

NINE MONTHS REPORT 2018



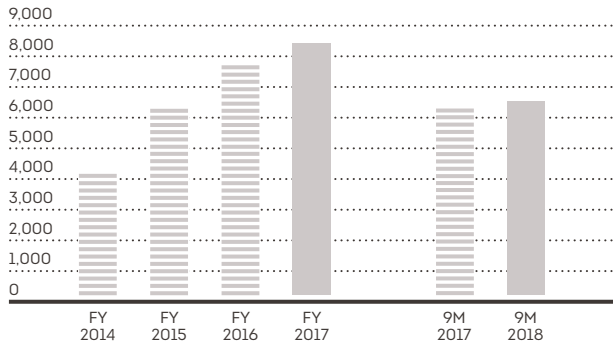
DUFRY

WorldClass.WorldWide.

DUFRY AT A GLANCE

TURNOVER

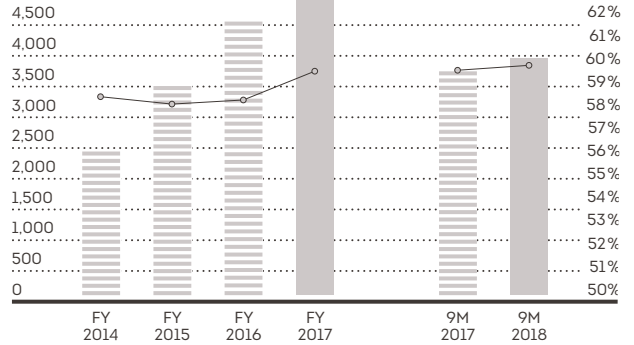
IN MILLIONS OF CHF



GROSS PROFIT

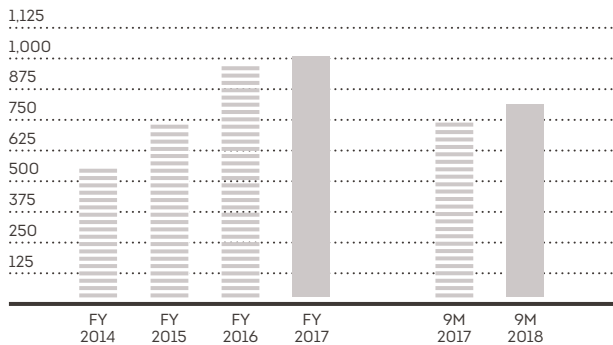
IN MILLIONS OF CHF

MARGIN



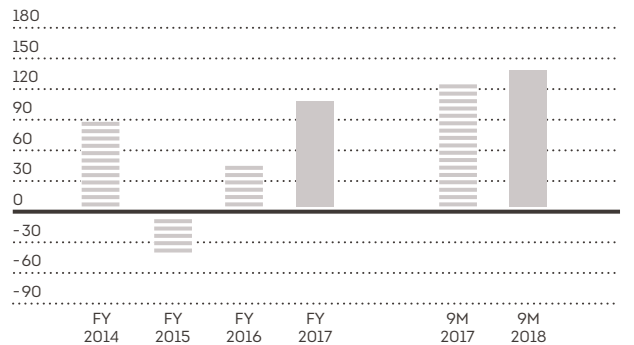
EBITDA¹

IN MILLIONS OF CHF



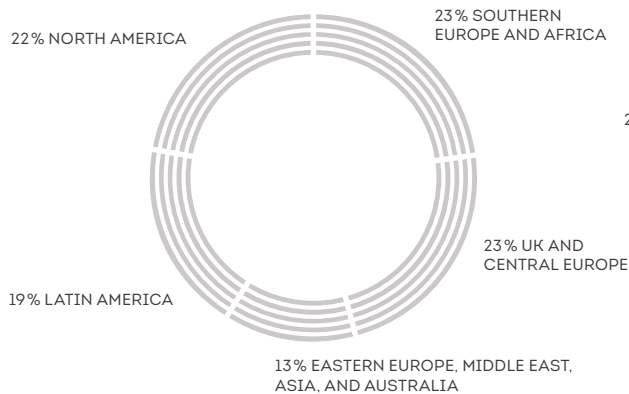
NET EARNINGS

IN MILLIONS OF CHF



¹ EBITDA before other operational result and linearization

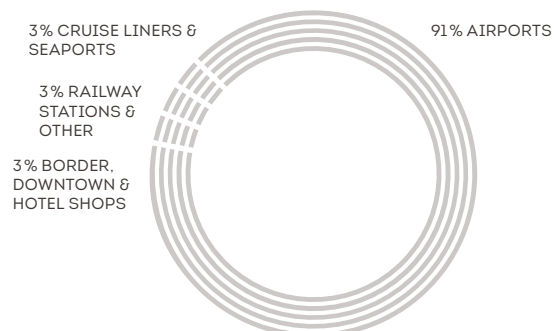
NET SALES BY DIVISION



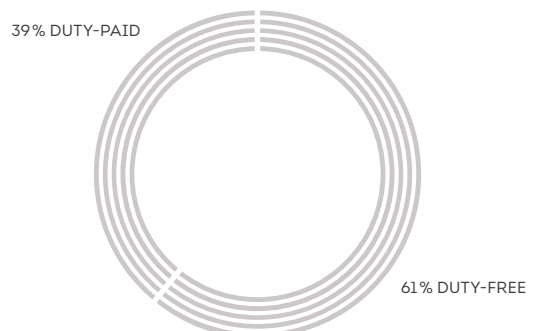
NET SALES BY PRODUCT CATEGORIES



NET SALES BY CHANNEL



NET SALES BY MARKET SECTOR



INTERIM CONSOLIDATED FINANCIAL STATEMENTS SEPTEMBER 2018

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INTERIM CONSOLIDATED INCOME STATEMENT

