ANNUAL REPORT 2017

DUFRY

WorldClass.WorldWide.

FOCUS STORY

MEMORABLE CUSTOMER SHOPPING EXPERIENCE WITH THE NEW GENERATION STORE:

read the focus story on the digital strategy on page 30 – 35.

DUFRY GROUP – A LEADING GLOBAL TRAVEL RETAILER

DUFRY AG (SIX: DUFN; BM&FBOVESPA: DAGB33) IS A LEADING GLOBAL TRAVEL RETAILER OPERATING OVER 2,200 DUTY-FREE AND DUTY-PAID SHOPS IN AIRPORTS, CRUISE LINES, SEAPORTS, RAILWAY STATIONS AND DOWNTOWN TOURIST AREAS.

DUFRY EMPLOYS OVER 29,000 (FTE) PEOPLE. THE COMPANY, HEADQUARTERED IN BASEL, SWITZERLAND, OPERATES IN 64 COUNTRIES ON ALL FIVE CONTINENTS.

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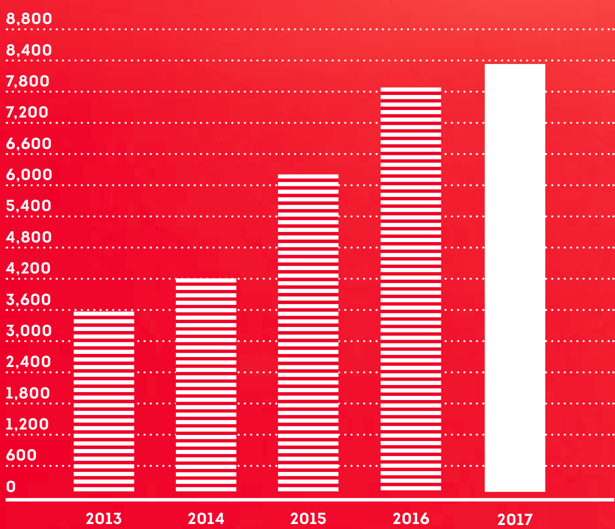
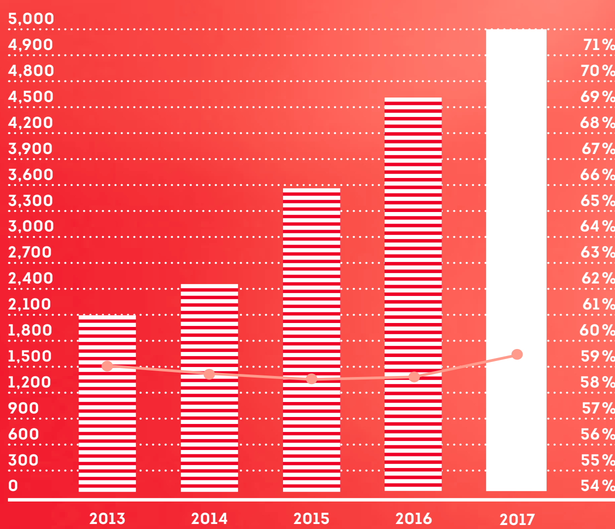
DUFRY
AT A GLANCE

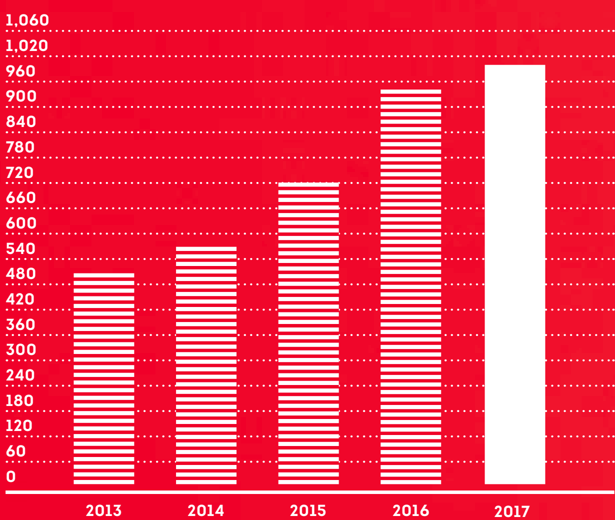
TURNOVER
IN MILLIONS OF CHF



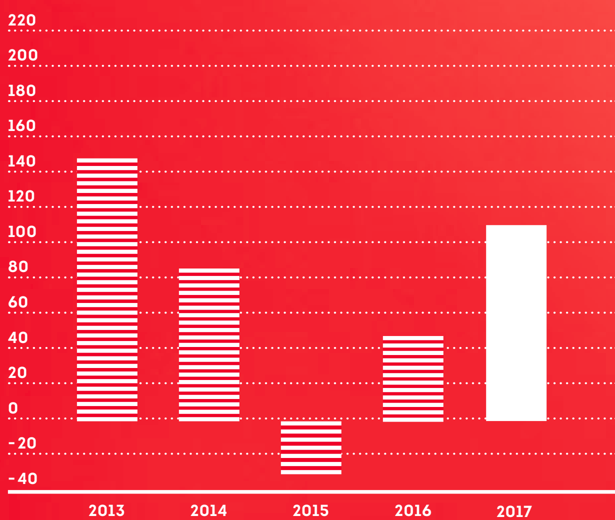
GROSS PROFIT
IN MILLIONS OF CHF MARGIN



EBITDA[1]
IN MILLIONS OF CHF

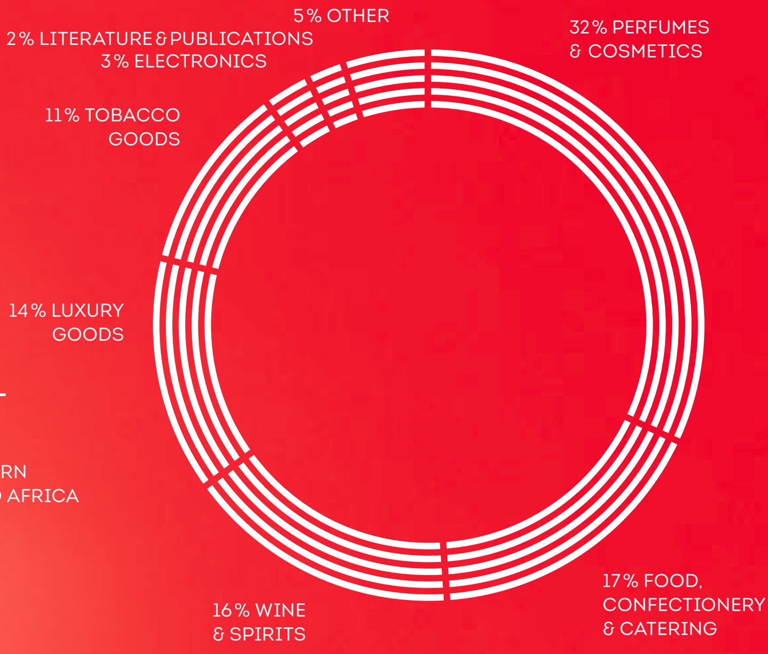


NET EARNINGS
IN MILLIONS OF CHF

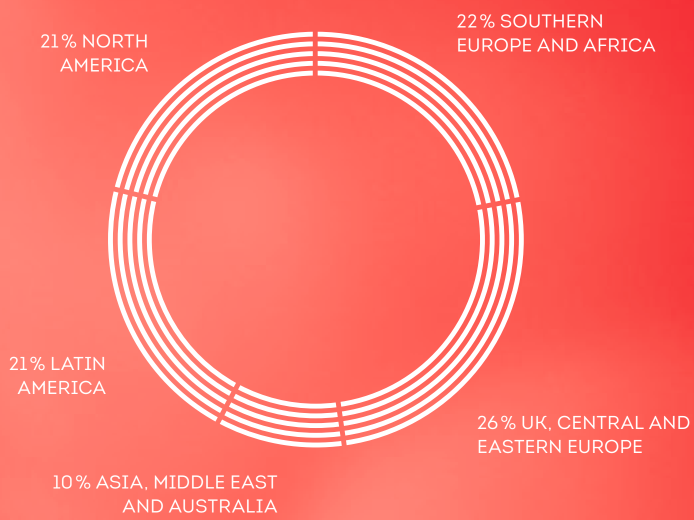


[1] EBITDA before other operational result

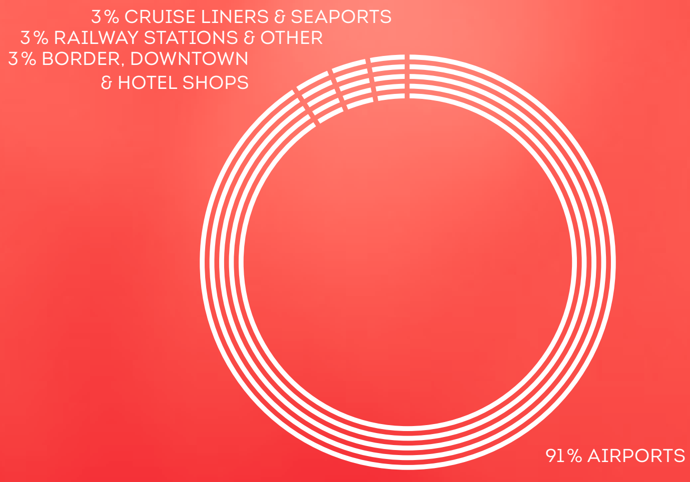
NET SALES BY PRODUCT CATEGORY 2017



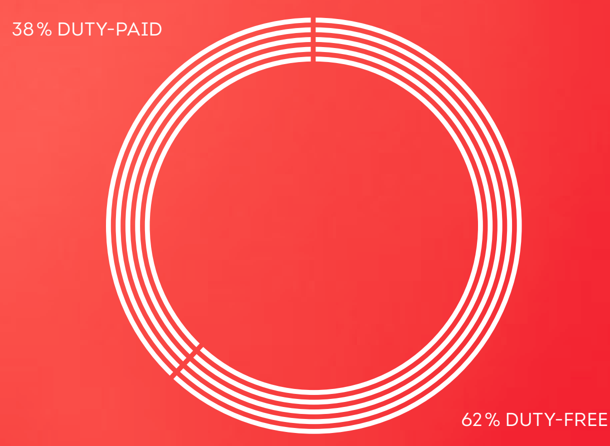
NET SALES BY DIVISION 2017



NET SALES BY CHANNEL 2017



NET SALES BY MARKET SECTOR 2017



HIGHLIGHTS 2017

STRONG ORGANIC GROWTH

Organic growth accelerated to 7.4 % in 2017, the highest in 5 years.

SUCCESSFUL INITIAL PUBLIC OFFERING OF HUDSON LTD.

Dufry has successfully executed the Initial Public Offering (IPO) of its North America division. The IPO will allow Hudson Ltd. to further adapt to the market specificities in the United States and Canada and also seek opportunities beyond traditional travel retail.

CSR REPORTING FURTHER DEVELOPED

Dufry prepared a report in accordance with the Core Option of the Global Reporting Initiative (GRI) Standards.

SYNERGIES OF WORLD DUTY FREE EXCEEDED EXPECTATIONS

The synergies of the World Duty Free integration have exceeded the expectations by 20 % and the full amount of CHF 125 million has been fully reflected in the 2017 financials.

ONGOING STRONG FREE CASH FLOW GENERATION

Dufry has again proven the company's strong free cash flow generation capability, which is one of the sustainable strengths of the company.

IMPORTANT CONCESSIONS RENEWED AND NEW CONTRACTS ADDED

In 2017 Dufry has not only renewed important concessions, but has also won several new contracts across geographic regions and reflecting different channels.

BUSINESS OPERATING MODEL

In 2017 the implementation of the new business operating model has been launched in 19 countries, of which 10 have already successfully gone through certification.

FOUR NEW GENERATION STORES ALREADY LAUNCHED

The launch of the New Generation Stores in Madrid, Melbourne, Cancun and Zurich mark a new era of shop design.

MESSAGE FROM THE CHAIRMAN OF THE BOARD OF DIRECTORS

DEAR SHARE-HOLDERS

The business year 2017 was characterized by consolidation and the delivery of very good results. Having finalized the integration of our most recent acquisitions, in 2017 we succeeded in fully reflecting the World Duty Free synergies in our financials, and returned to sustainable organic growth. These achievements positively impacted our overall performance, which saw us reaching very good results and record levels of turnover and EBITDA as well as a considerable increase in Cash EPS.

Additionally, in January 2018, we announced our new organizational structure, which aims to foster shareholder value through growth acceleration and digital transformation. And on top of all, we executed the initial public offering (IPO) of our North American business unit under the name Hudson Ltd. in February 2018.

Record levels of turnover and EBITDA.

I want to first comment on the IPO of Hudson Ltd., which we started to develop in 2017 and launched in early 2018. This strategic initiative allows us to best capture the opportunities of the North American travel concessions market and complementary retail environments. By positioning Hudson Ltd. as publicly listed company we can provide the entity with the necessary flexibility to adapt to the unique North American market requirements.

From a Group perspective, we will continue to retain the majority participation and to fully consolidate the company. The proceeds of the IPO will allow us to accelerate our deleveraging plans and take – including the deleveraging achieved through our free cash flows in 2017 – our main covenant net debt / adjusted EBITDA to below 3.00x as compared to 3.69x at the end of December 2016.

Hudson IPO to provide flexibility for the North American business.

Financially, we saw our turnover climbing to CHF 8,377.4 million, an increase of 7.0 % versus 2016 and resulting in a new all-time high. EBITDA grew at a similar pace reaching CHF 1,007.1 million, equal to an increase of 7.7 % on the previous year. The ongoing strong free cash flow generation – of CHF 467.0 million – allowed us to further deleverage and to reduce net debt in 2017 by a total of CHF 63.5 million.

Last but not least, we successfully completed the restructuring of our financing structure. While at the end of 2016 we had early repaid USD 500 million Senior Notes, in 2017 we early repaid another EUR 500 million Senior Notes, issued a new EUR 800 million Senior Notes in October and ultimately, in November, concluded the refinancing of our main bank credit facilities. In aggregate these changes will result in an interest cost reduction of around CHF 50 million per annum going forward.

Our market capitalization at December 31, 2017, amounted to CHF 7.8 billion, compared to CHF 6.8 billion one year earlier. Daily trading volumes on all platforms reached CHF 86.7 million, confirming the good liquidity of our shares. SIX Swiss Exchange remains the

437,000 m^2

Dufry operates over 437,000 m^2 of retail space.

most important trading venue for Dufry shares, despite the fragmentation of the trading volumes onto other stock exchanges. As is our tradition, we had a continuous dialogue with our shareholders and the financial community in close to 900 meetings, conference calls and emails.

In 2017 we saw some change in our shareholder structure. However, our long-term shareholders, such as Travel Retail Investments, Qatar Investment Authority, Richemont and Norges Bank, representing around 35 % of our share capital, continue to strongly support Dufry through active participation. We look forward to assess opportunities with our shareholders to jointly develop our businesses.

Long-term shareholders continue to support Dufry.

In the year under review, we have also been indicating our intention to start returning cash to shareholders as part of our capital allocation strategy. In this context, the Board of Directors wants to reinstall regular dividend payments and will propose a dividend for the business year 2017 to the Annual General Meeting of Shareholders, to be held in Basel on May 3, 2018.

Within our engagement to further develop our CSR reporting and based on the materiality matrix presented in 2016, we have added further KPI's allowing us to track our performance on non-financial topics and prepared a report in accordance with the Core Option of the Global Reporting Initiative (GRI) Standards. Going forward we intend to continue to further develop our reporting following these guidelines.

Advancing on CSR Reporting.

As part of our community engagement we continued supporting disadvantaged children around the world and assisting communities in markets where we operate. It is now the 8th year that we supported the funding of the SOS Children's village initiatives in Brazil, Russia and Mexico. Moreover, in 2017 we have endorsed community projects in many other parts of the World such as Haiti, Jamaica, Burma, United Kingdom, Unites States and Africa.

This year, I would also like to highlight an internal support initiative where employees of the Dufry Group around the World have made a collection to support our colleagues affected by hurricanes and earthquakes in the Caribbean Islands, Mexico and the United States. The company has contributed by matching the collected amounts.

Fostering our community engagement.

Last but not least, we have provided ongoing support for the United Nation's Global Goal awareness-raising campaign #YouNeedToKnow. We have deployed the campaign within our shops in 34 airports around the world and reached an audience of over 52 million people traveling through these hubs in 2017.

2017 has been a year of tremendous work for our management and employees, who contributed with a high degree of motivation and dedication to further develop Dufry. I thank them for their daily efforts. I also thank our suppliers, landlords and business partners for their ongoing support and trust in our longstanding relationships. We also extend our thanks to our shareholders and bondholders who repeatedly foster our common vision to further develop Dufry as a World-Class.WorldWide. company.

Sincerely,

Juan Carlos Torres Carretero

STATEMENT OF THE CHIEF EXECUTIVE OFFICER
DEAR ALL

In 2017, we have achieved most of our objectives for the year and with our overall positive performance we have delivered good results in all our divisions. We also made considerable improvements in three defined key areas such as accelerating organic growth, increasing cash generation and reducing our debt.

We progressed with the implementation of the new Business Operating Model (BOM) and started to deliver on the implementation of the digital strategy with the opening of the first four New Generation Stores. We will continue to execute on these initiatives in 2018 and we will remain focused at operational level in order to further improve our organic growth; drive our cash generation to strengthen our debt position and to expand our operational margins to improve our performance going forward.

Focus on organic growth, cash generation and deleveraging.

From a financial perspective Dufry achieved again a strong set of results, despite the high comparison base of the previous year's second semester. While our turnover increased by 7.0% and reached CHF 8,377.4 million, our EBITDA came in at CHF 1,007.1 million, equal to an improvement of 7.7% on the previous year. We also succeeded again to confirm our sustainably strong cash generation, with the free cash flow amounting to CHF 467.0 million. A remarkable result, which allowed us to further reduce our net debt during 2017 by CHF 63.5 million in total.

Broad operational progress
We saw the full amount of CHF 125 million synergies generated by WDF's acquisition reflected in the 2017 financials. This is a considerable achievement as the synergies we extracted exceeded our original expectations of CHF 105 million – a positive result achieved through the in-depth know-how of our integration teams and their focused approach to thoroughly and continuously analyze further potentials.

Synergies from the WDF acquisition fully reflected in 2017.

After having completed the World Duty Free integration ahead of the initial plan, we started with the implementation of the new Business Operating Model (BOM) in early 2017. The BOM is structured in three operational levels – country, division, headquarter – all supported by global functions – and aims at standardizing processes, introducing best practices across the Group and in general at further aligning the way we work together as a company. This setup allows for fast response to market requirements, while securing efficient coordination across the whole organization. The implementation is being executed in several waves, always involving a certain number of countries and spanning cross-divisions. In 2017, we have launched the BOM process in 19 countries, of which 10 have already passed internal certification reaching the expected efficiencies and well adapting to the new way of working. Our aim is to deliver CHF 50 million of extra EBITDA on a full year basis as soon as all BOM initiatives will be globally implemented.

2,200

Dufry is a real global player operating over 2,200 shops throughout all continents.

Organic growth for the full year 2017 reached 7.4%, which is a considerable improvement compared to the previous year. This positive result is even more remarkable as the comparison base was higher. We saw our growth developing positively in all divisions, which is an excellent sign for the health of our business and the effectiveness of our diversification strategy.

Organic growth of 7.4% in 2017.

In order to drive organic growth operationally, we have intensified the deployment of our marketing initiatives at global scale. Besides global promotions, which have already proven their effectiveness in the previous year, we have intensified the bilateral collaborations with specific suppliers as part of the brand plan. The collaboration with e.g. Lindt to develop a specific product for Dufry and to promote it exclusively at our shops has proven to be a great concept, generating additional sales both for the brand partner and for Dufry. The same strategy has been applied with Edrington, whose Highland Park single malt whisky limited edition, consisting of only 540 bottles, was marketed exclusively in the World Duty Free shops in the UK.

Securing future business through expansion and refurbishment of retail space

In 2017, we successfully secured future business by further increasing our retail space, extending important concessions and winning new contracts, thus once more underlining the resilience of our industry.

The expansion of the gross retail space in 2017 amounted to 30,000 m^2, with North and Latin America accounting for the largest part, followed by Asia, Middle East and Australia and then Southern Europe and Africa. Moreover, we currently already have 15,500 m^2 of signed space to be opened in 2018 and 2019.

Important contract winnings and extensions.

This was first achieved by adding new locations to our global footprint, which is also an important step, when it comes to offering our brand partners a global window display to showcase their products and brands. The newly won concessions well reflect our strategy to consider multiple channels with captive traveler or visitor audiences, which go beyond our main presence in airports. Among the most relevant ones there is the considerable expansion of our cruise ship business with the new JOY contract, which is the first vessel of Norwegian Cruise Lines having been built exclusively for the Chinese market and mainly sailing the Asian seas. Moreover, we signed a new concession with Carnival Corporation to operate shops on board the Carnival Sensation and the Carnival Valor.

With the new concession in Bogotá, Colombia, we added one of the most important markets in Latin America; and we also expanded our portfolio in the United States with Raleigh Durham airport among others. Last but not least, the newly won concession in Kuala Lumpur, Malaysia, in the Genting Highlands, adds another downtown operation to our portfolio.

The second key element of business development was the early renewal and extension of contracts. The highlight in 2017 was the 30 year contract signed with Fraport covering fourteen regional airports in Greece. Among the most important extensions there is the

Swedavia contract in Sweden covering the concessions for seven airports; we also renewed the Malta concessions as well as the contracts for the Brazilian airports of Brasilia and Natal. Last but not least, we successfully extended our concessions in Las Vegas, Liverpool, Jersey (Channel Islands) and Macao.

Moreover, we continued to deploy our shop refurbishment plan, as this is one of the most effective measures to drive sales within a given retail space. The total retail space refurbished amounted to over 32,000 m² in over 70 shops across all our divisions. In this context it is worth mentioning our refurbishments done in Athens (Intra-Schengen), Milan, Vancouver, Los Angeles, Cancun, Madrid and Guadeloupe as well as in Heathrow, Gatwick and Melbourne.

Digital Strategy – Enhancing customer experience to drive sales

In order to accelerate our adaptation to the changing environment and to further increase our conversion rate – i.e. converting travelers into customers – we want to improve the way we engage with our customers. What we are aiming at, is to communicate to our customers more and more often, but also to enhance their shopping experience and to foster the brand engagement. Besides an intensified market research effort, our digital strategy is therefore built on three major elements, which allow us to connect with our customers from the moment they plan their trip until they get back to their home airport.

Improving the communication with customers through digitalization.

The key element of the digital strategy is the new generation store, of which we have successfully launched the first three in Melbourne, Madrid and Cancun during 2017, followed by Zurich airport in early 2018. The new generation stores enchant customers and provide a completely new shopping experience as the shops communicate with customers in different languages and adapt promotions and marketing campaigns to match the customer profiles and nationalities present at the airports at any given time of the day.

The new generation store also includes the employee digitalization element, which consists of tablets to better serve customers with product information and to send personalized promotions to holders of our customer loyalty program "RED by Dufry" app present at the airport. We have considerably intensified the rollout of RED by Dufry in the year under review; it is currently available in close to 100 locations. Finally, in order to allow customers to order online and pick-up their goods when departing or upon arrival we have further expanded our Reserve & Collect service network to 47 airports around the globe.

Favorable business environment and internal efficiencies to be expected going forward

The positive market conditions seen throughout 2017 have continued in the first months of 2018, thus providing a good base for the start into the new reporting year. The same applies to passenger growth, one of our main growth drivers, which shows ongoing strong development in 2018. We will also start to benefit from the efficiencies of the BOM implementation, which will be building up as of the second quarter 2018.

Positive conditions seen in 2017 continued in early 2018.

We remain committed to our strategy of profitable growth and the results seen for 2017 are evidence that we are heading in the right direction. Also in 2018, we will continue to drive organic growth with our defined marketing initiatives, the deployment of the digital strategy, the brand plan and the refurbishments as well as the support of the currently 15,500 m² of new space being opened in 2018 and 2019. From a more financial perspective, we will still focus on cash generation and on deleveraging as well as keeping our tight cost control.

New Organization to foster shareholder value delivery

Early in 2018, we announced the new simplified group organization, which will further improve the speed of decision making, thus allowing us to be closer to the market. We also want to drive efficiencies and to focus on delivering shareholder value, in particular through acceleration of growth supported by our digital transformation.

With the new organization we are ready to capture future opportunities and further increase profitability. For further details on the composition of the new

Global Executive Committee reduced in size, please refer to page 19 and / or to the section Corporate Governance respectively on page 227 of this report.

> New organization will allow for capturing further opportunities.

Seeking additional growth opportunities in North America
With the Initial Public Offering of our North American business under the name of Hudson Ltd., listed on 1 February 2018 at the New York Stock Exchange, we want to best position the new entity to access additional growth opportunities in the United States and Canada.

As market fundamentals in North America differ as compared to other markets and as also the industry shows a somewhat different trajectory, the North American business needs additional strategic and operational flexibility. As we know that both food and beverage as well as master concessionaire capabilities will become more relevant in North America going forward, we will increase and further develop our skills in these respective business areas with a view to also further drive growth in our traditional retail business and thus provide landlords the same high-level service standard, they have been experiencing through the past decades.

Thank you
2017 was again a very intense year with a high workload for our teams. Besides managing the daily business and driving the implementation of the BOM throughout the whole year, in the second semester 2017 we started to work on the assessment of the Initial Public Offering (IPO) of Hudson Ltd, which required additional dedication and time-allocation for some of our headquarter teams and our colleagues in the United States. Thus, it is a key priority for me to thank all our colleagues and teams across all functions and operations for their strong contributions and their engagement to accomplish our common goals set for the past year.

I also want to thank our suppliers, landlords and business partners for their ongoing support in further developing Dufry. We have seen a very positive increase in the level of collaboration along the value chain of travel retail, which we consider to be the key element of our further mutual success. We are looking forward to continue developing this path of collaboration and will strongly support related initiatives by suppliers and landlords.

Last but not least, I thank our Board of Directors and shareholders for their ongoing support, trust and contributions in making Dufry even more WorldClass. Worldwide.

Best regards,

Julián Díaz González

OUR ORGANIZATIONAL STRUCTURE – GLOBAL EXECUTIVE COMMITTEE

Chief Executive Officer
Julián Díaz González

Deputy Chief Executive Officer
Jose-Antonio Gea

Chief Financial Officer
Andreas Schneiter

Chief Corporate Officer
Luis Marin

Chief Executive Officer – Operations and Strategy
Eugenio Andrades

General Counsel
Pascal Duclos

Global Marketing and Digital Innovation Director
Javier Gonzalez

BOARD OF DIRECTORS MEMBERS

1 Jorge Born
2 Heekyung (Jo) Min
3 George Koutsolioutsos
4 Claire Chiang
5 Juan Carlos Torres Carretero

6 Julián Díaz González
7 Andrés Holzer Neumann
8 Joaquín Moya-Angeler Cabrera
9 Xavier Bouton

GLOBAL EXECUTIVE COMMITTEE MEMBERS

1 Andreas Schneiter
2 Javier Gonzalez
3 Eugenio Andrades
4 Pascal C. Duclos

5 José Antonio Gea
6 Julián Díaz González
7 Luis Marin

DUFRY'S INVESTMENT CASE

MARKET LEADER

Dufry is the undisputed market leader in the travel retail industry.

Over 20 % market share in airport retail, and more than twice the size of its next competitor.

GLOBALLY DIVERSIFIED CONCESSION PORTFOLIO

Dufry is the most diversified travel retailer with operations on all five continents, covering 64 countries and over 390 locations.

Geographic diversification allows Dufry to capture global growth trends of the travel retail industry and to mitigate any potential local event.

Exposure to single contracts and markets has been reduced significantly over the years.

390

Over 390 locations operated by Dufry worldwide

UNIQUE WINDOW DISPLAY FOR GLOBAL BRANDS

Global player, with over 2,200 shops operated in 64 countries on all continents.

Offering global brands a unique market access and window display.

8 YEARS

Over 8 years of remaining average concession lifetime of highly diversified portfolio

LONG-TERM CONCESSION PORTFOLIO

Long-term concession portfolio further enhanced through recent renewal of important concessions, such as Zurich, São Paulo, Rio de Janeiro, Cancun, Birmingham, Melbourne, etc.

Solid partner for landlords and airport authorities.

Dufry is a reliable partner delivering outstanding results for airports through a vast offering of unique shop concepts.

STRONG FREE CASH FLOW GENERATION

Free cash flow of CHF 467.0 million in 2017.

Low capital intensity of the business allows for a strong cash generation and fast deleveraging.

6%

6% p.a. average global passenger growth expected for the next 5 years

FAST GROWING INDUSTRY

Average passenger growth of 6% p.a. in the coming years will drive Dufry's organic growth.

Affluent customer base, with above average spending power.

GLOBAL "PURE PLAY" IN A GROWING INDUSTRY

Dufry is the only listed "pure play" to participate in the growing travel retail industry.

Dufry's organic growth to be further fueled by increasing spend per passenger and net new concessions.

OUR STRATEGY
CREATING VALUE THROUGH PROFITABLE GROWTH

Over the last decade, Dufry emerged from a small player to the leading position in travel retail, an industry with a turnover of USD 64 billion in 2016. Through a combination of organic growth and acquisitions, we have reached a market share of 13 % in travel retail. When looking more specifically at airport retail, which makes up more than 90 % of our business, we increased our share from 3 % in 2005 to currently over 20 %.

Our leading position is the result of a remarkably rapid expansion. In the last ten years turnover grew on average by 19 % in constant currencies. Our strategy is founded in our goal to best serve our clients. By developing and improving our services at shop level and throughout the value chain, we aim to continuously improve their shopping experience. One topic, on which we are currently working particularly hard, is the digitalization of our shops, which aims to make shopping at our stores an experience to be remembered.

Focus on customer experience and retail excellence generates value for all stakeholders

Dufry, and travel retail in general, are at the center of three very important and distinct industries: retail, airport and consumer goods industries. Addressing the different requirements from this position is critical to generate value for all our stakeholders. Nevertheless, our approach is simple: we focus on best servicing our customers.

This clear focus ultimately creates a winning formula for all stakeholders: by providing customers with an unrivalled shopping experience; by opening the doors for suppliers to a fast growing group of affluent customers; by fully exploring the commercial potential for landlords; and ultimately by creating value for Dufry shareholders.

For our customers, we aim to create a memorable shopping experience by constantly improving our shops and developing our best-in-class retail formats, and by creating innovative promotions and marketing initiatives. Our team of sales representatives will receive travelers with a big smile introducing them to the world of travel retail, while providing them with detailed product information – increasingly supported by the latest digital technology.

Equally important for Dufry is to provide travelers with a singular sense of place. Our shops will combine the well-known assortment of global brands and products with a special local touch which differentiate our shops worldwide, wherever they may be – at airports, seaports, railway stations or borders – and irrespective of whether they are duty-free or duty-paid. A selection of our main retail concepts can be found from page 36 through 45 of this report.

We offer a memorable shopping experience.

Demographics play a big role in our business and changes in customer profiles and preferences can occur rapidly. For this reason Dufry sets high priority on consumer intelligence, both from internal operational information and through external research. We constantly track customer behavior at our shops and use our market insights to continuously fine-tune our offering and not only match but exceed the expectations of our clients.

To suppliers we offer the biggest access to the ever more attractive travel retail, through our more than 2,200 shops in over 390 locations in 64 countries. In addition to the business that we can generate with the suppliers, our shops offer them an unrivalled worldwide window display to promote their brands and products to an affluent consumer segment.

Dufry works closely with brands to offer customers the right products at the best price, giving special attention to promotional campaigns and marketing initiatives at our shops.

Landlords get the highest productivity of their retail areas, maximizing their revenues when working with Dufry. We offer the full range of retail concepts which are adapted and customized to the specific location. Moreover, Dufry provides access to the most comprehensive portfolio of global and local brands. In a nutshell, landlords benefit by optimizing their overall business and by offering attractive commercial spaces to their passengers.

