property, Plant and Equipment)	**(203.9)**	**(202.3)**
Depreciation of RoU	(1,170.3)	–
Subtotal (note 17 Right-of-use Assets)	**(1,170.3)**	**–**
Amortization of Intangibles	(368.2)	(367.4)
Impairment of Intangibles	(34.6)	(2.2)
Subtotal (note 18 Intangible Assets)	**(402.8)**	**(369.6)**
Total	**(1,777.0)**	**(571.9)**

Aggregated information of impairments per division (segment)

IN MILLIONS OF CHF	2019 Property, Plant and Equipment	2019 Intangible Assets	2018 Property, Plant and Equipment	2018 Intangible Assets
Europe and Africa	(8.1)	(9.6)	(9.7)	(2.1)
Asia Pacific & Middle East	(0.5)	(1.0)	–	–
North America	(4.1)	–	(14.5)	(0.1)
Central & South America	(7.0)	(24.0)	–	–
Total	**(19.7)**	**(34.6)**	**(24.2)**	**(2.2)**

There have been no reversals of impairments during 2019 or 2018.

In 2019, the Company recognized impairment of depreciable and amortizable assets. The main events affecting the European locations were a low passenger development together with missing implementation of new international flight connections, and in one case a postponed refurbishment of an airport. The locations in South America were affected by a drop of purchase power from departing passengers leading to a reduced average spend per passengers and the delayed expansion of an airport.

11. OTHER EXPENSES

IN MILLIONS OF CHF	2019	2018
Repairs, maintenance and utilities	(91.4)	(84.7)
Credit card expenses	(115.2)	(111.3)
Professional advisor expenses	(59.7)	(62.8)
IT expenses	(51.0)	(47.1)
Freight & packaging material	(46.7)	(14.1)
Other operational expenses	(53.2)	(69.9)
Advertising expenses	(31.8)	(31.4)
Office and admin expenses	(31.2)	(32.0)
Travel, car, entertainment and representation	(29.8)	(33.0)
Franchise fees and commercial services	(27.1)	(22.4)
Public relations expenses	(24.3)	(22.8)
Taxes, other than income tax expense	(21.9)	(10.0)
Ancillary premises expenses	(16.4)	(70.5)
Insurances	(13.6)	(12.1)
Bank expenses	(5.5)	(6.1)
Total	**(618.8)**	**(630.2)**

12. OTHER INCOME

IN MILLIONS OF CHF	2019	2018
Sales tax recovery[1]	64.4	–
Selling income	24.0	25.2
Other operating income	33.2	20.3
Total	**121.6**	**45.5**

[1] In September 2019, a decision of the Federal Court in Rio de Janeiro in a lawsuit between one of our Brazilian subsidiaries and the Brazilian federal tax authority became final and non-appealable, consequently Dufry assessed the recovery of these amounts as virtually certain and will claim back certain indirect tax payments made since 2009.

13. FINANCE INCOME AND FINANCE EXPENSES

FINANCE INCOME

IN MILLIONS OF CHF	2019	2018
INCOME ON FINANCIAL ASSETS		
Interest income on current deposits	28.5	21.8
Gain on modification of financing arrangements	16.3	–
Other finance income	26.0	36.2
Interest income on financial assets	**70.8**	**58.0**
INCOME ON NON-FINANCIAL ASSETS		
Interest income	**0.3**	**6.7**
INCOME FROM FINANCIAL INVESTMENTS AND ASSOCIATES		
Share of result in associates	0.4	3.8
Gain on disposal of financial investments	0.2	–
Income from financial investments and associates	**0.6**	**3.8**
Total finance income	**71.7**	**68.5**
FINANCE EXPENSES		
EXPENSES ON FINANCIAL LIABILITIES		
Interest expense	(348.7)	(162.6)
of which lease interest	(187.7)	–
of which bank interest	(144.8)	(153.3)
of which bank commitment fees	(4.6)	(4.9)
of which bank guarantees commission expense	(3.6)	(3.0)
of which related to other financial liabilities[1]	(8.0)	(1.4)
Amortization / write off of arrangement fees	(10.2)	(6.0)
Other finance costs	(25.7)	(26.3)
Interest expense on financial liabilities	**(384.6)**	**(194.9)**
EXPENSES ON NON-FINANCIAL LIABILITIES		
Interest expense	(2.4)	(3.1)
Interest and other finance expenses	**(2.4)**	**(3.1)**
Total finance expenses	**(387.0)**	**(198.0)**
Foreign exchange gain / (loss)	**(9.2)**	**(5.5)**
Financial result	**(324.5)**	**(135.0)**

[1] Of which CHF 4.7 million correspond to credit card factoring expenses.

14. INCOME TAXES

INCOME TAX RECOGNIZED IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS

IN MILLIONS OF CHF	2019	2018
Current Income tax expense	(108.7)	(125.9)
of which corresponding to the current period	(110.3)	(128.5)
of which adjustments recognized in relation to prior years	1.6	2.6
Deferred Income tax expense	30.5	27.1
of which related to the origination or reversal of temporary differences	30.2	18.3
of which adjustments recognized in relation to prior years	9.0	5.6
of which relates to foreign exchange movements[1]	(10.7)	(9.4)
of which adjustments due to change in tax rates	2.0	12.6
Total	**(78.2)**	**(98.8)**

[1] In countries where Dufry pays taxes in another currency than the functional currency, deferred tax assets and liabilites are impacted by foreign exchange fluctuations. These changes are presented as income tax.

IN MILLIONS OF CHF	2019	2018
Consolidated profit / (loss) before taxes	108.3	234.2
Expected tax rate in %	20.7%	21.1%
Income tax at the expected rate	(22.4)	(49.4)
EFFECT OF		
Income not subject to income tax	0.4	5.8
Different tax rates for subsidiaries in other jurisdictions	12.3	14.8
Effect of changes in tax rates on previously recognized deferred tax assets and liabilities	2.0	12.6
Non-deductible expenses	(7.5)	(11.3)
Change of unrecognized tax loss carry-forwards	(32.5)	(52.9)
Net change of revision of estimates on the taxability / deductibility of temporary differences[1]	(25.5)	1.2
Non recoverable withholding taxes	(8.6)	(12.0)
Income taxes in non-controlling interest holders	8.6	9.4
Adjustments recognized in relation to prior year	10.8	8.2
Foreign exchange movements on deferred tax balances[2]	(10.7)	(9.4)
Other items[3]	(5.1)	(15.8)
Total	**(78.2)**	**(98.8)**

[1] In 2019 this included CHF 14.1 million deferred tax assets based on timing differences arising from IFRS 16.

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

[3] In 2018 Other items includes CHF 13.5 capital gain taxes resulting from internal restructuring in connection with the IPO of our North American division.

The expected tax rate in % approximates the average income tax rate of the countries where the Group is active, weighted by the profit before taxes of the respective operations.

For 2019, the most important change in tax rate related to a revised tax reform in Greece, reduced the rate to 24% for the years 2019 and following, resulting in a deferred tax gain of CHF 4.1 million. The tax reform in Switzerland had overall no material impact on the group's deferred tax positions.

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 29% to 25% was enacted in December 2018, which resulted in a deferred tax income of CHF 11.6 million.

DEFERRED INCOME TAX RECOGNIZED IN OTHER COMPREHENSIVE INCOME OR IN EQUITY

IN MILLIONS OF CHF	2019	2018
RECOGNIZED IN OTHER COMPREHENSIVE INCOME		
Actuarial gains / (losses) on defined benefit plans	1.7	(1.8)
Total	**1.7**	**(1.8)**
RECOGNIZED IN EQUITY		
Tax effect on share-based payments [1]	2.8	5.3
Total	**2.8**	**5.3**

[1] Includes CHF 1.2 (2018: 1.3) million as equity attributable to non-controlling interests.

15. COMPONENTS OF OTHER COMPREHENSIVE INCOME

2019 IN MILLIONS OF CHF	ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT						
	Employee benefit reserve	Hedging & revaluation reserves	Translation reserves	Retained earnings	TOTAL	NON-CONTROLLING INTERESTS	TOTAL EQUITY
Remeasurement of post-employment benefits plans	(16.1)	–	–	–	(16.1)	0.1	(16.0)
Income tax effect	1.7	–	–	–	1.7	–	1.7
Subtotal	**(14.4)**	**–**	**–**	**–**	**(14.4)**	**0.1**	**(14.3)**
Exchange differences on translating foreign operations	–	–	(7.2)	–	(7.2)	(3.3)	(10.5)
Subtotal	**–**	**–**	**(7.2)**	**–**	**(7.2)**	**(3.3)**	**(10.5)**
Net gain / (loss) on hedge of net investment in foreign operations	–	–	1.8	–	1.8	–	1.8
Subtotal	**–**	**–**	**1.8**	**–**	**1.8**	**–**	**1.8**
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	–	–	(0.4)	–	(0.4)	–	(0.4)
Subtotal	**–**	**–**	**(0.4)**	**–**	**(0.4)**	**–**	**(0.4)**
Other comprehensive income	**(14.4)**	**0.3**	**(5.8)**	**–**	**(19.9)**	**(3.2)**	**(23.1)**

2018 IN MILLIONS OF CHF	ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT						
	Employee benefit reserve	Hedging & revaluation reserves	Translation reserves	Retained earnings	TOTAL	NON-CONTROLLING INTERESTS	TOTAL EQUITY
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)**

16. PROPERTY, PLANT AND EQUIPMENT

2019 IN MILLIONS OF CHF	LEASEHOLD IMPROVE-MENTS	BUILDINGS	FURNITURE FIXTURES	COMPUTER HARDWARE	VEHICLES	WORK IN PROGRESS	TOTAL
AT COST							
Balance at January 1	**627.7**	**49.7**	**396.0**	**47.0**	**7.6**	**62.9**	**1,190.9**
Business combinations	11.4	–	–	–	–	1.1	12.5
Additions	69.9	2.1	40.0	11.2	1.3	70.4	194.9
Disposals	(46.2)	(0.3)	(32.7)	(5.5)	(0.8)	(3.6)	(89.1)
Reclassification within classes	(17.7)	3.1	85.5	3.7	0.1	(74.7)	–
Reclassification to intangible assets	–	–	–	(1.4)	–	–	(1.4)
Currency translation adjustments	(11.2)	(1.7)	2.5	0.6	(0.1)	(0.3)	(10.2)
Balance at December 31	**633.9**	**52.9**	**491.3**	**55.6**	**8.1**	**55.8**	**1,297.6**
ACCUMULATED DEPRECIATION							
Balance at January 1	**(291.0)**	**(17.4)**	**(189.7)**	**(11.8)**	**(4.4)**	**–**	**(514.3)**
Additions (note 10)	(86.9)	(5.2)	(76.8)	(14.1)	(1.2)	–	(184.2)
Disposals	35.1	0.2	24.5	5.0	0.7	–	65.5
Reclassification within classes	35.3	–	(36.3)	1.0	–	–	–
Reclassification to intangible assets	–	–	–	(0.1)	–	–	(0.1)
Currency translation adjustments	5.9	0.6	(4.2)	(0.9)	–	–	1.4
Balance at December 31	**(301.6)**	**(21.8)**	**(282.5)**	**(20.9)**	**(4.9)**	**–**	**(631.7)**
IMPAIRMENT							
Balance at January 1	**(17.6)**	**(0.2)**	**(13.7)**	**(0.8)**	**–**	**–**	**(32.3)**
Impairment (note 10)	(17.1)	–	(2.4)	(0.2)	–	–	(19.7)
Disposals	6.5	–	5.5	0.2	–	–	12.2
Currency translation adjustments	0.7	–	0.3	–	–	–	1.0
Balance at December 31	**(27.5)**	**(0.2)**	**(10.3)**	**(0.8)**	**–**	**–**	**(38.8)**
CARRYING AMOUNT							
At December 31, 2019	**304.8**	**30.9**	**198.5**	**33.9**	**3.2**	**55.8**	**627.1**

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 10)	(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 (note 10)	(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**

Cash flow used for purchase of property, plant and equipment

IN MILLIONS OF CHF	2019	2018
Payables for capital expenditure at the beginning of the period	(32.7)	(36.8)
Additions of property, plant and equipment	(194.9)	(198.0)
Payables for capital expenditure at the end of the period	28.2	32.7
Currency translation adjustments	0.1	0.4
Total Cash Flow	**(199.3)**	**(201.7)**

17. RIGHT-OF-USE ASSETS

2019	SHOPS	OTHER BUILDINGS	VEHICLES	OTHER	TOTAL
AT COST					
Balance at January 1 at inception of IFRS 16 (note 42)	**4,620.9**	**171.2**	**3.8**	**1.0**	**4,796.9**
Business combinations (note 6)	3.3	7.7	–	–	11.0
Additions	790.0	37.0	0.9	0.5	828.4
Disposals[1]	(79.3)	(0.6)	–	–	(79.9)
Currency translation adjustments	(83.0)	(2.7)	(0.1)	(0.1)	(85.9)
Balance at December 31	**5,251.9**	**212.6**	**4.6**	**1.4**	**5,470.5**
ACCUMULATED DEPRECIATION					
Balance at January 1 at inception of IFRS 16	**–**	**–**	**–**	**–**	**–**
Additions (note 10)	(1,135.1)	(33.3)	(1.3)	(0.6)	(1,170.3)
Disposals[1]	2.6	0.1	–	–	2.7
Currency translation adjustments	24.4	0.7	0.1	–	25.2
Balance at December 31	**(1,108.1)**	**(32.5)**	**(1.2)**	**(0.6)**	**(1,142.4)**
CARRYING AMOUNT					
At December 31, 2019	**4,143.8**	**180.1**	**3.4**	**0.8**	**4,328.1**

[1] Early termination of leases.