FOR THE 9 MONTHS ENDED SEPTEMBER 30, 2018

IN MILLIONS OF CHF	NOTE	Unaudited 9M 2018	Unaudited 9M 2017	Unaudited Q3 2018	Unaudited Q3 2017
Net sales	6	6,391.9	6,111.8	2,405.9	2,391.4
Advertising income		168.8	158.7	57.7	57.8
Turnover		6,560.7	6,270.5	2,463.6	2,449.2
Cost of sales		(2,628.3)	(2,544.1)	(981.8)	(997.4)
Gross profit		3,932.4	3,726.4	1,481.8	1,451.8
Selling expenses		(1,942.1)	(1,831.4)	(742.7)	(726.2)
Personnel expenses		(883.2)	(844.7)	(298.3)	(294.3)
General expenses		(303.6)	(304.3)	(100.2)	(101.0)
Share of result of associates		3.0	(2.4)	1.8	2.1
EBITDA¹		806.5	743.6	342.4	332.4
Depreciation, amortization and impairment		(419.4)	(389.0)	(143.2)	(128.8)
Linearization		(27.2)	(35.1)	13.5	11.2
Other operational result		(31.7)	(27.5)	(8.9)	(12.8)
Earnings before interest and taxes (EBIT)		328.2	292.0	203.6	202.0
Interest expenses		(128.4)	(166.4)	(38.9)	(55.4)
Interest income		30.9	25.2	7.5	9.6
Foreign exchange gain / (loss)		(1.9)	8.3	(3.9)	3.2
Earnings before taxes (EBT)		228.8	159.1	168.3	159.4
Income tax	7	(92.4)	(37.1)	(45.6)	(36.5)
Net earnings		136.4	122.0	122.7	122.9
ATTRIBUTABLE TO					
Equity holders of the parent		87.5	84.7	97.1	109.6
Non-controlling interests		48.9	37.3	25.6	13.3
EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT IN CHF					
Basic earnings / (loss) per share		1.67	1.57	1.88	2.03
Diluted earnings / (loss) per share		1.66	1.57	1.87	2.03
Weighted average number of outstanding shares in thousands		52,531	53,779	51,619	53,788

¹ EBITDA before other operational result and linearization

INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE 9 MONTHS ENDED SEPTEMBER 30, 2018

IN MILLIONS OF CHF	NOTE	Unaudited 9M 2018	Unaudited 9M 2017	Unaudited Q3 2018	Unaudited Q3 2017
Net earnings		136.4	122.0	122.7	122.9
OTHER COMPREHENSIVE INCOME					
Actuarial gains / (losses) on post-employment benefits		(0.5)	10.6	1.8	5.2
Deferred income tax		-	(0.8)	(0.2)	(0.4)
Other comprehensive income / (loss) that will not be reclassified to profit or loss in subsequent periods, net of tax		(0.5)	9.8	1.6	4.8
Exchange differences on translating foreign operations		(26.2)	(97.1)	(47.9)	88.0
Net gain / (loss) on hedge of net investment in foreign operations		19.0	59.2	(0.4)	(5.2)
Changes in the fair value of forward exchange contracts held as cash flow hedges		-	(1.6)	-	-
Share of other comprehensive income of associates		0.3	0.3	0.2	0.1
Other comprehensive income / (loss) that may be reclassified to profit or loss in subsequent periods, net of tax		(6.9)	(39.2)	(48.1)	82.9
Total other comprehensive income / (loss), net of tax		(7.4)	(29.4)	(46.5)	87.7
Total comprehensive income / (loss), net of tax		129.0	92.6	76.2	210.6
ATTRIBUTABLE TO					
Equity holders of the parent		69.4	52.9	54.7	191.5
Non-controlling interests		59.6	39.7	21.5	19.1

INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT SEPTEMBER 30, 2018

IN MILLIONS OF CHF	NOTE	Unaudited 30.09.2018	31.12.2017
ASSETS			
Property, plant and equipment		648.5	667.9
Intangible assets		6,264.6	6,598.1
Investments in associates		33.9	33.9
Deferred tax assets		131.1	133.3
Other non-current assets		288.1	338.6
Non-current assets		7,366.2	7,771.8
Inventories		1,098.7	1,022.9
Trade and credit card receivables		76.2	82.5
Other accounts receivable		492.6	508.5
Income tax receivables		46.4	40.1
Cash and cash equivalents	8	525.5	565.0
Current assets		2,239.4	2,219.0
Total assets		9,605.6	9,990.8
LIABILITIES AND SHAREHOLDERS' EQUITY			
Equity attributable to equity holders of the parent		3,055.9	3,130.1
Non-controlling interests		451.0	226.1
Total equity		3,506.9	3,356.2
Financial debt	8	3,538.1	4,165.1
Deferred tax liabilities		438.7	466.8
Provisions		87.2	103.3
Post-employment benefit obligations		39.5	39.4
Other non-current liabilities		77.3	112.9
Non-current liabilities		4,180.8	4,887.5
Trade payables		751.2	644.6
Financial debt	8	75.0	86.8
Income tax payables		88.2	58.1
Provisions		50.5	68.8
Other liabilities		953.0	888.8
Current liabilities		1,917.9	1,747.1
Total liabilities		6,098.7	6,634.6
Total liabilities and shareholders' equity		9,605.6	9,990.8

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE 9 MONTHS ENDED SEPTEMBER 30, 2018

2018 IN MILLIONS OF CHF	NOTE	ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT						TOTAL	NON-CON- TROLLING INTERESTS	TOTAL EQUITY
		Share capital	Share premium	Treasury shares	Employee benefit reserve	Trans- lation reserves	Retained earnings			
Balance at January 1		269.4	4,259.3	(12.5)	(26.9)	(265.5)	(1,093.7)	3,130.1	226.1	3,356.2
Net earnings / (loss)		-	-	-	-	-	87.5	87.5	48.9	136.4
Other comprehensive income / (loss)		-	-	-	(0.5)	(17.6)	-	(18.1)	10.7	(7.4)
Total comprehensive income / (loss) for the period		-	-	-	(0.5)	(17.6)	87.5	69.4	59.6	129.0
TRANSACTIONS WITH OR DISTRIBUTIONS TO SHAREHOLDERS										
Dividends to non-controlling interests		-	-	-	-	-	-	-	(60.1)	(60.1)
Dividends to shareholders		-	-	-	-	-	(198.7)	(198.7)	-	(198.7)
Purchase and sale of treasury shares	9	-	-	(406.3)	-	-	-	(406.3)	-	(406.3)
Profit on disposal of treasury shares		-	-	-	-	-	0.2	0.2	-	0.2
Assignment of treasury shares		-	-	14.3	-	-	(14.3)	-	-	-
Share-based payment		-	-	-	-	-	25.5	25.5	-	25.5
Tax effect on equity transactions		-	-	-	-	-	4.3	4.3	-	4.3
Total transactions with or distributions to owners		-	-	(392.0)	-	-	(183.0)	(575.0)	(60.1)	(635.1)
CHANGES IN OWNERSHIP INTERESTS IN SUBSIDIARIES										
Gain on sale of 42.6 % of Hudson Ltd	5	-	-	-	-	-	433.0	433.0	213.1	646.1
Other changes in participation of non-controlling interests		-	-	-	-	-	(1.6)	(1.6)	12.3	10.7
Balance at September 30		269.4	4,259.3	(404.5)	(27.4)	(283.1)	(757.8)	3,055.9	451.0	3,506.9

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE 9 MONTHS ENDED SEPTEMBER 30, 2018

2017 IN MILLIONS OF CHF	NOTE	ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT							TOTAL	NON-CON- TROLLING INTERESTS	TOTAL EQUITY
		Share capital	Share premium	Treasury shares	Employee benefit reserve	Hedging & revalu- ation reserves	Trans- lation reserves	Retained earnings			
Balance at January 1		269.4	4,259.3	(15.0)	(36.7)	1.6	(250.4)	(1,166.2)	3,062.0	208.6	3,270.6
Net earnings / (loss)		-	-	-	-	-	-	84.7	84.7	37.3	122.0
Other comprehensive income / (loss)		-	-	-	9.8	(1.6)	(40.0)	-	(31.8)	2.4	(29.4)
Total comprehensive income for the period		-	-	-	9.8	(1.6)	(40.0)	84.7	52.9	39.7	92.6
TRANSACTIONS WITH OR DISTRIBUTIONS TO SHAREHOLDERS											
Dividends to non-controlling interests											
		-	-	-	-	-	-	-	-	(34.3)	(34.3)
Assignment of treasury shares											
		-	-	2.5	-	-	-	(2.5)	-	-	-
Share-based payment											
		-	-	-	-	-	-	18.0	18.0	-	18.0
Tax effect on equity transactions											
		-	-	-	-	-	-	(0.3)	(0.3)	-	(0.3)
Total transactions with or distributions to owners		-	-	2.5	-	-	-	15.2	17.7	(34.3)	(16.6)
CHANGES IN OWNERSHIP INTERESTS IN SUBSIDIARIES											
Changes in participation of non-controlling interests											
		-	-	-	-	-	-	0.2	0.2	8.8	9.0
Balance at September 30		269.4	4,259.3	(12.5)	(26.9)	-	(290.4)	(1,066.1)	3,132.8	222.8	3,355.6

INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE 9 MONTHS ENDED SEPTEMBER 30, 2018