Geographic diversification to maximize opportunities and mitigate risks

Dufry is today not only the market leader in travel retail, but by far also the most diversified industry player, with operations in 64 countries, on all five continents. Geographic diversification is of key importance to our strategy for a number of reasons: first, it is the best way to benefit from the ever growing number of travelers worldwide; second, as a global organization, we can efficiently develop new business opportunities; third, major global brands can offer their products via a truly global travel retailer and fourth, it is a very effective approach to mitigate risks.

Diversification is a key aspect of our strategy.

Our global presence allows us to quickly and better evaluate new projects nearly everywhere, capitalizing on the expertise of our local teams. This local perspective helps to accurately evaluate opportunities, gives us a clear understanding of the local market characteristics and allows to closely collaborate with landlords and other local business partners to effectively develop new businesses.

Moreover, being geographically diversified considerably mitigates risks generated by external impacts in single markets or regions. This diversification is best

GLOBAL PRESENCE

A full list of locations is available on pages 66 and 67

illustrated by the share any individual concession has in the total Group. With the largest concession accounting for about 7% of our business, and with the ten biggest ones representing less than 35% of 2017 sales, Dufry has no significant exposure to single contracts.

Profitable growth and focus on returns
At Dufry, we have a disciplined financial approach in all our new projects, be it organic or acquisitions. We carefully analyze every project or significant investment with detailed projections and with a view on minimum return requirements. This implies a careful assessment of the original investment needed to build and set up the store as well as the cost structure and profitability of the business once it is operational. This culture of focusing on returns and cost control has allowed us to grow our business profitably and to capture opportunities in many different markets.

Further to the steady increase in passenger numbers over time and our financial discipline, we minimize business risks by implementing a highly variable cost structure. These defensive characteristics help to protect the business in case of downturns, which usually are local, thus providing a solid and resilient profile.

High free cash flow generation.

The combination of Dufry's solid profitability and the low capital intensity results in high levels of cash generation, particularly for a retailer. With the current size of the Group and the full implementation of our new business operating model, we expect to further improve our cash flow generation capability. Going forward we will use the cash generated to return it to shareholders as well as to do small or mid-sized acquisitions.

Dufry's growth path going forward
Dufry has achieved an impressive 19% CAGR turnover growth in the past ten years (on constant exchange rates), to which organic growth contributed 4% and acquisitions 15%.

While acquisitions added most to our growth in the past, we expect organic growth to play a more important role going forward. Supported by the growth of passenger numbers – the most important driver of our business – we will focus on driving sales through the implementation of best-in-class shop concepts and new digital technologies which will be complemented with the proven marketing and promotion activities that we have used and fine-tuned over the years. Furthermore, we expect to grow through additional retail space, be it through expanding in existing locations or by winning new concessions in further airports or new businesses.

Despite the consolidation seen in travel retail over the last years, the industry remains relatively fragmented, with the top 10 players controlling just over half of the market and the remaining market being covered by small and medium sized operators. We expect to be able to capitalize through M&A on such small and mid-sized opportunities that may arise in the future, with a focus on Asia and the Middle East or bolt-on acquisitions that complement our presence in existing markets.

Offering the best retail experience for international and domestic travelers in multiple channels
Dufry currently generates about 62% of its revenues in duty-free and 38% in duty-paid operations with both sectors continuing to offer substantial growth opportunities. At Dufry, we traditionally have had a strong project pipeline, which has allowed us to grow our retail space in different channels of both sectors. On the duty-free side, the airport channel is expected to continue to be the largest and fastest growing part of our business. In addition, we do see additional potential by further developing the cruise ship business, duty-free border shops and downtown duty-free in selected markets.

Passenger growth is a key driver in travel retail.

The duty-paid sector has a considerable development potential in airports as well, since the expected growth of domestic passengers is similar to the one for international travelers. Furthermore, this sector is even more fragmented than duty-free, thus offering attractive new expansion opportunities.

One of our main initiatives is the international roll-out of our successful duty-paid retail concepts, Hudson and Dufry Shopping, which have been implemented in selected markets and which have the potential to be deployed further. Hudson is a well-established convenience store concept that has been very successful in North America in the past 30 years and which we have deployed in 15 countries so far since 2009. Dufry Shopping is a duty-paid concept that offers a high quality assortment of international brands in an exclusive setting, similar to a duty-free travel retail store, but targeted to domestic passengers. In 2014 we ran a pilot of Dufry Shopping in Brazil where we achieved strong first results and was quickly expanded to other 7 locations in the country. The newest and first Dufry Shopping store outside Brazil was opened in 2017 at Las Vegas McCarran International Airport. Based on the positive results achieved so far, we are convinced that this concept can also be successful in other markets globally.

Our strategy is supported by strong and resilient industry fundamentals
Travel retail is a fast growing industry driven by ongoing growth in number of passengers.

Global passenger numbers are currently expected to grow by at least 6 %, per annum, which translates into a potential of over 500 million new customers for the industry. This intrinsic growth perspective is a unique advantage of travel retail compared to any other location-based retail channel. Industry specialists expect this trend to continue, thus providing a resilient driver for travel retail going forward. The growth potential is further increased by the development of innovative commercial concepts with landlords and brands alike. Dufry's ambition is to deliver excellence in execution while driving change in the way the travel retail industry operates. We believe that being market leader also means to be at the forefront of this development.

Seizing the opportunities of digitalization
As in many other industries, digitalization will change the way business is done in travel retail. At Dufry, we are excited about the new possibilities and opportunities that new technologies offer. Therefore digitalization is and will be a key element in our strategy going forward.

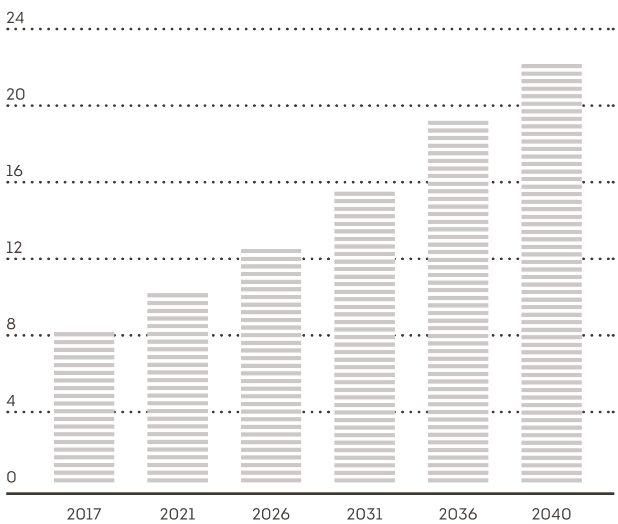
For Dufry, digital technology represents a tool to support and evolve a strong business model to the next level to continuously improve our offer to the captive audience we have in travel retail. As customers come to our stores, while they are waiting to board the plane, train, ship or are enjoying their stay in a casino or hotel environment, they also enjoy strolling through the shops. Therefore sales are generated by impulse decisions and immediate needs, which to a very high extent protect travel retail from direct competition by online platforms.

To maximize the attraction to enter our stores we want to create additional value by providing a superior customer experience and a more efficient business. Thus the use of digital and online technology will change our business in three major areas: how we communicate with our customers, how we sell products and how we organize our processes and the value chain.

Digitalization offers us new possibilities and opportunities.

In detail this means that we will firstly be increasing personalized communication with customers at home, during their whole journey, and in particular when they are in the proximity of our shops. Secondly, we will digitalize the shops to increase the conversion rate and to simplify in-store processes, such as product consulting, payments, individual promotions etc. Thirdly, we will further improve customer services and individualize product offers for specific customer profiles. See also the Focus Story on our digital strategy on the following pages.

LONG-TERM PASSENGER FORECAST
IN BILLIONS OF PASSENGERS



Source: ACI 2017 / World Airport Traffic Forecast 2017 – 2040.

FOCUS STORY

In 2017, Dufry opened the first three New Generation stores in Madrid (Spain), Melbourne (Australia) and Cancun (Mexico), followed by Zurich (Switzerland) in early 2018. The new generation store interacts with the passengers travelling through airports according to their profiles during the day and communicates with them in their respective language, while offering them their favorite brands and promotions.

MEMORABLE CUSTOMER SHOPPING EXPERIENCE WITH THE NEW GENERATION STORE


Nossa prioridade
é que você leve a
melhor recordação
ckIN2U
ck


Productos exclusivos
para viajeros
como tú
BAILEYS
The ORIGINAL

FOCUS STORY
NEW GENERATION STORES THE ULTIMATE EXPERIENCE

USING DIGITAL TECHNOLOGY TO ENGAGE WITH CUSTOMERS
The newest trends in customer behavior and shopping habits show that today's customers want to enjoy memorable shopping experiences which increasingly must provide a sense of individuality and tailor-made offers.

Staying connected with customers.

To best fulfill these dynamic and fast-changing requirements and to ultimately drive sales, Dufry is accelerating the use of digital technologies in three ways: by increasing the number of communication touchpoints to stay connected with customers during the whole span of their trip; through the digitalization of the shops to improve the flexibility & targeting of communications to customers; and finally, by increasing online services for customers such as Reserve & Collect and the loyalty program RED by Dufry.

RED
By DUFRY

Dufry makes use of several tools to enhance the shopping experience inside and beyond the stores, including our reserve and collect service, and our loyalty program RED by Dufry.

New Generation Store – featuring individualized in-store communication
To communicate flexibly and to adapt our marketing to specific nationality groups at airports is a key success factor to attract customers to the stores. With the use of the digital signage technology, in-store communication can be varied throughout the day to match language, offers and promotions to match the passenger profiles according to the flight schedules and the peak arrival / departure times of specific nationalities and airlines. By addressing three core principles – communication, entertainment and emotion – we can elevate the in-store experience in our new generation stores by delivering exciting, engaging and appealing communications. At the same time, we provide brand partners with an unrivalled opportunity to feature their brands in a very unique immersive concept in an exclusive environment involving digital messaging and display, promotional activities and event possibilities.

In this context Dufry already opened four new generation stores so far (Madrid, Melbourne, Cancun, Zurich), all of them featuring an extensive use of digital technology to communicate with the changing nationalities and customer profiles traveling during the day by engaging all five of senses – express-

Dufry's new generation store elevates the shopping experience to a whole new level as the shop dynamically adapts to customers through its digital elements. At the same time it offers more possibilities for suppliers to advertise their brands.

ing how the brand looks, sounds, smells, feels and even tastes.

Staff digitalization
A sales tablet has been developed for use by our in-store specialists to help guide customers directly to the products they want to buy. Providing an enhanced customer service on the shop floor, the tablet offers detailed information on our assortment in a range of languages. With the information at the fingertips of both sales person and customer, it provides a new tool to interact with the customer and a real opportunity for up-selling and cross-selling.

Reserve & Collect Services around the globe
Dufry has considerably expanded the number of shops offering Reserve & Collect services globally. Customers can explore individual store offerings and plan their purchases at leisure by reserving their favorite products while they are still at home. Apart from saving time when being at the airport, they can benefit from our promotions, learn about key store events, new launches as well as travel retail exclusives and best sellers. Last-but-not-least customers are even invited to decide when to pick up their selection on departure, or if available, upon return in the arrival shops. The Dufry corporate website www.dufry.com/shopping leads the customer directly to the individual Reserve & Collect shop homepages where the service is available and offers additional information. Reserve & Collect is currently available in 47 locations.

RED by Dufry – unique customer benefits
Dufry's loyalty program is tailored to travelers and offers our customers attractive benefits such as free parking, lounge access and fast track privilege just to name a few. With the dedicated RED by Dufry

47

Reserve & Collect is currently available in 47 locations.

app, customers will receive individualized offers and promotions when they are at the airport, allowing them to benefit from special offers and travel related services such as flight times and allowance updates for all countries worldwide. RED by Dufry has its own dedicated website www.redbydufry.com/benefits/ which offers detailed information on our loyalty program and the amazing customer benefits it includes.

Sales representative making use of digital tools to enhance customer service.

Individualized marketing and promotions.

FURTHER ENHANCING CUSTOMER EXPERIENCE

Dufry has already a long track-record on enhancing customer experience with contentainment initiatives and shop events to make airport shopping a unique experience. Among the most successful ones we would like to highlight two examples:

Magic mirror

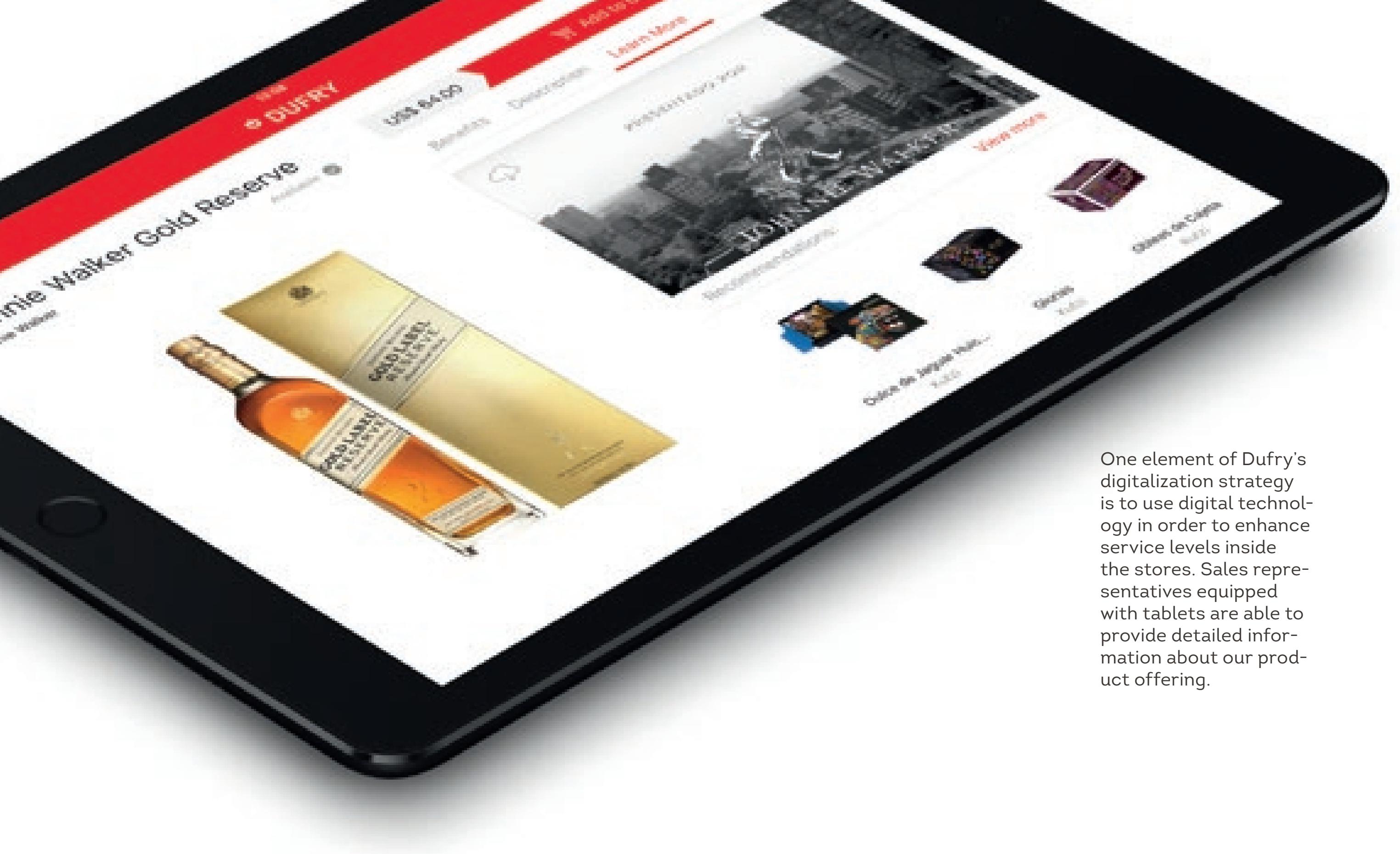
Magic mirror is an interactive fitting-room mirror that acts as a personal stylist, suggesting matching accessories to go with the items of clothing being tried on by the shopper. This is used for a range of products from shirts or ties to watches, sunglasses and even make-up.

Assistant hologram

The digital assistant hologram is a "virtual assistant", which can interact with travelers in different languages and reinforces the stores' marketing communications via video content that highlights specific promotional items.

CONTINUOUS DEVELOPMENT

As technology development moves at such a fast pace, we are always looking for the next technology step or trend that we can utilize in-store to engage and entice our customers to actively shop. We work with multiple technology agencies to ensure we are able to take advantage of global technology trends, thus staying at the forefront of innovation.



One element of Dufry's digitalization strategy is to use digital technology in order to enhance service levels inside the stores. Sales representatives equipped with tablets are able to provide detailed information about our product offering.

DUFRY'S DIGITALIZATION STRATEGY WILL MOVE TRAVELLERS SHOPPING EXPERIENCE TO ANOTHER LEVEL

GENERAL TRAVEL RETAIL SHOPS

The general travel retail shop concept is the most common concept at airports, as it carries a large selection of different items and covers the full range of product categories, such as perfumes & cosmetics, food & confectionery, wines & spirits, watches & jewelry, fashion & leather, tobacco goods, souvenirs, electronics and other accessories.

These shops are typically located in central areas with high passenger flow, mostly in airports, but also in seaports and other locations. Both departure and arrival areas can be fitted with this shop concept. As of December 31, 2017, Dufry operated over 700 shops under the General Travel Retail concept. In the duty-free segment, these shops can be recognized by the several retail brands in our portfolio, including Dufry, Nuance, World Duty Free, and Hellenic Duty Free among others.

In 2017 Dufry opened its first three New Generation stores in Madrid (Spain), Melbourne (Australia) and Cancun (Mexico); followed by one in Zurich (Switzerland) in early 2018. The new generation store is an innovative evolution of the general travel retail shop as it increases the level of communication with the consumer, by making use of cutting edge digital technology. Learn more about Dufry's new generation store in our Focus Story on page 30.


GIORGIO ARMANI
GUERLAIN
GIVENCHY
smashbox
bareMinerals
NARS
O·P·I

DUFRY SHOPPING

Dufry shopping was created with the intention to offer domestic passengers a similar shopping experience in a duty-paid environment as the one offered to international travelers in a classic duty-free shop. Thus, this new retail concept is a general travel retail shop for domestic passengers, which offers a core category assortment comparable to a duty-free shop.

At our Dufry Shopping stores, domestic passengers are presented with the same retail excellence they normally find in international terminals, with a great variety of products from the most prestigious brands combined with the best customer service. There are a number of countries where domestic travelers account for the majority of passengers, particularly in large countries such as China, the United States and Brazil, thus offering additional potential to internationalize this concept.

The concept was first introduced in Brazil, in 2014 and was quickly expanded to other 7 locations in the country. In 2017 the concept debuted in the United States, with the opening of a Dufry Shopping at Las Vegas McCarran International Airport.


ANEIRO
DUFRY SHOPPING
RED
DUFRY
SHOPPING
AQUI VOCÊ PODE
COMPRAR SEMPRE!
10x sem juros*
LANCÔME
SELEÇÃO
ESPECIAL
CAIXAS
SHISEIDO
Dior

BRAND BOUTIQUES

Brand boutiques enhance the traveler's retail experience and allow the creation of an exciting shopping mall environment. Dufry is a partner of choice for global brands to showcase their products in singular retail spaces and to mirror their high street image; e.g. Burberry, Bally, Bvlgary, Carolina Herrera, Chopard, Coach, Desigual, Dunhill, Emporio Armani, Ermenegildo Zegna, Etro, GAP, Hermès, Hugo Boss, Kiehl's, Lacoste, L'Occitane, MAC, Marc O'Polo, MCM, Michael Kors, Montblanc, Pandora, Paul & Shark, Pinko, Polo Ralph Lauren, Salvatore Ferragamo, Shang Hai Tang, Shang Xia, Superdry, Swarovski, Thomas Pink, Tommy Hilfiger, Tumi, Versace or Victoria's Secret. As of December 31, 2017, Dufry operated over 150 Brand Boutiques. Dufry represents the world's most prestigious luxury brands. See the full list of brands on page 73.

To best meet each location's traveler profile, we design these shops as standalone boutiques or integrate them as a shop-in-shop in our general travel retail stores. Brand boutiques exist in both duty-free and duty-paid areas.


VICTORIA'S SECRET

CONVENIENCE STORES

Our Convenience Stores offer a wide assortment of products ranging from soft drinks, confectionery, packaged food, travel accessories, electronics, personal items or souvenirs, to publications such as newspapers, magazines and books.

Within this concept, we have different retail brands, which are used according to the profile of the passengers in a given location. Hudson is our most important brand in this universe with an outstanding recognition from passengers. As “The Traveler’s Best Friend”, our goal at Hudson is to provide passengers with anything they may need during their journey.

Hudson is a very flexible concept for Dufry, which is successfully operated at airports in both international and domestic areas, as well as in other channels such as railway stations and other transit locations. Hudson shops are captive and comprehensive through whimsical, color-coded signage to attract customers’ attention to our four distinct selling areas: Media, Marketplace, Essentials and Destination.

North America is home of most of our convenience stores, with over 500 shops; while over 150 convenience stores are operated outside North America.

SPECIALIZED SHOPS

Specialized stores and theme stores are shop concepts that offer products from a variety of different brands belonging to one specific product category or which convey a sense of place. We use this concept often for products such as watches & jewelry, sunglasses, spirits, food or destination merchandise and in locations where we see a strong potential for a shop to carry a broad product range relating to only one specific theme. As of December 31, 2017, Dufry operated over 650 shops under the Specialized Shops / Theme Stores concept.

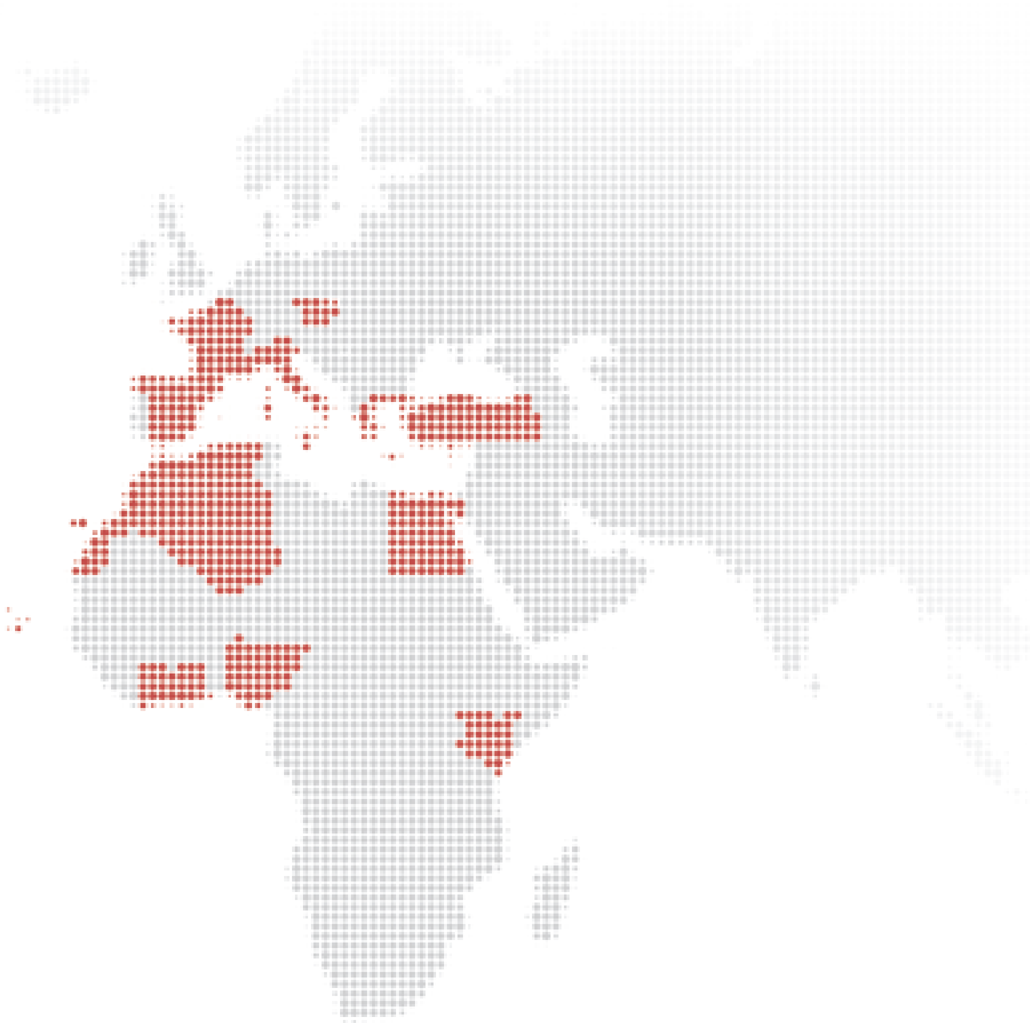
Examples of the shop concepts names include "Colombian Emeralds International", a dedicated watches & jewelry format used in the Caribbean market; "Dufry Do Brasil" for local Brazilian goods; "Kids Works" with its wide selection of toys, dolls, games, books and apparel for children; or "Tech on the Go" focusing on the needs of the tech-oriented traveler offering electronics and accessories.

Further examples are "Sun Catcher" for sunglasses; "World of Whiskies" for a selection of finest single malt or blend whiskies; "Master of Time" for luxury watches and jewelries; "Sound & Vision" for multi-brand electronics; "Temptation & Timebox" for fashion watches and accessories as well as "Travel Star" for luggage and travel aid products and finally "Atelier", a women's leather accessories store.

These shops can be located in airports, seaports, on-board cruise liners, as well as in hotels or downtown locations.

cts only available i
TEQUILERIA
EXCLUSIVE
1921

SOUTHERN EUROPE AND AFRICA



ALICANTE
MYKONOS ATHENS NICE
ACCRA BERGAMO CALAIS THESSALONIKI
BARCELONA TOULOUSE VERONA
CHANIA CORFU
CASABLANCA FEZ KARPATHOS
HERAKLION
SANTIAGO DE COMPOSTELA GENOA CAIRO NIKI
GRANADA
IBIZA KALAMATA FLORENCE
KRYSTALLOPIGI KOS LANZAROTE JEREZ LA PALMA
LAS PALMAS DE GRAN CANARIA MADRID ALGIERS
MYTILINI
MURCIA
MALAGA MARRAKECH TENERIFE
PIRAEUS SAMOS NAPLES SANTORINI
SEVILLA FUERTEVENTURA PROMACHONAS PALMA DE MALLORCA
PIZA KAYSERI BILBAO
MILAN RHODES ANTALYA
VALENCIA POINTE-À-PITRE
MALTA

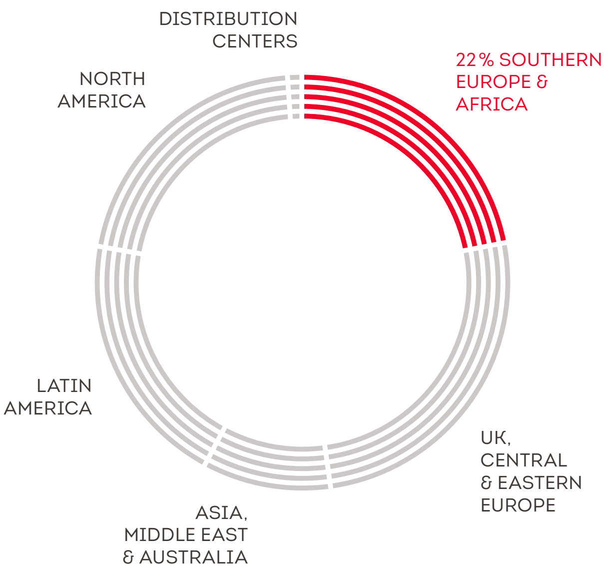
Strong growth in the World's most important tourist destination
Dufry is the market leader in the Mediterranean, which is the world's most important touristic region. Moreover, Dufry is the main duty-free operator in important popular destinations such as Spain and Greece. We are also present in the South of France and in Italy as well as in Northern Africa and in Antalya, Turkey. With this portfolio, Dufry captures major travel flows in this key geographical area. Division 1, headquartered in Madrid, also includes all African operations of Dufry in Cape Verde, Egypt, Algeria, Ghana, Ivory Coast, Kenya, Morocco and Nigeria as well as our business in Malta and our partnership in Portugal. In total, the division comprises over 120 locations in 14 countries in Southern Europe and Africa.

2017 marked a strong return of the Turkish and Greek operations both featuring a robust growth driven by the return of Russian travelers, which had been missing in the previous year. Moreover, Africa had a fantastic year driven by new concessions and expansions in Morocco, Egypt and Kenia.

Besides expanding in Africa, the region saw important concession wins and contract extensions. Among the new contracts, the highlight was the agreement signed with Fraport for operating duty-free and duty-paid shops at 14 Greek regional airports, followed by the new concession won at the Toulouse airport in France and the successful extension of the Malta concession.

From an operational perspective it is worth mentioning the opening of one of the first New Generation Stores at Madrid Terminal 4 airport.

PORTION OF TURNOVER 2017



KEY REPORTED DATA 2017

Number of shops	406
Sales area in m²	104,523
Employees in FTE	5,338

TURNOVER

1,858 IN MILLIONS OF CHF

1

1

1 **LISBON | LISBON INTERNATIONAL AIRPORT**
Dufry operates over 3,500 m² at the airport in a joint ventured with VINCI. In 2017 the main departure shops at the airport were completely revamped and expanded.

2

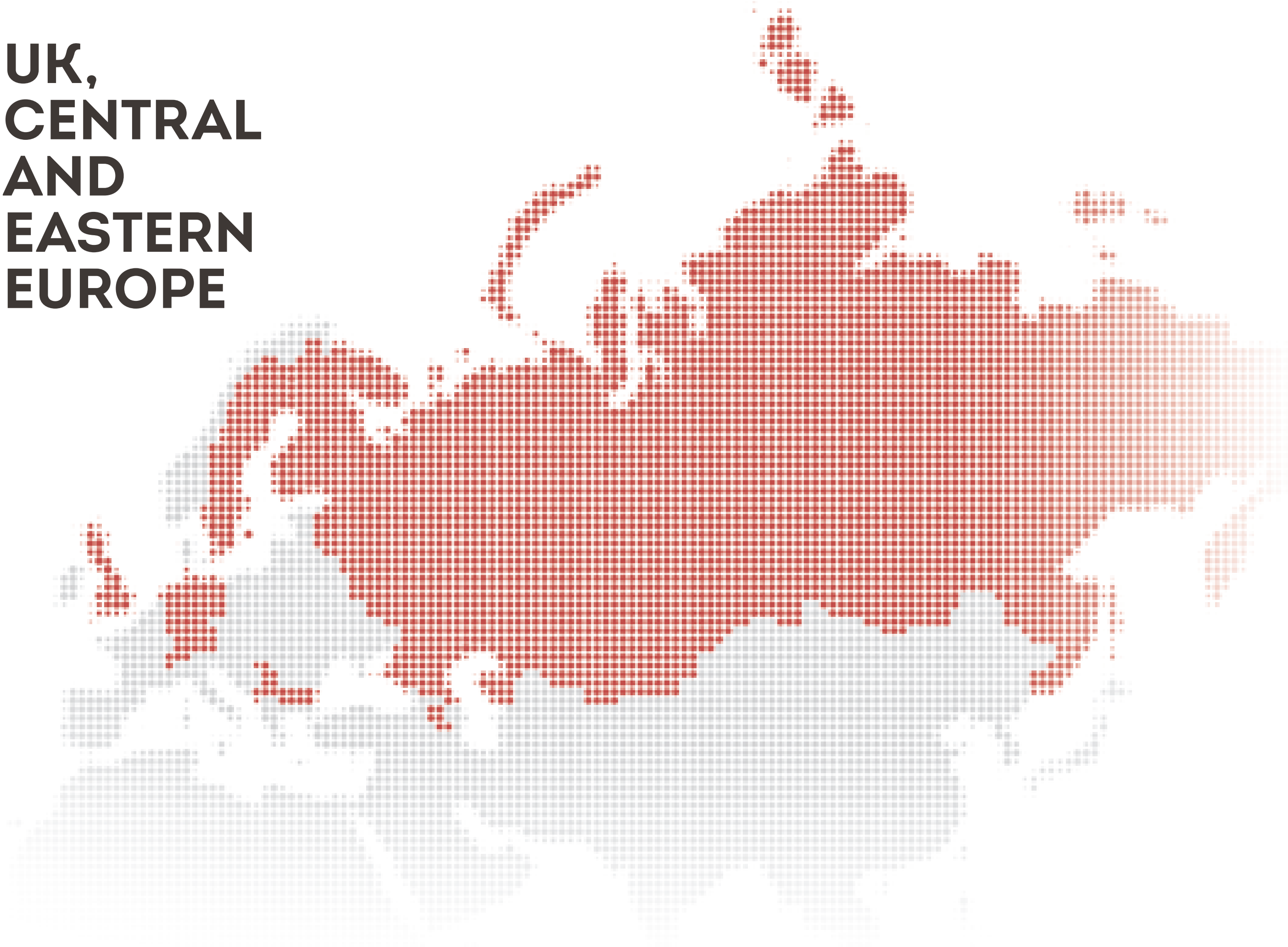
1

3

2 **ATHENS | ATHENS INTERNATIONAL AIRPORT**
After the full refurbishment of the extra-Schengen area of the airport in 2016, the shops in the intra-Schengen area also saw a complete refurbishment.