18. INTANGIBLE ASSETS

2019 IN MILLIONS OF CHF	CONCESSION RIGHTS Acquisition related	 Plain	BRANDS	OTHER	TOTAL	GOODWILL
AT COST						
Balance at January 1	**4,716.9**	**205.3**	**274.4**	**289.3**	**5,485.9**	**2,603.1**
Adjustment on IFRS 16 implementation (see note 42)	**–**	**(6.8)**	**–**	**–**	**(6.8)**	**–**
Adjusted Balance at January 1	**4,716.9**	**198.5**	**274.4**	**289.3**	**5,479.1**	**2,603.1**
Business combinations (note 6)	100.8	–	–	0.1	100.9	23.1
Additions (note 18.1.4)	–	9.6	–	40.1	49.7	–
Disposals	–	(0.8)	–	(4.5)	(5.3)	–
Reclassification from property, plant & equipment	–	–	–	1.4	1.4	–
Currency translation adjustments	(53.2)	3.9	(3.7)	(2.4)	(55.4)	(13.3)
Balance at December 31	**4,764.5**	**211.2**	**270.7**	**324.0**	**5,570.4**	**2,612.9**
ACCUMULATED AMORTIZATION						
Balance at January 1	**(1,648.5)**	**(66.4)**	**(3.3)**	**(174.0)**	**(1,892.2)**	**–**
Adjustment on IFRS 16 implementation (see note 42)	**–**	**3.2**	**–**	**–**	**3.2**	**–**
Adjusted Balance at January 1	**(1,648.5)**	**(63.2)**	**(3.3)**	**(174.0)**	**(1,889.0)**	**–**
Additions (note 10)	(308.9)	(21.5)	–	(37.8)	(368.2)	–
Disposals	–	0.8	–	4.1	4.9	–
Reclassification from property, plant & equipment	–	–	–	0.1	0.1	–
Currency translation adjustments	27.0	(1.4)	–	1.4	27.0	–
Balance at December 31	**(1,930.4)**	**(85.3)**	**(3.3)**	**(206.2)**	**(2,225.2)**	**–**
IMPAIRMENT						
Balance at January 1	**(76.9)**	**–**	**–**	**–**	**(76.9)**	**(1.6)**
Impairment (note 10)	(26.0)	–	–	(8.6)	(34.6)	–
Disposals	(0.1)	–	–	–	(0.1)	–
Currency translation adjustments	2.3	–	–	0.2	2.5	–
Balance at December 31	**(100.7)**	**–**	**–**	**(8.4)**	**(109.1)**	**(1.6)**
CARRYING AMOUNT						
At December 31, 2019	**2,733.4**	**125.9**	**267.4**	**109.4**	**3,236.1**	**2,611.3**

[1] In 2019, concession rights are newly broken down in acquisition related and in plain. As of January 1, 2019 concession rights with indefinite useful lives of CHF 45.2 million have been reclassified to finite lived intangibles.

In 2019, Dufry has reviewed if the criteria of indefinite useful lives is still valid for certain concession rights. Based on the experience with other similar cases in Asia, Dufry decided to reclassify the concession right as with finite useful lives and amortize the concession rights over the remaining useful life. This change in estimate resulted in an increase of amortization charge of CHF 2.0 million per year as of 2019.

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 18.1.4)	–	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 DEPRECIATION						
Balance at January 1	**–**	**(1,408.4)**	**(3.3)**	**(147.6)**	**(1,559.3)**	**–**
Additions (note 10)	–	(331.7)	–	(35.7)	(367.4)	–
Disposals	–	2.0	–	8.6	10.6	–
Reclassification from property, plant and 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 (note 10)	–	(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**

18.1 IMPAIRMENT TEST OF INTANGIBLE ASSETS

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.

18.1.1 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	31.12.2019	31.12.2018
Europe and Africa	1,527.9	1,513.2
Asia Pacific & Middle East	86.8	87.5
North America	311.2	306.1
Central & South America	643.7	652.7
Distribution Centers	41.7	42.0
Total carrying amount of goodwill	**2,611.3**	**2,601.5**

The recoverable amounts of each group of cash generating unit (GCGU) 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 retail industry reports. The financial results of the distribution centers have been broken down by GCGU 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 (%)	2019	2018	2019	2018	2019	2018
Europe and Africa	6.95	6.57	8.06	7.47	3.3 – 5.4	3.1 – 4.9
Asia Pacific and Middle East	8.27	8.76	9.35	10.06	4.9 – 7.3	6.0 – 10.6
North America	7.39	7.13	10.32	8.91	1.9 – 7.4	4.9 – 5.7
Central and South America	8.66	9.11	10.33	10.14	4.4 – 5.9	4.3 – 6.3

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 – 0.32 %, EUR 0.25 %, USD 2.17 % (2018: CHF – 0.21 %, EUR 0.30 %, USD 2.18 %).

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

	2019	2018
Beta factor	1.01	0.97

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 CGU to materially fall below the carrying amount, except for the goodwill allocated to the division Central and South America, where the carrying amount would exceed the value in use by CHF 206.8 million, if the interest rate increases by 1%, or by CHF 151.2 million if the sales drop 1%, or by CHF 183.1 million if the operating profit margin is 1% lower.

18.1.2 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
- Lease expense and lease payments
- 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 growth rates between 0.0%–2.0% (2018: 1.0%–2.0%) 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 2020. 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.

Lease expense and lease payments

The company uses a lease database to project future fix payments and estimate variable lease payments based on expected sales developments. Where the contractual terms of certain operations comes to an end during the budget period, the company has analyzed the renewal conditions and the market situation and assumed renewals where the situation / conditions are favorable.

Discount rates

Several factors affect the discount rates:

- For the borrowings 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 group of GCGU.
- For the equity part, a 5% equity risk premium is added to the base rate commented above and adjusted by the Beta factor 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.

18.1.3 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, 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:

	ROYALTY INCOME RATE AFTER TAX		POST TAX DISCOUNT RATES		GROWTH RATES FOR NET SALES	
BRAND NAMES IN PERCENTAGE (%)	2019	2018	2019	2018	2019	2018
Dufry	0.30	0.31	6.88	7.36	2.1 – 9.8	0.1 – 4.7
Hudson News	1.10	1.10	7.39	7.16	1.9 – 8.4	4.5 – 5.7
Colombian Emeralds	1.89	1.70	12.20	7.88	2.5 – 20.2	(3.3) – 3.7
Nuance	0.32	0.33	6.23	6.20	2.5 – 3.8	3.6 – 17.7
World Duty Free	0.33	0.32	6.25	6.19	2.5 – 3.8	3.6 – 5.4

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

18.1.4 Cash flows used for purchase of intangible assets

IN MILLIONS OF CHF	2019	2018
Payables for capital expenditure at January 1	(4.7)	(11.3)
Additions of intangible assets	(49.7)	(48.0)
Payables for capital expenditure at December 31	0.2	4.7
Currency translation adjustments	0.1	0.8
Total Cash Flow	**(54.1)**	**(53.8)**

19. 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	31.12.2019
Cash and cash equivalents	4.3	11.4	15.7
Other current assets	27.7	13.8	41.5
Non-current assets	61.3	10.3	71.6
Other current liabilities	(28.5)	(20.0)	(48.5)
Non-current liabilities	(12.3)	(5.9)	(18.2)
Net assets	**52.5**	**9.6**	**62.1**
Proportion of Dufry's ownership	49%		
Dufry's share of the equity	**25.7**	**6.2**	**31.9**

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**

Summarized statement of comprehensive income

IN MILLIONS OF CHF	LOJAS FRANCAS DE PORTUGAL SA	OTHER ASSOCIATES	2019
Turnover	302.2	44.3	346.5
Depreciation, amortization and impairment	(17.6)	(0.8)	(18.4)
Financial expenses	(0.3)	–	(0.3)
Income tax	(3.1)	(0.2)	(3.3)
Net profit / (loss)	**5.1**	**(0.8)**	**4.3**
OTHER COMPREHENSIVE INCOME			
Items to be reclassified to net income in subsequent periods	(0.5)	(0.1)	(0.6)
Total other comprehensive income	**(0.5)**	**(0.1)**	**(0.6)**
Total comprehensive income	**4.6**	**(0.9)**	**3.7**
DUFRY'S SHARE	49 %		
Net profit / (loss)	2.5	(2.1)	0.4
Total other comprehensive income	(0.3)	(0.1)	(0.4)
Total comprehensive income	**2.2**	**(2.2)**	**–**

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)
Financial expenses	–	(0.4)	(0.4)
Income tax	(4.1)	–	(4.1)
Net profit / (loss)	**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 profit / (loss)	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**

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, 2018	**30.9**	**3.0**	**33.9**
Additions	–	3.3	3.3
Net profit / (loss)	4.1	(0.3)	3.8
Dividends received	(5.7)	–	(5.7)
Other comprehensive income	(0.2)	0.5	0.3
Currency translation adjustments	–	(0.0)	(0.0)
Carrying value at December 31, 2018	**29.1**	**6.5**	**35.6**
Additions	–	2.5	2.5
Net profit / (loss)	2.5	(2.1)	0.4
Dividends received	(5.6)	–	(5.6)
Other comprehensive income	(0.3)	(0.1)	(0.4)
Currency translation adjustments	–	(0.6)	(0.6)
Carrying value at December 31, 2019	**25.7**	**6.2**	**31.9**

20. OTHER NON-CURRENT ASSETS

IN MILLIONS OF CHF	31.12.2019	31.12.2018
Guarantee deposits	108.1	102.1
Loans and contractual receivables	34.3	33.9
Lease receivables	7.5	–
Prepayment for leases	56.5	120.9
Tax receivable (note 12)[1]	94.6	–
Other	7.4	5.7
Subtotal	**308.4**	**262.6**
Allowances	(5.3)	(3.0)
Total	**303.1**	**259.6**

[1] Out of this amount, our subsidiary will need to pay a lease obligation of CHF 30 million (note 30). The income is disclosed in the line other income (note 12).

MOVEMENT IN ALLOWANCES

IN MILLIONS OF CHF	2019	2018
Balance at January 1	**(3.0)**	**(2.0)**
Creation	(2.8)	(2.6)
Utilized	0.4	1.6
Currency translation adjustments	0.1	–
Balance at December 31	**(5.3)**	**(3.0)**

21. INVENTORIES

IN MILLIONS OF CHF	31.12.2019	31.12.2018
Inventories at cost	1,123.1	1,126.7
Inventory allowance	(73.1)	(64.0)
Total	**1,050.0**	**1,062.7**

Cost of sales includes inventories written down to net realizable value and inventory losses of CHF 39.5 (2018: 30.7) million.

22. TRADE AND CREDIT CARD RECEIVABLES

IN MILLIONS OF CHF	31.12.2019	31.12.2018
Trade receivables	37.9	47.3
Credit card receivables	12.0	18.6
Gross	**49.9**	**65.9**
Allowances	(5.7)	(3.3)
Net	**44.2**	**62.6**

AGING ANALYSIS OF TRADE RECEIVABLES

IN MILLIONS OF CHF	31.12.2019	31.12.2018
Not due	14.7	19.7
OVERDUE		
Up to 30 days	3.0	8.3
31 to 60 days	1.9	7.4
61 to 90 days	1.7	1.4
More than 90 days	16.6	10.5
Total overdue	**23.2**	**27.6**
Trade receivables, gross	**37.9**	**47.3**

MOVEMENT IN ALLOWANCES

IN MILLIONS OF CHF	31.12.2019	31.12.2018
Balance at January 1	**(3.3)**	**(1.5)**
Creation	(3.1)	(1.9)
Utilized	0.1	0.1
Reclassification	0.5	–
Currency translation adjustments	0.1	–
Balance at December 31	**(5.7)**	**(3.3)**

23. OTHER ACCOUNTS RECEIVABLE

IN MILLIONS OF CHF	31.12.2019	31.12.2018
Advertising receivables	168.5	146.4
Services provided to suppliers	20.0	60.2
Loans receivable	2.4	4.8
Receivables from subtenants and business partners	3.8	4.8
Personnel receivables	3.4	2.1
Accounts receivables	**198.1**	**218.3**
Prepayments of lease expenses and rents	47.3	108.7
Prepayments of sales and other taxes	108.3	109.4
Prepayments to suppliers	15.6	7.3
Prepayments, other	14.5	15.3
Prepayments	**185.7**	**240.7**
Receivables from subleases	4.7	–
Guarantee deposits	5.7	5.9
Derivative financial assets	8.5	7.6
Accrued income	0.1	0.3
Financial instruments at fair value through other comprehensive income	–	1.7
Other	36.8	19.5
Other receivables	**55.8**	**35.0**
Total	**439.6**	**494.0**
Allowances	(17.6)	(18.2)
Total	**422.0**	**475.8**

MOVEMENT IN ALLOWANCES

IN MILLIONS OF CHF	31.12.2019	31.12.2018
Balance at January 1	**(18.2)**	**(17.5)**
Creation	(0.6)	(3.9)
Released	0.8	1.7
Utilized	0.6	1.3
Reclassification	(0.5)	–
Currency translation adjustments	0.3	0.2
Balance at December 31	**(17.6)**	**(18.2)**

24. EQUITY

IN MILLIONS OF CHF	NOTE	31.12.2019	31.12.2018
Attributable to equity holders of the parent			
Share capital	24.1	252.8	269.4
Share premium	24.1	3,475.5	4,060.6
Treasury shares	25.3	(92.5)	(520.8)
Employee benefit reserve	24.3	(32.5)	(18.1)
Hedging and revaluation reserves	24.4	–	(0.3)
Translation reserves	24.5	(329.9)	(324.1)
Retained earnings	24.6	(628.1)	(567.9)
Total		**2,645.3**	**2,898.8**
Non-controlling interests		**462.7**	**442.9**
Total Equity		**3,108.0**	**3,341.7**

24.1 FULLY PAID ORDINARY SHARES

IN MILLIONS OF CHF	NUMBER OF SHARES	SHARE CAPITAL	SHARE PREMIUM
Balance at January 1, 2018	**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**
Redeemed shares	(3,304,541)	(16.6)	(385.3)
Distribution to shareholders	–	–	(199.8)
Balance at December 31, 2019	**50,567,166**	**252.8**	**3,475.5**

The ordinary general assembly of May 9, 2019 approved a dividend of CHF 4.00 per share and the company paid such dividend of CHF 199.8 million in the second quarter 2019.

The Group announced on April 5, 2018 a share buyback program with a volume up to CHF 400 million. Dufry completed the program on October 31, 2018 and repurchased 3,304,541 Dufry shares (CHF 16.6 million) for cancellation.