IN MILLIONS OF CHF	NOTE	Unaudited 9M 2018	Unaudited 9M 2017	Unaudited Q3 2018	Unaudited Q3 2017
CASH FLOWS FROM OPERATING ACTIVITIES					
Earnings before taxes (EBT)		228.8	159.1	168.3	159.4
Depreciation, amortization and impairment		419.4	389.0	143.2	128.8
Loss / (gain) on sale of non-current assets		2.0	5.4	0.5	0.7
Increase / (decrease) in allowances and provisions		16.1	21.0	(8.1)	19.2
Loss / (gain) on unrealized foreign exchange differences		(8.2)	3.2	(0.2)	20.7
Linearization of concession fees		(16.0)	(3.2)	(27.6)	(24.5)
Other non-cash items		19.4	15.5	3.7	5.2
Share of result of associates		(3.0)	2.4	(1.8)	(2.1)
Interest expense		128.4	166.4	38.9	55.4
Interest income		(30.9)	(25.2)	(7.5)	(9.6)
Cash flow before working capital changes		756.0	733.6	309.4	353.2
Decrease / (increase) in trade and other accounts receivable		59.3	(69.4)	(13.5)	(2.7)
Decrease / (increase) in inventories		(102.7)	(142.2)	(0.6)	29.1
Increase / (decrease) in trade and other accounts payable		137.1	205.1	65.9	40.2
Dividends received from associates		5.7	4.9	5.7	4.9
Cash generated from operations		855.4	732.0	366.9	424.7
Income taxes paid		(81.1)	(69.4)	(29.9)	(27.3)
Net cash flows from operating activities		774.3	662.6	337.0	397.4
CASH FLOW FROM INVESTING ACTIVITIES					
Purchase of property, plant and equipment		(159.6)	(155.5)	(49.7)	(50.2)
Purchase of intangible assets		(28.1)	(62.8)	(7.4)	(15.1)
Net purchase of financial assets		(0.1)	(0.1)	(0.1)	0.6
Purchase of interest associates		(2.6)	-	(2.2)	-
Proceeds from sale of property, plant and equipment		6.5	1.0	3.2	-
Interest received		22.4	19.3	7.6	6.8
Proceeds from sale of interests in subsidiaries and associates		0.2	-	0.2	-
Net cash flows used in investing activities		(161.3)	(198.1)	(48.4)	(57.9)
CASH FLOW FROM FINANCING ACTIVITIES					
Transaction costs for financial instruments		(10.8)	-	-	-
Proceeds from bank loans	8	187.4	416.0	(1.5)	-
Repayment of bank loans	8	(724.4)	(709.9)	(8.7)	(244.0)
Proceeds from / (repayment of) 3 rd party loans payable	8	1.2	0.7	0.6	(1.7)
(Granted) / repayment of 3 rd party loans receivable		1.6	(0.7)	1.1	(1.1)
Dividends paid to shareholders of parent		(198.7)	-	-	-
Dividends paid to non-controlling interest		(55.8)	(34.3)	(38.4)	(12.2)
Purchase of treasury shares		(433.5)	-	(183.3)	-
Proceeds from sale of treasury shares		27.4	-	-	-
Net contributions from / (purchase of) non-controlling interests ¹		669.6	-	2.2	-
Interest paid		(128.6)	(159.1)	(45.5)	(70.4)
Net cash flows (used in) / from financing activities		(664.6)	(487.3)	(273.5)	(329.4)
Currency translation on cash	8	12.1	42.2	(3.6)	12.5
(Decrease) / increase in cash and cash equivalents		(39.5)	19.4	11.5	22.6
CASH AND CASH EQUIVALENTS AT THE					
- beginning of the period		565.0	450.8	514.0	447.6
- end of the period		525.5	470.2	525.5	470.2

¹ Mainly comprises proceeds from sale of a minority share of Hudson Ltd. CHF 665.2 million (see note 5)

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

FOR THE 9 MONTHS ENDED SEPTEMBER 30, 2018

1. CORPORATE INFORMATION

Dufry AG (the Company) is a publicly listed company with headquarters in Basel, Switzerland. The Company is the world's leading travel retail company. It operates around 2,300 shops worldwide. The shares of the Company are listed on the SIX Swiss Exchange in Zürich and its Brazilian Depository receipts on the BM&FBOVESPA in São Paulo.

The interim consolidated financial statements of Dufry AG and its subsidiaries (Dufry or the group) for the period ended September 30, 2018 were authorized for public disclosure in accordance with a resolution of the Board of Directors of the Company dated October 30, 2018.

2. BASIS OF PREPARATION AND CHANGES TO THE ACCOUNTING POLICIES

2.1 BASIS OF PREPARATION

The interim consolidated financial statements for the period ended September 30, 2018 have been prepared in accordance with IAS 34 Interim Financial Reporting.

The interim consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with Dufry's annual financial statements as of December 31, 2017.

2.2 NEW STANDARDS, INTERPRETATIONS AND AMENDMENTS ADOPTED

The accounting policies adopted in the preparation of the interim consolidated financial statements are consistent with those followed in the preparation of the Dufry's annual financial statements for the year ended December 31, 2017, except for the following new or revised Standards and Interpretations adopted in these financial statements (effective January 1, 2018). The impact is disclosed in note 10.