3 **MADRID | MADRID INTERNATIONAL AIRPORT**
The airport is home of one of Dufry's first New Generation Store. The digital approach and closeness to the customer marks a new era of shop design in travel retail.

UK, CENTRAL AND EASTERN EUROPE



ASTANA
BASEL-MULHOUSE
EDINBURGH
DUSSELDORF
BIRMINGHAM
CARDIFF
STANSTED
JÖNKÖPING
YEREVAN
LIVERPOOL
LONDON
BURGAS
SUNDSVALL
MANCHESTER
NORRKÖPING
BELGRADE
MOSCOW
SKELLEFTEÅ
SHERWOOD FOREST
HAMBURG
STOCKHOLM
UMEÅ
VISBY
ÖSTERSUND
ST PETERSBURG
ZURICH
KALMAR
HELSINKI
WHINFELL FOREST
WOBURN FOREST
GLASGOW
SAINT PETER
VARNA

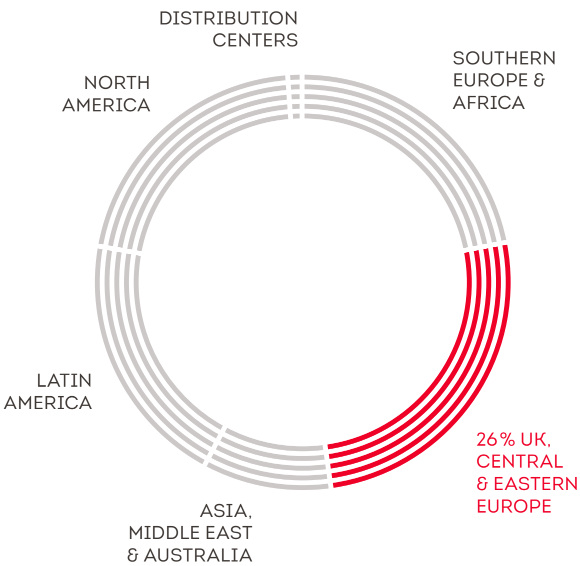
Ongoing positive performance along with important contract extensions

Headquartered in London, Division 2 comprises all our operations in the North of Europe, including the United Kingdom, Switzerland, Scandinavia and Russia. The division features operations in over 60 locations in 11 countries and a broad variety of customer nationalities from mature and emerging markets with both tourist and business travelers.

In 2017, the division reported an ongoing strong sales performance in the United Kingdom fueled by an unchanged growing tourist inflow to the United Kingdom and despite the annualization of the devaluation of the British Pound after the Brexit vote. We also saw a positive performance in most Central and Northern European operations. In the year under review, Dufry secured its stronghold in the UK for a number of years with several contract extensions such as Jersey (Channel Islands), Aberdeen, Southampton, Glasgow and Liverpool. Equally important is the extension of the Swedavia contract in Sweden, which includes 8 airports across Sweden.

The division also presented a very dynamic refurbishment performance. At Zurich airport, all main shops at departures and arrivals have been refurbished under our New Generation Store concept. In the United Kingdom, important operations have also been revamped: Gatwick and Manchester airports saw its main shops being completely renovated.

PORTION OF TURNOVER 2017



KEY REPORTED DATA 2017

Number of shops	285
Sales area in m²	80,148
Employees in FTE	5,356

TURNOVER

2,147 IN MILLIONS OF CHF

1

1

2

1 **LONDON | GATWICK AIRPORT**
All main shops at Gatwick airport went through a complete renovation and now bring all new trends in travel retail.

2 **STOCKHOLM | STOCKHOLM AIRPORT**
Main duty-free shop operated by Dufry at Stockholm Arlanda international airport. Overall our operations at the airport cover close to 4,000 m² of retail space.

3

3

4

3 **MOSCOW | SHEREMETYEVO AIRPORT**
Dufry's Master of Time concept operated at Terminal E of Sheremetyevo airport showcases a wide range of watches from the most prestigious brands.

4 **ASTANA | ASTANA INTERNATIONAL AIRPORT**
Dufry's operations at Astana International Airport cover close to 800 m^2, including a general travel retail store and Taste of Kazakhstan shop, showcasing local products.

ASIA, MIDDLE EAST AND AUSTRALIA

KUWAIT
BUSAN BANGALORE
HONG KONG
CANBERRA
SINGAPORE PHNOM PENH CHENGDU
MELBOURNE
MARKA SIEM REAP AMMAN
COLOMBO SHANGHAI
SHARJAH FUZHOU AQABA
MACAU

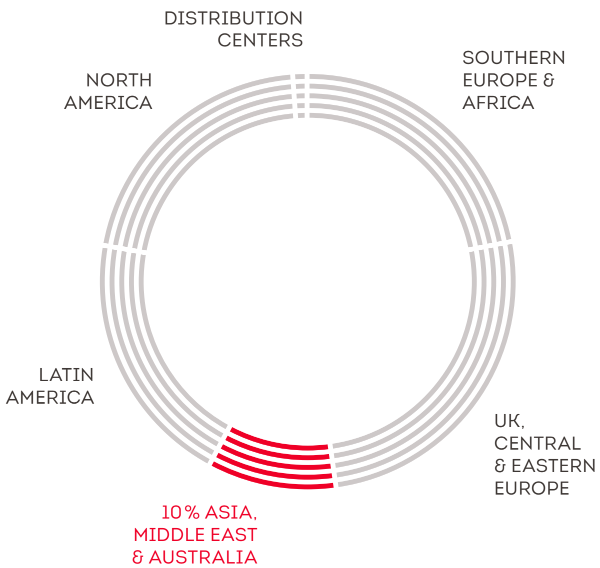
Important contract renewals and renovations in a strategic fast growing region
Asia and the Middle East is a strategic growth area for Dufry, as the region is still very fragmented from a travel retail perspective and features the highest current and prospective passenger growth globally. With its presence in 19 locations in 11 countries Dufry is already today the most international travel retailer in the region and features the highest number of operations.

Headquartered in Hong Kong, Division 3 includes locations such as the United Arab Emirates, Jordan and Kuwait in the Middle East; Australia, Hong Kong, Macao, Singapore, Indonesia, Cambodia, India and Sri Lanka, as well as China and South Korea in Asia-Pacific. Building on this well diversified portfolio, it is our goal to further expand our presence in Asia.

In 2017, we saw a positive performance in most of our locations – among these also our Korean operation in Busan – and in particular a gradual pickup of our operations in Hong Kong and Macao. Dufry also extended its footprint both with new duty-free and duty-paid operations. Our duty-paid travel convenience concept Hudson has been introduced to the Chinese market at the beginning of the year under review with 15 Hudson Travel Essentials Convenience Bookstores opened at the Chengdu airport and 4 shops at the Fuzhou airport. Moreover, Dufry won a duty-free concession in Malaysia to operate a store at the Genting Highlands, an Integrated Resort owned by the Genting Group and located in the Titiwangsa Mountains, northeast of Kuala Lumpur.

Further, we have also extended the prestigious ATRIUM contract at the Macau Venetian Hotel for another seven years. Most importantly for the division was the opening of the fully refurbished Melbourne operation, where we have installed the world-wide second New Generation Store, which offer travelers an unseen shopping experience.

PORTION OF TURNOVER 2017



KEY REPORTED DATA 2017

Number of shops	121
Sales area in m²	29,801
Employees in FTE	2,439

TURNOVER

809 IN MILLIONS OF CHF

1

1

1

1 MELBOURNE | MELBOURNE AIRPORT
Melbourne Airport was one of the first airports to receive Dufry's New Generation Store, a revolutionary concept which makes use of digital technology to enhance customer experience at the stores.

2

2

2 **SHARJAH | SHARJAH INTERNATIONAL AIRPORT**
Dufry completed in early 2018 its extensive store renovations at Sharjah International Airport to create a state-of-the-art walkthrough retail space covering close to 1,800 m^2.

LATIN AMERICA

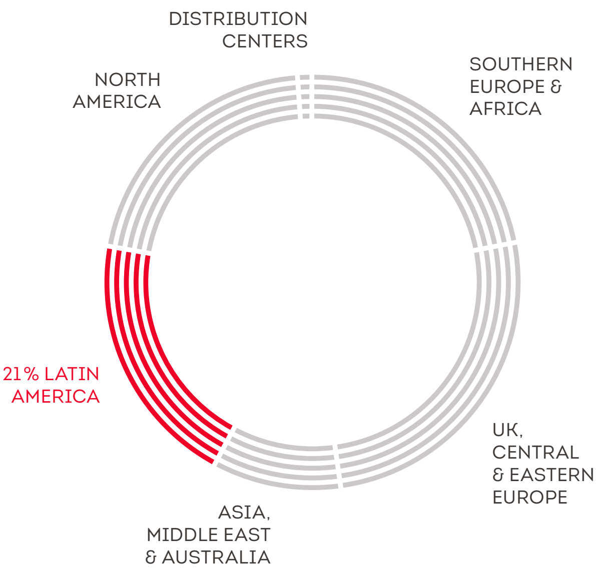
MEXICO
CURITIBA CITY CANCUN
GRENADA CURAÇAO
MONTERREY BUENOS
CAMPINAS
PUERTO VALLARTA GRAND TURK BELÉM
LA PAZ AIRES
FORTALEZA GUASAULE JAMAICA
GUADALAJARA LA ROMANA
COZUMEL CORDOBA
LIMA ANTIGUA ST LUCIA
RECIFE
SÃO PAULO MENDOZA
MANAGUA MAZATLAN BAHAMAS
SANTIAGO DE GUAYAQUIL PONCE
PROGRESO BRASILIA
BELO HORIZONTE SAN JUAN PUERTO PLATA
SAMANA RIO DE SALVADOR BOGOTÀ
BARBADOS
PUNTA DEL ESTE JANEIRO MONTEVIDEO
NATAL
SANTO DOMINGO SANTIAGO
ACAPULCO DE CHILE
SANTIAGO ST MAARTEN
ORANJESTAD

Adding another market to the leading position in Latin America
Division 4, Latin America, comprises all Dufry operations in Central and South America as well as the Caribbean. Geographically the region includes some of the most dynamic travel retail markets, and has traditionally been a region where Dufry has had a very strong market position. The region continues to offer expansion opportunities, not only in airport retail but also in other alternative channels such as border shops, cruise ships and downtown operations. Headquartered in Miami, USA, the division runs operations in Argentina, Brazil, Bolivia, Colombia, many locations in the Caribbean, Chile, the Dominican Republic, Ecuador, Honduras, Jamaica, Mexico, Nicaragua, Peru, Puerto Rico and Uruguay.

In 2017 Dufry succeeded to add Colombia to its Latin American footprint with the new concession won at the Bogotá El Dorado International airport, where we started to operate close to 3,200 m^2 of retail space within ten stores. Our activities where also considerably expanded within the cruise ship channel. In the summer months Dufry had restructured its Dufry Cruise Services to become a global competence center to further develop this interesting tourist channel. A first contract was signed with Grupo Pullmantur to operate duty-free shops on four cruise ship of the Spanish operator sailing the Mediterranean, Northern Europe, the Canary Islands and other cruise destinations. A second cruise concession was signed with the Norwegian Cruise Lines for their new vessel JOY, which is the operator's first cruise ship built exclusively for the Chinese cruise market and sailing mainly the Asian seas.

The division also managed to renew two interesting contracts in Brasilia and Natal, thus further securing business for the years to come. With the opening of the newly refurbished shops at the Cancun operation, also the Latin America division is now featuring its own New Generation Store.

PORTION OF TURNOVER 2017



KEY REPORTED DATA 2017

Number of shops	441
Sales area in m^2	123,426
Employees in FTE	7,298

TURNOVER

1,694 IN MILLIONS OF CHF

1

1

2

1 BUENOS AIRES | AEROPARQUE AIRPORT
Departure shop at Aeroparque airport in Buenos Aires. The shop covers 600 m^2.

2 CANCÚN | CANCÚN INTERNATIONAL AIRPORT
The location was the first to receive Dufry's New Generation Store in the Americas. In total Dufry opened 5 new shops covering close to 2,000 m^2.

3

3

4

3 RIO DE JANEIRO | GALEAO AIRPORT
Dufry's operations at Rio de Janeiro's Galeao Airport represents the ultimate sense of place experience, reflecting the main aspects of the city.

4 BOGOTÁ | EL DORADO INTERNATIONAL AIRPORT
Dufry in partnership with DFASS debuted in Colombia in 2017, covering over 3,000 m^2 of retail space including seven duty-free, one duty-paid and two Hudson stores.

NORTH AMERICA

TULSA DENVER ATLANTIC CITY
WASHINGTON FORT LAUDERDALE
CHICAGO BIRMINGHAM
DALLAS
HALIFAX BURLINGTON
FRESNO GREENVILLE-SPARTANBURG
LAS VEGAS LOS ANGELES
HOUSTON JACKSON
MIAMI HARRISBURG MOBILE OKALOOSA
MYRTLE NASHVILLE NEWARK OMAHA
NEWPORT NORFOLK NEW ORLEANS MANCHESTER
NEW YORK SAN DIEGO
BOSTON ORLANDO
PHOENIX PHILADELPHIA PITTSBURG RALEIGH EDMONTON
RICHMOND ROANOKE ROCHESTER ST LOUIS SANTA ANA
SEATTLE SAN JOSÉ SAN FRANCISCO
ALBUQUERQUE
CLEVELAND TORONTO
VANCOUVER ANCHORAGE TUCSON
BALTIMORE
CHARLESTON
CALGARY

Further expanding its footprint across several retail channels – IPO of the North American operation executed in early 2018

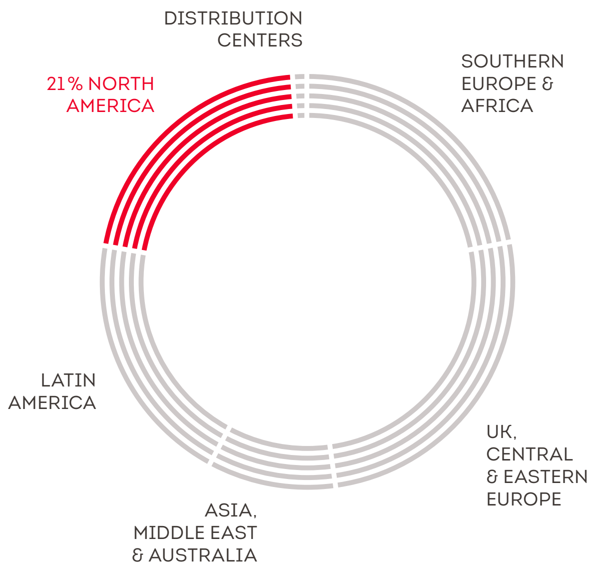
The North American travel retail market is also one of the traditional core markets of Dufry. Traditionally characterized by a strong orientation to duty-paid convenience shops, the division has successfully further expanded into several other travel retail channels during 2017 and has been taken public as Hudson Ltd. in February 2018.

North America is the home-market of our highly successful duty-paid convenience shop concepts, with Hudson being the main brand. While we currently operate over 500 convenience shops in North America, the ongoing modernization of the airport landscape in the United States offers a considerable potential to expand also with duty-free operations as well with brand boutiques and specialized shops. Hudson already successfully operates all of these formats in the region, across over 88 locations in both the US and Canada.

In 2017, the division has succeeded to win one of its first master concessions at the Chicago Midway airport, which through a JV includes the responsibility to manage the commercial space of the airport, including F&B and other typical airport services.

In 2017, the North American division won new concessions at the Raleigh-Durham International airport for 7 travel essential, specialty retail and duty-free shops. covering over 600 m² of retail space and including high-end luxury, travel essentials, electronics, apparel as well as wine and spirits stores were added at the Hard Rock Casino & Hotel in Las Vegas. In 2017, Hudson Group also extended its duty-free and duty-paid contract at the Las Vegas McCarran International airport.

PORTION OF TURNOVER 2017



KEY REPORTED DATA 2017

Number of shops	996
Sales area in m²	99,386
Employees in FTE	8,894

TURNOVER

1,772 IN MILLIONS OF CHF

1

2

1 LAS VEGAS | HARD ROCK HOTEL
The Hard Rock Hotel in Las Vegas is one of the first hotels in North America to receive several of our shop concepts, including this beautiful BVLGARI boutique.

2 TORONTO | TORONTO PEARSON INT'L AIRPORT
The BVLGARI shop at Pearson Int'l airport enhances the shopping mall atmosphere, adding a luxury boutique to the main duty-free walktrough shop.

3

3

3

3 **SEATTLE | SEATTLE-TACOMA INT'L AIRPORT**
On top of the total of seven Hudson News locations converted to the Hudson store concept in 2017, the MAC boutique enhances the shopping experience.

OVER 390 LOCATIONS WORLDWIDE

SOUTHERN EUROPE AND AFRICA

Algeria
- Algiers

Cape Verde
- Sal
- Santiago

Cote d'Ivoire
- Abidjan

Egypt
- Borg El Arab
- Cairo

France
- Calais
- Fort-de-France
- Nice
- Pointe-à-Pitre
- Toulouse

Ghana
- Accra

Greece
- Aktio
- Alexandroupoli
- Anchialos
- Araxos
- Asterion
- Athens
- Blue Galaxy
- Blue Horizon
- Blue Star I, II
- Blue Star Delos
- Blue Star Naxos
- Blue Star Paros
- Chania
- Corfu
- Doirani
- Elyros
- Evzonoi
- Hellenic Spirit
- Heraklion
- Igoumenitsa
- Kafalonia
- Kakavia
- Kalamata
- Karpathos
- Kastanies
- Kastelorizo
- Katakolo
- Kavala
- Kipoi
- Kos
- Kriti Ship
- Krystallopigi
- Limnos
- Mertziani
- Mykonos
- Mytilini
- Nefeli
- Niki
- Olympic Champion
- Ormenio
- Patmos
- Patras
- Piraeus
- Prevelis
- Promachonas
- Rhodes
- Sagiada
- Samos
- Santorini
- Skiathos
- Superfast I, II, XI, XII
- Symi
- Thessaloniki
- Zante

Italy
- Bergamo
- Florence
- Genoa
- Milan Central
- Milan Linate
- Milan Malpensa
- Naples
- Piza
- Verona

Kenya
- Nairobi

Malta
- Malta

Morocco
- Agadir
- Casablanca
- Dakhla
- Essaouira
- Fez
- Marrakech
- Nador
- Oujda
- Rabat
- Tanger

Nigeria
- Abuja
- Lagos

Spain
- Alicante
- Almeria
- Asturias
- Barcelona
- Bilbao
- Fuerteventura
- Gerona
- Granada
- Ibiza
- Jerez
- La Coruna
- La Palma (SPC)
- Lanzarote
- Las Palmas de Gran Canaria (LPA)
- Madrid
- Mahon
- Malaga
- Murcia
- Palma de Mallorca (PMI)
- Reus
- Santander
- Santiago de Compostela
- Sevilla
- Tenerife Norte
- Tenerife Sur
- Valencia

Turkey
- Antalya
- Kayseri
- Kutahya

UK, CENTRAL AND EASTERN EUROPE

Armenia
- Gyumri
- Yerevan

Bulgaria
- Burgas
- Varna

Finland
- Helsinki

Germany
- Dusseldorf
- Hamburg

Jersey
- Saint Peter

Kazakhstan
- Astana

Russia
- Moscow Domodedovo
- Moscow Sheremetyevo
- St Petersburg Pulkovo

Serbia
- Belgrade
- Nis

Sweden
- Jönköping
- Kalmar
- Karlstad
- Landvetter
- Luleå
- Norrköping
- Östersund
- Stockholm Arlanda
- Stockholm Bromma
- Sturup
- Sundsvall
- Umeå
- Visby

Switzerland
- Basel-Mulhouse
- Geneva
- Zurich

United Kingdom
- Aberdeen
- Belfast
- Birmingham
- Bournemouth
- Bristol
- Cardiff
- Doncaster
- East Midlands
- Edinburgh
- Elvedon Forest Center Parks
- Exeter
- Folkestone
- Glasgow Airport
- Glasgow Prestwick
- Kirmington
- Leeds
- Liverpool
- London Gatwick
- London Heathrow
- London Luton
- London Southend
- Longleat Forest Center Parks
- Manchester
- Newcastle
- Sherwood Forest Center Parks
- Southampton
- Stansted
- Whinfell Forest Center Parks
- Windsor
- Woburn Forest Center Parks

ASIA, MIDDLE EAST AND AUSTRALIA

Australia
- Canberra
- Melbourne

Cambodia
- Phnom Penh
- Siem Reap

China
- Chengdu
- Fuzhou
- Hong Kong
- Macau
- Shanghai

India
- Bangalore

Indonesia
- Bali

Jordan
- Amman
- Aqaba
- Marka

Kuwait
- Kuwait City

Singapore
Changi

South Korea
Busan

Sri Lanka
Colombo

United Arab Emirates
Sharjah

Cruise ships
Cruise Ships Joy GM

LATIN AMERICA

Antigua
Antigua
Saint Philip

Argentina
Buenos Aires Aeroparque
Buenos Aires Ezeiza
Cordoba
Mendoza

Aruba
Oranjestad

Bahamas
Bahamas
Great Exuma
Freeport

Barbados
Barbados
Christ Church
St. Michael

Bolivia
La Paz
Santa Cruz

Brazil
Belém
Belo Horizonte
Brasília
Campinas
Cuiabá
Curitiba
Fortaleza
Goiânia
Natal
Recife
Rio de Janeiro
Rio de Janeiro Galeão
Rio de Janeiro
Santos Dumont
Salvador
São Paulo Congonhas
São Paulo Guarulhos
Vitória

Chile
Santiago de Chile

Colombia
Bogota

Curaçao
Willemstad

Dominican Republic
La Romana
Puerto Plata
Samana
Santiago
Santo Domingo

Ecuador
Santiago de Guayaquil

Grenada
Grenada

Honduras
Roatan

Jamaica
Jamaica
Montego Bay

Mexico
Acapulco
Cancun
Cozumel
Guadalajara
Guanajuato
Ixtapa
Los Cabos
Mazatlan
Mexico City
Monterrey
Puerto Vallarta
San José del Cabo

Netherlands
Bonaire

Nicaragua
Costa Esmeralda Airport
El Espino
Guasaule
Managua
Peñas Blancas

Peru
Lima

Puerto Rico
Ponce
San Juan

St Kitts & Nevis
St Kitts
St Kitts Bradshaw Airport

St Lucia
St Lucia

St Maarten
St Maarten

Trinidad & Tobago
Port of Spain

Turks & Caicos Islands
Grand Turk
Turks & Caicos Islands

Uruguay
Montevideo
Punta del Este

Cruise Ships
Carnival Sensation
Carnival Valor
NCL Dawn
NCL Escape
NCL Gem
NCL Jade
NCL Jewel
NCL Pearl
NCL Sky
NCL Spirit
NCL Star
NCL Sun
Pullmantur Horizon
Pullmantur Monarch
Pullmantur Sovereign
Pullmantur Zenith

NORTH AMERICA

Canada
Calgary
Edmonton
Halifax
Toronto
Vancouver

USA
Albuquerque
Anchorage
Atlanta
Atlantic City
Baltimore-Washington
Birmingham
Boston
Burbank
Burlington
Charleston
Chicago
Chicago Midway
Chicago O'Hare
Cincinnati
Cleveland
Corpus Christi
Dallas Fort Worth
Dallas Love Field
Denver
Des Moines
Detroit
Fort Lauderdale Hollywood
Fresno
Grand Rapids
Greater Rochester
Greenville-Spartanburg
Harrisburg
Houston
Houston George Bush
Houston William P. Hobby
Jackson
Las Vegas Hard Rock Cafe
Las Vegas Mc Carran
Las Vegas Palazzo
Little Rock
Los Angeles
Lubbock
Manchester Boston
Miami
Minneapolis
Mobile Bates Field
Myrtle Beach
Nashville
New Orleans
New York Empire State
New York Grand Central
New York JFK
New York LaGuardia
New York Penn Station
New York Port Authority
New York UN Gift Center
Newark
Newark Liberty
Newport News Williamsburg
Norfolk
Oakland
Okaloosa
Omaha
Ontario
Orlando
Orlando Sanford
Philadelphia
Phoenix
Phoenix Sky Harbour Airport
Pittsburgh
Portland
Raleigh
Richmond
Roanoke
Santa Ana
Salt Lake City
San Antonio
San Diego
San Francisco
San José
Seattle
St Louis
Stewart Newburgh
Tampa
Tucson International Airport
Tulsa Airport
Washington DC
Washington Dulles

CHANNELS
- Airports
- Border, Downtown & Hotel Shops
- Railway Stations & Other
- Cruise Liners & Ferries
- Seaports

CUSTOMERS
BEST PRODUCTS AND EXCLUSIVE SERVICES

Next level shopping experience – New Generation Store
Dufry's goal to provide customers with a unique shopping experience has reached a new level with the opening of the first new generation stores in Madrid, Melbourne, Cancun and Zurich. Customers can experience a completely new shop design, which changes its appearance several times during the day. The display is done in different languages and changing brands to best fit the customer profile present at the airport at any given time of the day.

Much more than just retail
Our aspiration at Dufry is higher than just selling products. Our well trained and motivated sales representatives will help you navigate through a large variety of prestigious brands to find the right product for you. We understand the needs of travelers and therefore we make sure that our personnel is well trained and can give our customers the best service when they are at our shops.

We understand the needs of travelers.

In connection with the launch of the new generation stores, our employees are supported by digital tablets to provide customers with extensive product information in several languages and in the near future also to offer payment service without need to go to the tills.

Pre-order at home – collect at the airport
To provide convenience is a priority for Dufry: this is why we want to help our customers well beyond our shops. Even before they start their trip, travelers can pre-order products through the internet and collect them conveniently at the airport. Our "reserve-&-collect" service is already available in 47 locations around the world. New locations are constantly added – the full list is available on our website under:
www.dufry.com/en/shopping/reserve-collect-service

We want to help our customers well beyond our shops.

True global return guarantee
Dufry is the only global travel retailer in the industry to offer a true global return guarantee. No matter if you purchased something in Melbourne, Bali, St. Petersburg, Barcelona, São Paulo, Las Vegas or elsewhere in any of our shops in the world: if there is a problem with any product that you purchased at a Dufry store, we will replace, refund or exchange your product within 30 days. Dufry's customer service representatives, who can be reached in several languages by phone, email or chat, attended over 169,000 customers from 141 countries in 2017. Dufry's customer services team and policies guarantee full customer satisfaction. That service is another example of living our commitment to an outstanding customer experience day-by-day.

RED by Dufry
RED by Dufry goes beyond the typical loyalty program. It works primarily through a mobile application and besides the traditional earning of points the program offers exclusive advantages such as discounts at Dufry stores and airport benefits. Additionally, members of

390

Dufry operates 390 locations in 64 countries worldwide.

the program are identified once they are at the airport through the "RED by Dufry" app and will receive notifications on promotions and offers tailored to their preferences. The RED by Dufry program is already live in close to 100 locations and is continuously expanded to further locations worldwide. A full list of the locations, where RED by Dufry is implemented can be found here: www.redbydufry.com/benefits

RED by Dufry is already available in close to 100 locations.

Dufry's excellence confirmed by important awards
In 2017, Dufry's customer focus and retail excellence has been recognized by different industry partners again. A complete list of the 2017 awards is displayed on our website www.dufry.com/en/company/our-awards

Customer satisfaction & safety
Customer satisfaction and safety is our first priority. As a fundamental first step we ensure that all products strictly comply with applicable legislation and health and safety requirements. Dufry complies with legal requirements at every location we operate and takes a proactive approach working with governments and regulators to clarify any concerns. In this context, Dufry, through active membership of the industry's trade associations, has helped shaping relevant and robust Codes of Conduct for the travel retail industry (e.g. UK Code of Conduct on disruptive passengers; UK Code of Conduct on VAT; ETRC Code of Conduct on Sale of Alcohol; DFWC Code of Conduct on Sale of Alcohol).

Customer Communications
In its advertising and marketing initiatives, Dufry shows the same responsible stance that it shows in all its other activities. We commit to comply with all regulations and rules in all our advertisements and published communications in the countries where we operate. We also expect the same behavior from our suppliers when using the space we make available in our stores for advertising and promotions. When it comes to product labeling, we request our suppliers to comply with the regulations of all the locations where such product is going to be sold. Given that our stores operate in an environment where we serve many nationalities speaking different languages every day, we are proactively engaged with our industry trade associations in finding an off the label solution.

Dufry commits to comply with all regulations on advertising and marketing.

Customer Privacy
Management and protection of customers' private data in those processes that involve handling of client information is an area of importance for Dufry. As a requirement of customs authorities and for contractual reasons, the customer's boarding pass is scanned with each duty-free sale transaction to check the passenger's destination. The information is scanned on a no-name basis and limited to identify nationality and final destination.

100

Dufry loyalty program RED by Dufry is already available in 100 locations.

Additionally, in some countries, the company offers Reserve & Collect and RED by Dufry services, for which additional personal information from customers is requested. In order to protect and ensure that any customer data is handled correctly, Dufry has a number of systems and security processes in place, including a robust IT security system, a data protection and CCTV policy, specific trainings for employees dealing with personal information as well as internal procedures which follow relevant laws and regulations. In the case of the above mentioned Reserve & Collect and RED by Dufry services, the company applies high security standards to safeguard and protect personal data and to ensure compliance with the different legal frameworks.

Customer data protection is important for Dufry.

Moreover, the Group also undertakes internal Data Protection Audits and intrusion tests, while quarterly meetings are held to discuss and improve the protection of customers' personal data. For any customer, employee or third party who wishes to report a grievance or who has questions regarding Dufry's data privacy, there is a specific email address to contact the company and inquiries are coordinated by the Internal Audit, Loss Prevention and ERM department.

MORE THAN 50,000

items are available in our portfolio that our customers can choose from.

NET SALES BY PRODUCT CATEGORY 2017

SUPPLIERS BENEFIT FROM DUFRY'S GLOBAL RETAIL NETWORK

Dufry is by far the largest travel retail operator worldwide offering suppliers a network of over 390 locations in 64 countries on 5 continents. Dufry's retail network offers suppliers a unique opportunity to showcase their brands globally in exclusive environments. We operate over 2,200 shops in duty-paid and duty-free areas with access to domestic and international audiences respectively, and offer our customers both, convenience products and luxury shopping experiences. In 2017, over one billion passengers passed through locations where Dufry operates shops making us the perfect ambassador for global brands.