24.2 AUTHORIZED AND CONDITIONAL SHARE CAPITAL

AUTHORIZED SHARE CAPITAL	NUMBER OF SHARES	IN THOUSANDS OF CHF
Balance at January 1, 2018	**–**	**–**
Balance at December 31, 2018	**–**	**–**
Balance at December 31, 2019	**5,000,000**	**25,000**

CONDITIONAL SHARE CAPITAL	NUMBER OF SHARES	IN THOUSANDS OF CHF
Balance at January 1, 2018	**888,432**	**4,442**
Balance at December 31, 2018	**888,432**	**4,442**
Balance at December 31, 2019	**888,432**	**4,442**

24.3 EMPLOYEE BENEFITS RESERVE

	ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT	NON-CONTROLLING INTERESTS	TOTAL EQUITY
	IN MILLIONS OF CHF	IN MILLIONS OF CHF	IN MILLIONS OF CHF
Balance at January 1, 2018	**(26.9)**		
Remeasurement of post-employment benefit plans	10.6	–	10.6
Income tax	(1.8)	–	(1.8)
Balance at December 31, 2018	**(18.1)**		
Remeasurement of post-employment benefit plans	(16.1)	0.1	(16.0)
Income tax	1.7	–	1.7
Balance at December 31, 2019	**(32.5)**		

24.4 HEDGING AND REVALUATION RESERVES

	ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT	NON-CONTROLLING INTERESTS	TOTAL EQUITY
	IN MILLIONS OF CHF	IN MILLIONS OF CHF	IN MILLIONS OF CHF
Balance at January 1, 2018	**–**	**–**	**–**
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)**	**–**	
Gain / (loss) arising on changes in fair value of financial instruments:			
- Interest rate swaps entered for as cash flow hedges	0.3	–	0.3
Balance at December 31, 2019	**–**	**–**	

24.5 TRANSLATION RESERVES

	ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT	NON-CONTROLLING INTERESTS	TOTAL
	IN MILLIONS OF CHF	IN MILLIONS OF CHF	IN MILLIONS OF CHF
Balance at January 1, 2018	**(265.5)**		
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[1] (note 27.2)	17.1	–	17.1
Share of other comprehensive income of associates	0.3	–	0.3
Balance at December 31, 2018	**(324.1)**		
Exchange differences arising on translating the foreign operations	(7.2)	(3.3)	(10.5)
Net gain / (loss) on hedge of net investments in foreign operations (note 27.2)	1.8	–	1.8
Share of other comprehensive income of associates	(0.4)	–	(0.4)
Balance at December 31, 2019	**(329.9)**		

[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.

24.6 RETAINED EARNINGS

	ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT	NON-CONTROLLING INTERESTS	TOTAL EQUITY
	IN MILLIONS OF CHF	IN MILLIONS OF CHF	IN MILLIONS OF CHF
Balance at January 1, 2018	**(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 plan expenses	26.2	5.0	31.2
Income tax 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)**		
Profit of the period	(26.5)	56.6	30.1
Dividends to non-controlling interests	–	(73.8)	(73.8)
Assignment of treasury shares	(27.8)	(2.0)	(29.8)
Share-based plan expenses	13.3	0.4	13.7
Income tax on equity transactions	1.6	1.2	2.8
Share capital increase Dufry Columbia	(21.3)	–	(21.3)
Put option held by non-controlling interests	–	(55.7)	
Other changes in participation of non-controlling interests	0.5	96.3	96.8
Balance at December 31, 2019	**(628.1)**		

25. SHARE-BASED PAYMENT PLANS

25.1 SHARE PLAN OF DUFRY AG

On December 12, 2019, Dufry granted to selected members of the senior management the award 2019 consisting of 81,334 performance share units (PSU). The PSU award 2019 has a contractual life of 29 months and will vest on May 2, 2022. At grant date the fair value of one PSU award 2019 represents the market value for one Dufry share at that date, i.e. CHF 97.36. As of December 31, 2019, no PSU award 2019 forfeited and 81,334 PSU award 2019 remain outstanding.

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, 2019, 6,897 PSU award 2018 forfeited and 129,546 PSU award 2018 remain outstanding.

On December 1, 2017, Dufry granted to the members of the Global 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, 2019, 6,897 PSU award 2017 forfeited, so that 137,757 PSU award 2017 remain outstanding.

Holders of one PSU award 2019, 2018 or 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 (2019: CHF 23.82, 2018: CHF 24.27, 2017: CHF 24.98). The Cash EPS equals the basic earnings per share adjusted for amortization of intangible assets identified during business combinations and acquisition transaction expenses. As of 2019, the plan administrator adjusted the cash EPS targets for 2019 and onwards by adjusting it also regarding the interest expense on lease obligation. If at vesting the cumulative adjusted EPS is at target level, each PSU grants one share. If the cumulative adjusted EPS is at 150 % of the target (maximum threshold) or above, each PSU grants 2 shares at vesting, and if the adjusted EPS is at 50 % of the target (minimum threshold) or below, no share will be granted at vesting. If the adjusted 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, 2019, the PSU-award 2016 vested and the company assigned and delivered free of charge 151,931 Dufry shares to the holders of these certificates. The performance of the PSU award 2016 was measured against the target Cash EPS of CHF 24.59 and achieved a pay-out ratio of 1.04 Dufry shares per PSU award 2016.

On January 3, 2019 holders of 82,536 RSU-award 2016 received free of charge one Dufry share per RSU after fulfilling all the contractual conditions.

On May 4, 2020, the PSU-award 2017 will vest and the company estimate to assign and deliver free of charge 130,181 Dufry shares to the holders of these certificates. The performance of the PSU award 2017 measured against the target Cash EPS of CHF 24.98 has achieved a pay-out ratio of 0.945 Dufry shares per PSU award 2017.

25.2 SHARE PLAN OF HUDSON LTD.

On September 10, 2019, Hudson Ltd granted to selected members of its senior management the Hudson- award 2019 consisting of 405,674 PSU's units and 135,243 RSU's units. Both plans have a contractual life of 32 months and will vest on May 2, 2022. At grant date the fair value of one PSU or RSU award 2019 represents the market value for one Hudson share at that date, i. e. CHF 12.23 (USD 12.64), adjusted by the probability that participants comply with the ongoing contractual relationship clauses. As of December 31, 2019, no PSU or RSU Hudson-award 2019 forfeited, so that the remaining 403.806 PSU's and 134.620 RSU Hudson-awards 2019 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, 103,661 PSU or RSU Hudson-award 2018 vested or forfeited, so that the remaining 357,703 PSU's and 119,235 RSU Hudson-awards 2018 remain outstanding.

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 50 % has been assigned during the first quarter 2019 whereas the remaining 50 % will be settled in the first quarter 2020. Hudson plans to settle remaining share obligations by purchasing Class A common shares in the market or by issuing new shares. Hudson recognized in 2018 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, 2019, no IPO-award forfeited, and Hudson Ltd expects to assign 238,469 class A common shares to the participants.

The holders of one PSU Hudson award 2019 and 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 Hudson over a three year period on three performance metrics (PM) against the respective targets measured in USD and thus as follows: 30 % on Sales of CHF 5.937 or USD 6,135 (2018: CHF 5,719 or USD 5,828) million, 30 % on EBITDA of CHF 731 or USD 755 (2018: CHF 694.8 or USD 708) million and 40 % on Cash EPS of CHF 2.21 or USD 2.28 (2018: CHF 2.17 or 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. As of 2019, the plan administrator adjusted the cash EPS targets for 2019 and onwards by adjusting it also regarding the interest expense on lease payments. 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.

No shares have been assigned yet based on PSU or RSU awards 2018 or 2019, except those commented above in relation to IPO-Award.

In 2019 Dufry recognized through profit and loss for all these share-based plans expenses for a total of CHF 18.1 (2018: 22.2) million.

25.3 TREASURY SHARES

Treasury shares are valued at historical cost.

	NUMBER OF SHARES	IN MILLIONS OF CHF
Balance at January 1, 2018	**84,190**	**(12.5)**
Purchased shares	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)**
Redeemed shares	(3,304,541)	401.9
Assigned to holders of PSU / RSU-Awards	(234,467)	26.4
Balance at December 31, 2019	**630,081**	**(92.5)**

25.4 EARNINGS PER SHARE

25.4.1 Earnings per share attributable to equity holders of the parent

Basic

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

IN MILLIONS OF CHF / QUANTITY	2019	2018
Net profit / (loss) attributable to equity holders of the parent	(26.5)	71.8
Weighted average number of ordinary shares outstanding	49,885,624	51,867,767
Basic earnings per share in CHF	**(0.53)**	**1.38**

Diluted

Diluted earnings per share are calculated by dividing the net profits/(loss) 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	2019	2018
Net profit / (loss) attributable to equity holders of the parent	(26.5)	71.8
Weighted average number of ordinary shares outstanding	49,885,624	52,156,991
Diluted earnings per share in CHF	**(0.53)**	**1.38**

25.4.2 Adjusted EPS

Dufry uses the adjusted EPS as an alternative performance indicator (non-IFRS figure). The table below shows how this indicator has been derive at:

IN MILLIONS OF CHF / QUANTITY	NOTE	2019	2018[1]
Net profit / (loss) attributable to equity holders of the parent		(26.5)	(36.1)
ADJUSTED FOR			
Amortization of concession rights*	18	308.9	312.2
Impairment of concession rights*	18	26.0	–
Interest on lease obligation	13	187.7	209.4
Transactions expenses*	6	2.9	12.4
Income tax on above lines		(90.6)	(84.4)
Minority interst on above lines		(59.1)	(59.3)
Adjusted net profit		**349.3**	**354.2**
Weighted average number of ordinary shares outstanding		49,885,624	51,867,767
Adjusted EPS		**7.00**	**6.83**

* related to acquisitions.

[1] restated to make it comparable to the new adjustment concepts 2019.

25.4.3 Weighted average number of ordinary shares

IN THOUSANDS	2019	2018
Outstanding shares	52,441,248	53,871,707
Less treasury shares	(2,555,624)	(2,003,940)
Used for calculation of basic earnings per share	**49,885,624**	**51,867,767**
EFFECT OF DILUTION		
PSU / RSU Awards	–	289,224
Used for calculation of earnings per share adjusted for the effect of dilution	49,885,624	52,156,991

For movements in shares see note 24 Equity and note 25.3 Treasury shares.

26. BREAKDOWN OF TRANSACTIONS WITH NON-CONTROLLING INTERESTS

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

IN MILLIONS OF CHF	NOTE	2019	2018
Hudson Ltd 42.6 % disposed	6	–	206.4
Put Option held by NCI to sell 49 % of Dufry Staer Holding Ltd[1] (note 6.1)	6	(55.7)	–
Dufry DFASS Colombia SAS 49 % acquired		12.1	–
Dufry Cyprus Ltd 30 % acquired (holding of Russian entity)		–	0.3
Other non-controlling interests disposed		(0.7)	–
Change in Dufry's interest		**(44.3)**	**206.7**
RegStaer M Ltd (Vnukovo acqusition) 40 % (note 6.1)	6	38.0	–
Dufry Staer Holding Ltd share capital increase[1] (note 6.1)	6	39.7	–
Brookstone acquisition		0.1	–
Business combinations (see note 6)		**77.8**	**–**
Division North America, increase in share capital of several subsidiaries		4.1	15.1
Duty Free Carribean (Bahamas) Ltd 40 %		1.4	–
Dufry DFASS Colombia SAS share capital increase		1.5	–
Dufry Kenia Ltd share capital increase[1]		–	0.2
Dufry Thomas Julie Korea Co. Ltd share capital increase		0.2	0.2
Dufry TCDC Ltd liquidation (Taiwan)		–	(0.5)
Nuance Group (Bulgaria) AD liquidation		–	(0.2)
Other		(0.1)	(0.1)
Share capital changes		**7.1**	**14.7**
Total		**40.6**	**221.4**

[1] No cash flow effects in current financial period.

26.1 INFORMATION ON COMPANIES WITH NON-CONTROLLING INTERESTS

In 2019 Dufry allocated CHF 56.6 (2018: 63.6) million of net profit 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 38.7 (2018: 46.3) million. At 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. 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 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 these 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 profits from these operating subsidiaries attributed to Dufry and to non-controlling interests holders reflect the applicable ownership structure, and as a result net profits 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 of intangible assets from acquisitions. More information about Hudson Ltd. is available under www.hudsongroup.com.

31.12.2019 IN MILLIONS OF CHF	HUDSON LTD.	OTHER [1]	TOTAL
Dividends paid to NCI [3]	(39.8)	(30.7)	(70.5)
Current assets	537.0	527.2	1,064.2
of which cash and cash equivalents	307.8	71.4	379.2
Non-current assets	2,203.6	1,146.1	3,349.7
Current liabilities	523.2	520.3	1,043.5
of which financial liabilities	282.3	500.8	783.1
Non-current liabilities	1,589.0	417.5	2,006.5
of which financial liabilities	1,549.7	368.3	1,918.0
Net assets	**628.4**	**735.5**	**1,363.9**
Equity attributable to NCI	310.4	152.3	462.7

31.12.2018 IN MILLIONS OF CHF	HUDSON LTD.	OTHER [1]	TOTAL
Dividends paid to NCI [2]	(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	949.9	774.0	1,723.9
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	**617.5**	**445.7**	**1,063.2**
Equity attributable to NCI	310.2	132.7	442.9

1 Other subsidiaries with non-controlling interests.
2 NCI's of Hudson.

31.12.2019 IN MILLIONS OF CHF	HUDSON LTD.	OTHER [1]	TOTAL
Turnover	1,935.8	996.5	2,932.3
Depreciation, amortization and impairment	(361.1)	(165.6)	(526.7)
Finance income	4.7	1.7	6.4
Finance expense	(88.5)	(22.5)	(111.0)
Income tax	(14.4)	(10.1)	(24.5)
Net profit / (loss)	46.0	52.0	98.0
of which attributable to NCI [2]	38.7	17.9	56.6
Other comprehensive income	22.2	(12.2)	10.0
Total comprehensive income	68.2	39.8	108.0
of which attributable to NCI	40.5	12.9	53.4

31.12.2018 IN MILLIONS OF CHF	HUDSON LTD.	OTHER [1]	TOTAL
Turnover	1,884.4	1,454.4	3,338.8
Depreciation, amortization and impairment	(126.2)	(80.2)	(206.4)
Finance income	2.5	2.4	4.9
Finance expense	(30.4)	(18.7)	(49.1)
Income tax	(3.2)	(19.8)	(23.0)
Net profit / (loss)	65.0	7.5	72.5
of which attributable to NCI [2]	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

[1] Other subsidiaries with non-controlling interests.

[2] 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.