IFRS 9**Financial Instruments** (effective January 1, 2018)

IFRS 9 addresses the classification, measurement and derecognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets.

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

At January 1, 2018, the Group had no financial assets classified as available for sale, held-to-maturity or fair value through OCI (FVOCI). The financial assets and liabilities currently classified as fair value through profit or loss (FVTPL) will continue to meet the criteria for this category as these do not include any non-derivative components. Hence there will be no change to the accounting classification for Dufry's assets and liabilities.

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

The new impairment model requires the recognition of impairment provisions based on expected credit losses (ECL) rather than only incurred credit losses as is the case under IAS 39. It applies to financial assets classified at amortized cost, debt instruments measured at FVOCI, contract assets under IFRS 15 Revenue from Contracts with Customers, lease receivables, loan commitments and certain financial guarantee contracts. Based on the assessments, no significant change in the allowances has been identified, as the company measured the credit risk already in the past based on expected future losses.

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

Based on IFRS 9, more hedge relationships might be eligible for hedge accounting, as the standard introduces a more principles-based approach. The Group has confirmed that its current hedge relationships qualify as continuing hedges upon the adoption of IFRS 9. In addition, the Group started to designate the intrinsic value of foreign currency option contracts as hedging instruments going forward, which until December 31, 2017 have been accounted as derivatives at FVTPL. Changes in the fair value of foreign exchange forward contracts attributable to forward points, and in the time value of the option contracts, will in this case be deferred in new costs of hedging reserve OCI. Thereafter, the deferred amounts will be recycled against the related hedged transaction when it occurs.

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

In 2018, Dufry's disclosures about financial instruments will expand, commenting about changes in nature and extent to comply with the new standard.

Dufry did not identify any cases where the new classifications and measurements of financial assets and financial liabilities as introduced by IFRS 9 had any material impact on the current financial statements. The current valuation and presentation of hedges are aligned with the requirements of IFRS 9. Furthermore the allowances for trade receivables and receivables for advertising services are not expected to increase due to the adoption of IFRS 9 in 2018.

IFRS 15**Revenue from contracts with customers** (effective January 1, 2018)

IFRS 15, revenue from contracts with customers deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognized when a customer obtains control of goods or services and thus has the ability to direct the use and obtain the benefits from the goods or services.

The standard replaces IAS 18 Revenue and IAS 11 Construction contracts and related interpretations. Dufry has analyzed the impact of the standard and has not identified any need for material changes to the current revenue recognition approach.

Dufry considered the following aspects:

(a) Sale of goods

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

(b) Advertising income

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

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

IFRS 2 "Share-based Payment" amendments

The amendments to IFRS 2 "Share-based Payment" will unify the practices regarding:

- the effects of vesting conditions on the measurement of cash-settled transactions,
- the classification of transactions with net settlement features for withholding tax obligations, and
- the accounting where a modification to the terms and conditions of a transaction changes its classification from cash-settled to equity-settled.

IFRIC Interpretation 22 – Foreign Currency Transactions and Advance Considerations

Clarification of the date to be used for the exchange rate on initial recognition of a related asset, expense or income where consideration is paid or received in advance for foreign currency denominated contracts. For each payment the date to be used is the same as the date for the initial recognition of the related non-monetary asset or liability.

Annual Improvements – IAS 28 – Investments in Associates and Joint Ventures

Clarification that the election to measure at fair value through profit or loss is available on an investment-by-investment basis, upon initial recognition.

3. SEGMENT INFORMATION

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

Segment information 9M

IN MILLIONS OF CHF	2018				2017 ^{1,2}			
	TURNOVER			EBITDA*	TURNOVER			EBITDA*
	with external customers	with other divisions	TOTAL		with external customers	with other segments	TOTAL	
Southern Europe and Africa	1,456.3	-	1,456.3	127.6	1,433.9	-	1,433.9	184.1
UK and Central Europe ¹	1,484.0	-	1,484.0	174.5	1,447.6	-	1,447.6	168.8
Eastern Europe, Middle East, Asia, and Australia ^{1,2}	849.5	-	849.5	77.8	746.2	-	746.2	62.5
Latin America ²	1,212.6	-	1,212.6	74.4	1,247.0	-	1,247.0	69.4
North America	1,415.1	-	1,415.1	178.2	1,327.3	-	1,327.3	146.6
Distribution Centers	143.2	1,138.8	1,282.0	174.0	68.5	837.6	906.1	112.2
Total divisions	6,560.7	1,138.8	7,699.5	806.5	6,270.5	837.6	7,108.1	743.6
Eliminations	-	(1,138.8)	(1,138.8)	-	-	(837.6)	(837.6)	-
Dufry	6,560.7	-	6,560.7	806.5	6,270.5	-	6,270.5	743.6