Working intensively with brand owners
The travel retail industry has a number of elements, which are interesting to suppliers: travel retail is a fast growing industry; it has a captive and affluent audience; and it is an important window display. Dufry aims to be the preferred partner for global brands, as we offer the largest network of retail operations in travel retail and also strive for superior execution and customer service.

Based on our know-how we have over time intensified the cooperation with our suppliers. We increasingly partner with global brands for more strategic initiatives to identify opportunities for marketing campaigns, global promotions or product launches. In this context, we launched a "brand plan", which takes a customized approach to each brand, individually creating a joint set of goals for the supplier and for Dufry as well as agreeing on action points. Both parties establish clear targets and evaluate the effectiveness of their initiatives together.

In the past two years a partnership with Lindt set the benchmark on how travel retailers and global brands can cooperate. Together, a long-term brand development had been defined which also includes new Lindt products to be sold exclusively at Dufry stores. The partnership has been a tremendous success, exceeding all expectations. Such initiatives, beyond creating value for Dufry and suppliers, also offer customers unique shopping experiences emphasizing the appeal of the travel retail channel.

Centralized procurement and logistics
With a focus on generating efficiencies, Dufry has centralized its key processes. Through our centralized procurement and logistic functions we have considerably simplified the whole supply chain.

Our Global Category Managers act as key relationship managers for brands and coordinate activities with suppliers. They define brand plans with suppliers and negotiate all contractual parameters. Dufry has also centralized and thus considerably simplified the ordering process, by internally aggregating the orders from the different retail operations and by sending a consolidated order to suppliers.

We have also centralized our logistics organization. The three Dufry distribution centers in Uruguay, Switzerland and Hong Kong provide a timely shipping of goods to our retail operations. The process benefits both Dufry and suppliers, as it allows to order and ship larger volumes to the distribution centers, thus increasing flexibility to allocate the optimal product quantity to each country and shop. The concept maximizes product availability for customers and reduces overall inventory levels.

BRAND UNIVERSE

1,000

Dufry works with over 1,000 of the most renowned global and local brands.

AIRPORT AUTHORITIES & LANDLORDS
BENEFITTING FROM HOLISTIC SHOP & DESIGN CONCEPTS

Dufry is the partner of choice for airport operators and other landlords. We strive to create most value for landlords and Dufry alike, through our ability to deliver best-in-class retail concepts and our deep understanding of our customers. The trust of our landlords has allowed Dufry to become the leader in travel retail, currently operating over 2,200 shops in 64 countries accommodated in airports, seaports, railway stations, downtown areas, border crossings, cruise liners, hotels and other locations.

Offering landlords the largest industry experience
Dufry shares a common goal with the facility owners, which is to maximize returns on the available space and to create an innovative and attractive shopping experience for the traveler. Dufry's extensive expertise in all regional aspects, its retail know-how and its worldwide presence are core competitive advantages, as is its comprehensive range of attractive retail concepts and shop formats to satisfy any need of a landlord in both duty-free and duty-paid environments. And in order to understand the latest trends in consumer behavior, Dufry regularly does detailed consumer research.

Partnerships equally benefit travel retailers and facility owners
The partnership between facility owners and retailers is one of the most critical aspects in travel retail. Our years of experience in the business show that the closer both parties work together and align their common goals, the higher is the value generated. By joining forces, we can create more attractive and inviting commercial spaces that maximize travelers' spend, from the passengers' arrival at the airport until their boarding.

Dufry has a long-lasting tradition in working together with landlords of larger and smaller airports in emerging and developed markets. We provide landlords with our expertise on how to best develop retail space and how to maximize revenues, independently from the size of a given project. Recent examples of refurbishments and expansions of our shops confirm the value of coordinated strategies. Projects developed at the airports of Milan, Madrid, Athens, Phnom Penh, Siem Reap, São Paulo, Brasília, London Heathrow or Zurich are a few examples on how Dufry and landlords can work together on the structuring of passenger flows, improving appearance of commercial space and expanding retail offering to considerably increase sales.

First New Generation Stores opened.

Dufry's New Generation Store – now open
Dufry has recently outlined its new generation store concept, which makes extensive use of the digital technology to increase the communication with passengers at the airport. The digital route allows Dufry to approach potential customers in an even more personalized way than ever before. The use of digital technology allows in-store communication to flexibly adapt during the day to the changing nationalities and thus increase the communication impact. The sense of place of our shop designs, an important aspect for landlords, is also secured in the new concept, as the format provides for a high degree of customization. Dufry knows how to perfectly match these requirements with efficient retail concepts to best serve travelers' needs and to generate value for landlords and Dufry alike. First New Generation Stores have already been opened in Madrid, Melbourne, Cancun and Zurich.

Successful contract extensions secure future business

In 2017, Dufry renewed a number of existing concession contracts, some of them well before the previous expiry date, and extending the remaining average lifetime of its portfolio, which is now 8 years. Approximately 13% of our sales are based on contracts with a remaining life-time of one to two years; 32% have a remaining duration of three to five years; another 29% have between six and nine years left to run, and the last 26% have e remaining duration of ten years or more. On average, Dufry renews every year existing contracts that generate between 8% to 10% of our sales, and we add new contracts every year.

Dufry has a long-term concession portfolio.

New shops added to first-class concession portfolio

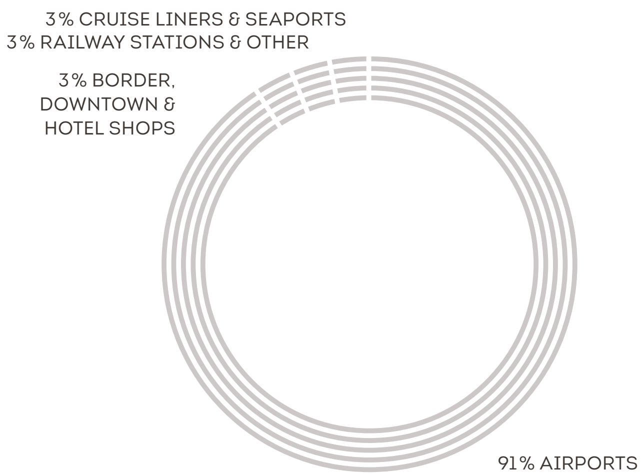
In 2017, Dufry opened 170 new shops adding retail space of 30,000 m² with space growth across all divisions. At December 31, 2017, the entire concession portfolio of the group included retail space of over 437,000 m².

Dufry's concession portfolio is highly diversified and well balanced across emerging and mature markets on all continents. This considerably reduces risks of being exposed to single markets and operations; the largest concession only accounts for about 7% of turnover; while the biggest 10 concessions represent less than 35%.

Disciplined approach focused on investment returns

Dufry follows a disciplined approach on evaluating new projects and opportunities. They are analyzed individually on a commercial and financial basis. The many aspects of a project are put together including development potential and analyzing initial investment requirements as well as the expected development of passenger numbers and profile perspectives. Through a strict evaluation of these criteria and our disciplined approach to returns, we ensure that our concession portfolio remains of the highest quality and that each concession offers attractive returns for the Group. This methodology is applied for all projects, irrespective whether we participate in a tender process, engage in direct negotiations with airport authorities or perform acquisitions.

NET SALES BY CHANNEL 2017



INVESTORS
BENEFITING FROM TRAVEL RETAIL'S GROWTH TRENDS

Since its listing in 2005, Dufry has been a solid equity story, focusing on achieving its target returns and cash generation. Dufry's long-term profitable growth strategy aims to create sustainable value for shareholders and bondholders.

Raising interest to participate in the fast-growing travel retail channel

The strong fundamentals of the travel retail industry – fueled by a resilient long-term global passenger growth – are a cornerstone of Dufry's investment case. This, combined with our track record of growth as well as attractive risk profile based on our geographical diversification, makes Dufry an attractive investment opportunity.

With a market capitalization of CHF 7.8 billion as per December 31, 2017, Dufry is part of the Swiss Leader Index (SLI) on the SIX Swiss Exchange, which includes the 30 biggest publicly listed companies in Switzerland.

Dufry's share price started the year at CHF 127.00 and after reaching a high of CHF 171.40 in May, closed 2017 at CHF 144.90, representing a 14.1% performance in 2017.

Dufry's trading volume continued to be very healthy in 2017. Considering all major trading platforms, Dufry's average daily trading volume was about CHF 86.7 million. The SIX Swiss Exchange remains our most important trading platform, where Dufry shares' average daily volume reached CHF 35.6 million in 2017.

Our long-term shareholders, such as Travel Retail Investments and Qatar Investment Authority, as well as Richemont and Norges Bank who joined in 2017, represented around 35% of our share capital and continue to support Dufry. With respect to the participation of HNA, they fully hedged their investment through a derivatives structure (collar) according to official disclosures. It is our interpretation that as a result HNA have – at the time of their latest public disclosure on February 14, 2018 – no material economic exposure to Dufry anymore.

Dufry's free-float is balanced, with shares being held by institutional investors in the most important countries such as the United Kingdom, United States, Switzerland and Brazil.

Synergies of the World Duty Free acquisition delivered

In the context of the integration of World Duty Free, which we had successfully completed in 2016, we saw the full synergies of CHF 125 million reflected in the 2017 financials. This is a considerable achievement and exceeds our original expectation by 20%.

Synergies fully delivered.

This positive result has been achieved through the in-depth knowhow of our integration teams and their focused approach to thoroughly and continuously analyze the potential during the integration process.

Refinancing of main credit lines

Dufry has refinanced all its main credit lines, in the period from December 2016 to December 2017.

Dufry early repaid two Senior Notes: in December 2016, its USD 500 million Senior Notes expiring in 2020 and in November 2017, the EUR 500 million Senior Notes expiring in 2022. While the repayment of the first bond was done with cash generated, the second was re-financed through the issuance of new EUR 800 million Senior Notes in October 2017.

DAILY AVERAGE VOLUME

MILLIONS OF CHF

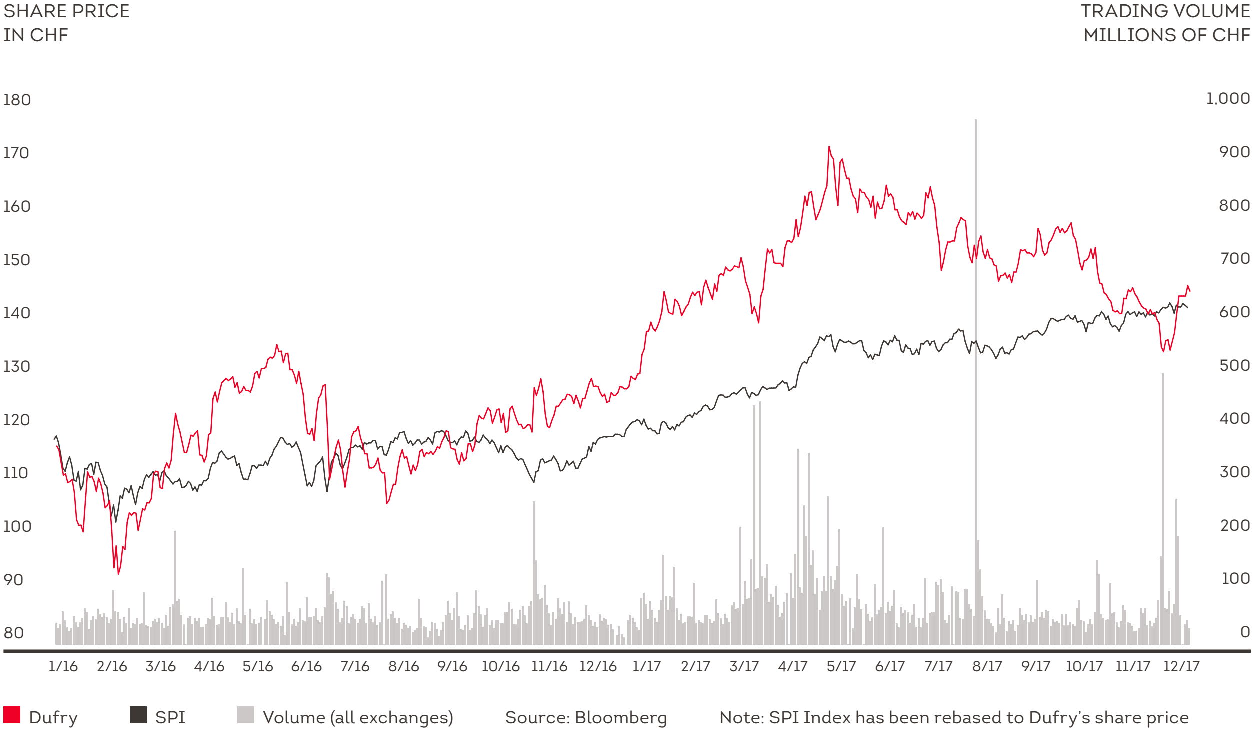
Note: Includes trading of all exchanges, of which CHF 35.6 million come from the SIX Swiss Exchange.

SHAREHOLDER STRUCTURE

AT DECEMBER 31, 2017

Note: Based on shares. For a complete overview of Shareholder disclosures please refer to page 214.

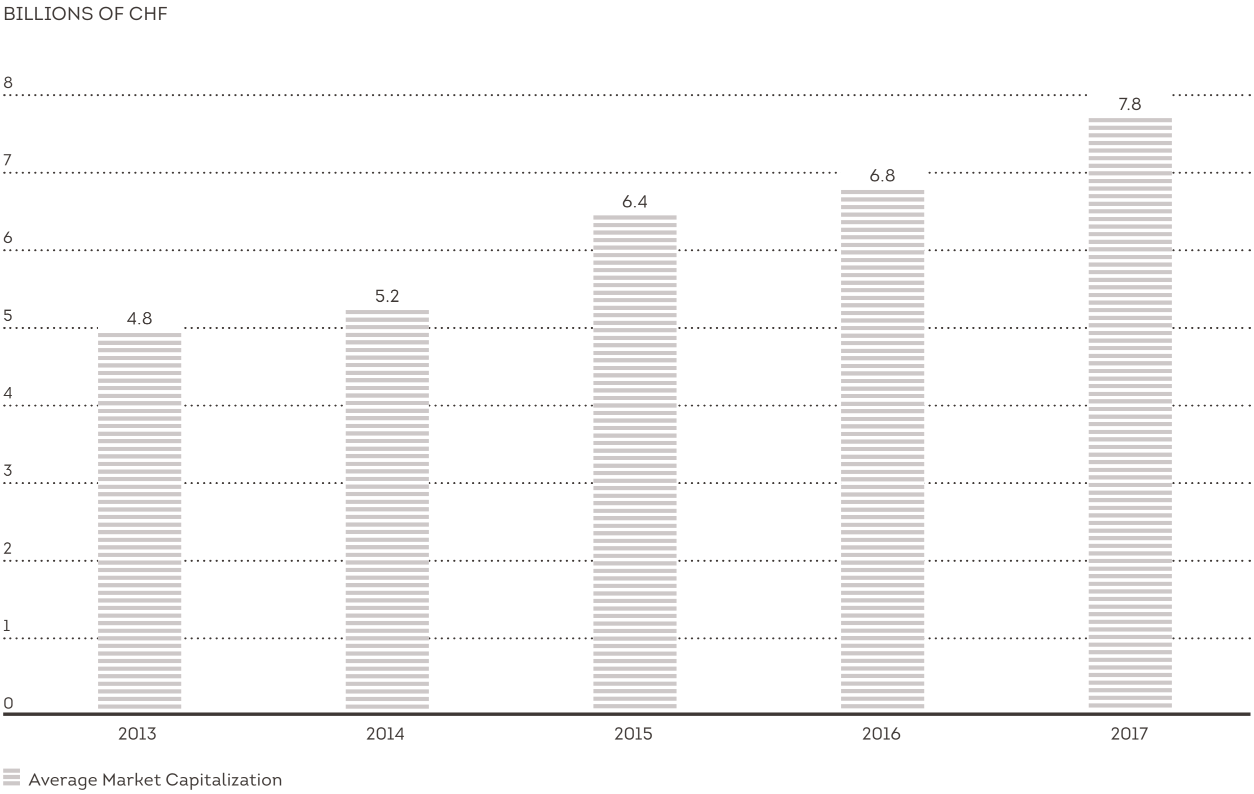
DUFRY AG SHARE PRICE AND TRADING VOLUME



Source: Bloomberg

Note: SPI Index has been rebased to Dufry's share price

MARKET CAPITALIZATION AND FREE FLOAT



Dufry also successfully refinanced its main bank credit facilities of CHF 3.4 billion. The new structure provides for an extended maturity profile, with both the term loans and RCF expiring in 2022 compared to the old facility expiring in 2019. The new bank financing structure also comes with better conditions when compared to the former and the main covenant (net debt / adjusted EBITDA) is 4.00x throughout the lifetime of the facility, compared to 3.75x in the previous facility.

These re-financing transactions put together generate an interest cost reduction of around CHF 50 million per annum, of which half has been accrued in 2017 and the other half will be accrued in 2018.

Strong fundamentals – solid investment for bondholders

Ever since the first issuance of a bond in 2012, Dufry has been a well-established investment opportunity in the senior notes market, which still represents an important source of financing for the company. Our low operating leverage and the strong cash flow generation are characteristics welcomed by the fixed income market.

Long-term financing in place.

With bank credit facilities totaling CHF 3.4 billion maturing in 2022 (denominated in multiple currencies); the EUR 700 million 4.5% Senior Notes maturing in 2023 and the EUR 800 million 2.5% Senior Notes maturing in 2024, Dufry has a long-term financing structure in place.

Dufry's Senior Notes are currently rated by Standard & Poors (BB) and Moody's (Ba2).

Committed to a fair and comprehensive market communication

We strive to present our investment story and market opportunities by providing transparent and consistent up-to-date information to all our stakeholders. We pursue a constant, open dialogue with investors, analysts and the media through direct phone and email exchanges, regular roadshows and one-to-one meetings.

Senior management presents and discusses financial performance on a quarterly basis and we provide the financial community and media with in-depth reports and information through press and analyst conferences, conference calls and webcasts.

As part of our 2017 Investor Relations activities, senior management and the Investor Relations team devoted 28 days to meeting investors directly through roadshows and conferences in Europe and Asia as well as North and South America, during which we met over 400 investors in one-to-one or group meetings. Apart from meetings, the Investor Relations team answered over 400 calls and emails in 2017. For contact details of our Investor Relations team, located in Switzerland and Brazil, please see page 244 of this Annual Report.

SUSTAINABILITY REPORT
CREATING VALUE TO STAKEHOLDERS

Beyond its ambition of pursuing profitable growth, Dufry also wants to ensure that it makes a positive contribution to the travel retail industry and to society in general. In order to provide our stakeholders more visibility over the efforts made by the company to further develop our sustainability engagement, in the previous year 2016, we reviewed the framework of our sustainability reporting based on a materiality assessment developed with the support of Ernst & Young. Through the analysis, Dufry established a detailed view on which sustainability topics are material to our business from both a company and a stakeholder perspective.

Based on this first assessment, and in the interest of a transparent and comparable sustainability reporting, we have orientated our work on the guidelines of the Global Reporting Initiative (GRI) as a reference to identify relevant topics and metrics to be considered. As a result of this process, in 2017, we have now prepared our first report on sustainability in accordance with the GRI Standards – Core Option. More detailed information may be found in the dedicated sustainability section of our corporate website: www.dufry.com/en/company/sustainability-dufry

Materiality Analysis

As part of the materiality assessment, we mapped the topics that we consider most important for our stakeholders, and identified the ones having the highest impact on our business from a broad perspective, and in particular from a sustainability point of view.

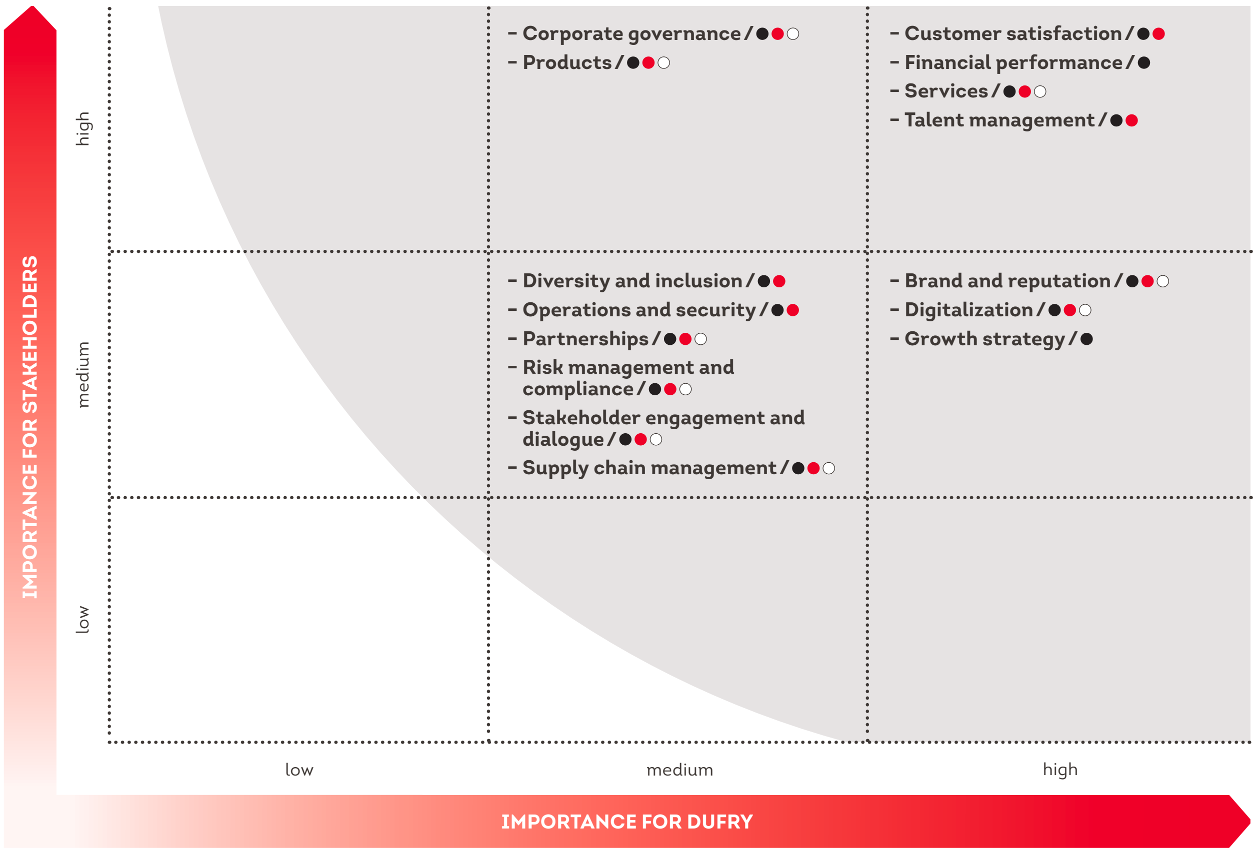
In order to optimally link the company strategy and the broader company environment with the expectations of our stakeholders we have chosen to follow a company specific approach rather than a pure sustainability view, when defining the list of topics which we consider relevant for us and which we want to work with going forward. To compile the list of potential topics we included internal and external sources such as our existing policies and regulations; publicly available materiality assessments of peers; the SASB requirements (Sustainability Accounting Standard Board) as well as the report of the Governance & Accountability Institute.

The main stakeholder groups included in our materiality assessment and the subsequent definition of the topics are: airports, customers, employees, investors (incl. shareholders, bondholders and lending banks), public authorities, society and suppliers. Based on the definition of the stakeholder groups and the materiality assessment, and following the GRI guidelines as a main reference, Dufry identified a list of topics and indicators to report on as a way of providing clear and comprehensive information about Dufry´s sustainability vision. These topics have been grouped into the three dimensions of our sustainability strategy: Economic, Environment and Social.

Our Sustainability Goals

For Dufry, success goes beyond commercial and financial performance. As the leading travel retailer, operating over 2,200 stores in over 390 locations across 64 countries and with a workforce of more than 32,000 employees, we understand that our business activities have also an impact on the societies of the countries we operate in. In addition to this, Dufry is aware of the role it plays in the travel retail industry, where we aim to further improve the overall traveler experience and initiate growth opportunities that benefit brands, airports and travelers alike. For these reasons, we believe our goals are more articulate as we aim to create and increase value for all our stakeholders in a sustainable way, ensuring the impact we have is a positive one.

MATERIALITY MATRIX



● = economic ● = social ○ = environmental dimensions Note: Within boxes topics are listed in alphabetical order

ECONOMIC DIMENSION

- Be profitable.
- Create shopping environments where people want to buy.
- Support local economies by buying local goods and services, paying local taxes and employing local staff.

ENVIRON-MENTAL DIMENSION

- Minimize our environmental impact by operating an integrated and efficient logistics chain to transport products.
- Reduce our waste and energy consumption.

SOCIAL DIMENSION

- Maintain quality work environments for our employees.
- Responsible procurement practices.
- Support the communities in which we live and work.
- Support individual social projects, especially focusing on helping disadvantaged children and their families.

ECONOMIC

Dufry operates in an industry that has shown solid and resilient growth in the last few decades – and which is expected to continue to grow. According to Generation Research, a travel retail market research specialist, the travel retail industry had an estimated market value of USD 63.6 billion dollars in 2016 and it is expected to reach USD 85 billion in 2020.

Within this prospective business environment, Dufry follows a strategy of profitable growth – see also our strategy section on pages 26 to 79 – in order to secure a sustainable development for the company and all its stakeholders.

Operating in an industry with solid and resilient growth.

As a retailer, our ambition is to create the best possible shopping environments to capture the interest of passengers and to generate selling opportunities. Our role is performed in conjunction with airport authorities and brand suppliers, incorporating their opinions and feedback into the store planning and operation processes. This collaborative work results in improved passenger services as well as more visibility and opportunities for brands. Testament to this collaboration, and just as a remarkable example, is the London Heathrow Airport – where Dufry operates more than 60 % of the retail offer by value and that has been recognized by Skytrax, winning the Best Airport Shopping in the world accolade for the last eight years.

That ambition has translated to Dufry having a long history of strong financial results, maintaining a solid balance sheet and financial position that has fueled the growth of our company and built solid foundations for its future.

Taking the shopping experience to the next level

Dufry´s leading position in the travel retail industry provides an opportunity and a responsibility to the company, and this is to remain best in class when it comes to customer service. As reflected in our corporate brand statement, WorldClass.WorldWide, at Dufry we strive to provide our customers with the best retail experience in any store we operate. For the economic aspects related to our customers, please refer to the Customer Section on page 68.

In 2017, we have invested in renewing, refurbishing and upgrading our stores and to include additional services that improve the passengers´ shopping experience. Both the physical construction of the stores and the adoption of corporate best practices are part of a digitalization strategy that the company is rolling out and that is detailed in the Focus Story on page 30 of this report.

New services and shopping experiences provided to travelers around the world.

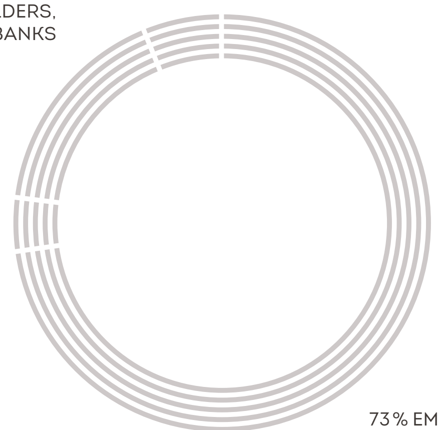
An important component of these store renovations is to create a strong sense of place in our stores, linking the shopping environment to the country´s cultural heritage, where they are located. The powerful combination of store designs with local touches, together with a curated selection of local products on offer that are acquired from local suppliers, results in unique shopping spaces that invite customers to a full cultural immersion in the destination.

Moreover, Dufry has a track record in delivering successful shopping concepts, specialized stores and marketing activations that are recognized by the industry year after year. Some of the latest awards gained by Dufry include the Frontier Award to the best Marketing Campaign of the Year by Retailer for the Rogue One: A Star Wars Story activation in Gatwick Airport; Best Marketing Activity in the TFWA awards for Dufry´s specialized sunglasses store in London Heathrow Terminal 5 or the award to the Icons of Whisky 'Travel Retailer of the Year' award for the second year running to our Edinburg and Glasgow whiskey-specialized stores, World of Whiskeys. A detailed list of the awards won is available under www.dufry.com/en/company/our-awards

Stakeholder Value Allocation by Dufry in 2017
The stakeholder value allocation of Dufry corresponds to corporate output less third-party inputs. The calculation is based on Dufry's EBIT plus personnel costs. It does not comprise of values allocated to business stakeholders, such as suppliers and landlords.

The value allocated reached CHF 1,553.7 million in 2017 (CHF 1,327.1 million in 2016). Out of this amount, CHF 1,135.0 million was accrued to our employees in form of remuneration and social security payments. CHF 259.6 million was for interest payments to our bondholders and lending banks. Income taxes to public authorities and communities in which the group companies are located were CHF 91.0 million. The remaining amount was allocated to retained earnings and local partners.

STAKEHOLDER VALUE ALLOCATION 2017



Anti-corruption and anti-competitive behavior
Corruption is a worldwide phenomenon which is linked to many negative economic, social and environmental impacts. From a business perspective, corruption distorts market mechanisms and undermines governance institutions and the rule of law, which increases the cost of doing business.

The subject of corruption is of considerable importance to Dufry as the Company expands its operations to many countries with elevated corruption levels and participates in many public procurement processes to bid for airport, seaport and other concessions around the globe each year.

Dufry does not tolerate bribery or corruption in any form. We believe that in order to remain a solid business leader, all business must be conducted ethically and in full accordance with all applicable laws, rules, and regulations. Dufry requires all of its employees, managers and executives to behave at all times with honesty, ethics and within the confines of the law and in full compliance with Dufry's Ethics, Sustainability and Integrity in Business Transactions Policy. Where laws, rules or customs exist that are different from the principles set out in the Policy, Dufry managers, executives and employees are required to follow whichever sets the higher standard in this regard.

Dufry also wants its officers, managers and employees to fully respect the safeguarding of integrity and fair dealing when performing their activities on behalf of Dufry and to promote the sustainability, diversity, decent work, human rights, anti-harassment and non-discrimination standards adopted by the Dufry Group. Dufry's management operates a no-tolerance approach to active and passive corruption and seeks to minimize the circumstances in which corruption could occur in its global business development activities and operations.

Dufry's Ethics, Sustainability and Integrity in Business Transactions Policy outlines the types of conduct which are not permissible and imposes strict rules in relation to charitable contributions and sponsorships as well as gifts, hospitality and entertainment expenses and facilitation payments to minimize the risk of corruption. In addition, it requires careful due diligence to be conducted on external partners it is working with and includes a procedure that must be followed to vet all new joint venture partners, consultants and other service providers.

Dufry also conducts on-going training to all managers and executive board members, as well as all employees who have otherwise been identified as being at a greater risk of exposure to corruption.

Dufry's Legal and Governance Department, in consultation with management and HR, regularly evaluates the content of Dufry's training on Governance and Corporate Policies and the employees who may require such training.

Dufry also undertakes to properly investigate all complaints and to prohibit retaliation against any employee for such reports made in good faith. To ensure the integrity of such investigations, Dufry has a centralized contact point through a dedicated Dufry email address through which any wrongdoing or corruption concerns can be reported directly to the CEO. The identity of any employee reporting such concerns or possible violations of Dufry's Ethics, Sustainability and Integrity in Business Transactions Policy is kept strictly confidential, unless the disclosure of the identity is required by law.

The Legal and Governance Department conducts Governance and Corporate Policies training, which covers Dufry policy on active and passive corruption, charitable contributions and donations, facilitation payments, and gifts, hospitality and entertainment expenses on an ongoing basis. The training is conducted in full coordination with the CEOs of each Division (DCEO) and the HR Department who help identify the individuals, including new hires, who should attend the training.