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 where 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 in the first instance to reduce 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**

27. BORROWINGS

IN MILLIONS OF CHF	31.12.2019	31.12.2018
Bank debt overdrafts	8.7	9.4
Bank debt loans	40.5	44.7
Third party loans	4.0	3.9
Borrowings, current	**53.2**	**58.0**
Bank debt loans	1,931.9	2,083.6
Senior Notes	1,658.4	1,675.4
Third party loans	11.9	7.3
Borrowings, non-current	**3,602.2**	**3,766.3**
Total	**3,655.4**	**3,824.3**
OF WHICH ARE		
Bank debt	1,981.1	2,137.7
Senior Notes	1,658.4	1,675.4
Third party loans	15.9	11.2

BANK DEBT

IN MILLIONS OF CHF	31.12.2019	31.12.2018
BANK DEBTS ARE DENOMINATED IN		
US Dollar	677.5	1,324.9
British Pound	1,220.2	563.60
Swiss Franc	50.4	200.4
Subtotal	**1,948.1**	**2,088.9**
BANK DEBTS AT SUBSIDIARIES IN		
Various currencies	49.3	60.0
Deferred arrangement fees	(16.3)	(11.2)
Total	**1,981.1**	**2,137.7**

SENIOR NOTES

IN MILLIONS OF CHF	31.12.2019	31.12.2018
Senior Notes denominated in Euro	1,682.2	1,688.8
Deferred gain on modification of financing arrangements	(15.9)	–
Deferred arrangement fees	(7.9)	(13.4)
Total	**1,658.4**	**1,675.4**

DETAILED CREDIT FACILITIES

Dufry negotiates and manages its main credit facilities centrally.

The bank credit agreements and the bank guarantee facilities 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 2019 and 2018 as well.

Bank credit facilities

				DRAWN AMOUNT IN CHF	
IN MILLIONS OF	MATURITY	CURRENCY	CREDIT LIMIT IN FOREIGN CURRENCY	31.12.2019	31.12.2018
Committed 5-year term loan (multi-currency)	03.11.2022	USD	700.0	677.5	687.0
Committed 5-year term loan (multi-currency)	03.11.2022	EUR	500.0	564.2	551.4
5+1+1-year revolving credit facility (multi-currency)	03.11.2024	EUR	1,300.0	706.4	700.5
Uncommited current facilities	n.a.	CHF	490.7	–	150.0
Total				**1,948.1**	**2,088.9**

Senior notes

					AMOUNT IN CHF	
IN MILLIONS OF	MATURITY	COUPON RATE	CURRENCY	NOMINAL IN FOREIGN CURRENCY	31.12.2019	31.12.2018
Senior notes	01.08.2023	4.50 %	EUR	700.0	–	782.0
Senior notes	15.10.2024	2.50 %	EUR	800.0	864.1	893.4
Senior notes	15.02.2027	2.00 %	EUR	750.0	794.3	0.0
Total					**1,658.4**	**1,675.4**

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 for the respective years:

INTEREST RATE IN PERCENTAGE (%)	2019	2018
Average on USD	4.03	3.67
Average on CHF	0.63	1.40
Average on EUR	3.30	3.35
Average on GBP	2.12	2.02
Weighted Average Total	**2.97**	**3.21**

27.1 HEDGE OF NET INVESTMENTS IN FOREIGN OPERATIONS

The following borrowings are designated as hedge in net investment:

		AMOUNT IN HEDGING CURRENCY		AMOUNT IN CHF	
IN MILLIONS OF	CURRENCY	31.12.2019	31.12.2018	31.12.2019	31.12.2018
Dufry do Brasil and other subsidiaries [1]	USD	292.9	292.9	283.4	287.4
Total				**283.4**	**287.4**

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

27.2 NET INVESTMENT IN FOREIGN OPERATIONS

Dufry granted to below mentioned foreign subsidiaries long-term loans. 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.

		HEDGED AMOUNT IN FOREIGN CURRENCY		EQUIVALENT AMOUNT IN CHF	
IN MILLIONS OF	CURRENCY	31.12.2019	31.12.2018	31.12.2019	31.12.2018
Nuance Group (Australia) Pty Ltd.	AUD	121.8	121.8	82.8	84.3
Dufry America Holding Inc.	USD	10.2	10.2	9.9	10.0
Nuance Group (Sverige) AB	SEK	110.0	110.0	11.4	12.2
Dufry Duty Free (Nigeria) Ltd.	USD	6.1	6.1	5.9	6.0
Total				**110.0**	**112.5**

28. LEASE OBLIGATIONS

IN MILLIONS OF CHF	31.12.2019	31.12.2018
Lease obligations, current	1,085.7	–
Lease obligations, non-current	3,319.0	–
Total	**4,404.7**	**–**

29. BORROWINGS AND LEASE OBLIGATIONS, NET

IN MILLIONS OF CHF	CASH AND CASH EQUIVALENTS	LEASE OBLIGATIONS	BORROWINGS CURRENT	BORROWINGS NON-CURRENT	NET DEBT
Balance at January 1, 2019	**538.2**	**–**	**58.0**	**3,766.3**	**3,286.1**
Lease obligation at January 1, 2019[1]	**–**	**4,784.3**	**–**	**–**	**4,784.3**
Balance including lease obligation at January 1, 2019	**538.2**	**4,784.3**	**58.0**	**3,766.3**	**8,070.4**
Cash flows from operating, financing and investing activities	51.9	–	–	–	(51.9)
Transaction costs for financial instruments	–	–	–	(2.5)	(2.5)
Proceeds from borrowings	–	–	76.7	837.3	914.0
Repayment of borrowings	–	–	(108.9)	(867.8)	(976.7)
Repayments of lease obligations	–	(1,269.5)	–	–	(1,269.5)
Cash flow	**51.9**	**(1,269.5)**	**(32.2)**	**(33.0)**	**(1,386.6)**
Business combinations (note 6)	0.3	11.0	0.6	–	11.3
Additions to lease obligations	–	838.5	–	–	838.5
Interest on lease obligations	–	187.7	–	–	187.7
Arrangement fees amortization	–	–	–	(13.7)	(13.7)
Early termination of lease obligations	–	(78.1)	–	–	(78.1)
Foreign exchange adjustments	(36.9)	(69.2)	26.8	(117.4)	(122.9)
Other non-cash movements	**(36.6)**	**889.9**	**27.4**	**(131.1)**	**822.8**
Balance at December 31, 2019	**553.5**	**4,404.7**	**53.2**	**3,602.2**	**7,506.6**

[1] See footnote 42 Accounting policy changes.

IN MILLIONS OF CHF	CASH AND CASH EQUIVALENTS	BORROWINGS CURRENT	BORROWINGS 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 borrowings	–	2.8	161.0	163.8
Repayments of borrowings	–	(41.4)	(436.8)	(478.2)
Cash flow	**(7.0)**	**(38.6)**	**(277.5)**	**(309.1)**
Arrangement fees amortization	–	–	9.8	9.8
Foreign exchange adjustments	(19.8)	9.8	(131.1)	(101.5)
Other non-cash movements	**(19.8)**	**9.8**	**(121.3)**	**(91.7)**
Balance at December 31, 2018	**538.2**	**58.0**	**3,766.3**	**3,286.1**

29.1 OFFSETTING FINANCIAL ASSETS AND FINANCIAL LIABILITIES

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

IN MILLIONS OF CHF	BALANCE BEFORE GLOBAL POOLING	SET-OFF	NET BALANCE
31.12.2019			
Cash and cash equivalents	1,922.7	(1,369.2)	553.5
Borrowings, current	1,422.4	(1,369.2)	53.2
31.12.2018			
Cash and cash equivalents	1,440.6	(902.4)	538.2
Borrowings, current	960.4	(902.4)	58.0

29.2 LEGAL RESTRICTIONS ON MONEY TRANSFER

Cash and cash equivalents at the end of the reporting period include CHF 67.5 (2018: 58.4) million held by subsidiaries operating in countries with exchange controls or other legal restrictions on money transfer.

30. OTHER LIABILITIES

IN MILLIONS OF CHF	31.12.2019	31.12.2018
Concession fee payables	200.3	184.8
Other service related vendors	201.0	178.2
Personnel payables	144.9	155.1
Deferred lease expense	108.7	210.2
Sales and other tax liabilities	49.4	72.7
Put option Dufry Staer Holding Ltd (note 6.1)	55.7	–
Financial derivative liabilities - current	24.4	17.3
Lease obligation due to tax refund (further comments on note 12)	30.0	0.2
Payables for capital expenditure	28.4	37.4
Interest payables	14.4	23.7
Payables to local business partners	1.8	1.9
Other payables	56.4	41.4
Total	**915.4**	**922.9**
THEREOF		
Current liabilities	827.1	860.1
Non-current liabilities	88.3	62.8
Total	**915.4**	**922.9**

31. DEFERRED TAX ASSETS AND LIABILITIES

Deferred tax assest and liabilities arise from the following positions:

IN MILLIONS OF CHF	31.12.2019	31.12.2018
DEFERRED TAX ASSETS		
Inventories	18.2	15.3
Property, plant and equipment	32.1	28.3
Intangible assets	35.1	33.2
Lease obligations	688.6	–
Provisions and other payables	40.5	41.6
Tax loss carry-forward	95.5	96.9
Other	5.4	23.4
Total	**915.4**	**238.7**
DEFERRED TAX LIABILITIES		
Property, plant and equipment	(14.7)	(14.1)
Right-of-use assets	(687.8)	–
Intangible assets	(454.1)	(497.7)
Provisions and other payables	(4.3)	(14.3)
Other	(29.2)	(0.1)
Total	**(1,190.1)**	**(526.2)**
Deferred tax liabilities net	**(274.7)**	**(287.5)**

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

IN MILLIONS OF CHF	2019	2018
Deferred tax assets	122.1	138.4
Deferred tax liabilities	(396.8)	(425.9)
Balance at December 31	**(274.7)**	**(287.5)**

Reconciliation of movements to the deferred taxes:

IN MILLIONS OF CHF	2019	2018
Changes in deferred tax assets	(16.3)	5.1
Changes in deferred tax liabilities	29.1	40.9
Business combinations (note 6)	19.3	–
Currency translation adjustments	2.9	(15.4)
Deferred tax movements (expense) at December 31	**35.0**	**30.6**
THEREOF		
Recognized in the statement of profit or loss	30.5	27.1
Recognized in equity[1]	2.8	5.3
Recognized in OCI	1.7	(1.8)

[1] Includes CHF 1.2 (2018: 1.3) million recognized as equity attributable to non-controlling interests.

Tax loss carryforward

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 unused tax losses carryforwards or temporary differences are recognized when it is probable that such tax credits can be utilized in future periods by the respective entity in accordance with the approved budget 2020 and the management projections thereafter.

The unrecognized tax losses carryforwards by expiry date are as follows:

IN MILLIONS OF CHF	31.12.2019	31.12.2018
Expiring within 1 to 3 years	103.1	5.7
Expiring within 4 to 7 years	340.5	348.2
Expiring after 7 years	65.0	56.6
With no expiration limit	640.5	731.9
Total	**1,149.2**	**1,142.4**

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.

32. PROVISIONS

IN MILLIONS OF CHF	CONTIN-GENT LIABILITIES	ONEROUS CONTRACTS	CLOSEDOWN	LAWSUITS AND DUTIES	LABOR DISPUTES	OTHER	TOTAL
Balance at January 1 (as previously published)	**46.3**	**33.4**	**5.1**	**33.6**	**4.1**	**14.7**	**137.2**
IFRIC 23 implementation	**(32.8)**	**–**	**–**	**–**	**–**	**–**	**(32.8)**
Balance at January 1 (adjusted)	**13.5**	**33.4**	**5.1**	**33.6**	**4.1**	**14.7**	**104.4**
Business combinations (note 6)	–	–	–	–	–	2.0	2.0
Charge for the year	0.3	20.5	0.6	1.2	0.9	2.2	25.7
Utilized	(0.2)	(16.3)	(0.4)	(4.9)	(1.5)	(0.5)	(23.8)
Unused amounts reversed	(1.4)	–	(2.8)	(5.9)	–	(0.1)	(10.2)
Interest discounted	–	2.0	–	–	–	(0.1)	1.9
Currency translation adjustments	(0.9)	(1.0)	(0.2)	(0.6)	0.1	0.3	(2.3)
Balance at December 31	**11.3**	**38.6**	**2.3**	**23.4**	**3.6**	**18.5**	**97.7**
THEREOF							
Current	–	21.0	2.3	23.4	1.2	8.7	56.6
Non-current	11.3	17.6	–	–	2.4	9.8	41.1

[1] In the context of the implementation of IFRIC 23 uncertain tax positions, CHF 32.8 have been reclassified from provisions for contingent liabilities to income taxes payable to better reflect the economic substance of the position.

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, final expenses may vary from the amounts provisioned.

CONTINGENT LIABILITIES

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

ONEROUS CONTRACTS

Dufry enters in certain non-cancellable long term lease agreements for shops. If the economic condition to operate such business deteriorates materially, it can happen that the present value of the unavoidable futures cash flows is not enough to cover the carrying amount of the tangible or intangible assets, or even become negative so that the company would need to present a provision for onerous contracts. Estimating these future cash flows requires management to project future sales and operating profits. At balance sheet date, an amount of CHF 38.6 (2018: 33.4) million has been provided in relation to two operations in Europe.

CLOSE DOWN

The provision of CHF 2.3 (2018: 5.1) million relates mainly to two operations in Asia and Europe. In 2019 the Group reversed CHF 2.8 million unused provision mainly in one operation in Europe and several minor locations in Asia, Pacific and Middle East.

LAWSUITS AND DUTIES

The provision for lawsuits and duties of CHF 23.4 (2018: 33.6) million cover uncertainties related to the outcome of law suits in relation to taxes, other than income taxes, duties or other claims in connection with our subsidiaries in India and Brazil. The major cases relate to two subsidiaries in India which still keep 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. During 2019 Dufry used the provision for duties in Ecuador an released the one in Turkey.

LABOR DISPUTES

The provision of CHF 3.6 (2018: 4.1) 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 potential liabilities 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 disputed penalty fee due to the close down of a store in a Caribbean Island. The utilization of the year mainly relates to the loyalty program.

CASH OUTFLOWS OF NON-CURRENT PROVISIONS

The cash outflows of non-current provisions as of December 31, 2019 are expected to occur in:

IN MILLIONS OF CHF	EXPECTED CASH OUTFLOW
2021	9.9
2022	3.1
2023	0.9
2024	–
2025+	27.2
Total non-current	**41.1**

33. POST-EMPLOYMENT BENEFIT OBLIGATIONS

Dufry provides retirement benefits through a variety of arrangements comprised principally of stand-alone defined benefit or defined contribution plans, or state administered plans that cover a substantial portion of employees in accordance with local regulations and practices. The most significant plans in terms of the benefits accrued to date by participants are cash balance and final salary plans. Around 99.5 % (2018: 99.5 %) of the total defined benefit obligation and 99.5 % (2018 99.5 %) of the plan assets correspond to pension funds in Switzerland (CH) and the United Kingdom (UK).