Segment information Q3

IN MILLIONS OF CHF	2018				2017 ^{1,2}			
	TURNOVER			EBITDA*	TURNOVER			EBITDA*
	with external customers	with other segments	TOTAL		with external customers	with other segments	TOTAL	
Southern Europe and Africa	623.2	-	623.2	64.6	657.3	-	657.3	92.8
UK and Central Europe ¹	573.9	-	573.9	75.2	567.7	-	567.7	74.4
Eastern Europe, Middle East, Asia, and Australia ^{1,2}	303.0	-	303.0	29.9	294.0	-	294.0	30.4
Latin America ²	391.3	-	391.3	29.4	427.4	-	427.4	26.6
North America	518.5	-	518.5	75.6	477.8	-	477.8	64.4
Distribution Centers	53.7	438.1	491.8	67.7	25.0	312.0	337.0	43.8
Total divisions	2,463.6	438.1	2,901.7	342.4	2,449.2	312.0	2,761.2	332.4
Eliminations	-	(438.1)	(438.1)	-	-	(312.0)	(312.0)	-
Dufry	2,463.6	-	2,463.6	342.4	2,449.2	-	2,449.2	332.4

* EBITDA before other operational result and linearization

Segment assets and liabilities

IN MILLIONS OF CHF	30.09.2018		31.12.2017 ^{1,2}	
	TOTAL ASSETS	TOTAL LIABILITIES	TOTAL ASSETS	TOTAL LIABILITIES
Southern Europe and Africa	2,185.4	697.8	2,445.4	691.8
UK and Central Europe ¹	2,111.2	537.8	2,298.7	566.1
Eastern Europe, Middle East, Asia, and Australia ^{1,2}	605.7	256.5	627.2	241.3
Latin America ²	1,446.9	303.7	1,786.7	376.6
North America	1,367.1	239.5	1,441.0	233.6
Distribution Centers	1,295.6	407.4	1,014.4	270.8
Total divisions	9,011.9	2,442.7	9,613.4	2,380.2
Unallocated positions	593.7	3,656.0	377.4	4,254.4
Dufry	9,605.6	6,098.7	9,990.8	6,634.6

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

² On January 1, 2018, Dufry set up the Dufry Cruise Services. The 2017 figures have been adjusted accordingly.

4. SEASONALITY

Dufry has its strongest months of turnover and EBITDA between July and September corresponding to the summer time in the northern hemisphere, whereas the first quarter is the weakest. These seasonality effects are more prominent on the result than in turnover.

5. HUDSON IPO

Prior to the completion of the secondary initial public offering, Dufry International AG created Hudson Ltd, a fully owned subsidiary in Bermuda, to hold all the shares of Dufry America Holding, Inc. the parent entity of the Hudson Group (HG), Inc. in the USA and Canada, as well as The Nuance Group (Canada), Inc. the parent entity of WDFG Vancouver LP. All these operations comprise Dufry's North America division.

On January 31, 2018, the initial public offering (IPO) took place in which Dufry International AG offered 42.6% or 39,417,765 Class A common shares of Hudson Ltd at a public offering price of USD 19.00 per share, adding up to a gross income of CHF 697.4 (USD 748.9) million. The underwriting discounts and commissions incurred were CHF 32.2 (USD 34.5) million, resulting in net proceeds of CHF 665.2 (USD 714.4) million. The shares began trading on the New York Stock Exchange on February 1, 2018, under the ticker symbol "HUD". Dufry used the proceeds mainly to reduce the bank debt. The gain of this transaction after transaction expenses amounted to CHF 433.0 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.

On June 28, 2018, Hudson Ltd. granted restricted share unit ("RSU") awards to selected members of management under the Restricted Share Unit Plan Award of 2018 (the "RSU Plan"). The RSU Plan consists of a one-time grant totalling 526.313 RSUs. 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 17.27, (USD 17.39). The RSUs were vested on the grant date and will be settled 50% in first quarter 2019 and 50% in first quarter 2020. Hudson expects to settle such awards by purchasing Class A common shares in the market or by issuing new shares. The expenses related to this award of CHF 9.1 (USD 9.2) million have been recognized through shareholders' equity as these incentives were provided in connection with the successful listing of Hudson Ltd.

6. NET SALES

Net sales by product categories:

IN MILLIONS OF CHF	Unaudited 9M 2018	Unaudited 9M 2017	Unaudited Q3 2018	Unaudited Q3 2017
Perfumes and Cosmetics	2,035.2	1,986.9	763.0	792.2
Confectionery, Food and Catering	1,131.0	1,055.2	425.8	409.7
Wine and Spirits	970.4	947.0	354.2	368.3
Tobacco goods	756.0	697.2	291.7	280.1
Watches, Jewelry and Accessories	461.8	437.4	169.0	168.9
Fashion, Leather and Baggage	376.2	377.9	135.4	139.2
Electronics	138.9	181.2	32.2	64.6
Souvenirs	167.4	155.6	63.0	59.8
Literature and Publications	141.6	148.4	50.4	50.4
Other product categories	213.4	125.0	121.2	58.2
Total	6,391.9	6,111.8	2,405.9	2,391.4

Net sales by market sector:

IN MILLIONS OF CHF	Unaudited 9M 2018	Unaudited 9M 2017	Unaudited Q3 2018	Unaudited Q3 2017
Duty-free	3,930.7	3,763.9	1,437.1	1,461.3
Duty-paid	2,461.2	2,347.9	968.8	930.1
Total	6,391.9	6,111.8	2,405.9	2,391.4