678 managers have been trained in total since the training was started in 2012. These individuals have been selected based on the following criteria:

1. community heads at Headquarters (Finance, Treasury, Procurement, Business Development, Internal Audit, HR, IT, Commercial, Marketing, Customer Service);
2. heads of all Divisions;
3. local managers with exposure to business development, external partners and third-party contractors;
4. managers with exposure to procurement negotiations;
5. managers with exposure to government officials such as airport authorities, customs or other public authorities;
6. managers with signatory power or appointed as directors or officers of a Dufry Group subsidiary;
7. Investor Relations managers;
8. all members of the Legal and Governance Department;
9. all members of the Internal Audit Department; and
10. all HR managers worldwide.

As reflected in the chart below, between April and December 2017, 458 managers at Headquarters and across all 5 Divisions have completed this training. This reflects nearly a 100 % rate of training for governance board members and employees identified as requiring the training pursuant to the criteria set out above.

Dufry employees who don´t meet the criteria outlined above are not currently provided training on Dufry's corporate and governance policies. However, all of Dufry's corporate and governance policies, including its Policy on Ethics, Sustainability and Integrity in Business Transactions are available to all Dufry employees, managers and executive board members on the Group´s intranet – Dufry Gate – for their reference.

GOVERNANCE & CORPORATE POLICIES TRAINING

DIVISION	Total Number of Managers to be trained/ retrained in 2017	Number of Managers trained until December 2017	Remaining Number of Managers to be trained
HQ	84	81	3
Southern Europe and Africa	103	99	4
UK, Central and Eastern Europe	119	119	0
Asia, Middle East and Australia	86	81	5
Latin America	61	61	0
North America	17	17	0
Total	**470**	**458**	**12**

ENVIRONMENTAL

Dufry operates over 2,200 retail stores across 64 countries, where it sells products sourced from over 1,000 suppliers. For information on our divisional structure and countries / major locations covered by each Division please refer to pages 46 to 65. All the stores operated can be categorized into one of five channels, which are explained on pages 66 to 67.

Three Global Distribution Centers.

As a pure retailer, the company does not have any production sites. However, Dufry consumes materials in several parts of its supply chain, from the materials used to build stores and the boxes and pallets used to transport products, to office supplies and the carrying bags given to its customers with every sale.

Transportation

Our main logistics operations (Global Distribution Centers) are centralized in 3 major platforms: Oftringen (Switzerland), mainly serving Division 1 (Southern Europe and Africa), Division 2 (UK and Central Europe) as well as Eastern Europe and The Middle East; Hong Kong (China) serving Division 3 (Asia and Australia); Montevideo (Uruguay) attending Division 4 (Latin America) and Division 5 (North America). These main distribution centers receive the long-haul and major shipments and organize the further dispatch of the goods to the local entities at country and shop level. Through the high efficiency in our logistics chain, we ensure that the environmental impact of transporting the goods is kept low. Moreover, the World Duty Free operations in Spain and the UK started their integration in the Dufry supply chain.

CO_2 emission

Reducing CO_2 emissions is one of Dufry's concerns. Whenever possible, transports of goods are done by shipping containers on sea-ships, thereby choosing the most CO_2-efficient way of transportation. Through reconfiguration of goods in our Global Distribution Centers and regional logistics stations, we reduce intercompany transportation of the goods to a minimum. The distribution to the individual shop locations is usually done by road whereby Dufry outsources the transportation to specialized national or international logistics partners, who partly have their own environmental strategies in place.

Dufry has retail shops in 20 of 37 carbon neutral airports worldwide.

Further actions to reduce the CO_2 emissions are in the area of business travel: We advise our employees to consider alternatives to traveling such as the use of virtual meeting systems (video conferencing, conference calls, computer live-meetings, Skype-for-business) or reducing travel frequencies by optimizing each trip. In addition, Dufry employees are also encouraged to use public transport systems not only for business trips but also for their daily journeys to and from work. In specific locations the company grants contributions to employees using public transport for commuting.

According to Airport Carbon Accreditation (airportcarbonaccreditation.org), the airport industry accounts for about 5% of the air transport sector's total carbon emissions. The organization, launched in 2009, currently has 211 accredited airports in its program, which are spread across 61 countries worldwide. In 2017, based on information by Airport Carbon Accreditation 67 of these airports have actively reduced the CO_2 emissions under their direct control, and 37 airports have achieved carbon neutrality. Dufry has retail shops in 20 of these 37 carbon neutral airports, including Dallas Fort Worth, Athens, Antalya, London-Gatwick, Helsinki, Milan-Malpensa, Manchester and Stockholm airports just to name a few.

Waste and Recycling

Avoiding any waste in the first place or recycling it, if it occurs, is an effective way to save valuable resources. The European Distribution Center is outsourced and run by a specialized logistics company and packaging material which mainly consists of cardboard, paper, plastic film, wood as well as electronic and plastic consumables such as neon lamps and PET are sorted out in different containers and sent for recycling. The recycling process is outsourced to specialized service providers. If these providers have a climate program in place, Dufry's Swiss logistics provider supports their program by paying a surcharge on the transports, which is devolved to "myclimate" (www.myclimate.org).

In the shops, the waste produced by our operations is mostly packing material handled through the landlord's waste disposal system and recycled accordingly where possible. Dufry actively collaborates with the airport's sustainability teams where possible, as is the case at Heathrow airport in the UK, to contribute to further improve recycling systems and reduce energy consumption.

We have observed a decrease in the number of bags used in the last years in main operations.

The reduction in the consumption of shopping bags is another area where Dufry is seeking sustainable solutions by replacing traditional plastic bags with reusable bags and/or advising its retail staff to ask customers if they need a bag and by increasing its bag assortment to several sizes so that packaging relevant to the size of the products purchased is used with less plastic waste. As a result, we have observed a decrease in the number of bags used per transaction in the last years in our main operations. Investigating alternatives to reduce the number of bags and the impact of each individual bag is however an ongoing improvement objective for Dufry.

Regarding cartons and pallets used to transport and protect products, Dufry ensures these are reused as much as possible and therefore consumption of new resources is also reduced.

Lastly, in the offices, the reduction of paper consumption is one of our biggest challenges. Dufry has put in place local initiatives to reduce paper and other office material consumption, including tips to reduce the amount of paper used such as printing double sided, avoiding printing of the legal text on the bottom of emails, and encouraging people only to print when necessary.

Energy consumption

For the most part our travel retail shops are operated in premises and buildings such as airports or seaports, ships and downtown resorts, which are owned by third party landlords. Thus, a large portion of the utilities consumption, such as energy or water sourcing and usage in the shops cannot be directly changed or influenced by Dufry as these factors are predetermined by the landlords and the building construction. The highest influence in energy efficiency can be taken when Dufry is designing or re-designing stores. The main focus thereby is on substituting traditional lighting for more energy-efficient lighting systems (e.g. LED) on ceiling and furniture displays, and on using A-rated electronic devices (e.g. air conditioning, refrigerators) in our stores. The same concept of using latest energy-efficient technologies also applies for our Basel headquarter, division offices and the regional operations centers.

SOCIAL

Socio-Economic Compliance
Having operations in 64 countries also means complying with different national and supranational regulations. For this reason, from a global perspective, Dufry's position towards regulations necessarily needs to go beyond the compliance and statutory requirements of the norms and have a more holistic and ample approach. In this regard, Dufry has a number of initiatives and control mechanisms in place that permit the company to monitor and ensure compliance with national and international laws and follow respective ethical standards.

Supplier Social Assessment
Dufry is aware of its responsibility beyond its own direct activities and strives to ensure that suppliers of goods and services behave responsibly towards society and the environment. To ensure this, Dufry expects suppliers and business partners to comply with the law, stipulated contract conditions and international best practices in respect of human rights, the environment, health and safety as well as labor standards. In this context, in 2017, Dufry has developed a new Supplier's Code of Conduct, which is currently being implemented in relation to Dufry's largest as well as new suppliers.

Caring about our Employees
We encourage our employees to work together with a focus on our customers, our partners and our company's goals every day. We take pride in the professionalism of our teams, their outstanding commitment to first-class service to our customers, their team spirit and the close collaboration with our business partners. This builds a strong base for Dufry's continuing success and makes Dufry a unique place to work and partner with.

Dufry offers attractive working environments, interesting tasks, fair and competitive wages, and a general working atmosphere based on mutual respect and appreciation for each individual. We foster employee development by supporting a broad range of in-house as well as external training and development opportunities.

We also strongly believe that regularly planning the next career steps together with an individual employee is an important aspect to a long-term, successful employer-employee relationship. Therefore it is important for us to build a constructive dialogue between each individual employee and manager on goals, priorities and personal development. Our staff members receive an annual performance review aimed at evaluating the performance and identifying further personal development potential for next career steps.

Having grown to an organization with over 29,000 employees worldwide
In the past four years, our workforce has increased by 82 % from 16,423 employees at the beginning of 2014 to 29,879 people (FTE) by the end of 2017. The two acquisitions of Nuance in 2014 and World Duty Free in 2015 and their timely integrations have not only changed our footprint in the market and have made Dufry the undisputed market leader in travel retail; they have also meant a lot of transformation and integration in terms of our human resources projects.

Overall, our total workforce remained stable during 2017 with 29,879 people (FTE) working for the group at December 31, 2017 compared to 28,848 at year-end 2016.

Dufry's unique cultural diversity
Our workforce comprises colleagues from more than 70 nationalities across all functions and Divisions. This has been a consistent situation for many years and we continue to believe that this broad cultural diversity represents a unique competitive advantage. We also


EMPLOYEES BY DIVISION
NORTH AMERICA
30%
LATIN AMERICA
24%
SOUTHERN EUROPE AND AFRICA
18%
UK, CENTRAL AND EASTERN EUROPE
18%
8%
ASIA, MIDDLE EAST AND AUSTRALIA
2%
HEADQUARTERS AND DISTRIBUTION CENTERS
EMPLOYEES BY GENDER
FEMALE
66%
34%
MALE

OVERVIEW EMPLOYEE STRUCTURE 2017

	HQ	Southern Europe and Africa	UK, Central and Eastern Europe	Asia, Middle East and Australia	Latin America	North America	Total
FTEs	554	5,338	5,356	2,439	7,298	8,894	29,879
Headcounts	560	6,239	6,538	2,705	7,276	9,647	32,965

view it as a key element in the successful development of our Group and in the implementation of our long-term growth strategy.

The staff in each country is to a high extent local people.

For our employees, it creates a truly international working environment with colleagues from across the world and interesting career opportunities. The staff in our local shops in each country is to a high extent local people. Dufry's know-how on operating local businesses in 64 countries around the world make us a strong job creator in a large number of cities, many of them being located in emerging markets, thus contributing to local development and wealth beyond the community engagement projects (see also page 93).

Roll-out of the new HR information system across the Group

The new Human Resources information system "Dufry Connect" is supporting HR and line managers to place additional focus on people management activities, enabling greater automation and solid interface to manage people, development and careers at Dufry. The system implementation was completed in 2016 for the Global functions and in key operations in the Divisions during 2017, with more locations to be added during 2018. As a result, we expect a major efficiency impact on the employee management processes. Another key improvement is related to the learning management platform: The new learning platform comprises all Dufry learning programs and enables training paths by employee role, easily accessible worldwide.

Talent Management

Dufry ensures that future and long-term management needs are being addressed by an optimal balance of promoting internal high-level personnel and hiring external talents (for example in new countries where we start operations). Dufry operates a global, systematic integration process to identify high-potential talents in the organization and to develop them toward the key roles in our business model.

The talent pipeline

We strongly believe that talent management and succession planning are ongoing processes. Accordingly, we keep enhancing the pipeline of candidates ready for the key managerial roles and we carry out yearly reviews of the quality of our talent pipeline at two levels:

- The first level concentrates on a limited number of candidates that will be able to occupy one of the pre-defined key positions in our entire organization. At year-end 2017, this pool of talents included 74 high-potential managers. We trust that with these managers, we are able to address and safeguard the succession in specific key management position.
- The second level focuses on our stores. Within the top-performing stores' personnel and supervisors, we have identified 397 "Retail talent" employees as of year-end 2017, on whose development we will focus in order to ensure a quality store management succession pipeline.

Training and professional development

Dufry carries a strong Learning and Development portfolio, both at the local and global level. As for global programs, our flagship initiatives are "Dufry Sales Academy" and "Step Ahead", with which we strive to consistently provide our professionals with the tools, knowledge and capabilities they need to perform well in their jobs and develop to their full potential at Dufry.

The Dufry Sales Academy learning program includes two sub-programs: Out in Front and Dufry +1 both national award winning programs. Out in Front was launched in 2012 and is a dedicated program for our sales professionals, shop managers and supervisors in the retail operation. At the start of 2017, Out in Front was running in 47 countries and has been expanded to 57 countries by year-end 2017. The learning program is being implemented across all WDF operations and a total of 357 retail managers were educated at Dufry, Nuance and WDF locations in 2017.

DUFRY RETAIL TRAINING AND DEVELOPMENT PROGRAMS

SALES TRAINING PROGRAMS COVERAGE	2017	2016	2015	2014
Out in Front	357 retail managers 5,656 sales professionals	392 retail managers 3,424 sales professionals	227 retail managers 1,431 sales professionals	378 retail managers 1,966 sales professionals
Dufry +1	7,300 sales professionals	9,015 sales professionals	6,680 sales professionals	3,191 sales professionals
Trainer Certificates	193 trainer certificates	166 trainer certificates	751 trainer certificates	174 trainer certificates

In 2017 we completed delivery of our integrated Dufry +1 program to 7,300 team members, out of which 6,000 were from World Duty Free retail operations. We continued to educate new shop floor hires on our Dufry +1 program across the entire Group in 64 countries.

The experimental learning format of both programs, Out in Front and Dufry +1, is delivered by a Dufry Certified Trainer. The number of trainer certificates increased by 193 at year-end 2017.

Step Ahead includes two avenues, one focused on management skills and the other on our operational business processes, procedures & tools. Managers running important segments in our value chain, such as commercial, logistics, procurement, marketing and retail operations, partake in these various learning offerings to achieve company performance outcomes and run the company according to the Group's performance expectations.

The Management Skills avenue launched in 2013 provides our managers with a formal education allowing them to assess their current capabilities and improve their role as a manager of teams. In 2017, 4,049 managers participated in our formal sessions covering several topics from the Step Ahead Management Skills suite.

In the Step Ahead Operational avenue we educated 49 managers from various functions in 2017.

Equal employment

Dufry fosters a culture of equal opportunity. Our HR policy is to provide equal employment conditions and to offer career opportunities without discrimination to all our employees. We offer and promote working environments where everyone receives equal treatment, regardless of gender, color, ethnic or national origins, disability, age, marital status, sexual orientation or religion. In addition, we adhere to local legislation and regulations in all the countries were we operate. Any kind of child labor or forced labor is strictly forbidden and clear recruitment procedures and regular workplace controls ensure that this never happens at any location.

Anti-discrimination, diversity and ensuring equal opportunities are and have always been important social and corporate issues for Dufry across all locations, especially (but not exclusively) in developing countries. Many locations in which the Group operates still pose challenges to guarantee equality. We monitor those countries closely to ensure we provide equal opportunities to all our staff.

We provide our employees with fair and competitive wages based on an individual's background and experience, the particular job within our organization, the appropriate market benchmark in the respective countries and locations as well as her / his performance.

We assess the remuneration structure of our employees on a regular basis to make sure there is no discrimination related to any kind of diversity. In this context, we also proactively engage with our women employees in an internal forum – Women@Dufry – where we discuss today's challenges of women at the work place in order to make sure that our female employees can fully develop their potential and career opportunities within the company. The forum is attended by selected female representatives of the company, HR management and is sponsored by the CEO.

Freedom of Association and Collective Bargaining

Dufry respects legally recognized unions and internal forums created to represent their employees' interests. The Company's policy on collective agreements is tailored to each location in which it operates, as each location is subject to its own specific laws and regulations. As an example, the current practice in some of the main Group operations is described below:

- In Brazil, there is a collective agreement in place which covers core employee related topics such as salary reviews, general allowances (meal, transport,

benefits, etc.), work contract restrictions / special conditions, work shifts, vacations, health and safety, contributions, gratifications, awards and requirements aiming employee's guarantees.
- Greece also has a collective agreement in place ruling the main employee topics.
- In Spain, Dufry has a collective agreement in place that covers all employees in that location except the senior management. The agreement is negotiated between the Company and a committee made up of employee representatives and labor union members and outlines conditions such as salary, holiday days and health and safety in the workplace, among other human resources related matters.
- In the UK, Dufry has an employee forum – "Voice" – made up of staff representatives. This forum was created as a partnership between the company´s management and employees to influence and communicate business change.
- In the US, there are a number of recognized trade unions that Dufry engages with, including Unite Here, Workers United, United Food and Commercial Workers, Teamsters, Newspaper Guild, Culinary Workers.

Dufry World – The internal news magazine for our employees
Dufry regularly reports on important news in its corporate-magazine "Dufry World", which is published in 5 languages. This ensures that important trends in the travel retail industry and developments of our Group are communicated to our staff members in full. Every issue of the magazine also portraits individual employees or teams and their personal stories within Dufry's global environment and within the Dufry family. Dufry World is issued 4 times per year. During 2017, we inaugurated a new section called "Wall of Fame" to pay tribute to individuals that have gone beyond the extraordinary either in their personal or in their professional lives, leading by example to the rest of the Dufry employees.

In addition, all internal and external information is also made available in Dufry's intranet "Dufry Gate". In 2016, the communication channel of Dufry Gate was transformed into a fully responsive online news channel called "mygate" thus considerably extending the reachability of additional employee groups in our locations. Mygate can easily be accessed from desktop workstations as well as through mobile devices.

Awards programs – fully integrated during 2017
Employee recognition is an important way to value employees' and team achievements. With this is mind, Dufry created the Dufry One Awards, a global award recognizing locations globally, which have taken initiatives to actively improve sales, efficiency or performance contributing to Dufry's ambition of continuous growth and improvement. The winners of the 2017 awards were announced in May and published in the employee corporate magazine, Dufry World, as well as in the news section of the company´s intranet, Dufry Gate.

Dufry One Awards
The Performance Award – A global award recognizing locations globally, which have taken initiatives to actively improve sales, efficiency or performance contributing to Dufry's ambition of continuous growth and improvement. The 2017 awards went to:
- Division 1 – Antalya Airport, Turkey
- Division 2 – Edinburgh Airport, United Kingdom
- Division 3 – Bali Airport, Indonesia
- Division 4 – Dufry Cruise Services, Norwegian Cruise Line (NCL) Jewel
- Division 5 – San Francisco International Airport, USA

The Customer Service Award – Open to all shops participating in the global Mystery Shopper program, recognizes individual shop performance across the specific customer impact segments of the Mystery Shop. The winners of the 2017 awards were:
- Athens International Airport, Greece – Victoria's Secret Store
- Antalya Airport, Turkey – Suncatcher Store
- Newark Liberty Airport, USA – Dufry Shop
- Gatwick South, United Kingdom – World Duty Free Main Shop
- Zurich, Switzerland – Lindt Store

The Best Initiative Award – A global award to recognize individuals or teams that have demonstrated proactivity, taking initiative to solve a challenge, increase sales or improve customer service. The 2017 awards went to:
- Division 1 – Athens International Airport in the Intra Schengen Area, Greece
- Division 2 – United Kingdom
- Division 3 – Singapore
- Division 4 – HR team in Uruguay
- Division 5 – Chicago O´Hare Airport team, USA

Employee engagement
Measuring employee engagement and satisfaction through regular surveys is an important tool to recognize potential for improvements across the Group. Our employee surveys are done systematically over specifically defined cycles: we ensure that the surveys always involve a substantial part of our more than 32,000 employees, and that they are carried out across the world, involve all Divisions as well as the

headquarters; and, that over a certain timespan, all employees have been involved in a survey. Applying this system results in regular surveys focusing on the action plans.

Excellent response and engagement rates in employee survey.

In 2016, we organized a global employee engagement survey which included over 28,000 employees; in this survey most of the WDF employees participated too. Over 60 countries across all five Divisions completed the survey with an overall response rate of 69%. The engagement rate was 61%, both of which are excellent rates compared to the overall benchmark of the survey system we use. During 2017, team leaders across Dufry have shared specific results of the survey with their teams and co-worked in putting together action plans to improve engagement. The next survey is expected to be carried out in the second half of 2018.

Health and safety

The health and safety of our employees is a top priority at Dufry. We ensure work place safety additionally by regular learning and training courses, among them in fire safety and first aid to provide for the prevention and quick, correct reaction in cases of emergencies.

Dufry strives to achieve high occupational Health & Safety standards and actively encourages compliance across the whole Group and among all its business partners and sub-contractors. The majority of our workforce operates in airport and cruise-ship environments, where employees have to comply and follow the respective airport's, seaport's or vessel's safety regulations. As a result, Dufry has a number of different Health & Safety Policies throughout the organization. Regardless of the specific requirements of each local legislation, there are certain principles that all these policies adhere to, including:

- Adherence to country, state and local Health & Safety legislation and any other requirements
- Workplaces as safe and hazard-free spaces
- That employees have the necessary skills and training to perform their duties
- That employees have been informed of the contents of the policy
- That all the elements and protective equipment required for employees to carry out their job safely have been provided
- That the Group has procedures in place in case of emergency

In 2017, for the second year running, World Duty Free has been awarded by the Royal Society for the Prevention of Accidents (UK) the RoSPA Gold Award for having achieved a high level of performance underpinned by good occupational health and safety management systems and culture, which are delivering consistent improvement; www.rospa.com/awards/winners/2017/gold-awards/

Security practices

Due to the nature of our business, most of our staff is in the airport environment, either working in stores, in airport offices and or in airport warehouses. As part of that airport ecosystem, our staff has to adhere and follow the security principles and processes established at the airport where our stores are located. Most of these regulations and policies are harmonized across the world to ensure consistent levels of safety and consumer protection. Worldwide safety regulations are set by the International Civil Aviation Organization and within Europe by the European Aviation Safety Agency.

In order to work in our stores, member of our staff need to obtain the corresponding airport authorization, which in most of the cases implies training courses on security measures and procedures in the airport environment.

COMMUNITY ENGAGEMENTS

Dufry has been a sponsor of charitable organizations and partnerships across the world for many years. Our commitments are based on our strong belief that we can make a difference to the lives of people concerned. The main focus of our sponsorship programs is on supporting disadvantaged children, young people and their families – often some of the weakest members of our society. We further support charities that help victims of natural disasters, as well as cultural and sports events. Below are some of our major sponsoring activities during 2017:

Rio de Janeiro, Brazil – Helping to build the future of young teenagers
Since 1995, Dufry has been sponsoring a social promotion program in Rio de Janeiro, offering free professional education to 30 young people every year from communities around Galeão Airport. Every day, these teenagers go to the program headquarter where they participate in various classes and education modules such as English, computer classes, retail operations, professional orientation, teamwork, leadership, rules of etiquette, ethics and citizenship. Classes can be attended by 16 to 20 year-old female or male teenagers. The students also receive free meals, medical and dental care, life insurance, uniforms, school and educational material and transportation assistance. Dufry also supports the students with their career progression, alerting them to any opportunities within Dufry's organization, or with external partners. Employability rates usually reach high levels for those teenagers taking part in the program. Since its beginning over 22 years ago, the program has benefited over 600 teenagers in total.

Dufry employees are also extremely proud to be involved in this initiative and regularly participate as volunteers, as well as acting as mentors to individuals taking part. Every year, 60 volunteers from Dufry and other partners are involved in this important social action.

Devastating natural catastrophes in the Caribbean, Mexico and the US – A helping hand to our colleagues
In September 2017, the Caribbean region as well as some of the Southern states of the US faced a destructive hurricane season which impacted several countries in the area, including places where Dufry operates. Despite the material damage, Dufry's main concern was the well-being of employees affected by the hurricanes. With this in mind, the Human Resources departments from the Divisions Latin America and North America launched an online global campaign to raise funds to help these colleagues. People from all our Divisions were able to donate, with Dufry committed to double the donations. The funds raised were used to send help to benefit 16 families in Grand Turk and around 200 employees in Puerto Rico, as well as many colleagues and families in the US.

> We want to give back to society – mainly by supporting disadvantaged children and their families.

Three different SOS Children's Villages programs in Brazil, Mexico and Russia
Our partnership with SOS Children's Villages also dates back a long time, as we started our first support back in 2009. The project we sponsored at that time

was a social center in Igarassu, Brazil, for which Dufry funded the construction costs and has been supporting the running costs of the center and training classes ever since. Our two donations in 2017 enabled on one hand 465 infants, young children and teenagers with their mothers to benefit from family strengthening programs with child-minding and day care centers, and on the other hand financed the yearly family-budgets, medical costs and school fees for 24 children and their SOS-mothers.

Since 2013, Dufry also supports a SOS Children's Villages social center program in Tehuacán, Mexico. This project allows mothers to leave their children in the safety of the SOS child care center during the day so that they can go to work and earn their own income. The Dufry contribution in 2017 supported 105 families and covered the running costs of the social center, including food, medical assistance as well as school and educational staff expenses. From July 2018 onwards, the children of the SOS Children's village in Tehuacán will be relocated in the social families; but the engagement of the Social Center continues.

The third program, which started in 2015, supports the SOS Children's Villages center in Lavrovo, Russia, a city located 350 km south of Moscow. When young people are ready to move out of the SOS families, they can join the SOS Youth Program, which supports them on their way to a higher education or gives them a start into vocational training. Dufry's funding in 2017 supported 16 teenagers during one year on their way into adulthood.

An additional financing channel in favor of the SOS Children's Villages organization are special coin collection boxes that Dufry has installed in many shops across the world. This supporting channel has been operating since 2013 and enables our customers and business partners to participate in the support of the charity's child-care programs.

Hand in Hand for Haiti
Dufry has been sponsoring the Student Sponsorship Program launched by the Hand in Hand for Haiti Foundation since 2015. Our 2017 donation again supported 25 students at the school complex in Saint Marc, north of Port-au-Prince. The sponsored students receive free trilingual education in French, English and Creole. Through our donation they are also provided with meals, health services, uniforms, school supplies as well as bus transportation to and from the school.

Supporting the fight against cancer in Jamaica
Dufry employees also helped to raise funds for an initiative against cancer in Jamaica. They participated at the "Susan Komen Cancer Walk: Race for the Cure" organized by Susan G. Komen, a nonprofit organization that helps to fund research, education, screening and treatment of breast cancer.

Amelia Project Foundation – When transport changes everything in Myanmar
The "Please Take Me There" initiative of Amelia Project Foundation offers free transport to children who suffer from cancer and to their family members in Myanmar. Often located in rural areas, most families don't earn enough to pay for the journeys to Yangon Children's Hospital, Myanmar, which is the only hospital that can effectively treat a child in Myanmar. Many times, their journeys take 12 hours each way on average, on up to four different modes of transport. However, there are children who even need to travel for up to 3 days just to get to the hospital. Dufry is proud to have started to support this initiative in 2017: "Please Take Me There" provides a necessary free transport service and ensures that children with cancer will receive specialist medical treatment, thereby giving them an opportunity to survive.

Alzheimer's Research UK – Increasing information about dementia
By participating in fundraising emails and newsletters of Alzheimer's Research UK (ARUK) and various other activities by our World Duty Free employees, we support ARUK to provide more people with information about dementia. Dementia is a definition used to describe several symptoms that occur when brain cells stop working properly and die off. It is important to provide the public with information on how people suffering from dementia can get help and what is being done to cure it. Aside from Dufry's general support, employees did a sky dive event, and raised funds through Valentines, Easter, Halloween, cake sales and summer activities as well as at the World Alzheimer's Day and during a special Christmas Jumper Day.

"One" water project – sustainable clean water service for African communities
World Duty Free started to support The One Foundation as early as 2006. The foundation created the bottled water brand "One" in 2005 to support people who do not have access to clean drinking water. WDF sells the "One" brand water bottles, juiced water and jute bags in its UK stores and has thereby been able to raise significant funds for The One Foundation over the past years.

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1 **IGARASSU | BRAZIL**
A SOS Children's Villages project supported by Dufry since 2009.

2 **TEHUACAN | MEXICO**
A SOS Children's Villages project supported by Dufry since 2013.

The funds raised in 2017 mainly supported projects in Rwanda and Malawi where safe water and improved hygiene and sanitation facilities for over 6,700 people were installed. Whether it is the building of the infrastructure needed to deliver clean water from pumping stations to community tap-stands, the training of community members to maintain and repair water pumps themselves or supporting the partnership between local governments, local communities and utility companies – these activities are all part of The One Foundation's support and are changing lives in rural African communities. In addition to the water projects, a school feeding program for over 800 primary school children in Malawi also profited from the funds raised.

Ongoing support to United Nation's campaign #YouNeedToKnow

Following the collaboration with United Nations (UN) that started in 2016, Dufry continued to support the UN in their goal of reaching over 2 billion people before the end of 2017 with their awareness campaign called #YouNeedToKnow. This campaign is part of a UN global effort to promote the importance of the 17 Sustainable Development Goals (SDGs), and how each individual could contribute towards a more sustainable and fairer world, by just making small changes in their day to day lives.

Building on the successful campaigns carried out in the Geneva airport in December 2016 and in London Heathrow and Zurich airports in early 2017, Dufry supported the UN by activating the #YouNeedToKnow campaign in 31 additional airports for an average period of 1.5 months between July and October, giving prominent space and visibility to the campaign. Either by showing the campaign in the multiple video screens and tills in the stores, or through interacting with passengers and engaging them to share the #YouNeedToKnow hashtag in their social media, Dufry reached over 52 million passengers during these activations, generated additional media coverage and gave a push to the UN campaign in the different social media platforms.

Moreover, the UN and Dufry, in collaboration with travel retail's most influential publication, The Moodie Davitt Report, took the campaign to the most relevant industry events – including the TFWA World Exhibition and Conference in Cannes and the Trinity Forum – in-

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3 **IGARASSU | BRAZIL**
A SOS Children's Villages project supported by Dufry since 2009.

4 **UNITED NATIONS | UK, SWITZERLAND**
Dufry joined forces with UNITED NATIONS in an information campaign at Heathrow airport in London and at the Geneva airport in 2017; among many others.

spiring other industry members to support the campaign and resulting in other industry players interested in joining forces with the UN.

The support to this United Nations campaign will continue in 2018, and we are currently working with both the UN and airport operators in joint actions in over 60 locations.

Manchester HOME project
HOME is Manchester's newest cultural organization founded by the merger of two of the city's long-standing arts venues – Cornerhouse (established in 1985) and the Library Theatre Company (founded 1952), which has been supported by World Duty Free ever since 2003 in form of a community partnership for the Wythenshawe area in the South of Manchester. To date the engagement has reached over 2,000 participants attending drama workshops, theatre visits, joining intergenerational projects as well as adult creative writing courses.

In 2016 and 2017, WDF has funded two initiatives; the Wythenshawe Community Workshop and the Wythenshawe School project, both providing opportunities to young people and pupils to expand their horizons, build new skills, increase their confidence and ultimately give them the tools to help maximize their potential and prepare them for future training and employment.

Hudson Group supports U.S. Communities in Schools and keeps U.S. troops connected
Hudson Group, Dufry's Division 5, continued to support Communities in Schools (CIS), the largest and leading dropout prevention group in the United States in 2017, through its fund raising program. In the U.S., approximately 1 in 5 children under the age of 18 live in poverty, shouldering more than they should have to. CIS and its over 160 local affiliates in the U.S. work directly inside schools, building relationships that empower students to succeed inside and outside the classroom. The organization works with nearly 1.5 million students and is proud on its success rate: 99% of their students stayed in school and 91% of their seniors graduated or received a GED (General Education Development credential). Funds for the CIS organization are collected in Hudson and Hudson News stores located in airports, bus and rail terminals with counter-top boxes at registers.