			2019			2018
IN MILLIONS OF CHF	**Funded**	**Unfunded**	**TOTAL**	**Funded**	**Unfunded**	**TOTAL**
SWITZERLAND						
Fair value of plan assets	207.5	–	207.5	189.7	–	189.7
Present value of defined benefit obligation	236.1	–	236.1	205.0	–	205.0
Financial (liability) asset	**(28.6)**	**–**	**(28.6)**	**(15.3)**	**–**	**(15.3)**
UK						
Fair value of plan assets	209.5	–	209.5	182.5	–	182.5
Present value of defined benefit obligation	206.5	–	206.5	177.9	–	177.9
Financial (liability) asset	**3.0**	**–**	**3.0**	**4.6**	**–**	**4.6**
OTHER PLANS						
Fair value of plan assets	2.1	0.2	2.3	2.0	–	2.0
Present value of defined benefit obligation	1.9	18.8	20.7	1.8	18.1	19.9
Financial (liability) asset	**0.2**	**(18.6)**	**(18.4)**	**0.2**	**(18.1)**	**(17.9)**
CARRYING AMOUNT						
Net defined benefit assets	**3.2**	**0.2**	**3.4**	**4.8**	**–**	**4.8**
Employee benefit obligations	**(28.6)**	**(18.8)**	**(47.4)**	**(15.3)**	**(18.1)**	**(33.4)**

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

Reconciliation to the funded plans

		2019		2018
IN MILLIONS OF CHF	**Switzerland**	**UK**	**Switzerland**	**UK**
Net defined (obligation) / asset at January 1	**(15.3)**	**4.6**	**(13.7)**	**(7.7)**
Pension income / (expense) through statement of profit or loss	(7.4)	0.1	(8.0)	(0.2)
Remeasurements through other comprehensive income	(12.0)	(4.1)	0.2	10.0
Contributions paid by employer	6.1	2.1	6.0	2.1
Currency translation	–	0.3	0.2	0.4
Net defined (obligation) / asset at December 31	**(28.6)**	**3.0**	**(15.3)**	**4.6**

33.1 SWITZERLAND

In Switzerland Dufry's pension plan is a cash balance plan where contributions are made by employees and employer based on a percentage of the pensionable salary. The pension plan guarantees the amount accrued on the members saving account, as well as a minimum interest on those savings amounts. At retirement date, the savings account are converted into pensions, or optionally part of the savings can be paid out as a lump sum. The board of trustees on a discretional basis, based on the annual performance and financial situation of the fund can grant increases in pension payment.

LEGAL FRAMEWORK

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 as independent, legally autonomous units, a pension fund. 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. In case of an underfunding, various measures can be taken such as: a) increasing future contributions, b) revising the investment strategy or c) revising the benefits granted above the legally minimal benefits. The BVG law prescribes how the employer and employees have to jointly fund potential restructurings. Under Swiss pension law the employer cannot recover any surplus from the pension foundation.

MAIN RISKS

The main risks to which the pension fund is exposed are: a) mortality risk as if the effective average life result to be longer than the assumptions used based on the official demographic statistics, then pension payments would need to be done for longer periods, b) Market and liquidity risk as if the future rate of return on plan assets is lower to the actual discount rate used to calculate the conversion factor, then additional funds will be needed and c) Death and disability risk as if the amounts or number of effective cases are higher than the indications provided by the demographic statistics this can result in a mismatch of asset-liabilities relation of the pension fund. These risks are regularly monitored by an actuary and the Board of Trustees. The financial situation of the pension fund is presented annually in two reports, in accordance with the requirements of the BVG and IFRS respectively.

ASSET-LIABILITY MANAGEMENT

The Swiss pension fund currently invests in a diverse portfolio of asset classes including equities, bonds, property and alternative investments but do not currently use any more explicit asset-liability matching strategy instruments such as annuity purchase products or longevity swaps. With the investment strategy the board of trustees defines the allocation of asset classes, currencies and other risks, which takes into account requirements from BVG, and the objective of achieving an investment return which together with the contributions paid, is sufficient to maintain reasonable control over the various funding risks of the plan, The board of trustees is responsible for the investment of the assets and reviews the investment portfolio from time to time at least once a year. The plan assets are deposited in a global custody bank account, whereby the investments in real estate funds are directly managed by a specialized 3rd party administration.

33.2 UNITED KINGDOM (UK)

Dufry operates another defined benefit pension plan in the UK under specific regulatory frameworks. The Plan has been closed to new members for many years and as well as to existing members. 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

	2019		2018	
IN MILLIONS OF CHF	**Switzerland**	**UK**	**Switzerland**	**UK**
SERVICE COSTS				
Current service costs	(7.1)	–	(7.5)	–
Fund administration	(0.3)	–	(0.4)	–
Net interest	(0.1)	0.1	(0.1)	(0.2)
Total pension expenses recognized in the statement of profit or loss	**(7.5)**	**0.1**	**(8.0)**	**(0.2)**

The current service costs are included in personnel expenses, whereas fund administration expenses are included in the other expenses.

Remeasurements employee benefits

	2019		2018	
IN MILLIONS OF CHF	**Switzerland**	**UK**	**Switzerland**	**UK**
Actuarial gains (losses) - experience	(4.3)	4.0	(1.3)	(3.1)
Actuarial gains (losses) - demographic assumptions	1.6	(0.4)	–	5.2
Actuarial gains (losses) - financial assumptions	(24.4)	(28.9)	5.4	15.1
Return on plan assets exceeding expected interest	15.1	21.3	(3.9)	(7.2)
Total remeasurements recorded in other comprehensive income	**(12.0)**	**(4.0)**	**0.2**	**10.0**

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

	2019		2018	
IN MILLIONS OF CHF	Switzerland	UK	Switzerland	UK
Balance at January 1	**189.7**	**182.5**	**189.7**	**203.8**
Interest income [1]	1.7	5.5	1.5	4.9
Return on plan assets, above interest income	15.2	21.3	(3.9)	(7.2)
Contributions paid by employer	6.2	2.1	6.0	2.1
Contributions paid by employees	3.6	–	3.7	–
Benefits paid	(8.9)	(6.6)	(10.6)	(11.1)
Transfer payment	–	–	3.3	–
Currency translation	–	4.7	–	(10.0)
Balance at December 31	**207.5**	**209.5**	**189.7**	**182.5**

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

Change in present value of defined benefit obligation

	2019		2018	
IN MILLIONS OF CHF	Switzerland	UK	Switzerland	UK
Balance at January 1	**205.0**	**177.9**	**203.4**	**211.5**
Current service costs	7.1	–	7.5	–
Interest costs	1.8	5.4	1.5	5.1
Contributions paid by employees	3.6	–	3.7	–
Accrual of expected future administration costs	0.3	–	0.4	–
Actuarial losses / (gains) - experience	4.4	(3.9)	1.3	3.1
Actuarial losses / (gains) - demographic assumptions	(1.6)	0.4	–	(5.2)
Actuarial losses / (gains) - financial assumptions	24.4	28.9	(5.4)	(15.1)
Benefits paid	(8.9)	(6.6)	(10.6)	(11.1)
Past service cost - plan amendments	–	–	–	–
Transfer payment	–	–	3.2	–
Currency translation	–	4.4	–	(10.4)
Balance at December 31	**236.1**	**206.5**	**205.0**	**177.9**
Net defined benefit (obligation) / asset at December 31	**(28.6)**	**3.0**	**(15.3)**	**4.6**

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:

	2019		2018	
IN PERCENTAGE (%)	**Switzerland**	**UK**	**Switzerland**	**UK**
Discount rates	0.25	2.10	0.90	3.00
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	2018	2015	2016

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

Plan asset structure

The structure of categories of plan assets is as follows:

	2019		2018	
IN PERCENTAGE (%)	**Switzerland**	**UK**	**Switzerland**	**UK**
Shares	37.4	33.4	34.5	33.3
Bonds	20.2	–	22.1	0.0
Real estates	38.0	–	42.6	–
Other [1]	4.4	66.6	0.8	66.7
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 and alternative investments in Switzerland which are fair-value-level 3 (significant unobservable inputs) representing 27.7 % (2018 27.7 %) 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 these pension plans.

Plan participants

	2019		2018	
IN THOUSAND OF CHF	**Switzerland**	**UK**	**Switzerland**	**UK**
ACTIVE PARTICIPANTS				
Number at December 31 (participants)	751	–	774	–
Average annual plan salary	84.0	–	82.0	–
Average age (years)	42.0	–	41.5	–
Average benefit service (years)	12.3	–	10.8	–
DEFERRED PARTICIPANTS				
Number at December 31 (participants)	–	1,114	–	1,194
Average annual plan pension	–	5.0	–	5.3
BENEFIT RECEIVING PARTICIPANTS				
Number at December 31 (participants)	150	1,095	150	1,053
Average annual plan pension	25.0	4.3	24.0	4.0

	2020		2019	
IN MILLIONS OF CHF	**Switzerland**	**UK**	**Switzerland**	**UK**
EXPECTED CASH FLOW FOR				
Contribution Employer	5.4	2.1	5.6	2.2
Contribution Employees	3.2	–	3.2	–
Weighted average duration of defined benefit obligation (years)	21.3	19.0	20.2	19.0

	2019		2018	
IN MILLIONS OF CHF	**Switzerland**	**UK**	**Switzerland**	**UK**
MATURITY PROFILE OF DEFINED BENEFIT OBLIGATION				
Expected payments within 1 year	7.1	5.0	6.9	4.9
Expected payments in year 2	6.9	5.9	6.7	5.1
Expected payments in year 3	6.7	6.0	6.6	6.0
Expected payments in year 4	7.6	6.3	6.4	6.0
Expected payments in year 5	7.0	6.7	7.4	5.5
Expected payments in year 6 and beyond	32.1	32.2	32.4	30.4

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:

2019 IN MILLIONS OF CHF	SWITZERLAND Increase	 Decrease	UK Increase	 Decrease
A CHANGE OF 0.5 % IN THE FOLLOWING ASSUMPTIONS WOULD IMPLY				
Discount rate	(19.1)	24.4	–	20.6
Salary rate	4.5	(4.4)	–	–

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

Expected costs

IN MILLIONS OF CHF	2020 Switzerland	 UK
Current service cost	7.6	–
Fund administration expenses	0.3	–
Net interest expenses	0.1	0.1
Costs to be recognized in the statement of profit or loss	**8.0**	**0.1**

34. FAIR VALUE MEASUREMENT

FAIR VALUE OF FINANCIAL INSTRUMENTS CARRIED AT AMORTIZED COST

Except as detailed in the 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, 2019 IN MILLIONS OF CHF	TOTAL	FAIR VALUE MEASUREMENT AT DECEMBER 31, 2019 USING: Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	CARRYING AMOUNTS
ASSETS MEASURED AT FAIR VALUE					
Derivative financial assets					
Foreign exchange forward contracts - USD	0.2		0.2		0.2
Foreign exchange swaps contracts - EUR	3.5		3.5		3.5
Foreign exchange swaps contracts - OTHER	0.1		0.1		0.1
Cross currency swaps contracts - GBP	1.2		1.2		1.2
Options - USD	3.4		3.4		3.4
Total (Note 37.3)	**8.4**		**8.4**		**8.4**
ASSETS FOR WHICH FAIR VALUES ARE DISCLOSED					
Loans and receivables					
Credit card receivables	11.7		11.7		12.0

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)	CARRYING AMOUNTS
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
Total (Note 37.3)	1.7		–		1.7
ASSETS FOR WHICH FAIR VALUES ARE DISCLOSED					
Loans and receivables					
Credit card receivables	18.1		18.1		18.6

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, 2019 USING			
DECEMBER 31, 2019 IN MILLIONS OF CHF	**TOTAL**	**Quoted prices in active markets (Level 1)**	**Significant observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**	**CARRYING AMOUNTS**
LIABILITIES MEASURED AT FAIR VALUE					
Derivative financial liabilities					
Foreign exchange forward contracts - OTHER	0.1		0.1		0.1
Foreign exchange swaps contracts - EUR	2.9		2.9		2.9
Cross currency swaps contracts - GBP	15.7		15.7		15.7
Put option Dufry Staer Holding Ltd	55.7			55.7	55.7
Other options	3.7		3.7		3.7
Total (Note 37.3 and note 6.1)	**78.1**		**22.4**	**55.7**	**78.1**
Financial liabilities valued at FVPL					
Interest rate swaps	2.0		2.0		2.0
Total (Note 38.1)	**2.0**		**2.0**		**2.0**
LIABILITIES FOR WHICH FAIR VALUES ARE DISCLOSED					
At amortized cost					
Senior Notes EUR 800	892.6	892.6			864.1
Senior Notes EUR 750	823.2	823.2			794.3
Total	**1,715.8**	**1,715.8**			**1,658.4**
Floating rate borrowings USD	716.8		716.8		671.8
Floating rate borrowings CHF	53.4		53.4		50.0
Floating rate borrowings GBP	1,068.1		1,068.1		1,210.0
Total	**1,838.3**		**1,838.3**		**1,931.8**

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

		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)**	**CARRYING AMOUNTS**
LIABILITIES MEASURED AT FAIR VALUE					
Derivative financial liabilities					
Foreign exchange forward contracts - USD	0.5		0.5		0.5
Foreign exchange forward 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.

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.