Net sales by channel:

IN MILLIONS OF CHF	Unaudited 9M 2018	Unaudited 9M 2017	Unaudited Q3 2018	Unaudited Q3 2017
Airports	5,780.1	5,580.3	2,186.3	2,174.9
Border, downtown and hotel shops	210.1	199.8	75.6	78.1
Cruise liners and seaports	199.0	145.9	73.3	63.0
Railway stations and other	202.7	185.8	72.7	75.4
Total	6,391.9	6,111.8	2,405.9	2,391.4

7. INCOME TAXES

IN MILLIONS OF CHF	Unaudited 9M 2018	Unaudited 9M 2017	Unaudited Q3 2018	Unaudited Q3 2017
Current income tax	(105.2)	(93.4)	(45.6)	(45.1)
Deferred income tax	12.8	56.3	-	8.6
Total	(92.4)	(37.1)	(45.6)	(36.5)

The deferred income tax for the 9M period of 2018 shows an income of CHF 12.8 million which is CHF 43.5 million lower than in the same period of previous year. The change is primarily generated by group internal restructurings (CHF 14.7m), by changes in estimates in relation to the valuations of previous year deferred tax assets (CHF 12m) and by unfavorable foreign exchange development in certain emerging countries which affected the valuation of deferred tax assets in connection with tax losses carried forward (CHF 11.1m).

8. FINANCIAL DEBT

IN MILLIONS OF CHF	30.09.2018	31.12.2017
Bank debt (overdrafts)	13.0	10.8
Bank debt (loans)	58.3	72.9
Third party loans	3.7	3.1
Financial debt, short-term	75.0	86.8
Bank debt (loans)	1,830.4	2,420.1
Senior Notes	1,695.8	1,737.6
Third party loans	11.9	7.4
Financial debt, long-term	3,538.1	4,165.1
Total	3,613.1	4,251.9
OF WHICH ARE		
Bank debt	1,901.7	2,503.8
Senior Notes	1,695.8	1,737.6
Third party loans	15.6	10.5

BANK DEBT

IN MILLIONS OF CHF	30.09.2018	31.12.2017
Main bank debts	1,840.6	2,433.0
Bank debts at subsidiaries	72.3	87.7
Deferred bank arrangement fees	(11.2)	(16.9)
Total	1,901.7	2,503.8

SENIOR NOTES

IN MILLIONS OF CHF	30.09.2018	31.12.2017
Senior Notes denominated in Euro	1,710.0	1,753.8
Deferred arrangement fees	(14.2)	(16.2)
Total	1,695.8	1,737.6

MAIN BANK CREDIT FACILITIES

IN MILLIONS OF	MATURITY	CURRENCY	CREDIT LIMIT IN LOCAL CURRENCY	DRAWN AMOUNT IN CHF	
				30.09.2018	31.12.2017
Committed short-term financing	03.11.2018	EUR	500.0	-	584.6
Committed 5-year term loan	03.11.2022	USD	700.0	687.3	682.0
Committed 5-year term loan (multi-currency)	03.11.2022	EUR	500.0	562.3	581.8
5-year revolving credit facility (multi-currency)	03.11.2022	EUR	1,300.0	591.0	584.6
Total				1,840.6	2,433.0

On February 9, 2018, Dufry repaid the committed short term loan due on November 3, 2018, with proceeds from the Hudson IPO transaction.

NET DEBT

IN MILLIONS OF CHF	CASH AND CASH EQUIVALENTS	FINANCIAL DEBT CURRENT	FINANCIAL DEBT NON-CURRENT	NET DEBT
Balance at January 1, 2018	565.0	86.8	4,165.1	3,686.9
Cash flows from operating, financing and investing activities	(51.6)	-	-	51.6
Transaction costs for financial instruments	-	-	(0.6)	(0.6)
Proceeds from bank loans, senior notes and 3 rd party loan	-	(4.9)	193.5	188.6
Repayments of bank loans and senior notes	-	(14.1)	(710.3)	(724.4)
Cash flow	(51.6)	(19.0)	(517.4)	(484.8)
Currency translation adjustments	(6.4)	7.1	(53.0)	(39.5)
Unrealized exchange differences on the translation of net debt in foreign currencies	18.5	0.1	(64.5)	(82.9)
Foreign exchange adjustments	12.1	7.2	(117.5)	(122.4)
Arrangement fees amortization	-	-	7.9	7.9
Other non-cash movements	-	-	7.9	7.9
Balance at September 30, 2018	525.5	75.0	3,538.1	3,087.6

9. TREASURY SHARES

	NUMBER OF SHARES	IN MILLIONS OF CHF
Balance at January 1, 2017	100,169	15.0
Assigned within Equity Awards programme	(15,979)	(2.5)
Balance at December 31, 2017	84,190	12.5
Assigned within Equity Awards programme	(97,308)	(14.3)
Share buy-back programme	2,226,788	285.6
Share trading	877,666	120.7
Subtotal	3,007,146	392.0
Balance at September 30, 2018	3,091,336	404.5

10. IFRS 9

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

10.1 CLASSIFICATION AND MEASUREMENT OF FINANCIAL INSTRUMENTS

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

On January 1, 2018 the group's management has assessed which business models apply to the financial assets held by the group at the date of initial application of IFRS 9 (January 1, 2018) and has classified its financial instruments into the appropriate IFRS 9 categories. There was no effect resulting from this reclassification.