Hudson Group continues to partner with local charities in North America to provide support and engagement in the community, including the USO (United Service Organizations). Through local connections with USO chapters across the U.S., Hudson Group and its customers have helped keep America's military service members connected to family and friends.

In 2017, Hudson Group reached a new record milestone in customer donations of phone cards to the military, sold at Hudson Booksellers, Hudson News, and Hudson airport store locations. The pre-activated AT&T cards allow troops to access the Internet and call home to their families and friends. The phone cards work from landlines and payphones across the globe, including war zone locations.

Further donations and cultural events

Dufry is supporting many other social projects with local activities in countries where it operates. In Greece, we continued the long-term partnership with the Hellenic Red Cross, supporting their refugees program by donating products in stock to the organization. Furthermore, we continued to support the Special Olympics Hellas, the largest sports and educational organization for people with intellectual disabilities in Greece, and numerous local community events organized by municipalities, embassies or local authorities.

In Spain, Dufry went into an agreement with Aldeas Infantiles (SOS Children's Villages) that for every pack of Carremi Turron cakes sold in our Spanish stores, a substantial portion of these sales will go to Aldeas Infantiles. In Turkey, the team attended a Charity Run with 39 employees. The aim was to support disadvantaged children with their education and the Dufry team managed to collect funds for one year's education of 14 children. Furthermore, Dufry supported TEMA, an organization that enables reforestation and protection of natural habitats in Turkey.

In Australia, Dufry is a supporter of the Diamond Dinner for the Children's Cancer Institute. This fund raising event brought together over 250 high-net worth individuals, celebrities and industry leaders who support the work of this institute that is wholly dedicated to childhood cancer. The company also supported the Royal Flying Doctor, which is one of the largest and most comprehensive aeromedical organizations in the world. Using the latest in aviation, medical and communications technology, they deliver extensive primary health care and 24-hour emergency service to those who live, work and travel throughout Australia. In Korea, we support through different donations local students for high school scholarship and English teaching classes for low-income children as well as Korean teaching to multicultural families.

The annual sponsorship of cultural events was also continued in 2017: Many local community events such as the Swiss Indoors tennis tournament in Basel or the Baloîse Session, a three week music festival in Switzerland, as well as the Madrid Open tennis tournament received our support.

Our broad and worldwide network of travel retail shops offers another unique opportunity to support social programs: In many shops we maintain donation boxes and encourage our customers to participate in supporting specific local programs or victims of natural disasters. The amounts collected every year are always surprising and we thank all participants for their generous donations. The charities receiving them have been welcoming them greatly.


MARTELL
CHAMPAGNE

FINANCIAL REPORT 2017

DUFRY

WorldClass.WorldWide.

DELIVERING ON OUR GOALS
DEAR ALL

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

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

In 2017 we delivered on our main goals.

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

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

* before interest and minorities

TURNOVER

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

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

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

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

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

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

OPERATIONAL COSTS UNDER CONTROL

Gross profit

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

Selling expenses

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

Personnel and general expenses

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

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

EBITDA

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

CHF 125 million synergies contributed to the 2017 results.

Depreciation, amortization, impairment and linearization

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

Linearization amounted to CHF –58.9 million in 2017. Linearization is a non-cash item related to the Spanish business and originates from the difference between the average minimum guarantee (MAG) over the full concession period and the effective MAG payable in the period. This item also includes the reduction in concession payments granted based on an upfront payment (prepaid lease) related to the Spanish contracts.

EBIT

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

Financial result

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

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

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

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

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

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

DELEVERAGING ON THE WAY

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

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

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

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

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

A LOT DONE IN 2017; MORE TO COME IN 2018

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

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

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

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

Kind regards,

Andreas Schneiter

* before interest and minorities

CONSOLIDATED INCOME STATEMENT

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

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

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CONSOLIDATED INCOME STATEMENT

FOR THE YEAR ENDED DECEMBER 31, 2017

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

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED DECEMBER 31, 2017

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT DECEMBER 31, 2017

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED DECEMBER 31, 2017

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED DECEMBER 31, 2017

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

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2017

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

CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

FOR THE YEAR ENDED DECEMBER 31, 2017

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2017

1. CORPORATE INFORMATION

Dufry AG (the Company) is a publicly listed company with headquarters in Basel, Switzerland. The Company is the world's leading travel retail company. It operates around 2,200 shops worldwide. The shares of the Company are listed on the Swiss Stock Exchange (SIX) in Zurich and its Brazilian Depository receipts on the BM&FBOVESPA in São Paulo.

The consolidated financial statements of Dufry AG and its subsidiaries (Dufry or the Group) for the year ended December 31, 2017 and the respective comparative information were authorized for public disclosure in accordance with a resolution of the Board of Directors of the Company dated March 7, 2018, and are subject to the approval of the Annual General meeting to be held on May 3, 2018.

2. ACCOUNTING POLICIES

2.1 BASIS OF PREPARATION

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

The consolidated financial statements have been prepared on the historical cost basis, except for available-for-sale financial assets, other financial assets and liabilities (including derivative instruments), that are measured at fair value, as explained in the accounting policies below. Historical cost is generally based on the fair value of the consideration given in exchange for assets. The carrying values of recognized assets and liabilities that are hedged items in fair value hedges, and are otherwise carried at amortized cost, are adjusted to record changes in the fair values attributable to the risks that are being hedged. The consolidated financial statements are presented in millions of Swiss Francs (CHF). All values are rounded to the nearest one hundred thousand, except when indicated otherwise.

2.2 BASIS OF CONSOLIDATION

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

Subsidiaries are fully consolidated from the date of acquisition, being the date on which Dufry obtains control, and continue to be consolidated until the date when such control is lost. The Group controls an entity when Dufry is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. All intra group balances, transactions, unrealized gains or losses and dividends, resulting from intragroup transactions, are eliminated in full.

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

If Dufry, however, loses control over a subsidiary, it
- derecognizes the assets (including goodwill) and liabilities of the subsidiary, derecognizes the carrying amount of any non-controlling interest as well as derecognizes the cumulative translation differences recorded in equity,
- recognizes the fair value of the consideration received, recognizes the fair value of any investment retained as well as recognizes any surplus or deficit in the income statement and
- reclassifies the amounts related to the subsidiary previously recognized through other comprehensive income to the consolidated income statement.

For the accounting treatment of associated companies see 2.3 q).

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Business combinations and goodwill
Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. For each business combination, Dufry selects whether it measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition related transaction costs are expensed and included in other operational result. When Dufry acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date.

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

Dufry measures goodwill at the acquisition date as:
- The fair value of the consideration transferred;
- plus the recognized amount of any non-controlling interests in the acquiree;
- plus if the business combination is achieved in stages, the fair value of the pre-existing equity interest in the acquiree;
- less the net recognized amount of the identifiable assets acquired and liabilities assumed.

When the excess is negative, a bargain purchase gain is recognized immediately in the income statement.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of Dufry's group of cash-generating units that are expected to benefit from the combination.

Where goodwill forms part of a cash-generating unit and a operation within is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained, unless there are specific allocations.

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

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

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

Monetary assets and liabilities denominated in foreign currencies are re-measured to their fair value in the functional currency using the exchange rate at the reporting date and recorded as unrealized foreign exchange gains / losses. Exchange differences arising on the settlement or on the translation of derivative financial instruments are recognized through the income statement, except where the hedges on net investments allow the recognition through other comprehensive income, until the respective investments are disposed of. Any related deferred tax on unrealized FX is accounted accordingly. Non-monetary items are measured at historical cost in the respective functional currency.

At the reporting date, the assets and liabilities of all subsidiaries reporting in foreign currency are translated into the presentation currency of Dufry (CHF) using the exchange rate at the reporting date. The income statements of the subsidiaries are translated using the average exchange rates of the respective month in which the transactions occurred. The net translation differences are recognized in other comprehensive income. On disposal of a foreign entity or when control is lost, the deferred cumulative translation difference recognized within equity relating to that particular operation is recognized in the income statement as gain or loss on sale of subsidiaries.

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

Principal foreign exchange rates applied for valuation and translation:

	AVERAGE RATE		CLOSING RATE	
IN CHF	2017	2016	31.12.2017	31.12.2016
1 USD	0.9841	0.9850	0.9743	1.0178
1 EUR	1.1119	1.0899	1.1692	1.0706
1 GBP	1.2684	1.3348	1.3170	1.2561

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

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

g) Equity instruments
An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by Dufry are recognized at the proceeds received, net of direct issue costs. Repurchase of Dufry's own equity instruments is recognized and deducted directly in equity. No gain or loss is recognized in the income statement on the purchase, sale, issue or cancellation of Dufry's own equity instruments.

h) Share capital

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

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

i) Leases

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

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

j) Pension and other post-employment benefit obligations

The employees of the subsidiaries are eligible for retirement, invalidity and death benefits under local social security schemes prevailing in the countries concerned and defined benefit or defined contribution plans provided through separate funds, insurance plans, or unfunded arrangements. The pension plans are either funded through regular contributions made by the employer or the employee or unfunded.

The cost of providing benefits under defined benefit plans is determined using the projected unit credit method.

Re-measurements, the effect of the asset ceiling (excluding net interest) and the return on plan assets (excluding net interest), are recognized in the statement of financial position with a corresponding debit or credit to other comprehensive income in the period in which they occur. Re-measurements are not reclassified to profit or loss in subsequent periods.

Past service costs are recognized in profit or loss on the earlier of:
- The date of the plan amendment or curtailment, and
- the date that Dufry recognizes restructuring related costs

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

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

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

k) Share-based payments

Equity settled share-based payments to employees and other third parties providing services are measured at the fair value of the equity instruments at grant date. The fair value determined at grant date of the equity-settled share-based payments is expensed on a pro rata basis over the vesting period, based on the estimated number of equity instruments that will eventually vest. At the end of each reporting period, Dufry revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognized in the income statement such that the cumulative expense reflects the revised estimate.

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

l) Taxation

Income tax expense represents the sum of the current income tax and deferred tax. Where the functional currency is not the local currency, the position includes the effects of foreign exchange translation on deferred tax assets or deferred tax liabilities.

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

Current income tax

Income tax receivables or payables are measured at the amount expected to be recovered from or paid to the tax authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantially enacted at the reporting date in the countries where Dufry operates and generates taxable income.

Income tax relating to items recognized in other comprehensive income is recognized in the same statement.

Deferred tax

Deferred tax is provided using the liability method on temporary differences between the tax basis of assets or liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred tax liabilities are recognized for all taxable temporary differences, except:
- When the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss
- In respect of taxable temporary differences associated with investments in subsidiaries, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future

Deferred tax assets are recognized for all deductible temporary differences, the carry forward of unused tax credits or tax losses. Deferred tax assets are recognized to the extent that it is probable that taxable profit will be available, against which the deductible temporary differences and the carry forward of unused tax credits and unused tax losses can be utilized, except:
- When the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss
- In respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow the deferred tax asset to be utilized. Unrecognized deferred tax assets are reassessed at each reporting date and are recognized to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantially enacted at the reporting date applicable for each respective company.

m) Property, plant and equipment

These are stated at cost less accumulated depreciation and any impairment in fair value. Depreciation is computed on a straight-line basis over the shorter of the estimated useful life of the asset or the lease term. The useful lives applied are as follows:
- Real estate (buildings) 20 to 40 years
- Leasehold improvements the shorter of the lease term or 10 years
- Furniture and fixtures the shorter of the lease term or 5 years
- Motor vehicles the shorter of the lease term or 5 years
- Computer hardware the shorter of the lease term or 5 years

n) Intangible assets

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

Software

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

o) Impairment of non-financial assets

Intangible assets with indefinite useful life are not subject to amortization and are tested annually for impairment. Assets that are subject to depreciation and amortization are reviewed for impairment whenever events or circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized when the carrying amount of an asset or cash generating unit exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less cost of disposal and its value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows (cash generating units).

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

Dufry classifies investments as held for sale or for distribution to equity holders of the parent if their carrying amounts will be recovered principally through a sale or distribution rather than through continuing use. Dufry measures these at the lower of their carrying amount or fair value less costs to sell or to distribute.

Assets and liabilities classified as held for sale or for distribution are presented separately in the statement of financial position.

A disposal group qualifies as discontinued operation if it is:
- A major line of business or major geographical area;
- part of a single coordinated plan for disposal; or
- a subsidiary acquired exclusively with a view to resale

Discontinued operations are excluded from the results of continuing operations and are presented as a single amount as net earnings after tax from discontinued operations in the consolidated statement of income.

q) Associates

Associates are all entities over which Dufry has significant influence but not control, generally accompanying a shareholding of more than 20 % of the voting rights. Investments in associates are accounted for using the equity method of accounting. Under the equity method, the investment is initially recognized at cost. The carrying amount is increased or decreased to recognize the investor's share of the net earnings of the investee after the date of acquisition and decreased by dividends declared. Dufry's investment in associates includes goodwill identified on acquisition.

Dufry's share of post-acquisition net earnings is recognized in the income statement, and its share of post-acquisition movements in other comprehensive income is recognized in the statement of comprehensive income with a corresponding adjustment to the carrying amount of the investment. When Dufry's share of losses in an associate equals or exceeds its interest in the associate, Dufry does not recognize further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate. If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognized in other comprehensive income is reclassified to net earnings where appropriate.

Dufry determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, Dufry calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognizes the amount adjacent to share of result of associates in the income statement.

Profits and losses resulting from upstream and downstream transactions between Dufry and its associate are recognized in the Group's financial statements only to the extent of unrelated investor's interests in the associates. Unrealized losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by Dufry.

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

r) Inventories

Inventories are valued at the lower of historical cost or net realizable value. The historical costs are determined using the FIFO method. Historical cost includes all expenses incurred in bringing the inventories to their present location and condition. This includes mainly import duties and transport cost. Purchase discounts and rebates are deducted in determining the cost of inventories. The net realizable value is the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale. Inventory allowances are set up in the case of slow-moving and obsolete stock. Expired items are fully written off.

s) Trade and credit card receivables

These accounts include receivables related to the sale of merchandise.

t) Cash and cash equivalents

Cash and cash equivalents consist of cash on hand or current bank accounts as well as short-term deposits at banks with initial maturity below 91 days. Credit card receivables with a maturity of up to 4 days are included as cash in transit. Short-term investments are included in this position if they are highly liquid, readily convertible into known amounts of cash and subject to insignificant risk of changes in value.

u) Provisions

Provisions are recognized when Dufry has a present obligation (legal or constructive) as a result of a past event, it is probable that Dufry will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognized as a provision is the best estimate at the end of the reporting period of the consideration required to settle the present obligation, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognized as an asset if it is virtually certain that the reimbursement will be received and the amount of the receivable can be measured reliably.

Contingent liabilities acquired in a business combination

Contingent liabilities acquired in a business combination are initially measured at fair value at the acquisition date. At the end of subsequent reporting periods, such contingent liabilities are measured at the higher of the amount that would be recognized in accordance with IAS 37 Provisions, contingent liabilities and contingent assets and the amount initially recognized less cumulative amortization recognized in accordance with IAS 18 Revenue.

Onerous contracts

Present obligations arising under onerous contracts are measured and recognized as provisions. An onerous contract is considered to exist if Dufry has a contract under which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received from the contract.

Restructurings

A restructuring provision is recognized when Dufry has developed a detailed formal plan for the restructuring and has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement the plan or announcing its main features to those affected by it. The measurement of a restructuring provision includes only the direct expenditures arising from the restructuring, which are those amounts that are both necessarily entailed by the restructuring and not associated with the ongoing activities of the entity.

Lawsuits and duties

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

v) Financial instruments

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities, other than financial assets and financial liabilities at fair value through profit or loss (FVTPL), are deducted from or added to the fair value of the financial assets or financial liabilities on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognized immediately in the income statement.

Trade and other accounts receivable

Trade and other receivables (including credit cards receivables, other accounts receivable, cash and cash equivalents) are measured at amortized cost using the effective interest method, less any impairment.

Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial asset have been affected. Certain categories of financial assets, such as trade receivables, are assessed for impairment individually. Subsequent recoveries of amounts previously written off are credited against the allowance accounts for these categories. Changes in the carrying amount of the allowance account are recognized in the income statement in the lines selling expenses or other operational result.

Derecognition of financial assets

Dufry derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If Dufry neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred as set, Dufry recognizes its retained interest in the asset and an associated liability for amounts it may have to pay. If Dufry retains substantially all the risks and rewards of ownership of a transferred financial asset, Dufry continues to recognize the financial asset and also recognizes a collateralized borrowing for the proceeds received.

Financial liabilities at FVTPL

These are stated at fair value, with any gains or losses arising on re-measurement recognized in the income statement. The net gain or loss recognized in the consolidated income statement incorporates any interest paid on the financial liability and is included in the financial result in the income statement. Fair value is determined in the manner described in note 37.

Other financial liabilities

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

Derecognition of financial liabilities

Dufry derecognizes financial liabilities only when the obligations are discharged, cancelled or expired. The difference between the carrying amount of the financial liability derecognized and the consideration paid or payable is recognized in the consolidated income statement.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, to realize the assets and settle the liabilities simultaneously (see note 38.10).

w) Derivative financial instruments

Dufry enters into a variety of derivative financial instruments to manage its exposure to interest rate or foreign exchange rate risks, including foreign exchange forward contracts, interest rate swaps and cross currency swaps. Further details of derivative financial instruments are disclosed in note 38.

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

Embedded derivatives

Derivatives embedded in non-derivative host contracts are treated as separate derivatives when their risks and characteristics are not closely related to those of the host contracts and the host contracts are not measured at FVTPL.

x) Hedge accounting

Dufry designates certain hedging instruments, which include derivatives and non-derivatives in respect of foreign currency risks, as either fair value hedges, cash flow hedges, or hedges of net investments in foreign operations. Hedges of foreign exchange risk on firm commitments are accounted for as cash flow hedges.

At the inception of the hedge relationship, the entity documents the relationship between the hedging instrument and the hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, Dufry documents whether the hedging instrument is highly effective in offsetting changes in fair values or cash flows of the hedged item attributable to the hedged risk.

Hedge accounting is discontinued when Dufry revokes the hedging relationship, when the hedging instrument expires or is sold, terminated, or exercised, or when it no longer qualifies for hedge accounting. Any gain or loss recognized in other comprehensive income and accumulated in equity at that time, is recognized when the underlying hedged item is ultimately derecognized in the income statement.

Cash flow hedges

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognized in other comprehensive income and accumulated in the hedging and revaluation reserves. The gain or loss relating to the ineffective portion is recognized in the income statement, and is included in the interest expenses / income line item.

Fair-value hedges

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

Hedges of net investments in foreign operations

Hedges of net investments in foreign operations are accounted for similarly to cash flow hedges. Any gain or loss on the hedging instrument relating to the effective portion of the hedge is recognized in other comprehensive income and accumulated under the heading of translation reserves. The gain or loss relating to the ineffective portion is recognized immediately in the income statement, and is included in the foreign exchange gains / losses line item (see notes 31.1 and 31.2).

2.4 CHANGES IN ACCOUNTING POLICY AND DISCLOSURES

New and amended standards and interpretations

The accounting policies adopted are consistent with those of the previous financial year, except for the revised Standards and the Interpretations adopted in these financial statements (effective January 1, 2017).

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

3. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

The preparation of Dufry's financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of income, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the reporting date.

KEY SOURCES OF ESTIMATION UNCERTAINTY

The key assumptions concerning the future and other key sources of estimation include uncertainties at the reporting date, which may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial periods, are discussed below.

Concession rights
Concession rights acquired in a business combination are measured at fair value as at the date of acquisition. The useful lives of operating concessions are assessed to be either finite or indefinite based on individual circumstances and are considering extensions and renewals. The useful lives of operating concessions are reviewed annually to determine whether the indefinite useful life assessment for those concessions continues to be sustainable. Dufry annually tests the operating concessions with indefinite useful lives and assesses those with finite lives for impairment indications. The underlying calculation requires the use of estimates. The comments and assumptions used are disclosed in note 20.1.2.

Onerous contracts
Some of the long-term concession agreements described above include clauses to prevent early termination, such as obligations to fulfill guaranteed minimal payments during the full term of the agreement. The conditions for an onerous contract will be met, when such a contract presents a non-profitable outlook. In this event, a provision based on the present value of the unavoidable future negative cash flows expected by the management is established. The unavoidable costs are the lower of the costs of fulfilling it and any compensation or penalties arising from failure to fulfil it. Further details are given in note 32.

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

Income taxes
Dufry is subject to income taxes in numerous jurisdictions. Significant judgment is required in determining the worldwide provision for income taxes. There are many transactions and calculations for which the ultimate tax assessment is uncertain. Dufry recognizes liabilities for tax audit issues based on estimates of whether additional taxes will be payable. Where the final tax outcome is different from the amounts that were initially recorded, such differences will impact the income tax or deferred tax provisions in the period in which such assessment is made. Further details are given in notes 15 and 22.

Deferred tax assets
Deferred tax assets are recognized for unused tax losses and deductible temporary differences to the extent that it is probable that taxable profit will be available against which the losses can be utilized. Management judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and level of future taxable profits. Further details are given in note 22.

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

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

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

Purchase price allocation
The determination of the fair values of the identifiable assets (especially the concession rights) and the assumed liabilities (especially the contingent liabilities recognized as provisions), resulting from business combinations, is based on valuation techniques such as the discounted cash flow model. Some of the inputs to this model are partially based on assumptions and judgments and any changes thereof would affect the reported values (see note 6).

Consolidation of entities where Dufry has control, but holds only minority voting rights
Dufry considers controlling certain entities, even when it holds less than the majority of the voting rights, when it is exposed to or has the rights to variable returns from the involvements with the investee and has the ability to affect those returns through its power over the entity. These indicators are evaluated at the time of first consolidation and reviewed when there are changes in the statutes or composition of the executive board of these entities. Further details on non-controlling interests are disclosed in notes 29 and 30 as well as the Annex “Most important subsidiaries”.

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

The standards and interpretations described below are expected to have an impact on Dufry's financial position, performance, and / or disclosures. Dufry intends to adopt these standards when they become effective.

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

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

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

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

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

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

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

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

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

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

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

IFRS 15
Revenue from contracts with customers (effective January 1, 2018)
IFRS 15, revenue from contracts with customers deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognized when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service.

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

Dufry considered the following aspects:

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

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

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

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

The standard will mainly affect the accounting of:

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

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

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

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

Amendments that are considered to be insignificant from a current point of view:

Sale or Contribution of Assets between an Investor and its Associate or Joint venture (proposed amendments to IFRS 10 and IAS 28)
(effective date not yet defined by IASB)
The gain or loss resulting from the sale to or contribution from an associate of assets that constitute a business as defined in IFRS 3 is recognized in full. The gain or loss resulting from the sale to or contribution from a subsidiary that does not constitute a business as defined in IFRS 3 (i. e. not a group of assets conforming a business) to an associate is recognized only to the extent of unrelated investors' interests in the associate.

Annual Improvements 2014 – 2017 – issued December 2017
Interpretation 22 – Foreign Currency Transactions and Advance Considerations (effective January 1, 2018)
Clarification that the election to measure at fair value through profit or loss is available on an investment-by-investment basis, upon initial recognition. Clarification of the date to be used for the exchange rate on initial recognition of a related asset, expense or income where consideration is paid or received in advance for foreign currency denominated contracts. For each payment the date to be used is the same as the date for the initial recognition of the related non-monetary asset or liability.

5. SEGMENT INFORMATION

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

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

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

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

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

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

Financial Position and other disclosures

31.12.2017 IN MILLIONS OF CHF	TOTAL ASSETS	TOTAL LIABILITIES	INCOME TAX (EXPENSE) / GAIN	CAPITAL EXPENDITURE PAID	DEPRECIATION AND AMORTIZATION	OTHER NON-CASH ITEMS*
Southern Europe and Africa	2,445.4	691.8	(24.4)	(34.9)	(138.0)	16.9
UK, Central and Eastern Europe	2,453.4	597.0	(28.6)	(30.1)	(116.3)	(86.9)
Asia, Middle East and Australia	472.4	210.4	0.2	(27.5)	(58.4)	(15.3)
Latin America	1,786.7	376.6	5.5	(59.9)	(144.7)	(20.7)
North America	1,441.0	233.6	(29.7)	(86.7)	(107.1)	12.1
Distribution Centers	1,014.4	270.8	(1.6)	(0.5)	(2.2)	13.4
Total segments	**9,613.3**	**2,380.2**	**(78.6)**	**(239.6)**	**(566.7)**	**(80.5)**
Unallocated positions	377.5	4,254.4	(12.4)	(46.4)	(16.1)	55.2
Dufry	**9,990.8**	**6,634.6**	**(91.0)**	**(286.0)**	**(582.8)**	**(25.3)**

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

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

Reconciliation of earnings

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

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

Reconciliation of assets

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

[1] Includes notional Cash Pool overdrafts at Headquarter

Reconciliation of liabilities

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

6. BUSINESS COMBINATIONS

There were no transactions in 2017 and 2016.

7. NET SALES

Net sales by product categories:

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

Net sales by market sector:

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

Net sales by channel:

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

8. SELLING EXPENSES

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

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

9. PERSONNEL EXPENSES

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

10. GENERAL EXPENSES

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

11. INVESTMENTS IN ASSOCIATES

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

These investments are accounted for using the equity method.

Summarized statement of financial position

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

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

Summarized statement of comprehensive income

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

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

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

Reconciliation of the carrying amount of its investments

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

12. DEPRECIATION, AMORTIZATION AND IMPAIRMENT

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

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

13. OTHER OPERATIONAL RESULT

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

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

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

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

14. INTEREST

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

15. INCOME TAXES

INCOME TAX RECOGNIZED IN THE CONSOLIDATED INCOME STATEMENT

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

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

* Included in other items in 2016

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

DEFERRED INCOME TAX RECOGNIZED IN OTHER COMPREHENSIVE INCOME / EQUITY

IN MILLIONS OF CHF	2017	2016
RECOGNIZED IN OTHER COMPREHENSIVE INCOME		
Actuarial gains / (losses) on defined benefit plans	(1.0)	2.4
Cash flow hedges	–	(0.3)
Total	**(1.0)**	**2.1**
RECOGNIZED IN EQUITY		
Tax effect on share-based payments	(0.5)	(0.2)
Total	**(0.5)**	**(0.2)**

16. EARNINGS PER SHARE

EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT

BASIC

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

IN MILLIONS OF CHF / QUANTITY	2017	2016
Net earnings attributable to equity holders of the parent	56.8	2.5
Weighted average number of ordinary shares outstanding (in million)	53,781	53,775
Basic earnings per share in CHF	**1.06**	**0.05**

DILUTED

Diluted earnings per share are calculated by dividing the net earnings attributable to equity holders of the parent by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares.

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

EARNINGS PER SHARE ADJUSTED FOR AMORTIZATION (CASH EPS)

Cash EPS are calculated by dividing net earnings attributable to equity holders of the parent, adjusted by the amortization effect generated by the intangible assets identified during the purchase price allocations of past acquisitions through weighted average number of ordinary shares outstanding. With this Cash EPS, Dufry aims to facilitate the comparison at EPS level with other companies not having performed such acquisition activities.

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

WEIGHTED AVERAGE NUMBER OF ORDINARY SHARES

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

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

17. COMPONENTS OF OTHER COMPREHENSIVE INCOME

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

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

18. PROPERTY, PLANT AND EQUIPMENT

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

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

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

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

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

20. INTANGIBLE ASSETS

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

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

20.1 IMPAIRMENT TEST

Concession rights with indefinite useful lives, as well as brands and goodwill are subject to impairment testing each year. Concession rights with finite useful lives are tested for impairment whenever events or circumstances indicate that the carrying amount may not be recoverable.

20.1.1 Impairment test of goodwill

For the purpose of impairment testing, goodwill recognized from business combinations has been allocated to the following group of cash generating units (CGU's). These groups also reflect the reportable segments that are expected to benefit from the synergies of the business combinations:

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

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

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

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

As basis for the calculation of these discount rates, the Group uses the weighted average cost of capital, based on the following risk free interest rates (derived from past 5 year average of prime 10-year bonds rates): CHF 0.04%, EUR 0.64%, USD 2.23% (2016: CHF 0.15%, EUR 0.83%, USD 2.08%).

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

	2017	2016
Beta factor	0.85	0.86

Sensitivity to changes in assumptions

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

20.1.2 Impairment test of concession rights with indefinite useful lives

Concession rights are tested for impairment purposes at company level, which represents the cash generating unit. At present, the concession rights with indefinite useful lives of EUR 40.1 (2016: 40.1) million relate to our Italian operations where the concessions are granted by the non-controlling interest holder.

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

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

	POST TAX DISCOUNT RATES		PRE TAX DISCOUNT RATES		GROWTH RATES FOR NET SALES	
CONCESSION RIGHTS IN PERCENTAGE (%)	2017	2016	2017	2016	2017	2016
Italy	7.63	9.02	8.61	10.12	4.1 – 6.6	3.4 – 6.5

Sensitivity analysis to changes in assumptions

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

20.1.3 Key assumptions used for value-in-use calculations

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

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

Sales growth

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

Gross rates used to extrapolate

For the period after 5 years, Dufry has used a growth rate of 2.0%–3.0% (2016: 2.0%–3.0%) to extrapolate the cash flow projections.

Gross margins

The expected gross margins are based on average product assortment values estimated by the management for the budget 2017. These values are maintained over the planning period or where specific actions are planned and have been increased or decreased by up to 1% over the 5 year planning horizon compared to the historical data. The gross margin is also affected by supplier's prices. Estimates are obtained from global negotiations held with the main suppliers for the products and countries for which products are sourced, as well as data relating to specific commodities during the months before the budget.

Concession fee levels

These assumptions regarding the concession fee evolution are important and monitored in the specific market as well as the renewal conditions and competitor behavior where the CGU's are active. For the CGU's subject to a value-in-use calculation, the management expects the competitive position to remain stable over the budget period.

Discount rates

Several factors affect the discount rates:

- For the financial debt part, the rate is based on the average interest of the past 5 years of the respective ten-year government bond and is increased by the company's effective bank spread and adjusted by the effective blended tax rate and country risk of the respective CGU.
- For the equity part, a 5% equity risk premium is added to the base rate commented above and adjusted by the Beta of Dufry's peer group.

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

20.1.4 Brands

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

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

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

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

21. CASH FLOWS USED FOR PURCHASE OF INTANGIBLE ASSETS

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

22. DEFERRED TAX ASSETS AND LIABILITIES

Temporary differences arise from the following positions:

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

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

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

Reconciliation of movements to the deferred taxes:

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

Tax loss carry-forwards

Certain subsidiaries incurred tax losses, which according to the local tax legislation gives rise to a tax credit usable in future tax periods. However, the use of this tax benefit may be limited by local law in time (expiration) or in quantity or limited by the ability of the respective subsidiary to generate enough taxable profits in the future.

Deferred tax assets relating to tax loss carry-forwards or temporary differences are recognized when it is probable that such tax credits can be utilized in the future by the respective entity in accordance with the approved budget 2018 and the management projections thereafter.

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

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

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

Unrecognized deferred tax liabilities

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

23. OTHER NON-CURRENT ASSETS

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

MOVEMENT IN ALLOWANCES

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

24. INVENTORIES

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

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

CASH FLOWS USED FOR INCREASE / FROM DECREASE IN INVENTORIES

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

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

25. TRADE AND CREDIT CARD RECEIVABLES

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

Trade receivables and credit card receivables are stated at their nominal value less allowances for doubtful amounts. These allowances are established based on an individual evaluation when collection appears to be no longer probable.