35.1 GEARING RATIO

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

IN MILLIONS OF CHF	31.12.2019	31.12.2018
Cash and cash equivalents	(553.5)	(538.2)
Borrowings, current	53.2	58.0
Borrowings, non-current	3,602.2	3,766.3
Borrowings, net	**3,101.9**	**3,286.1**
Equity attributable to equity holders of the parent	2,645.3	2,898.8
ADJUSTED FOR		
Accumulated hedged gains / (losses)	(64.1)	(62.3)
Effects from transactions with non-controlling interests [1]	1,375.7	1,355.1
Total capital [2]	**3,956.9**	**4,191.6**
Total net debt and capital	**7,058.8**	**7,477.7**
Gearing ratio	**43.9 %**	**43.9 %**

[1] Represents the excess paid (received) above fair value on shares acquired (sold) from non-controlling interests 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, 2019

	FINANCIAL ASSETS					
IN MILLIONS OF CHF	at amortized cost	at FVOCI (non-recyclable)	at FVPL	SUBTOTAL	NON-FINANCIAL ASSETS[1]	TOTAL
Cash and cash equivalents	553.5	–	–	553.5	–	553.5
Trade and credit card receivables	44.2	–	–	44.2	–	44.2
Other accounts receivable	226.7	–	8.5	235.2	186.8	422.0
Other non-current assets	238.2	–	0.2	238.4	64.5	302.9
Total	**1,062.6**	**–**	**8.7**	**1,071.3**		

	FINANCIAL LIABILITIES					
IN MILLIONS OF CHF	at amortized cost		at FVPL	SUBTOTAL	NON-FINANCIAL LIABILITIES[1]	TOTAL
Trade payables	645.6		–	645.6	–	645.6
Borrowings, current	53.2		–	53.2	–	53.2
Lease obligations, current	1,085.7		–	1,085.7	–	1,085.7
Other liabilities	749.2		24.4	773.6	53.5	827.1
Borrowings, non-current	3,642.3		–	3,642.3	(40.1)	3,602.2
Lease obligations, non-current	3,319.0		–	3,319.0	–	3,319.0
Other non-current liabilities	88.3		–	88.3	–	88.3
Total	**9,583.3**		**24.4**	**9,607.7**		

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

AT DECEMBER 31, 2018

	FINANCIAL ASSETS					
IN MILLIONS OF CHF	Loans and receivables	at FVOCI (non-recyclable)	at FVPL	SUBTOTAL	NON-FINANCIAL ASSETS	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	**955.7**	**1.7**	**7.6**	**965.0**		

	FINANCIAL LIABILITIES					
IN MILLIONS OF CHF	at amortized cost		at FVPL	SUBTOTAL	NON-FINANCIAL LIABILITIES	TOTAL
Trade payables	640.4		–	640.4	–	640.4
Borrowings, current	58.0		–	58.0	–	58.0
Other liabilities	761.4		17.3	778.7	81.4	860.1
Borrowings, non-current	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**		

35.3 NET INCOME BY IFRS 9 VALUATION CATEGORY

Financial Assets at December 31, 2019

IN MILLIONS OF CHF	AT AMORTIZED COST	AT FVOCI (NON-RECYCLABLE)	AT FVPL	TOTAL
Interest income	28.4	–	0.1	28.5
Other finance income	2.1	–	40.2	42.3
From interest	**30.5**		**40.3**	**70.8**
Foreign exchange gain (loss)[1]	(59.6)	–	32.5	(27.1)
Impairments / allowances[2]	(6.7)	–	–	(6.7)
Total – from subsequent valuation	**(66.3)**	**–**	**32.5**	**(33.8)**
Net (expense) / income	**(35.8)**	**–**	**72.8**	**37.0**

Financial Liabilities at December 31, 2019

IN MILLIONS OF CHF	AT AMORTIZED COST	AT FVPL	TOTAL
Interest expenses and arrangement fees	(352.1)	–	(352.1)
Other finance expenses	(0.7)	(18.2)	(18.9)
From interest	**(352.8)**	**(18.2)**	**(371.0)**
Foreign exchange gain (loss)[1]	70.4	(53.8)	16.6
Total – from subsequent valuation	**70.4**	**(53.8)**	**16.6**
Net (expense) / income	**(282.4)**	**(72.0)**	**(354.4)**

[1] This position includes the foreign exchange gain (loss) recognized on third party and intercompany financial assets and liabilities through consolidated statement of profit or loss.

[2] This position includes net income / expense from released impairments, allowances or recoveries during the period less the increase of impairments or allowances.

Financial Assets at December 31, 2018

IN MILLIONS OF CHF	LOANS AND RECEIVABLES	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**
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	(5.4)	(20.9)	(26.3)
From interest	**(174.0)**	**(20.9)**	**(194.9)**
Foreign exchange gain (loss) [1]	68.2	(26.0)	42.2
Total – from subsequent valuation	**68.2**	**(26.0)**	**42.2**
Net (expense) / income	**(105.8)**	**(46.9)**	**(152.7)**

[1] This position includes the foreign exchange gain (loss) recognized on third party and intercompany financial assets and liabilities through consolidated statement of profit or loss.

[2] This position includes net income / expense from released impairments, allowances or recoveries during the period less the increase of impairments or allowances.

36. FINANCIAL RISK MANAGEMENT OBJECTIVES

As a global retailer, Dufry has worldwide activities which are 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 and 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 impact on statement of profit or loss 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, 2019						
Monetary assets	2,072.6	336.2	297.9	122.2	513.0	3,341.9
Monetary liabilities	2,067.7	1,050.7	1,425.3	289.8	451.7	5,285.2
Net currency exposure before foreign currency contracts and hedging	**4.9**	**(714.5)**	**(1,127.4)**	**(167.6)**	**61.3**	**(1,943.3)**
Foreign currency contracts	(329.4)	696.9	1,111.0	219.1	(74.2)	1,623.4
Hedging	267.7	–	–	–	(94.2)	173.5
Net currency exposure	**(56.8)**	**(17.6)**	**(16.4)**	**51.5**	**(107.1)**	**(146.4)**
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 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)**

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 statement of profit or loss or in the hedging and revaluation reserves when the CHF strengthens against the relevant currency.

IN MILLIONS OF CHF	31.12.2019	31.12.2018
Effect on profit or loss based on USD	2.8	6.7
Other comprehensive income based on USD	13.4	13.6
Effect on profit or loss based on EUR	0.9	4.6
Effect on profit or loss based on GBP	0.8	0.6
Effect on profit or loss based on BRL	(2.6)	–

Reconciliation to categories of financial instruments:

IN MILLIONS OF CHF	31.12.2019	31.12.2018
FINANCIAL ASSETS		
Total financial assets held in foreign currencies (see above)	3,341.9	3,093.9
less intercompany financial assets in foreign currencies	(2,847.4)	(2,874.7)
Third party financial assets held in foreign currencies	494.5	219.2
Third party financial assets held in reporting currencies	576.8	745.8
Total third party financial assets[1]	**1,071.3**	**965.0**
FINANCIAL LIABILITIES		
Total financial liabilities held in foreign currencies (see above)	5,285.2	5,005.4
less intercompany financial liabilities in foreign currencies	(1,607.0)	(1,167.0)
Third party financial liabilities held in foreign currencies	3,678.2	3,838.4
Third party financial liabilities held in reporting currencies	5,929.5	1,430.7
Total third party financial liabilities[1]	**9,607.7**	**5,269.1**

[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 2019, 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, 2019 compared to previous year.

IN MILLIONS OF CHF	CONTRACT OR UNDERLYING PRINCIPAL AMOUNT	POSITIVE FAIR VALUE	NEGATIVE FAIR VALUE
December 31, 2019	2,893.9	8.4	22.4
December 31, 2018	2,044.7	7.6	14.6

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. The fair values are determined by reference to market prices or standard pricing models that used observable market inputs.

IN MILLIONS OF CHF	CONTRACT OR UNDERLYING PRINCIPAL AMOUNT	POSITIVE FAIR VALUE	NEGATIVE FAIR VALUE
December 31, 2019	677.5	–	2.0
December 31, 2018	687.0	–	2.7

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 2019 would decrease by CHF 39.0 (2018: decrease by CHF 37.0) million.

38.3 ALLOCATION OF FINANCIAL ASSETS AND LIABILITIES TO INTEREST CLASSES

	IN %		IN MILLIONS OF CHF				
AT DECEMBER 31, 2019	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	0.5 %	1.5 %	71.6	39.5	111.1	442.4	553.5
Trade and credit card receivables			–	–	–	44.2	44.2
Other accounts receivable	1.1 %	6.3 %	0.4	0.2	0.6	234.6	235.2
Other non-current assets	6.1 %	2.0 %	27.9	2.6	30.5	207.9	238.4
Financial assets			**99.9**	**42.3**	**142.2**	**929.1**	**1,071.3**
Trade payables			–	–	–	645.5	645.5
Borrowings, current	2.6 %	4.3 %	48.3	4.3	52.6	0.6	53.2
Other liabilities			–	–	–	773.6	773.6
Borrowings, non-current	2.9 %	2.3 %	1,948.1	1,694.2	3,642.3	–	3,642.3
Lease obligations	1.6 %	4.2 %	2.6	4,402.2	4,404.8	–	4,404.8
Other non-current liabilities			–	–	–	88.3	88.3
Financial liabilities			**1,999.0**	**6,100.7**	**8,099.7**	**1,508.0**	**9,607.7**
Net financial liabilities			**1,899.1**	**6,058.4**	**7,957.5**	**578.9**	**8,536.4**

	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
Trade and credit card receivables			–	–	–	62.6	62.6
Other accounts receivable	1.6 %	4.9 %	0.5	0.3	0.8	228.5	229.3
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
Borrowings, current	5.5 %	4.5 %	30.7	3.9	34.6	23.4	58.0
Other liabilities			–	–	–	778.7	778.7
Borrowings, non-current	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**

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 27).

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, 2019 IN MILLIONS OF CHF	1–6 MONTHS	6–12 MONTHS	1–2 YEARS	MORE THAN 2 YEARS	TOTAL
Cash and cash equivalents	570.1	19.6	–	–	589.7
Trade and credit card receivables	44.1	0.1	–	–	44.2
Other accounts receivable	214.2	12.5	–	–	226.7
Other non-current assets	2.6	3.1	16.5	241.5	263.7
Total cash inflows	**831.0**	**35.3**	**16.5**	**241.5**	**1,124.3**
Trade payables	644.9	0.7	–	–	645.6
Borrowings, current	48.0	39.0	–	–	87.0
Other liabilities	748.0	1.2	–	–	749.2
Borrowings, non-current	37.1	39.3	144.6	3,762.8	3,983.8
Lease obligations	517.4	568.3	796.3	3,146.1	5,028.1
Other non-current liabilities	–	–	88.3	–	88.3
Total cash outflows	**1,995.4**	**648.5**	**1,029.2**	**6,908.9**	**10,582.0**

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
Trade and credit card receivables	62.0	0.6	–	–	62.6
Other accounts receivable	219.1	2.7	–	–	221.8
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
Borrowings, current	66.0	9.1	–	–	75.1
Other liabilities	759.9	1.5	–	–	761.4
Borrowings, non-current	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**

40.2 REMAINING MATURITIES FOR DERIVATIVE FINANCIAL INSTRUMENTS

Dufry holds derivative financial instruments at year-end of net CHF –15.6 millions with maturity below 6 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	2019	2018
PURCHASE OF GOODS FROM		
Hudson RPM, literature and publications	16.5	–
Folli Follie Group, luxury goods[1]	–	1.2
PURCHASE OF SERVICES FROM		
Folli Follie Group, rent of building[1]	–	0.8
Pension Fund Dufry, post-employment benefits	6.1	6.2
ACCOUNTS PAYABLES AT DECEMBER 31		
Hudson RPM	0.1	–
Pension Fund Dufry	0.8	1.6

[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 associates are the following:

IN MILLIONS OF CHF	2019	2018
PURCHASE OF SERVICES FROM		
Lojas Francas de Portugal S.A.	(2.7)	(2.3)
Nuance Group (Chicago) LLC	(0.2)	(0.3)
SALES OF SERVICES TO		
Lojas Francas de Portugal S.A.	1.5	2.6
Nuance Basel LLC (Sochi)	0.4	0.5
Nuance Group (Chicago) LLC	0.7	0.9
SALES OF GOODS TO		
Lojas Francas de Portugal S.A.	41.9	38.0
Nuance Basel LLC (Sochi)	3.6	3.5
Nuance Group (Chicago) LLC	1.7	4.2
ACCOUNTS RECEIVABLES AT DECEMBER 31		
Lojas Francas de Portugal S.A.	1.6	6.7
Nuance Basel LLC (Sochi)	10.9	10.7
Nuance Group (Chicago) LLC	1.2	0.8
NCM Brookstone Stores Georiga, LLC	0.4	–
ACCOUNTS PAYABLES AT DECEMBER 31		
Lojas Francas de Portugal S.A.	0.1	0.1
Nuance Group (Chicago) LLC	0.2	0.3

The compensation to members of the Board of Directors and the Global 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	2019	2018
BOARD OF DIRECTORS		
Number of directors	9	11
Current employee benefits	6.2	7.2
Post-employment benefits	0.3	0.3
Total compensation	**6.5**	**7.5**
GLOBAL EXECUTIVE COMMITTEE		
Number of members	10	6
Current employee benefits	16.9	12.0
Post-employment benefits	1.8	1.6
Share-based payments[1]	5.1	8.5
Total compensation	**23.8**	**22.1**

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

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

42. ACCOUNTING POLICY CHANGES

The table below shows the changes in presentation or valuation of the financial positions as of January 1, 2019 after adopting of IFRS 16 and IFRIC 23. The comparative figures presented during 2018 have not been restated as the company applied the modified retrospective approach permitted by IFRS.

This table shows all accounts of the statement of financial position and the effects of the IFRS 16 and IFRIC 23 implementation:

IN MILLIONS OF CHF	2018 AS PUBLISHED	CORRECTIONS	RESTATED BALANCE 01.01.2019
ASSETS			
Property, plant and equipment	644.3	–	644.3
Right-of-use assets	–	4,796.9	4,796.9
Intangible assets	3,516.8	(3.6)	3,513.2
Goodwill	2,601.5	–	2,601.5
Investments in associates	35.6	–	35.6
Deferred tax assets	138.4	–	138.4
Net defined benefit asset	4.8	–	4.8
Other non-current assets	259.6	(53.3)	206.3
Non-current assets	**7,201.0**	**4,740.0**	**11,941.0**
Inventories	1,062.7	–	1,062.7
Trade and credit card receivables	62.6	–	62.6
Other accounts receivable	475.8	(51.6)	424.2
Income tax receivables	50.3	–	50.3
Cash and cash equivalents	538.2	–	538.2
Current assets	**2,189.6**	**(51.6)**	**2,138.0**
Total assets	**9,390.6**	**4,688.4**	**14,079.0**
LIABILITIES AND SHAREHOLDERS' EQUITY			
Equity attributable to equity holders of the parent	2,898.8	–	2,898.8
Non-controlling interests	442.9	–	442.9
Total equity	**3,341.7**	**–**	**3,341.7**
Borrowings	3,766.3	–	3,766.3
Lease obligations	–	3,707.9	3,707.9
Deferred tax liabilities	425.9	–	425.9
Provisions[1]	82.4	(32.8)	49.6
Post-employment benefit obligations	33.4	–	33.4
Other non-current liabilities	62.8	(61.4)	1.4
Non-current liabilities	**4,370.8**	**3,613.7**	**7,984.5**
Trade payables	640.4	–	640.4
Borrowings	58.0	–	58.0
Lease obligations	–	1,076.4	1,076.4
Income tax payables[1]	64.8	32.8	97.6
Provisions	54.8	–	54.8
Other liabilities	860.1	(34.5)	825.6
Current liabilities	**1,678.1**	**1,074.7**	**2,752.8**
Total liabilities	**6,048.9**	**4,688.4**	**10,737.3**
Total liabilities and shareholders' equity	**9,390.6**	**4,688.4**	**14,079.0**

[1] IFRIC 23 (note 32).