The group currently has no financial assets classified as available for sale, held-to-maturity or FVOCI. The financial assets and liabilities currently classified as FVTPL will continue to meet the criteria for this category as these do not include any non-derivatives components. Hence there will be no change to the accounting classification for these assets and liabilities. These reclassifications have no impact on the measurement categories.

On the date of initial application, January 1, 2018, the financial instruments of the group were as follows, with any reclassifications noted:

IN MILLIONS OF CHF	MEASUREMENT CATEGORY		CARRYING AMOUNT	
	Original (IAS 39)	New (IFRS 9)	Original in millions of CHF	New in millions of CHF
Other non current assets	Amortized costs	Amortized costs	136.5	136.5
Derivatives	FVTPL	FVTPL	-	-
Non-current financial assets			136.5	136.5
Trade receivables	Amortized costs	Amortized costs	82.5	82.5
Cash and cash equivalents	Amortized costs	Amortized costs	565.0	565.0
Other receivables	Amortized costs	Amortized costs	246.0	246.0
Derivatives	FVTPL	FVTPL	10.0	10.0
Current financial assets			903.5	903.5
Derivatives	FVTPL	FVTPL	-	-
Current financial liabilities			-	-

10.2 DERIVATIVES AND HEDGING ACTIVITIES

The group's risk management strategies and hedge documentation are aligned with the requirements of IFRS 9 and are thus treated as continuing hedges.

As of January 1, 2018, the group did not designate the intrinsic value of foreign currency option contracts as hedging instruments. These are currently accounted as derivatives at FVTPL.

10.3 IMPAIRMENT OF FINANCIAL ASSETS

The group has two types of financial assets subject to IFRS 9's new expected credit loss model, trade receivables and receivables for advertising services.

Trade receivables

The Group's wholesale business comprises some selected Duty Free partners working in markets not relevant for Dufrey. In order to limit the credit risk, certain customers are provided on prepayment terms only, whereas the rest, which is not very significant, reached an outstanding receivable balance at September 30, 2018 of CHF 57.0 (December 31, 2017: 61.9) million. Among these customers are receivables from associated companies, in which Dufrey has significant influence, with balances at September 30, 2018 of CHF 14.8 (December 31, 2017: 10.5) million. The credit risk assumed for the remaining part is provided based on a long commercial experience with these business partners and are reviewed periodically case by case. The Group provided already in the past the allowances based on the future expected losses as it comprises only few customers.

Receivables for advertising services

The Group expects to recover certain amounts receivables for advertising services from our normal suppliers of merchandise. For completed advertising programs, the amounts are due and invoiced based on contractual terms, for ongoing programs, the amounts are accrued for services rendered. The outstanding receivables at September 30, 2018 amounted to CHF 155.8 (December 31, 2017: 159.1) million. We consider that the credit risk in relation with these balances is limited due to the ongoing business relationships with these suppliers. The allowance on these receivables is reflecting uncertainties in relation with the achievement of certain thresholds (accruals), which will only be confirmed in the future. The balances are reviewed every month on an individual basis, to ensure that the future potential negative adjustments at balance sheet date do not exceed the allowance raised.

11. PRINCIPAL FOREIGN EXCHANGE RATES APPLIED FOR VALUATION AND TRANSLATION

IN CHF	AVERAGE RATE	CLOSING RATE		TRANSACTION RATE
	9M 2018	30.09.2018		31.01.2018
1 USD	0.9726	0.9819		0.9312
1 EUR	1.1611	1.1400		1.1568
1 GBP	1.3138	1.2797		1.3218
IN CHF	9M 2017	30.09.2017	31.12.2017	
1 USD	0.9834	0.9680	0.9743	
1 EUR	1.0950	1.1438	1.1692	
1 GBP	1.2545	1.2969	1.3170	



To the Board of Directors of
Dufry AG, Basel

Basel, 30 October 2018

Report on the review of interim consolidated financial statements



Introduction

We have reviewed the interim consolidated financial statements (income statement, statement of comprehensive income, statement of financial position, statement of cash flows, statement of changes in equity and notes, pages 4 to 19) of Dufry AG, Basel for the period from 1 January 2018 to 30 September 2018. The Board of Directors is responsible for the preparation and presentation of these interim consolidated financial statements in accordance with International Financial Reporting Standard IAS 34 "Interim Financial Reporting". Our responsibility is to express a conclusion on these interim consolidated financial statements based on our review.



Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.



Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim consolidated financial statements are not prepared, in all material respects, in accordance with International Financial Reporting Standard IAS 34 "Interim Financial Reporting".

Ernst & Young Ltd

Christian Krämer
Licensed audit expert
(Auditor in charge)

Philipp Baumann
Licensed audit expert