AGING ANALYSIS OF TRADE RECEIVABLES

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

MOVEMENT IN ALLOWANCES

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

26. OTHER ACCOUNTS RECEIVABLE

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

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

MOVEMENT IN OTHER ALLOWANCES

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

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

27. EQUITY

27.1 ISSUED CAPITAL

IN MILLIONS OF CHF	31.12.2017	31.12.2016
Share capital	269.4	269.4
Share premium	4,259.3	4,259.3
Total	**4,528.7**	**4,528.7**

27.1.1 Fully paid ordinary shares

IN MILLIONS OF CHF	NUMBER OF SHARES	SHARE CAPITAL	SHARE PREMIUM
Balance at January 1, 2016	**53,871,707**	**269.4**	**4,259.3**
Balance at December 31, 2016	**53,871,707**	**269.4**	**4,259.3**
Balance at December 31, 2017	**53,871,707**	**269.4**	**4,259.3**

27.2 AUTHORIZED AND CONDITIONAL SHARE CAPITAL

CONDITIONAL SHARE CAPITAL	NUMBER OF SHARES	IN THOUSANDS OF CHF
Balance at January 1, 2016	**888,432**	**4,442**
Balance at December 31, 2016	**888,432**	**4,442**
Balance at December 31, 2017	**888,432**	**4,442**

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

27.3 RESERVES

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

27.3.1 Employee benefit reserve

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

27.3.2 Hedging and revaluation reserves

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

27.3.3 Translation reserves

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

Foreign exchange gains and losses on financing instruments that are designated as hedging instruments for net investments in foreign operations are included in the translation reserves.

28. SHARE-BASED PAYMENTS

28.1 SHARE PLAN OF DUFRY AG

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

On October 27, 2016, Dufry granted to the members of the Group Executive Committee (GEC) and selected members of the senior management the Award 2016 consisting of 159,219 PSU units. The PSU Award 2016 has a contractual life of 30 months and will vest on May 2, 2019. At grant date the fair value of one PSU Award 2016 represents the market value for one Dufry share at that date, i.e. CHF 127.00, adjusted by the probability that participants comply with the ongoing contractual relationship clause. As of December 31, 2017, no PSU Award 2016 forfeited, so that 159,219 PSU Award 2016 remain outstanding.

On October 27, 2016, the Board of Directors decided, upon proposal by the Remuneration Committee, to pay out half of the 2015 bonus through a share program. Therefore, 85,015 Rights to Receive Shares (RRS) were awarded to the GEC and selected members of the senior management. These RRS have a contractual life of 26 months and will vest on January 1, 2019. At grant date the fair value of one RRS represents the market value for one Dufry share at that date, i.e. CHF 127.00, adjusted by the probability that participants comply with the ongoing contractual relationship clause. As of December 31, 2017, no RRS forfeited, so that all RRS remain outstanding.

One PSU (Award 2017 or Award 2016) will give the right to the holders to receive free of charge up to two Dufry shares depending on the effective cumulative amount of cash earnings per share (Cash EPS) reached by Dufry during the years of award and the following two years compared with the target (2017: CHF 25.97, 2016: CHF 24.59). The Cash EPS equals the basic Earnings per Share adjusted for amortization of intangible assets identified during business combinations and non-recurring effects. If at vesting the cumulative adjusted Cash EPS is at target level, each PSU grants one share. If the cumulative adjusted Cash EPS is at 150 % of the target (maximum threshold) or above, each PSU grants 1.5 (2016: 2) shares at vesting, and if the adjusted Cash EPS is at 50 % of the target (minimum threshold) or below, no share will be granted at vesting. If the adjusted Cash EPS is between 50 % and 150 % of the target, the number of shares granted for each PSU will be allocated on a linear basis. Additionally, the allocation of shares is subject to an ongoing contractual relationship of the participant with Dufry throughout the vesting period. Holders of PSU are not entitled to vote or receive dividends, like shareholders do.

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

With the Award 2015 Dufry granted to the members of the GEC and selected members of the senior management 122,052 PSU options. One PSU gave the right to receive in 2018, free of charge, up to two shares, based on the performance achieved by Dufry.

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

At January 1, 2017, the PSU award 2014 vested achieving an average yearly growth of 5.1 % so that each PSU will be exchanged for 0.45 Dufry shares, i. e. 20,020 shares in total.

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

28.2 TREASURY SHARES

Treasury shares are valued at historical cost.

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

29. BREAKDOWN OF TRANSACTIONS WITH NON-CONTROLLING INTERESTS

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

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

[1] No cash flow effects in current financial period

30. INFORMATION ON COMPANIES WITH NON-CONTROLLING INTERESTS

The non-controlling interests (NCI) comprise the portion of equity of subsidiaries that are not owned by Dufry. The net earnings attributable to non-controlling interests are CHF 54.1 (2016: 43.3) million and Dufry carefully assessed the significance of each subsidiary with non-controlling interests and concluded that none of them is individually material for Dufry.

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

31. FINANCIAL DEBT

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

BANK DEBT

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

SENIOR NOTES

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

DETAILED CREDIT FACILITIES

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

The bank credit agreements and the bank guarantee facility (see note 36) contain covenants and conditions customary to this type of financing. Dufry complied with the financial covenants and conditions contained in the bank credit agreements in 2016 and 2017 as well.

Main bank credit facilities

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

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

Senior notes

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

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

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

The new notes are listed on The International Stock Exchange (TISE) in Guernsey and interest is payable semi-annually in arrears.

WEIGHTED AVERAGE INTEREST RATE

The borrowings under these credit facilities bear interest at a floating rate (EURIBOR or LIBOR) plus spread. Below are the overall weighted average notional interest rates on the main currencies as per December 31, 2017 of respective years:

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

31.1 HEDGE OF NET INVESTMENTS IN FOREIGN OPERATIONS

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

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

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

31.2 NET INVESTMENT IN FOREIGN OPERATIONS

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

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

31.3 NET DEBT

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

32. PROVISIONS

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

Management believes that its provisions are adequate based upon currently available information. However, given the inherent difficulties in estimating liabilities in the areas described below, actual costs may vary from the amounts provisioned.

CONTINGENT LIABILITIES

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

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

ONEROUS CONTRACTS

Concession agreements usually fix the fee for the locations as a percentage on net sales. Some of these long-term concession agreements, which Dufry has entered into, include clauses to ensure a minimal concession fee during the full term of the agreement. However, in certain circumstances the economic environment around an activity deteriorates in such a way that it is highly unlikely that the operation will become profitable during the remaining concession duration. In such cases Dufry does impair the assets subject to amortization or depreciation and creates a provision for onerous contracts. This provision reflects the present value of the unavoidable cost (losses) of meeting the contractual obligation. At balance sheet date, an amount of CHF 55.6 (2016: 157.4) million has been provided in relation to operations in Europe.

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

CLOSE DOWN

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

LAWSUITS AND DUTIES

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

LABOR DISPUTES

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

OTHER

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

CASH OUTFLOWS OF NON-CURRENT PROVISIONS

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

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

33. POST-EMPLOYMENT BENEFIT OBLIGATIONS

Dufry provides retirement benefits through a variety of arrangements comprised principally of stand-alone defined benefit or defined contribution plans, or state administered plans that cover a substantial portion of employees in accordance with local regulations and practices. The most significant plans in terms of the benefits accrued to date by participants are cash balance and final salary plans. Around 99.6 % (2016: 95.9 %) of the total defined benefit obligation and 99.4 % (2016: 99.5 %) of the plan assets correspond to pension funds in Switzerland (CH) and the United Kingdom (UK).

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

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

Reconciliation to the funded plans

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

33.1 SWITZERLAND

Dufry operates a company sponsored pension fund in form of a foundation in Switzerland that provide contribution-based cash balance retirement and risk benefits to employees. Pension plans in Switzerland are governed by the Federal Law on Occupational Retirement, Survivors' and Disability Pension Plans (BVG), which stipulates that pension plans are to be managed by independent, legally autonomous units. Pension plans are overseen by a regulator as well as by a state supervisory body. A pension plan's most senior governing body (Board of Trustees) must be composed of equal numbers of employee and employer representatives. The various insurance benefits are governed in regulations, with the BVG specifying the minimum benefits that are to be provided. The employer and employees pay contributions to the pension plan. In case of an underfunding, various measures can be taken such as the adjustment of the pension benefits, by altering the actuarial assumptions or increasing future contributions. The employer can also make additional restructuring contributions. The BVG prescribes how the employer and the employee have to jointly fund potential restructurings.

These risks consist of demographic risks, primarily life expectancy, and financial risks such as the discount rate, future increases in salaries / wages, and the return on plan assets. These risks are regularly assessed by the Board of Trustees. In addition, two annual actuarial reports are submitted, one in accordance with the requirements of the BVG, the other in accordance with IFRS requirements.

The investment strategy is defined in form of a long-term target asset-, currency- and risk-structure (investment policy), which takes into account requirements from BVG, and aim to obtain a high long-term return on plan assets. The Board of Trustees is responsible for the investment of the assets, reviewing the investment portfolio as often as necessary – especially in the case of significant changes in the expectations of market developments and at least once a year. When reviewing the investment portfolio, it takes into account the limitations set in the strategy. The Board of Trustees delegates the implementation of the investment policy – in accordance with the investment strategy as well as various principles and objectives – to an Investment Committee, which consists of two members of the Board of Trustees. They supervise the entire investment process. The plan assets are deposited in a global custody account (Bank), whereby the investments in properties are directly managed by the fund administration.

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

The pension fund currently invests in a diverse portfolio of asset classes including equities, bonds, property and commodities but do not currently use any more explicit asset-liability matching strategy instruments such as annuity purchase products or longevity swaps.

33.2 UNITED KINGDOM (UK)

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

Cost of defined benefit plans

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

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

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

Remeasurements employee benefits

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

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

Change in the fair value of plan assets

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

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

Change in present value of defined benefit obligation

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

Actuarial assumptions

The present value of the defined benefit obligation is determined annually by independent actuaries using the projected unit credit method. The main actuarial assumptions used are:

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

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

Plan asset structure

The categories of plan assets in percentage of total value are as follows:

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

[1] Includes liquid positions and alternative investments.

All assets held by the Pension fund in Switzerland and UK are fair-value-level 1 (quoted prices in active markets), except certain real estate in Switzerland which are fair-value-level 2 (significant observable inputs) representing 29.0 % (2016: 15.0 %) of the total assets.

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

Plan participants

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

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

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

Sensitivities of significant actuarial assumptions

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

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

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

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

Expected costs

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

34. OTHER LIABILITIES

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

35. RELATED PARTIES AND RELATED PARTY TRANSACTIONS

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

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

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

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

The transactions with associated companies are the following:

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

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

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

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

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

36. COMMITMENTS AND CONTINGENCIES

GUARANTEE COMMITMENTS

Some long-term concession agreements, which Dufry has entered into, include obligations to fulfill minimal fee payments during the full term of the agreement. Some of these agreements have been backed with guarantees provided by Dufry or a financial institution. During the years 2017 or 2016, no party has exercised their right to call upon such guarantees. All accrued, but still unpaid concession fees are presented as liabilities in the statement of financial position.

37. FAIR VALUE MEASUREMENT

FAIR VALUE OF FINANCIAL INSTRUMENTS CARRIED AT AMORTIZED COST

Except as detailed in table Quantitative disclosures fair value measurement hierarchy for assets below, Dufry considers that the carrying amounts of financial assets and financial liabilities recognized in the financial statements approximate their fair values.

The following tables provide the fair value measurement hierarchy of Dufry's assets and liabilities, that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable:

- **Level 1** fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.
- **Level 2** fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- **Level 3** fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Quantitative disclosures fair value measurement hierarchy for assets

DECEMBER 31, 2017 IN MILLIONS OF CHF	TOTAL	FAIR VALUE MEASUREMENT AT DECEMBER 31, 2017 USING Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	BOOK VALUES
ASSETS MEASURED AT FAIR VALUE					
Derivative financial assets					
Foreign exchange forward contracts – USD	0.1		0.1		0.1
Foreign exchange forward contracts – EUR	–		–		–
Foreign exchange swaps contracts – USD	5.0		5.0		5.0
Cross currency swaps contracts – EUR	3.9		3.9		3.9
Cross currency swaps contracts – GBP	0.4		0.4		0.4
Cross currency swaps contracts – OTHER	0.7		0.7		0.7
Total (Note 38.5.2)	**10.1**		**10.1**		**10.1**
ASSETS FOR WHICH FAIR VALUES ARE DISCLOSED					
Loans and receivables					
Credit card receivables	21.6		21.6		22.1

DECEMBER 31, 2016 IN MILLIONS OF CHF	TOTAL	FAIR VALUE MEASUREMENT AT DECEMBER 31, 2016 USING Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	BOOK VALUES
ASSETS MEASURED AT FAIR VALUE					
Derivative financial assets					
Foreign exchange forward contracts – USD	–		–		–
Foreign exchange forward contracts – EUR	0.9		0.9		0.9
Foreign exchange swaps contracts – USD	0.4		0.4		0.4
Cross currency swaps contracts – EUR	27.3		27.3		27.3
Cross currency swaps contracts – GBP	0.1		0.1		0.1
Total (Note 38.5.2)	**28.7**		**28.7**		**28.7**
ASSETS FOR WHICH FAIR VALUES ARE DISCLOSED					
Loans and receivables					
Credit card receivables	42.9		42.9		43.7

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

Quantitative disclosures fair value measurement hierarchy for liabilities

DECEMBER 31, 2017 IN MILLIONS OF CHF	FAIR VALUE MEASUREMENT AT DECEMBER 31, 2017 USING TOTAL	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	BOOK VALUES
LIABILITIES MEASURED AT FAIR VALUE					
Derivative financial liabilities					
Foreign exchange forward contracts – USD	–		–		–
Foreign exchange forward contracts – EUR	–		–		–
Foreign exchange swaps contracts – EUR	–		–		–
Cross currency swaps contracts – GBP	–		–		–
Total (Note 38.5.2)	**–**		**–**		**–**
Financial liabilities valued at FVTPL					
Interest rate swaps	–		–		–
Total (Note 38.6.1)	**–**		**–**		**–**
LIABILITIES FOR WHICH FAIR VALUES ARE DISCLOSED					
At amortized cost					
Senior Notes EUR 800	953.6	953.6			926.6
Senior Notes EUR 700	857.5	857.5			811.0
Total	**1,811.1**	**1,811.1**			**1,737.6**
Floating rate borrowings USD	1,294.9		1,294.9		1,256.5
Floating rate borrowings EUR	591.2		591.2		579.9
Floating rate borrowings CHF	287.0		287.0		263.6
Floating rate borrowings GBP	331.0		331.0		316.1
Total	**2,504.1**		**2,504.1**		**2,416.1**

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

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

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

38. FINANCIAL INSTRUMENTS

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

38.1 CAPITAL RISK MANAGEMENT

Capital comprises equity attributable to the equity holders of the parent less hedging and revaluation reserves for unrealized gains or losses on net investment, plus other equity-linked or equity-like instruments attributable to the parent.

The primary objective of Dufry's capital management is to ensure that it maintains an adequate credit rating and sustainable capital ratios in order to support its business and maximize shareholder value.

Dufry manages its financing structure and makes adjustments to it in light of its strategy and the long-term opportunities and costs of each financing source. To maintain or adjust the financing structure, Dufry may adjust dividend payments to shareholders, return capital to shareholders, issue new shares or issue equity-linked instruments or equity-like instruments.

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

38.1.1 Gearing ratio

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

IN MILLIONS OF CHF	31.12.2017	31.12.2016
Cash and cash equivalents	(565.0)	(450.8)
Financial debt, short-term	86.8	127.3
Financial debt, long-term	4,165.1	4,073.9
Net debt	**3,686.9**	**3,750.4**
Equity attributable to equity holders of the parent	3,130.1	3,062.0
ADJUSTED FOR		
Accumulated hedged gains / (losses)	(45.2)	9.6
Effects from transactions with non-controlling interests [1]	1,839.0	1,835.5
Total capital [2]	**4,923.9**	**4,907.1**
Total net debt and capital	**8,610.8**	**8,657.5**
Gearing ratio	**42.8 %**	**43.3 %**

[1] Represents the excess paid (received) above fair value of non-controlling interests on shares acquired (sold) as long as there is no change in control (IFRS 10.23)

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

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

38.2 CATEGORIES OF FINANCIAL INSTRUMENTS

AT DECEMBER 31, 2017

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

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

AT DECEMBER 31, 2016

IN MILLIONS OF CHF	FINANCIAL ASSETS Loans and receivables	at FVTPL [1]	SUBTOTAL	NON-FINANCIAL ASSETS [2]	TOTAL
Cash and cash equivalents	450.8	–	450.8	–	450.8
Trade and credit card receivables	94.6	–	94.6	–	94.6
Other accounts receivable	183.4	28.7	212.1	289.3	501.4
Other non-current assets	106.4	–	106.4	189.7	296.1
Total	**835.2**	**28.7**	**863.9**		

IN MILLIONS OF CHF	FINANCIAL LIABILITIES at amortized cost	at FVTPL [1]	SUBTOTAL	NON-FINANCIAL LIABILITIES [2]	TOTAL
Trade payables	590.4	–	590.4	–	590.4
Financial debt short-term	127.3	–	127.3	–	127.3
Other liabilities	703.9	6.5	710.4	121.9	832.3
Financial debt long-term	4,073.9	–	4,073.9	–	4,073.9
Other non-current liabilities	7.8	–	7.8	88.3	96.1
Total	**5,503.3**	**6.5**	**5,509.8**		

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

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

38.2.1 Net income by IAS 39 valuation category

Financial Assets at December 31, 2017

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

Financial Liabilities at December 31, 2017

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

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

[2] This position includes the income from the released impairments and allowances and recoveries during the period less the increase of impairments and allowances

Financial Assets at December 31, 2016

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

Financial Liabilities at December 31, 2016

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

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

[2] This position includes the income from the released impairments and allowances and recoveries during the period less the increase of impairments and allowances

38.3 FINANCIAL RISK MANAGEMENT OBJECTIVES

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

Dufry continuously monitors the market risk, such as risks related to foreign currency, interest rate, credit, liquidity and capital. Dufry seeks to minimize the currency exposure and interest rates risk using appropriate transaction structures or alternatively, using derivative financial instruments to hedge the exposure to these risks. The treasury policy forbids entering or trading financial instruments for speculative purposes.

38.4 MARKET RISK

Dufry's financial assets and liabilities are mainly exposed to market risk in foreign currency exchange and interest rates. Dufry's objective is to minimize the income statement impact and to reduce fluctuations in cash flows through structuring the respective transactions to minimize market risks. In cases, where the associated risk cannot be hedged appropriately through a transaction structure, and the evaluation of market risks indicates a material exposure, Dufry may use financial instruments to hedge the respective exposure.

Dufry may enter into a variety of financial instruments to manage its exposure to foreign currency risk, including forward foreign exchange contracts, currency swaps and over the counter plain vanilla options.

During the current financial year Dufry utilized foreign currency forward contracts and options for hedging purposes.

38.5 FOREIGN CURRENCY RISK MANAGEMENT

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

38.5.1 Foreign currency sensitivity analysis

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

Foreign Currency Exposure:

IN MILLIONS OF CHF	USD	EURO	GBP	BRL	OTHER	TOTAL
DECEMBER 31, 2017						
Monetary assets	2,031.4	1,269.1	323.7	19.1	1,043.8	4,687.1
Monetary liabilities	3,384.1	1,834.8	452.7	43.4	521.5	6,236.5
Net currency exposure before foreign currency contracts and hedging	**(1,352.7)**	**(565.7)**	**(129.0)**	**(24.3)**	**522.3**	**(1,549.4)**
Foreign currency contracts	(262.1)	963.3	(50.9)	11.8	(229.0)	433.1
Hedging	903.8	–	65.8	–	(105.7)	863.9
Net currency exposure	**(711.0)**	**397.6**	**(114.1)**	**(12.5)**	**187.6**	**(252.4)**
DECEMBER 31, 2016						
Monetary assets	2,227.5	2,082.6	673.5	50.7	241.1	5,275.4
Monetary liabilities	3,832.2	2,087.8	1,054.7	102.4	193.3	7,270.4
Net currency exposure before hedging	**(1,604.7)**	**(5.2)**	**(381.2)**	**(51.7)**	**47.8**	**(1,995.0)**
Foreign currency contracts	561.3	(160.7)	124.9	–	–	525.5
Hedging	944.2	–	301.5	–	(101.8)	1,143.9
Net currency exposure	**(99.2)**	**(165.9)**	**45.2**	**(51.7)**	**(54.0)**	**(325.6)**

The sensitivity analysis includes all monetary assets and liabilities irrespective of whether the positions are third party or intercompany. Dufry has considered some intercompany long-term loans as net investment in foreign operations. Consequently, the related exchange differences are presented in other comprehensive income and thereafter as translation reserve in equity and Dufry has entered into cross currency swaps to reduce the currency exposure.

The foreign exchange rate sensitivity is calculated by aggregation of the net foreign exchange rate exposure of Dufry entities at December 31 of the respective year. The values and risk disclosed here are the hedged and not hedged positions assuming a 5% appreciation of the CHF against all other currencies.

A positive result indicates a profit, before tax in the income statement or in the hedging and revaluation reserves when the CHF strengthens against the relevant currency.

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

Reconciliation to categories of financial instruments:

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

[1] See note 38.2 Categories of financial instruments

38.5.2 Foreign exchange forward contracts and foreign exchange options at fair value

As the management of the company actively pursues to naturally hedge the positions in each operation, the policy of Dufry is to enter into foreign exchange forward and options contracts only where needed.

The following table shows the contracts or underlying principal amounts and fair values of derivative financial instruments, including foreign exchange forwards and foreign exchange swaps as well as cross currency interest rate swaps. Contracts or underlying principal amounts indicate the volume of business outstanding at the balance sheet date. The fair values are determined by reference to market prices or standard pricing models that used observable market inputs at December 31 of each year. During 2016, Dufry has entered into a number of cross currency swap contracts in order to optimize interest expenses, which led to a material increase of contractual underlying amounts as of December 31, 2016 compared to previous year.

IN MILLIONS OF CHF	CONTRACT OR UNDERLYING PRINCIPAL AMOUNT	POSITIVE FAIR VALUE	NEGATIVE FAIR VALUE
December 31, 2017	1,130.4	10.1	–
December 31, 2016	986.0	28.7	1.9

38.6 INTEREST RATE RISK MANAGEMENT

Dufry manages the interest rate risk through interest rate swaps and options to the extent that the hedging cannot be implemented through managing the duration of the debt drawings. The levels of the hedging activities are evaluated regularly and may be adjusted in order to reflect the development of the various parameters. Dufry had no outstanding interest swaps contracts during 2017 (6 in 2016).

38.6.1 Interest rate swap contracts

The following table shows the contracts or underlying principal amounts and fair values of derivative financial instruments. Contracts or underlying principal amounts indicate the volume of business outstanding at December 31. The fair values are determined by reference to market prices or standard pricing models that used observable market inputs at December 31.

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

38.6.2 Interest rate sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to interest rates derivatives and non-derivative instruments at the reporting date. The risk analysis provided here assumes a simultaneous increase of 100 basis points of the interest rate of all interest bearing financial positions.

If interest rates had been 100 basis points higher whereas all other variables were held constant, Dufry's net earnings for the year 2017 would decrease by CHF 43.3 (2016: decrease by 43.2) million.

38.6.3 Allocation of financial assets and liabilities to interest classes

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

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

38.7 CREDIT RISK MANAGEMENT

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

Almost all Dufry sales are retail sales made against cash or internationally recognized credit / debit cards. Dufry has policies in place to ensure that other sales are only made to customers with an appropriate credit history or that the credit risk is insured adequately. The remaining credit risk is in relation to taxes, refunds from suppliers and guarantee deposits.

The credit risk on cash deposits or derivative financial instruments relates to banks or financial institutions. Dufry monitors the credit ranking of these institutions and does not expect defaults from non-performance of these counterparties.

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

38.7.1 Maximum credit risk

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

38.8 LIQUIDITY RISK MANAGEMENT

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

38.8.1 Remaining maturities for non-derivative financial assets and liabilities

The following tables have been drawn up based on the undiscounted cash flows of financial assets and liabilities (based on the earliest date on which Dufry can receive or be required to pay). The tables include principal and interest cash flows.

AT DECEMBER 31, 2017 IN MILLIONS OF CHF	1–6 MONTHS	6–12 MONTHS	1–2 YEARS	MORE THAN 2 YEARS	TOTAL
Cash and cash equivalents	575.5	3.9	–	–	579.4
Financial instruments at fair value through profit and loss	–	–	–	–	–
Trade and credit card receivables	82.3	0.2	–	–	82.5
Other accounts receivable	238.7	7.3	–	–	246.0
Other non-current assets	1.2	1.2	4.4	136.7	143.5
Total cash inflows	**897.7**	**12.6**	**4.4**	**136.7**	**1,051.4**
Trade payables	644.7	–	–	–	644.7
Financial debt, short-term	86.3	10.9	–	–	97.2
Other liabilities	759.6	1.9	–	–	761.5
Financial debt, long-term	39.9	42.5	165.1	4,427.4	4,674.9
Other non-current liabilities	0.1	0.1	16.9	1.9	19.0
Total cash outflows	**1,530.6**	**55.4**	**182.0**	**4,429.3**	**6,197.3**

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

38.8.2 Remaining maturities for derivative financial instruments

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

38.9 LEGAL RESTRICTIONS ON MONEY TRANSFER

Cash and cash equivalents at the end of the reporting period include CHF 46.6 (2016: 39.4) million held by subsidiaries operating in countries with exchange controls or other legal restrictions on money transfer.

38.10 OFFSETTING FINANCIAL ASSETS AND FINANCIAL LIABILITIES

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

IN MILLIONS OF CHF	BALANCE BEFORE GLOBAL POOLING	SET-OFF	NET BALANCE
31.12.2017			
Cash and cash equivalents	1,243.7	(678.7)	565.0
Financial debt, short-term	765.5	(678.7)	86.8
31.12.2016			
Cash and cash equivalents	1,039.1	(588.3)	450.8
Financial debt, short-term	715.6	(588.3)	127.3

39. EVENTS AFTER REPORTING DATE

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

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

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

MOST IMPORTANT SUBSIDIARIES

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

AS OF DECEMBER 31, 2017	LOCATION	COUNTRY	TYPE	OWNERSHIP IN %	SHARE CAPITAL IN THOUSANDS	CURRENCY
SOUTHERN EUROPE AND AFRICA						
Dufry France SA	Nice	France	R	100	8,291	EUR
Hellenic Duty Free Shops SA	Athens	Greece	R	100	397,535	EUR
Dufrital SpA	Milan	Italy	R	60	466	EUR
Nuance Group (Malta) Ltd	Luqa	Malta	R	52	2,796	EUR
Dufry Maroc SARL	Casablanca	Morocco	R	80	2,500	MAD
World Duty Free Group SA	Madrid	Spain	R	100	19,832	EUR
Sociedad de Distribucion Comercial Aeroportuaria de Canarias, S.L.	Telde	Spain	R	60	667	EUR
Urart Gumr. Magaza Isletm. ve Ticaret A.S.	Antalya	Turkey	R	100	1,161	EUR
UK, CENTRAL AND EASTERN EUROPE						
ADF Shops CJSC	Yerevan	Armenia	R	100	553,834	AMD
World Duty Free Group Helsinki Ltd	Vantaa	Finland	R	100	2,500	EUR
World Duty Free Group Germany GmbH	Düsseldorf	Germany	R	100	250	EUR
Regstaer Ltd	Moscow	Russia	R	51	3,991	EUR
Dufry East OOO	Moscow	Russia	R	100	712	USD
Lenrianta CSJC	St. Petersburg	Russia	R	100	315	EUR
Dufry D.O.O.	Belgrade	Serbia	R	100	693,078	RSD
Nuance Group (Sverige) AB	Stockholm	Sweden	R	100	100	SEK
Dufry Basel-Mulhouse AG	Basel	Switzerland	R	100	100	CHF
The Nuance Group AG	Zurich	Switzerland	R	100	82,100	CHF
World Duty Free Group UK Ltd	London	UK	R	100	360	GBP
Nuance Group (UK) Ltd	London	UK	R	100	50	GBP
ASIA, MIDDLE EAST AND AUSTRALIA						
Nuance Group (Australia) Pty Ltd	Melbourne	Australia	R	100	210,000	AUD
Dufry (Cambodia) Ltd	Phnom Pen	Cambodia	R	80	1,231	USD
The Nuance Group (HK) Ltd	Hong Kong	China	R	100	–	HKD
The Nuance Group (Macau) Ltd	Macau	China	R	100	49	HKD
Dufry (Shanghai) Commercial Co., Ltd	Shanghai	China	R	100	19,497	CNY
The Nuance Group (India) Pvt. Ltd	Bangalore	India	R	100	1,035,250	INR
Aldeasa Jordan Airports Duty Free Shops Ltd	Amman	Jordan	R	100	705	USD
World Duty Free Group SA*	Kuwait City	Kuwait	R	100	2,383	KWD
Dufry Shops Colombo Limited	Colombo	Sri Lanka	R	100	30,000	LKR
Dufry Sharjah FZC	Sharjah	U. Arab. Emirates	R	50	2,054	AED
LATIN AMERICA						
Interbaires SA	Buenos Aires	Argentina	R	100	20,306	USD
Dufry Aruba N.V.	Oranjestad	Aruba	R	100	1,900	USD
Duty Free Caribbean Ltd.	St. Michael	Barbados	R	60	5,000	USD
Dufry do Brasil DF Shop Ltda	Rio de Janeiro	Brazil	R	87	98,175	USD
Dufry Lojas Francas Ltda	Sao Paulo	Brazil	R	87	99,745	USD
Aldeasa Chile, Ltd	Santiago de Chile	Chile	R	100	2,517	USD
Inversiones Tunc SRL	Santo Domingo	Dominican Republic	R	100	–	USD

AS OF DECEMBER 31, 2017	LOCATION	COUNTRY	TYPE	OWNER-SHIP IN %	SHARE CAPITAL IN THOUSANDS	CURRENCY
Inversiones Pánamo SRL	Santo Domingo	Dominican Republic	R	100	–	USD
Aldeasa Jamaica, Ltd	St. James	Jamaica	R	100	280	USD
Dufry Mexico SA de CV	Mexico City	Mexico	R	100	268	USD
Dufry Yucatan SA de CV	Mexico City	Mexico	R	100	1,141	USD
World Duty Free Group Peru S.A.C.	Lima	Peru	R	100	1,010	USD
Alliance Duty Free, Inc.	San Juan	Puerto Rico	R	100	2,213	USD
Dufry Trinidad Ltd	Port of Spain	Trinidad and Tobago	R	60	392	USD
Navinten SA	Montevideo	Uruguay	R	100	126	USD
NORTH AMERICA						
Nuance Group (Canada) Inc.	Toronto	Canada	R	100	13,260	CAD
WDFG Vancouver LP	Vancouver	Canada	R	100	9,500	CAD
Hudson Group Canada Inc.	Vancouver	Canada	R	100	–	CAD
Hudson News O'Hare JV	Chicago	USA	R	70	–	USD
Dufry O'Hare T5 JV	Chicago	USA	R	80	–	USD
HG-Multiplex-Regali Dallas JV	Dallas	USA	R	75	–	USD
Atlanta WDFG TAC ATL Retail LLC	Delaware	USA	R	86	–	USD
Atlanta WDFG LTL ATL JV LLC	Delaware	USA	R	70	–	USD
HG Denver JV	Denver	USA	R	76	–	USD
Hudson Las Vegas JV	Las Vegas	USA	R	73	–	USD
Nuance Group Las Vegas Partnership	Las Vegas	USA	R	73	850	USD
HG Magic Concourse TBIT JV	Los Angeles	USA	R	68	–	USD
Airport Management Services LLC	Los Angeles	USA	H / R	100	–	USD
Hudson-Magic Johnson Ent. CV LLC	Los Angeles	USA	R	91	–	USD
LAX Retail Magic 2 JV	Los Angeles	USA	R	73	–	USD
AMS-Olympic Nashville JV	Nashville	USA	R	83	–	USD
Hudson Group (HG) Retail, LLC	New Jersey	USA	H / R	100	–	USD
New Orleans Air Ventures II	New Orleans	USA	R	66	–	USD
JFK Air Ventures II JV	New York	USA	R	80	–	USD
Hudson-NIA JFK T1 JV	New York	USA	R	90	–	USD
HG-KCGI-TEI JFK T8 JV	New York	USA	R	85	–	USD
Hudson-Retail NEU LaGuardia JV	New York	USA	R	80	–	USD
Seattle Air Ventures II	Olympia	USA	R	75	–	USD
AMS-SJC JV	San Jose	USA	R	91	–	USD
Dufry Seattle JV	Seattle	USA	R	88	–	USD
HG St Louis JV	St. Louis	USA	R	70	–	USD
HG National JV	Virginia	USA	R	70	–	USD
GLOBAL DISTRIBUTION CENTERS						
International Operations & Services (HK) Ltd	Hong Kong	Hong Kong	D	100	1,000	HKD
International Operations & Services (CH) AG	Basel	Switzerland	D	100	5,000	CHF
International Operations & Services (UY) SA	Montevideo	Uruguay	D	100	50	USD
International Operations & Services (USA) Inc.	Miami	USA	D	100	398	USD
HEADQUARTERS						
Dufry International AG	Basel	Switzerland	H	100	1,000	CHF
Dufry Holdings & Investments AG	Basel	Switzerland	H	100	1,000	CHF
Dufry Financial Services B.V.	Eindhoven	Netherlands	H	100	–	EUR

* Branch of World Duty Free Group SA, Spain

To the General Meeting of
Dufry AG, Basel

Basel, 7 March 2018

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

Opinion
We have audited the consolidated financial statements of Dufry AG and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at 31 December 2017 and the consolidated statement of income, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements (pages 108 to 197) give a true and fair view of the consolidated financial position of the Group as at 31 December 2017, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) and comply with Swiss law.