The weighted average incremental borrowing rate (IBR) applied to the lease obligations at the date of initial application was 4.24 %. The IBR for 5 year leases and for 10 year leases was for CHF 1.50 %/1.88 %, for USD 4.48 %/4.59 % and for EUR 1.76 %/2.40 % respectively.

43. STATEMENT OF PROFIT OR LOSS, CHANGE IN ACCOUNTING POLICIES

Dufry reclassified the Statement of Profit or Loss and changed its accounting Policies in order to better reflect the performance of the Group. The comparative figures for 2018 are presented accordingly to reflect the changes.

IN MILLIONS OF CHF	FOOTNOTE	Published 2018	Reclassification	2018
Net sales		8,455.8		8,455.8
Advertising income		229.1		229.1
Turnover		**8,684.9**		**8,684.9**
Cost of sales		(3,489.2)		(3,489.2)
Gross profit		**5,195.7**		**5,195.7**
Selling expenses	1, 7	(2,580.5)	2,580.5	–
Lease expenses	1, 5	–	(2,494.7)	(2,494.7)
Personnel expenses		(1,175.2)	–	(1,175.2)
General expenses	10	(403.5)	403.5	–
Other expenses	10 ,4, 2, 7	–	(630.2)	(630.2)
Other income	3	–	45.5	45.5
Share of result of associates	6	3.8	(3.8)	–
EBITDA (discontinued expression)		**1,040.3**	**–**	**–**
Depreciation, amortization and impairment		(571.9)	–	(571.9)
Linearization	5	(47.7)	47.7	–
Other operational result	2, 3	(49.3)	49.3	–
Operating profit / (loss)		**371.4**	**(2.2)**	**369.2**
Interest income	8	64.7	(64.7)	–
Interest expense	9	(196.4)	196.4	–
Foreign exchange gain / (loss)		(5.5)	–	(5.5)
Finance income	6, 8	–	68.5	68.5
Finance expenses	4, 9	–	(198.0)	(198.0)
Profit / (loss) before taxes		**234.2**	**–**	**234.2**
Income tax		(98.8)		(98.8)
Net profit / (loss)		**135.4**		**135.4**
ATTRIBUTABLE TO				
Non-controlling interests		63.6		63.6
Equity holders of the parent		71.8		71.8
EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT IN CHF				
Basic earnings / (loss) per share		1.38		1.38
Diluted earnings / (loss) per share		1.38		1.38

Footnotes

CONCEPT (INCLUDES FINANCIAL IMPACT IN MILLIONS OF CHF)	Reclassification from	Reclassification to	2018
1. Concession fee expenses	Selling expenses	Lease expenses	2,447.0
2. Other operating expenses	Other operational result	Other expenses	94.8
3. Other operating income	Other operational result	Other income	45.5
4. Impairment financial assets	Other expenses	Finance expenses	1.6
5. Linearization	Linearization	Lease expenses	47.7
6. Share of result from associates	Share of result from associates	Finance income	(3.8)
7. Sales related expenses	Selling expenses	Other expenses	133.6
8. Interest income	Interest income	Finance income	(64.7)
9. Interest expenses	Interest expenses	Finance expenses	196.4
10. Other expenses	General expenses	Other expenses	403.5

To the General Meeting of
Dufry AG, Basel

Basel, March 11, 2020

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 December 31, 2019 and the consolidated statement of profit or loss, and the consolidated statements of comprehensive income, changes in equity and 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 116 to 209) give a true and fair view of the consolidated financial position of the Group as at December 31, 2019, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) and comply with Swiss law.

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

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

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

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

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

Valuation of goodwill / intangible assets with indefinite useful life

Area of Focus

As of December 31, 2019, the Group has recorded intangibles assets with indefinite useful lives of CHF 2,879 million, of which CHF 2,611 million relate 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, 2.3o and 2.3q. Further details on intangible assets with indefinite useful lives and the annual impairment tests are disclosed in notes 3, 18 and 18.1 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 included an evaluation of management's sensitivity analysis on changes to the key assumptions, to quantify the downside changes 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.

Valuation of concession rights

Area of Focus

As of December 31, 2019, the Group has capitalized concession rights with definite useful lives of CHF 2,859 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 impairment of a capitalized concession right. Whenever such indicators are identified, the carrying value of a concession right is tested for impairment. Due to the significance of the carrying values of concession rights and the significant judgment involved in performing impairment tests or in assessing future economic benefits of a contract, this matter was significant to our audit. In particular, the fair value estimates of the economic benefits of a contract were sensitive to significant assumptions such as the discount rate, forecasted growth rates, including terminal growth rate, which are affected by expectations about future market or economic conditions. The accounting policies regarding concession rights applied by the Group are explained in the notes to the consolidated financial statements in sections 2.3o. Further details on concession rights are disclosed in notes 3 and 18 to the consolidated financial statements.

Our audit response

We assessed management's process for identifying indicators of potential impairment. For those concession rights for which there were impairment indicators, we performed audit procedures, with the support of our valuation specialists, that included, among others, assessing methodologies and testing the significant assumptions and the underlying data used by the Company in its analysis. We performed analyses over the significant assumptions used by management including the projected sales growth, the growth rate used to extrapolate gross margin, lease expense and lease payments and the discount rates. We performed a lookback analysis assessing budget to actual by comparing actualized passenger travel growth rates to the Company's actual sales growth rates and independently recalculating the discount rates used by management in the impairment models. Further, we performed sensitivity analyses of significant assumptions to evaluate the changes in management's calculated recoverable amounts that would result from changes in the assumptions.

Our audit procedures did not lead to any reservations concerning the valuation of concession rights.

Building a better working world

Accounting for lease contracts under IFRS 16

Area of Focus

As of December 31, 2019, the Group has right of use assets of CHF 4,328 million and lease obligations of CHF 4,405 million (current and non-current). These represent 32% and 33% of the Group's total assets and total liabilities, respectively. The Group adopted IFRS 16 leases as of January 1, 2019 and the implementation considerations are disclosed in the notes to the financial statements (notes 2.4 and 42). Key assumptions regarding lease accounting are disclosed in the notes (note 8, 17, 28, and 29). Due to the risk of incompleteness of leases included in the IFRS 16 assessment and inappropriate accounting assessment of lease contracts at transition and ongoing, this matter was considered significant to our audit.

Our audit response

We obtained an understanding of the Group's accounting policies and processes implemented including the process to identify the full population of leases, the determination of the minimum lease payments, whether fixed or in-substance fixed and the termination and extension options, to assess the right of use assets and lease obligations. We assessed the completeness of the lease population used in management's assessment considered for IFRS 16 accounting. We evaluated management's analysis regarding the minimum lease payments by selecting a sample of the underlying contracts and analyzing the Group's assessment. We also tested a sample of additions or changes to lease contracts and analyzed whether these represented lease modifications or should be accounted for as separate leases.

Our audit procedures did not lead to any reservations concerning the right of use assets and lease obligations.

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 statutory financial statements and 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

/s/ Jolanda Dolente	/s/ Siro Bonetti
Jolanda Dolente Licensed audit expert (Auditor in charge)	Siro Bonetti Licensed audit expert

STATEMENT OF PROFIT OR LOSS

FOR THE YEAR ENDED DECEMBER 31, 2019

IN THOUSANDS OF CHF	NOTE	2019	2018
Financial income		15	8,229
Franchise fee income		3,091	2,713
Total income		**3,106**	**10,942**
Personnel expenses	8	(17,536)	(14,962)
General and administrative expenses		(4,973)	(4,315)
Management fee expenses		(5,437)	(17,889)
Impairment of investments in subsidiaries	7	(390,000)	–
Financial expenses		(9,035)	(2,316)
Taxes		(2,195)	(2,032)
Total expenses		**(429,176)**	**(41,514)**
(Loss) / profit for the year		**(426,070)**	**(30,572)**

STATEMENT OF FINANCIAL POSITION

AT DECEMBER 31, 2019

IN THOUSANDS OF CHF	NOTE	31.12.2019	31.12.2018
ASSETS			
Cash and cash equivalents		17	217
Current receivables third parties		12,954	137
Current receivables subsidiaries		415	3,248
Current receivables other group companies		371	–
Prepaid expenses and accrued income		13	107
Current assets		**13,770**	**3,709**
Investments in subsidiaries	3	3,848,415	4,238,415
Non-current assets		**3,848,415**	**4,238,415**
Total assets		**3,862,185**	**4,242,124**
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current interest bearing liabilities		17,831	121
Current liabilities third parties		3,373	1,661
Current liabilities participants and bodies		1,034	909
Current liabilities subsidiaries		4,424	4,571
Current liabilities other group companies		36	–
Deferred income and accrued expenses		27,791	43,945
Current liabilities		**54,489**	**51,207**
Non-current interest-bearing liabilities subsidiaries		408,050	175,717
Non-current liabilities		**408,050**	**175,717**
Total liabilities		**462,539**	**226,924**
Share capital	5.1	252,836	269,359
Legal capital reserves			
Reserve from capital contribution	5.1	3,420,326	3,983,404
Reserve from capital contribution for own shares held at subsidiaries	5.1	86,700	108,699
Legal retained earnings			
Other legal reserves		5,927	5,927
Voluntary retained earnings			
Results carried forward	12	59,927	90,499
(Loss) / profit for the year	12	(426,070)	(30,572)
Treasury shares	6	–	(412,116)
Shareholders' equity		**3,399,646**	**4,015,200**
Total liabilities and shareholders' equity		**3,862,185**	**4,242,124**

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

We have prepared the statutory financial statements in accordance with the accounting principles as set out in Art. 957 to Art. 963b of the Swiss Code of Obligations (the "CO"). Since we have prepared our consolidated financial statements in accordance with the International Financial Reporting Standards ("IFRS"), a recognized accounting standard, we have, in accordance with the CO, elected to forego presenting the statement of cash flows, the additional disclosures and the management report otherwise required by the CO. Our financial statements may be influenced by the creation and release of excess reserves.

All amounts are presented in Swiss francs ("CHF"), unless otherwise indicated. Group companies include all legal entities, which are directly or indirectly owned and controlled by the Company.

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

2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Investments in subsidiaries
Investments are held at historical cost. The Company reviews the carrying amount of these investments annually, and if events and circumstances suggest that this amount may not be recoverable, an impairment is recognized in the statement of profit or loss.

Treasury shares
Treasury shares are recognized at acquisition cost and deducted from shareholders' equity. Gains or losses arising out of transactions with treasury shares are recorded in the statement of profit or loss.

Share-based payments
The Company accrues personnel expenses related to share-based payment plans for the respective period in deferred income and accrued liabilities. Any difference between the acquisition costs of treasury shares and the accrual created for the plan will be recognized in the statement of profit or loss, when the shares are assigned to the member of the share-based payment plans.

Current and non-current interest-bearing liabilities
Interest-bearing liabilities are recognized at their nominal value in the statement of financial position.

Exchange rate differences
All assets and liabilities denominated in foreign currencies are translated into CHF using year-end exchange rates, except investments in subsidiaries, which are recognized at historical values. Net unrealized exchange losses are recognized in the statement of profit or loss 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 statement of profit or loss.

3. DIRECT SUBSIDIARIES

	SHARE IN CAPITAL AND VOTING RIGHTS		SHARE CAPITAL	
IN THOUSANDS OF CHF	2019	2018	2019	2018
Dufry International AG, Switzerland	100 %	100 %	1,000	1,000
Dufry Management AG, Switzerland	100 %	100 %	100	100
Dufry Corporate AG, Switzerland	100 %	100 %	100	100
Dufry Holdings & Investments AG, Switzerland	100 %	100 %	1,000	1,000

4. SIGNIFICANT SHAREHOLDERS' PARTICIPATION

IN PERCENTAGE (%) OF OUTSTANDING REGISTERED SHARES	31.12.2019	31.12.2018
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	15.53 %	16.34 %
State of Qatar	6.92 %	6.92 %
Government of Singapore	5.05 %	5.05 %
Compagnie Financiere Rupert	5.00 %	5.00 %
Franklin Resources, Inc.	4.95 %	5.09 %
Black Rock, Inc.	4.34 %	3.25 %
Hainan Province Cihang Foundation	–	20.92 %

5. SHARE CAPITAL

5.1 ORDINARY SHARES

IN THOUSANDS OF CHF	NUMBER OF SHARES	SHARE CAPITAL	RESERVE FROM CAPITAL CONTRIBUTION
Balance at January 1, 2018	**53,871,707**	**269,359**	**4,290,806**
Reserves for treasury shares held by the Company's subsidiaries	–	–	(108,699)
Distribution	–	–	(198,703)
Balance at December 31, 2018	**53,871,707**	**269,359**	**3,983,404**
Share capital reduction	(3,304,541)	(16,523)	(385,330)
Distribution	–	–	(199,748)
Reclass from reserve from capital contribution for own shares held at subsidiaries	–	–	22,000
Balance at December 31, 2019	**50,567,166**	**252,836**	**3,420,326**

5.2 CONDITIONAL SHARE CAPITAL

IN	SHARES	CHF
Balance at January 1, 2018	**888,432**	**4,442,160**
Balance at December 31, 2018	**888,432**	**4,442,160**
Balance at December 31, 2019	**888,432**	**4,442,160**

5.3 AUTHORIZED SHARE CAPITAL

IN	SHARES	NOMINAL VALUE IN CHF
Balance at January 1, 2018	**–**	**–**
Balance at December 31, 2018	**–**	**–**
Shareholders' resolution as of May 9, 2019	5,000,000	25,000,000
Balance at December 31, 2019	**5,000,000**	**25,000,000**

6. TREASURY SHARES

IN THOUSANDS OF	SHARES	CHF
Balance at January 1, 2018	**84.2**	**12,504**
Assigned to holders of PSU Awards 2015	(97.3)	(14,310)
Share purchases	3,392.2	413,922
Balance at December 31, 2018	**3,379.1**	**412,116**
Assigned to holders of PSU & RSU Awards 2016	(234.5)	(26,480)
Share capital reduction	(3,304.5)	(401,853)
Share purchases	159.9	16,217
Balance at December 31, 2019	**–**	**–**

7. IMPAIRMENT OF INVESTMENT IN DUFRY HOLDINGS & INVESTMENTS AG

Dufry AG has reviewed the valuation of its investment in Dufry Holdings & Investments AG, since its subsidiaries in South America have been adversely affected by market developments. Based on the assessment performed, the Company recognized an impairment of CHF 390 million.

8. PERSONNEL EXPENSES

The personnel expenses correspond to the share-based payments for selected members of the senior management, as described in Note 25 of the Company's consolidated financial statements.

Dufry AG employed less than 10 employees in 2019 and 2018.

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

The Company belongs to the Swiss value added tax (VAT) group of Dufry International AG, and thus carries joint liability to the Swiss federal tax administration for VAT. Members of the VAT group are:

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

The Company jointly and severally with Dufry International AG and Dufry Financial Services B. V. guaranteed the following credit facilities:

IN MILLIONS OF	MATURITY	COUPON RATE	CURRENCY	NOMINAL AMOUNT IN LOCAL CURRENCY	DRAWN AMOUNT IN CHF 31.12.2019	DRAWN AMOUNT IN CHF 31.12.2018
MAIN BANK CREDIT FACILITIES						
Committed 5-year term loan	03.11.2022		USD	700.0	677.5	687.0
Committed 5-years term loan (multi-currency)	03.11.2022		EUR	500.0	564.2	551.4
5+1+1 - year revolving credit facility (multi-currency)	03.11.2024		EUR	1,300.0	706.4	700.5
Uncommitted revolving credit agreement	n.a.		CHF	50.0	–	–
Subtotal					**1,948.1**	**1,938.9**
SENIOR NOTES						
Senior notes	01.08.2023	4.50 %	EUR	700.0	–	788.1
Senior notes	15.10.2024	2.50 %	EUR	800.0	868.2	900.7
Senior notes	15.02.2027	2.00 %	EUR	750.0	814.0	–
Subtotal					**1,682.2**	**1,688.8**
GUARANTEE FACILITY						
Uncommitted guarantee facility	n.a.		EUR	49.0	28.8	26.2
Subtotal					**28.8**	**26.2**
Total					**3,659.1**	**3,653.9**

There were no assets pledged as of December 31, 2019 and 2018.

11. PARTICIPATIONS OF THE MEMBERS OF THE BOARD OF DIRECTORS AND THE GLOBAL EXECUTIVE COMMITTEE IN DUFRY AG

The following members of the Board of Directors or of the Global Executive Committee of Dufry AG (including related parties) held directly or indirectly shares or share options of the Company as at December 31, 2019 and December 31, 2018 (members not listed do not hold any shares or options):

			31.12.2019			31.12.2018
IN THOUSANDS	SHARES	FINANCIAL INSTRUMENTS [1]	PARTICIP.	SHARES	FINANCIAL INSTRUMENTS [1]	PARTICIP.
MEMBERS OF THE BOARD OF DIRECTORS						
Juan Carlos Torres Carretero, Chairman	966.0	23.7	1.96 %	1,001.0	71.1 [1]	1.99 %
Andrés Holzer Neumann, Director	3,991.0	–	7.89 %	4,334.4	55.2 [1]	8.15 %
Jorge Born, Director (2018: Vice-Chairman)	22.0	–	0.04 %	22.0	30.9 [2]	0.10 %
Julián Diáz Gonzalez, Director and Group CEO	233.0	17.5	0.50 %	230.0	35.1	0.49 %
Steven Tadler, Director	13.0	–	0.03 %	–	–	–
H. Jo Min, Lead Director (2018: Director)	0.5	–	0.00 %	0.5	–	0.00 %
Total Board of Directors	**5,225.5**	**41.2**	**10.42 %**	**5,587.9**	**192.3**	**10.73 %**
MEMBERS OF THE GLOBAL EXECUTIVE COMMITTEE						
Julián Diáz Gonzalez, Director and Group CEO	233.0	17.5	0.50 %	230.0	35.1 [1]	0.49 %
José Antonio Gea, Deputy Group CEO	33.0	–	0.07 %	14.4	–	0.03 %
Yves Gerster, CFO	2.2	–	0.00 %	n.a.	n.a.	n.a.
Luis Marin, CCO	7.8	–	0.02 %	4.3	–	0.01 %
Javier Gonzalez	3.3	–	0.01 %	2.0	–	0.00 %
Andrea Belardini	18.7	–	0.04 %	n.a.	n.a.	n.a.
Roger Fordyce	3.6	–	0.01 %	n.a.	n.a.	n.a.
René Riedi	1.1	–	0.00 %	n.a.	n.a.	n.a.
Eugenio Andrades	1.0	–	0.00 %	–	–	–
ADDITIONAL MEMBERS OF FORMER GLOBAL EXECUTIVE COMMITTEE (IN 2018)						
Andreas Schneiter, CFO	n.a.	n.a.	n.a.	12.9	–	0.02 %
Total Global Executive Committee	**303.7**	**17.5**	**0.64 %**	**263.6**	**35.1**	**0.55 %**

[1] The detailed terms of the various financial instruments disclosed above are as disclosed to the SIX Swiss Exchange and published on August 3, 2019, for the year 2019 and December 28, 2018, for the year 2018.

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

In addition to the above, the shareholders' group consisting, among others, of different legal entities controlled by Andrés Holzer Neumann, Juan Carlos Torres Carretero and Julián Díaz González held sale positions of 3.62% through options (1,829,190 voting rights) as of December 31, 2019 (as of December 31, 2018: sale positions of 5.09% through options 2,739,430 voting rights).

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	2019	2018
Proposed appropriation of retained earnings		
Result carried forward	59,927	90,499
Loss for the year	(426,070)	(30,572)
Retained earnings at December 31	**(366,143)**	**59,927**
Proposed distribution out of reserve from capital contribution [1]		
Balance at beginning of the year	3,983,404	4,290,806
Distribution out of reserve from capital contribution	(199,748)	(198,703)
Reserves for treasury shares held by the Company's subsidiaries from capital contribution [2]	–	(108,699)
Share capital reduction	(385,330)	–
Reclass from reserve from capital contribution for own shares held at subsidiaries	22,000	–
Reserve from capital contribution at December 31	**3,420,326**	**3,983,404**
Proposed distribution of CHF 4.00 per registered share for the financial year 2019	(202,269)	(199,141)
Reserve from capital contribution after proposed distribution	**3,218,057**	**3,784,263**

[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 at subsidiaries.

13. EVENTS AFTER REPORTING DATE

No significant events occurred after December 31, 2019 up to March 4, 2020 that would have a material impact on these financial statements

14. MATERIAL INDIRECT SUBSIDIARIES

H = Holding R = Retail D = Distribution Center

AS OF DECEMBER 31, 2019	LOCATION	COUNTRY	TYPE	OWNERSHIP IN %	SHARE CAPITAL IN THOUSANDS	CURRENCY
EUROPE & AFRICA						
World Duty Free Group Helsinki Ltd	Vantaa	Finland	R	100	2,500	EUR
Dufry France SA	Nice	France	R	100	8,291	EUR
World Duty Free Group Germany GmbH	Düsseldorf	Germany	R	100	250	EUR
Hellenic Duty Free Shops S.A.	Athens	Greece	R	100	397,535	EUR
Hellenic Distributions S.A.	Athens	Greece	D	100	6,296	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	19,831	EUR
Sociedad de Distribucion Comercial Aeroportuaria de Canarias, S.L.	Telde	Spain	R	60	667	EUR
Nuance Group (Sverige) AB	Stockholm	Sweden	R	100	100	SEK
The Nuance Group AG	Zurich	Switzerland	R	100	82,100	CHF
Dufry Basel-Mulhouse AG	Basel	Switzerland	R	100	100	CHF
Urart Gumr. Magaza Isletm. ve Ticaret A.S.	Antalya	Turkey	R	100	1,161	EUR
WDFG UK Limited	London	UK	R	100	360	GBP
Nuance Group (UK) Ltd	London	UK	R	100	50	GBP
WDFG Ferries Limited	London	UK	R	100	50	GBP
ASIA PACIFIC AND MIDDLE EAST						
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
Nuance Group (India) Pvt. Ltd	Bangalore	India	R	100	1,035,250	INR
PT Dufrindo Internasional	Bali	Indonesia	R	100	91	USD
Aldeasa Jordan Airports Duty Free Shops Ltd	Amman	Jordan	R	100	705	USD
WDFG SA, Kuwait Branch	Kuwait City	Kuwait	R	100	2,383	KWD
RegStaer M Ltd	Vnukovo	Russia	R	60	142	EUR
Lenrianta CSJC	St. Petersburg	Russia	R	100	315	EUR
Dufry East	Moscow	Russia	R	100	712	USD
Regstaer Ltd	Moscow	Russia	R	51	3,991	EUR
D. d.o.o. Belgrade	Belgrade	Serbia	R	100	693,078	RSD
Dufry Thomas Julie Korea Co. Ltd	Busan	South Korea	R	85	1,100,000	KRW
Dufry Shops Colombo Limited	Colombo	Sri Lanka	R	100	30,000	LKR
Dufry Sharjah FZC	Sharjah	U. Arab. Emirates	R	50	2,054	AED
NORTH AMERICA, held through Hudson Ltd.*						
The 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
WDFG North America LLC	Delaware	USA	H/R	100	–	USD
Hudson Las Vegas JV Hudson News O'Hare JV	Las Vegas	USA	R	73	–	USD
Seattle Air Ventures	Olympia	USA	R	75	–	USD
Hudson Group (HG) Retail, LLC	New Jersey	USA	H/R	100	–	USD

AS OF DECEMBER 31, 2019	LOCATION	COUNTRY	TYPE	OWNERSHIP IN %	SHARE CAPITAL IN THOUSANDS	CURRENCY
Hudson News O'Hare JV	Chicago	USA	R	70	–	USD
HG Logan Retailers JV	Boston	USA	R	80	–	USD
HG Magic Concourse TBIT	Los Angeles	USA	R	68	–	USD
Airport Management Services LLC	Los Angeles	USA	H/R	100	–	USD
JFK Air Ventures II JV	New York	USA	R	80	–	USD
AMS of South Florida JV	Fort Lauderdale	USA	R	31	–	USD
HG Midway JV	Chicago	USA	R	65	–	USD
Brookstone IAD, T-B, LLC	Dulles	USA	H	75	–	USD
Dufry Newark Inc	Newark	USA	R	100	–	USD
HG Denver JV	Denver	USA	R	76	–	USD
HG PHL Retailers JV	Philadelphia	USA	R	65	–	USD
HG St Louis JV	St. Louis	USA	R	70	–	USD
AMS-SJC JV	San Jose	USA	R	100	–	USD
The Nuance Group (Las Vegas) LLC	Las Vegas	USA	R	73	850	USD
Hudson-NIA JFK T1 JV	New York	USA	R	90	–	USD
HG-KCGI-TEI JFK T8 JV	New York	USA	R	85	–	USD
HG National JV	Virginia	USA	R	70	–	USD
Dufry O'Hare T5 JV	Chicago	USA	R	80	–	USD
HG-Multiplex-Regali Dallas JV	Dallas	USA	R	75	–	USD
Hudson-Magic Johnson Ent. CV LLC	Los Angeles	USA	R	91	–	USD
WDFG TAC ATL Retail LLC, Atlanta	Delaware	USA	R	86	–	USD
Dufry Seattle JV	Seattle	USA	R	88	–	USD
LATIN AMERICA						
Interbaires SA	Buenos Aires	Argentina	R	100	46,743	USD
DFC Ltd - Barbados	St. Michael	Barbados	R	60	5,000	USD
Dufry Lojas Francas Ltda	Sao Paulo	Brazil	R	100	99,745	USD
Dufry Brasil Duty Free Shop Ltda	Rio de Janeiro	Brazil	R	100	98,175	USD
Aldeasa Chile, Ltd	Santiago de Chile	Chile	R	100	2,517	USD
Dufry - DFASS Colombia S.A.S	Bogota	Colombia	R	100	3,120	USD
Inversiones Tunc, SA	Santo Domingo	Dominican Republic	R	100	–	USD
Inversiones Pánamo, S.A.	Santo Domingo	Dominican Republic	R	100	–	USD
Dufry Mexico SA de CV	Mexico City	Mexico	R	100	268	USD
WDFG, Peru S.A.C.	Lima	Peru	R	100	1,010	USD
Alliance Duty Free, LLC	San Juan	Puerto Rico	R	100	2,213	USD
ABC Netherlands LLC	San Juan	Puerto Rico	R	100	10	USD
Navinten SA	Montevideo	Uruguay	R	100	126	USD
Dufry Cruise Services, Inc.	Miami	USA	R	100	–	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) S.A.	Montevideo	Uruguay	D	100	50	USD
International Operations & Services (USA) LLC	Miami	USA	D	100	398	USD
HEADQUARTERS						
Dufry International Ltd	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 BV	Eindhoven	Netherlands	H	100	–	EUR

* Dufry Group holds 57.4 % of Hudson Ltd.

Building a better working world

To the General Meeting of
Dufry AG, Basel

Basel, 11 March 2020

Report of the statutory auditor on the financial statements

As statutory auditor, we have audited the financial statements of Dufry AG (the "Company"), which comprise the statement of financial position, statement of profit or loss, and notes (pages 215 to 225), for the year ended December 31, 2019.

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 December 31, 2019 comply with Swiss law and the Company's articles of incorporation.

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

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

We have fulfilled the responsibilities described in the Auditor's responsibility 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.

Valuation of investments in subsidiaries

Area of focus

As of December 31, 2019, investments in subsidiaries amounted to CHF 3,848 million and accounted for 99.6% of the Company's total assets. Investments are held at historical cost. The Company reviews the carrying amount of these investments annually, and if events and circumstances suggest that this amount may not be recoverable, an impairment is recognized in the statement of profit or loss. 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 notes 2.2 and 3 to the financial statements.

Our audit response

We tested, with the support of our valuation specialists, the appropriateness of the valuation approach 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 forecasts. We assessed the difference between the carrying amounts of the investments in subsidiaries and their recoverable amount.

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 (note 12) 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

/s/ Jolanda Dolente	/s/ Siro Bonetti
Jolanda Dolente Licensed audit expert (Auditor in charge)	Siro Bonetti 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 2020 please refer to pages 272 / 273 of this Annual Report.