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

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

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

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

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

EY
Building a better working world

Valuation of goodwill / intangible assets with indefinite useful life

Area of Focus

Goodwill and intangible assets with indefinite useful live represent 30% of the Group's total assets and 89 % of the Group's total shareholders' equity as at 31 December 2017. As stated in Note 3 to the consolidated financial statements, the carrying value of goodwill and intangible assets with indefinite useful live is tested annually for impairment. The Company performed its annual impairment test of goodwill and intangible assets with indefinite useful live in the fourth quarter of 2017 and determined that there was no impairment. Key assumptions relating to the impairment test are disclosed in Note 20.1 to the consolidated financial statements. In determining the value in use of cash generating units and intangible assets with indefinite useful live, the Company must apply judgment in estimating – amongst other factors – future sales and margins, long-term growth rates and discount rates. Due to the significance of the carrying values for goodwill and intangible assets with indefinite useful life and the judgment involved in performing the impairment test, this matter was considered significant to our audit.

Our audit response

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

Deferred tax assets – recoverability of tax loss carry forwards

Area of Focus

Application of taxation legislation to the Group's affairs is inherently complex, highly specialized, and requires judgement to be exercised in relation to estimating tax exposures and quantifying provisions and/or contingent liabilities. As at 31 December 2017, the Group has current and deferred tax assets of CHF 173 million, current and deferred tax liabilities of CHF 525 million, and has disclosed a contingent liability of CHF 47 million which includes tax-related exposures.

The company has incurred tax losses of CHF 1'127 million as at 31 December 2017. The company has recognized deferred tax assets related to tax losses to the extent that the realization of the related tax benefits through future taxable profits are probable. The estimate of future taxable profits is based on the strategic plan which is then allocated to the tax-paying entities in the various jurisdictions. The recognition of deferred tax assets is therefore sensitive to changes in the strategic plan. Based on internal calculations with respect to the expected taxable profits in future years the company has recognized a deferred tax asset of CHF 129 million. We refer to Note 22 of the financial statements. This area was important to our audit due to the amount of the tax losses as well as the judgment involved in management's assessment of the likelihood and magnitude of creating future taxable profits to offset the tax losses. This assessment requires the Management Board to make assumptions to be used in the forecasts of future taxable profits, including expectations for future sales and margin developments and overall market and economic conditions.

Our audit response

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

Building a better working world

Accounting for concession fees, above all minimum annual guarantees
Area of Focus
Capitalized concession rights, amounting to CHF 3'546 million, represent 35 % of the balance sheet total as at 31 December 2017. The useful life of virtually all concession rights are assessed to be finite. Concession rights acquired separately are capitalized at cost and those acquired in a business acquisition are capitalized at fair value as at the date of acquisition and are subject to impairment considerations as outlined in Note 3 to the consolidated financial statements. In many instances, concession agreements include a concession payment, which is defined as a certain percentage on net sales. Some of these long-term concession agreements, which Dufry has entered into, include clauses to ensure a minimal concession fee during the full term of the agreement (minimal annual guarantees, "MAG"). Under certain circumstances, the economic environment around an activity may deteriorate in such a way that it is unlikely that the operation will become profitable during the remaining concession duration. In such cases, Dufry impairs tangible and intangible assets and creates, if still needed, a provision for onerous contracts. The fair value calculation of concession rights as well as the determination of provision for onerous contracts comprise significant judgment of management.

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

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

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

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

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

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

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

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

Report on other legal and regulatory requirements

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

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

Ernst & Young Ltd

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

INCOME STATEMENT

FOR THE YEAR ENDED DECEMBER 31, 2017

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

STATEMENT OF FINANCIAL POSITION

AT DECEMBER 31, 2017

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

NOTES TO THE FINANCIAL STATEMENTS

1. CORPORATE INFORMATION

Dufry AG (the company) is a publicly listed company. The shares of the Company are listed on the Swiss Stock Exchange (SIX) in Zurich and its Brazilian Depository Receipts on the BM&FBOVESPA in Sao Paolo.

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

2. ACCOUNTING POLICIES

2.1 BASIS OF PREPARATION

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

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

2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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

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

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

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

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

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

3. SIGNIFICANT INVESTMENTS

	SHARE IN CAPITAL AND VOTING RIGHTS		SHARE CAPITAL	
IN THOUSANDS OF CHF	2017	2016	2017	2016
Dufry International AG, Switzerland	100 %	100 %	1,000	1,000
Dufry Management AG, Switzerland	100 %	100 %	100	100
Dufry Corporate AG, Switzerland	100 %	100 %	100	100
Dufry Holdings & Investments AG, Switzerland	100 %	100 %	1,000	1,000

4. RELEASE OF HIDDEN RESERVES

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

5. SIGNIFICANT SHAREHOLDERS' PARTICIPATION

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

6. SHARE CAPITAL

6.1 ORDINARY SHARES

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

6.2 CONDITIONAL SHARE CAPITAL

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

7. TREASURY SHARES

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

8. PERSONNEL EXPENSES

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

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

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

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

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

10. CONTINGENT LIABILITIES

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

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

There are no assets pledged in 2017 and 2016.

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

The following members of the Board of Directors or of the Group Executive Committee of Dufry AG (including related parties) hold directly or indirectly shares or share options of the Company as at December 31, 2017 or December 31, 2016 (members not listed do not hold any shares or options):

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

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

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

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

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

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

Disclosure notices are available on the SIX Swiss Exchange website

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

12. SHARE-BASED PLAN FOR THE GROUP EXECUTIVE COMMITTEE

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

13. APPROPRIATION OF AVAILABLE EARNINGS

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

To the General Meeting of
Dufry AG, Basel

Basel, 7 March 2018

Report of the statutory auditor on the financial statements

As statutory auditor, we have audited the financial statements of Dufry AG, which comprise the income statement, statement of financial position and notes (pages 202 to 209), for the year ended 31 December 2017.

Board of Directors' responsibility
The Board of Directors is responsible for the preparation of the financial statements in accordance with the requirements of Swiss law and the company's articles of incorporation. This responsibility includes designing, implementing and maintaining an internal control system relevant to the preparation of financial statements that are free from material misstatement, whether due to fraud or error. The Board of Directors is further responsible for selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Swiss law and Swiss Auditing Standards. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal control system relevant to the entity's preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control system. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the financial statements for the year ended 31 December 2017 comply with Swiss law and the company's articles of incorporation.

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

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

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

Recoverability of investments in subsidiaries

Area of focus

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

Our audit response

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

Report on other legal requirements

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

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

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

Ernst & Young Ltd

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

The financial reports are available under:

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

For the Investor Relations and Corporate Communications contacts as well as a summary of anticipated key dates in 2018 please refer to pages 252 / 253 of this Annual Report.

CORPORATE GOVERNANCE

INTRODUCTION

This Report is prepared in accordance with the Corporate Governance Directive (DCG) of the SIX Swiss Exchange. All information within this Corporate Governance Report and within the Remuneration Report (see page 237) refers to the Company Organization, Internal Regulations and Articles of Incorporation that were in effect as of December 31, 2017 (if not specifically mentioned otherwise).

The Articles of Incorporation are available on the Company website, www.dufry.com, section Investors – Corporate Governance – Articles of Incorporation.

www.dufry.com

Link:

www.dufry.com/en/investors/corporate-governance
page section "Featured downloads – Articles of Incorporation"

1. GROUP STRUCTURE AND SHAREHOLDERS

1.1 GROUP STRUCTURE

For an overview of the management organizational chart and operational Group structure, please refer to page 19 of this Annual Report (organizational structure as of January 11, 2018). For the Group structure as of December 31, 2017, please refer to the comments regarding the Group Executive Committee on page 227 as well as Note 5 of the Financial Statements on page 134.

Listed company as of December 31, 2017

COMPANY

Dufry AG, Brunngässlein 12, 4052 Basel, Switzerland
(hereinafter "Dufry AG" or the "Company")

LISTING

Registered shares: SIX Swiss Exchange
Brazilian Depositary Receipts (BDRs): São Paulo Stock Exchange
(BM&FBOVESPA – Bolsa de Valores de São Paulo), Brazil

MARKET CAPITALIZATION

CHF 7,806,010,344 as of December 31, 2017

PERCENTAGE OF SHARES HELD BY DUFRY AG

0.16% of Dufry AG share capital as of December 31, 2017

SECURITY NUMBERS

Registered shares:
ISIN-Code CH0023405456, Swiss Security-No. 2340545,
Ticker Symbol DUFN

Brazilian Depositary Receipts (BDRs):
ISIN-Code BRDAGBBDR008, Ticker Symbol DAGB33

Listed subsidiary as of February 1, 2018

As of February 5, 2018, Dufry AG has sold part of its subsidiary Hudson Ltd. to institutional and private shareholders through an initial public offering of Hudson Ltd. As of February 1, 2018, Hudson Ltd. is separately listed on the New York Stock Exchange.

COMPANY

Hudson Ltd., Conyers Corporate Services (Bermuda) Limited,
Clarendon House, 2 Church Street, Hamilton, HM 11, Bermuda

LISTING

Class A common shares: New York Stock Exchange

MARKET CAPITALIZATION

USD 693,752,664 as of February 1, 2018 (first trading day)

PERCENTAGE OF SHARES HELD BY DUFRY AG

57.4% of Hudson Ltd. share capital (93.1% of voting rights)
as of February 5, 2018

SECURITY NUMBERS

Class A common shares:
ISIN-Code BMG464081030, Ticker Symbol HUD

Non-listed companies

For a table of the operational non-listed consolidated entities please refer to page 196 in the section Financial Statements of this Annual Report*.

* Including the company names, locations, percentage of shares held, share capital. The list of consolidated entities does not include all subsidiaries of the Company, but the most important subsidiaries in terms of sales for Retail and Distribution Center companies and total assets for Holding companies.

1.2 SIGNIFICANT SHAREHOLDERS

Pursuant to the information provided to the Company by its shareholders in compliance with the Financial Market Infrastructure Act during 2017, the following shareholders disclosed significant positions as of December 31, 2017[1].

SHAREHOLDER	Through shares	Long position through financial instruments [2]	Short positions [3]	Net long position
Group of shareholders consisting of various companies and legal entities including Travel Retail Investment S.C.A., Folli Follie Commercial Industrial and Technical S.A. and Hudson Media, Inc., such group representing the interests of Andrés Holzer Neumann, Julián Díaz González, Juan Carlos Torres Carretero, James S. Cohen, James S. Cohen Family Dynasty Trust, Dimitrios Koutsolioutsos and Nucleo Capital Co-Investment Fund I Ltd. [4]	18.27%	2.09%	-7.31%	13.05%
Hainan Province Cihang Foundation [5]	20.92%	-	-20.92%	–
State of Qatar [6]	6.92%	–	–	6.92%
Paul E. Singer [7]	5.57%	–	–	5.57%
Compagnie Financiere Rupert [8]	5.00%	-	-	5.00%
Norges Bank (the Central Bank of Norway) [9]	3.30%	-	-0.01%	3.29%
BlackRock, Inc. [10]	2.64%	0.63%	-0.67%	2.60%
Morgan Stanley [11]	0.42%	7.75%	-2.95%	5.22%
JP Morgan Chase & Co. [12]	0.28%	21.21%	-0.88%	20.61%

1 The percentage of voting rights has to be read in context with the relevant and applicable stock exchange and disclosure rules. The actual shareholdings may differ from the figures indicated in the table, as the Company must only be notified by its shareholders if one of the thresholds defined in Article 120 of the Financial Market Infrastructure Act is crossed.

2 Financial instruments such as conversion and share purchase rights, granted (written) share sale rights.

3 Share sale rights (especially put options) and granted (written) conversion and/or share purchase rights as well as financial instruments that provide for or permit cash settlement as well as other differential transactions (e.g. contracts for difference and/or financial futures).

4 Beneficial owners of these shares are: Andrés Holzer Neumann, Feusisberg/Switzerland, Julián Díaz González, Altendorf/Switzerland, Juan Carlos Torres, Meggen/Switzerland, James S. Cohen, Alpine NJ/USA, James S. Cohen Family Dynasty Trust, East Rutherford, NJ/USA, Dimitrios Koutsolioutsos, Agios Stephanos/Greece and Nucleo Capital Co-Investment Fund I Ltd, Grand Cayman/Cayman Islands. Shares are held through different companies and legal entities including: Travel Retail Investment S.C.A., Luxembourg/Grand Duchy of Luxembourg, Petrus PTE Ltd, Singapore/Singapore, Witherspoon Investments LLC, Wilmington, DE/USA, Petrus AG, Basel/Switzerland, Laguna Partners AG, Luzern/Switzerland, JDG Partners AG, Luzern/Switzerland, JLC Investments, LLC, East Rutherford, NJ/USA, Hudson Media, Inc., East Rutherford, NJ/USA, Folli Follie Commercial Industrial and Technical S.A., Agios Stephanos/Greece, Strenaby Finance Ltd., Tortola/British Virgin Islands.

5 Shares held through Hong Kong Huihaisheng Investment Co. Limited, Hong Kong/Hong Kong and Success Horizon Limited, Hong Kong/Hong Kong. The indirect holder of the shares is Hainan Province Cihang Foundation, Haikou, Hainan Province/People's Republic of China. The only donor of Hainan Province Cihang Foundation is the Hainan Airlines Company Limited Employees Union Committee, Haikou, Hainan Province/People's Republic of China. Hong Kong Huihaisheng Investment Co. Limited and Success Horizon Limited are indirectly fully owned by HNA Group Co,, Ltd., Haikou, Hainan Province/People's Republic of China, which in turn is indirectly controlled by Hainan Province Cihang Foundation.

6 Shares held through Qatar Holding LLC, Doha/Qatar. The indirect holder of the shares is the State of Qatar, Doha/Qatar. Qatar Holding LLC is owned by the Qatar Investment Authority, which was founded and is controlled by the State of Qatar.

7 Shares held through The Liverpool Limited Partnership, Hamilton/Bermuda and Elliott International, L.P., George Town, Cayman Islands/British West Indies. The indirect holder of the shares is Paul E. Singer, New York, NY/USA.

8 Shares held through Richemont Luxury Group Ltd, St Heller/Jersey. The indirect holder of the shares is Compagnie Financiere Rupert, Geneva/Switzerland.

9 Norges Bank (the Central Bank of Norway), Oslo/Norway.

10 BlackRock, Inc., New York, NY/USA.

11 Shares and financial instruments held through several affiliates. The indirect holder of the shares and financial instruments is Morgan Stanley, Wilmington, DE/USA.

12 Shares and financial instruments held through J.P. Morgan Securities PLC, London/UK. The indirect holder of the shares and financial instruments is JPMorgan Chase & Co., New York, NY/USA.

Further details regarding these shareholders and shareholder groups as well as additional information regarding the individual disclosure notices in 2017 are available on the website of SIX Swiss Exchange at:

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

Shareholders' agreements
The type of understanding among the members of the group of shareholders consisting of various companies and legal entities representing the interests of Andrés Holzer Neumann, Julián Díaz González, Juan Carlos Torres Carretero, James S. Cohen, James S. Cohen Family Dynasty Trust, Dimitrios Koutsolioutsos and Nucleo Capital Co-Investment Fund I Ltd is one or more shareholder agreements.

1.3 CROSS-SHAREHOLDINGS

Dufry AG has not entered into cross-shareholdings with other companies in terms of capital shareholdings or voting rights in excess of 5%.

2. CAPITAL STRUCTURE

2.1 SHARE CAPITAL

As of December 31, 2017, the Company's capital structure is as follows:

ORDINARY SHARE CAPITAL

CHF 269,358,535 (nominal value) divided in 53,871,707 fully paid registered shares with nominal value of CHF 5 each

CONDITIONAL SHARE CAPITAL

CHF 4,442,160 (nominal value) divided in 888,432 fully paid registered shares with nominal value of CHF 5 each

AUTHORIZED SHARE CAPITAL

None

For the website link regarding the Articles of Incorporation referred to in the following chapters please see page 236 of this Corporate Governance Report.

2.2 DETAILS TO CONDITIONAL AND AUTHORIZED SHARE CAPITAL

Conditional share capital
Article 3bis of the Articles of Incorporation, dated March 8, 2016, reads as follows:
1. The share capital may be increased in an amount not to exceed CHF 4,442,160 by the issuance of up to 888,432 fully paid registered shares with a nominal value of CHF 5 each through the exercise of conversion and / or option rights granted in connection with the issuance of newly or already issued convertible debentures, debentures with option rights or other financing instruments by the Company or one of its group companies.
2. The preferential subscription rights of the shareholders shall be excluded in connection with the issuance of convertible debentures, debentures with option rights or other financing instruments. The then current owners of conversion and / or option rights shall be entitled to subscribe for the new shares.
3. The acquisition of shares through the exercise of conversion and / or option rights and each subsequent transfer of the shares shall be subject to the restrictions set forth in Article 5 of these Articles of Incorporation.
4. The Board of Directors may limit or withdraw the right of the shareholders to subscribe in priority to convertible debentures, debentures with option rights or similar financing instruments when they are issued, if:

   a) an issue by firm underwriting by a consortium of banks with subsequent offering to the public without preferential subscription rights seems to be the most appropriate form of issue at the time, particularly in terms of the conditions or the time plan of the issue; or
   b) the financing instruments with conversion or option rights are issued in connection with the financing or refinancing of the acquisition of an enterprise or parts of an enterprise or with participations or new investments of the Company.
5. If advance subscription rights are denied by the Board of Directors, the following shall apply:
   a) Conversion rights may be exercised only for up to 15 years; and option rights only for up to 7 years from the date of the respective issuance.
   b) The respective financing instruments must be issued at the relevant market conditions.

The conditional share capital of CHF 4,442,160 represents 1.65 % of the outstanding ordinary share capital of the Company as of December 31, 2017.

Authorized share capital
As of December 31, 2017, the Company has no authorized share capital.

2.3 CHANGES IN CAPITAL OF DUFRY AG

NOMINAL SHARE CAPITAL		
December 31, 2015	CHF	269,358,535
December 31, 2016	CHF	269,358,535
December 31, 2017	CHF	269,358,535
CONDITIONAL SHARE CAPITAL		
December 31, 2015	CHF	4,442,160
December 31, 2016	CHF	4,442,160
December 31, 2017	CHF	4,442,160
AUTHORIZED SHARE CAPITAL		
December 31, 2015		None
December 31, 2016		None
December 31, 2017		None

Changes in capital in 2015
At the Ordinary General Meeting of Shareholders on April 29, 2015, shareholders approved the Board of Directors' proposal to increase the ordinary share capital of the Company from CHF 179,525,280 by up to CHF 157,142,860 to a maximum amount of up to CHF 336,668,140. This proposal by the Board of Directors was made in connection with the acquisition of the World Duty Free Group.

In June 2015, Mandatory Convertible Notes matured and were converted into 1,809,188 shares with nominal value of CHF 5. On June 18, 2015, the Company issued 16,157,463 shares with nominal value of CHF 5 in connection with the capital increase mentioned above. From these two transactions, the ordinary share capital of the Company increased from CHF 179,525,280 to CHF 269,358,535. The conditional share capital decreased (due to the conversion of the Mandatory Convertible Notes) from CHF 13,488,100 to CHF 4,442,160. Note that the additional 1,809,188 shares, while validly issued, were not yet reflected in the Commercial Register as of December 31, 2015 (total number of shares as per the Commercial Register was 52,062,519). In line with Art. 653h of the Swiss Code of Obligations, this registration in the Commercial Register occurred on March 8, 2016, to reflect the total amount of 53,871,707 shares.

Changes in capital in 2016
The capital of Dufry AG remained unchanged during fiscal year 2016.

Changes in capital in 2017
The capital of Dufry AG remained unchanged during fiscal year 2017.

2.4 SHARES

As of December 31, 2017, the share capital of Dufry AG is divided into 53,871,707 fully paid in registered shares with a nominal value of CHF 5 each.

The Company has only one category of shares. The shares are issued in registered form. All shares are entitled to dividends if declared. Each share entitles its holder to one vote. The Company maintains a share register showing the name and address of the shareholders or usufructuaries. Only persons registered as shareholders or usufructuaries of registered shares in the share register shall be recognized as such by the Company.

2.5 PARTICIPATION CERTIFICATES AND PROFIT SHARING CERTIFICATES

The Company has not issued any non-voting equity securities, such as participation certificates ("Partizipationsscheine") or profit sharing certificates ("Genussscheine").

2.6 LIMITATION ON TRANSFERABILITY AND NOMINEE REGISTRATION OF REGISTERED SHARES

– Only persons registered as shareholders or usufructuaries of registered shares in the share register shall be recognized as such by the Company. In the share register the name and address of the shareholders or usufructuaries is recorded. Changes must be reported to the Company.

- Acquirers of registered shares shall be registered as shareholders with the right to vote, provided that they expressly declare that they acquired the shares in their own name and for their own account.
- The Board of Directors may register nominees with the right to vote in the share register to the extent of up to 0.2 % of the registered share capital as set forth in the commercial register. Registered shares held by a nominee that exceed this limit may be registered in the share register with the right to vote if the nominee discloses the names, addresses and number of shares of the persons for whose account it holds 0.2 % or more of the registered share capital as set forth in the commercial register. Nominees within the meaning of this provision are persons who do not explicitly declare in the request for registration to hold the shares for their own account and with whom the Board of Directors has entered into a corresponding agreement (see also Article 5 of the Articles of Incorporation). Nominees are only entitled to represent registered shares held by them at a Meeting of Shareholders provided that they are registered in the share register and they hold a valid written proxy granted by the beneficial owner of the registered shares instructing the nominee how to vote at the Meeting of Shareholders. Shares held by a nominee for which it is not able to produce such a proxy count as not represented at the Meeting of Shareholders.
- Corporate bodies and partnerships or other groups of persons or joint owners who are interrelated to one another through capital ownership, voting rights, uniform management or otherwise linked as well as individuals or corporate bodies and partnerships who act in concert to circumvent the regulations concerning the nominees (esp. as syndicates), shall be treated as one single nominee within the meaning of the above mentioned regulation.
- The Board of Directors may cancel the registration, with retroactive effect if appropriate, if the registration was effected based on false information or in case of breach of the agreement between the nominee and the Board of Directors.
- After consulting the party involved, the Company may delete entries in the share register if such entries occurred in consequence of false statements by the purchaser. The purchaser must be informed immediately of the deletion.

Exceptions granted in the year under review
The Company has registered with the CVM and listed its shares in the form of BDRs on the BM & FBovespa. Each BDR issued by Itaú Unibanco S.A. ("Depositary Institution") of the BDR program represents one share issued by the Company and held in custody by Bank of New York Mellon Depository (Nominees) Limited, in London ("Custodian"). BDR holders do not own, from a legal point of view, the Dufry AG shares underlying their BDRs. As a consequence, BDR holders are prevented from directly exercising any of the shareholders' rights provided for by the Company's Articles of Incorporation and by Swiss corporate law. For example, BDR holders are not entitled to personally participate in the General Meetings of the Company. However, BDR holders are entitled to instruct the Depositary Institution to vote the Dufry AG shares underlying their BDRs, according to the instructions sent to them by the Depositary Institution.

To facilitate voting by BDR holders, the Company entered into arrangements with the Depositary Institution and the Custodian to enable, by way of exception, registration of the Custodian in the share register as nominee with voting rights for the number of registered shares corresponding to the total number of outstanding BDRs. This arrangement, upon decision by the Board of Directors, has been in place since 2010. No other exceptions have been granted during the year under review. BDR holders who wish to be in a position to directly exercise any of the shareholders' rights granted by Swiss corporate law or the Company's Articles of Incorporation must convert their BDRs into shares of Dufry AG and ask to be registered in the share register of the Company, pursuant to Article 5 of the Company's Articles of Incorporation.

Required quorums for a change of the limitations of transferability
A change of the limitations on the transfer of registered shares or the removal of such limitations requires a resolution of the Meeting of Shareholders passed by at least two thirds of the votes represented and the absolute majority of the nominal value of shares represented.

2.7 CONVERTIBLE BONDS AND OPTIONS

As of December 31, 2017, there are no outstanding bonds that are convertible into, or warrants or options to acquire shares issued by or on behalf of the Company. Dufry has certain share-based payments, the essentials of which are disclosed in the "Remuneration Report" on page 237 ff.

3. BOARD OF DIRECTORS

3.1 MEMBER OF THE BOARD OF DIRECTORS

As of December 31, 2017, the Board of Directors comprised nine Board members, unchanged compared to the previous year.

The members of the Board of Directors are elected individually and for a term of office extending until completion of the next Ordinary Meeting of Shareholders. The Chairman of the Board of Directors and the members of the Remuneration Committee are directly elected by the Meeting of Shareholders.

The following table sets forth the name and year of first election as a member of the Board of Directors for each respective member, followed by their Curricula Vitae with a short description of each member's business experience, education and activities.

BOARD OF DIRECTORS AS OF DECEMBER 31, 2017

NAME	PROFESSION	NATIONALITY	POSITION WITH DUFRY	DATE OF FIRST ELECTION
Juan Carlos Torres Carretero	Chairman of Dufry AG	Spanish	Chairman	2003
Andrés Holzer Neumann	President of Grupo Industrial Omega	Mexican	Vice-Chairman	2004
Jorge Born	CEO of Bomagra S.A.	Argentinian	Director	2010
Xavier Bouton	Consultant	French	Director	2005
Claire Chiang	Senior Vice President of Banyan Tree Holdings Limited	Singaporean	Director	2016
Julián Díaz González	CEO of Dufry AG	Spanish	Director, CEO	2013
George Koutsolioutsos	CEO of Folli Follie Group	Greek	Director	2014
Heekyung (Jo) Min	Executive Vice President of CJ Cheiljedang	American	Director	2016
Joaquín Moya-Angeler Cabrera	Consultant	Spanish	Director	2005

3.2 EDUCATION, PROFESSIONAL BACKGROUND, OTHER ACTIVITIES AND FUNCTIONS

JUAN CARLOS TORRES CARRETERO
Chairman, born 1949, Spanish

Education
MS in physics from Universidad Complutense de Madrid and MS in management from MIT's Sloan School of Management.

Professional Background
Many years of private equity and senior management operating experience. 1988 Joined Advent International, a private equity firm, in Boston as a partner. 1991–1995 Partner at Advent International in Madrid. 1995–2016 Managing Director and Senior Partner in charge of Advent International Corporation's investment activities in Latin America.

Current Board Mandates
Dufry AG, TCP Participações S.A., Moncler S.p.A., Hudson Ltd. (listed as of February 1, 2018).

ANDRÉS HOLZER NEUMANN
Vice-Chairman, born 1950, Mexican

Education
Graduate of Boston University, holds an MBA from Columbia University.

Professional Background
Since 1973 President of Grupo Industrial Omega, S.A. de C.V., the holding company of Holzer y CÌA, S.A. de C.V., Industria Nacional de Relojes Suizos, S.A. de C.V., Consorcio Metropolitano Inmobiliario, S.A. de C.V., Inmobiliara Coapa Larca, S.A. de C.V., Inmobiliara Castellanos, S.A. de C.V., and Negocios Creativos, S.A. de C.V.

Current Board Mandates
Dufry AG, Grupo Industrial Omega, S.A. de C.V., Opequimar, S.A. de C.V., Inversiones (SOHO) Amilena, Inc.

JORGE BORN
Director, born 1962, Argentinian

Education
B.S. in economics from the Wharton School of the University of Pennsylvania.

Professional Background
2001–2010 Deputy Chairman of Bunge Ltd. 1992–1997 Head of Bunge's European operations. Before 1997 various capacities in the commodities trading, oil seeding processing and food products areas in Argentina, Brazil, the United States and Europe for Bunge Ltd. 2004–2005 Board member of Dufry AG. Since 1997 President and Chief Executive Officer of Bomagra S.A., Argentina.

Current Board Mandates
Dufry AG, Hochschild Mining, Ltd., Board of Governors of the Lauder Institute at Wharton Business School, USA, Fundación Bunge y Born (Chairman).

Mr. Born served as a member of the Board of Directors of Dufry South America, Ltd. until its merger with Dufry Holdings & Investments AG in March 2010.

XAVIER BOUTON
Director, born 1950, French

Education
Diploma in economics and finance from l'Institut d'Etudes Politiques de Bordeaux and doctorate in economics and business administration from the University of Bordeaux.

Professional Background
1978–1984 Director of C.N.I.L. (Commission Nationale de l'Informatique et des Libertés). 1985–1994 General Secretary of Reader's Digest Foundation. 1990–2005 Board member of Laboratoires Chemineau. Since 1999 Chairman of the Supervisory Board of F.S.D.V. (Fayenceries de Sarreguemines Digoin & Vitry le François) based in Paris, France.

Current Board Mandates
Dufry AG, ADL Partners, F.S.D.V. (Fayenceries de Sarreguemines, Digoin & Vitry le François) (Chairman of the Supervisory Board).

CLAIRE CHIANG
Director, born 1951, Singaporean

Education
Masters in Philosophy from the University of Hong Kong and an Undergraduate Degree from the University of Singapore.

Professional Background
Founder and Managing Director of Banyan Tree Gallery, and Co-founder and Senior Vice President of Banyan Tree Resort Group (part of Singapore stock exchange listed Banyan Tree Holdings Limited) since 1994. Member of Parliament for the Government of Singapore from 1997 to 2001.

Current Board Mandates
Dufry AG, ISS A/S, Banyan Tree Gallery (Singapore) Pte Ltd, Banyan Tree Gallery (Thailand) Limited, Mandai Safari Park Holdings Pte Ltd.

JULIÁN DÍAZ GONZÁLEZ
Director, Chief Executive Officer, born 1958, Spanish

Education
Degree in business administration from Universidad Pontificia Comillas I.C.A.D.E., de Madrid.

Professional Background
1989–1993 General Manager at TNT Leisure, S.A. 1993–1997 Division Director at Aldeasa. 1997–2000 various managerial and business positions at Aeroboutiques de Mexico, S.A. de C.V. and Deor, S.A. de C.V. 2000–2003 General Manager of Latinoamericana Duty-Free, S.A. de C.V. Since 2004 Chief Executive Officer at Dufry AG.

Current Board Mandates
Dufry AG, Distribuidora Internacional de Alimentacion, S.A. (DIA), Hudson Ltd. (listed as of February 1, 2018).

GEORGE KOUTSOLIOUTSOS
Director, born 1968, Greek

Education
Degree in Economics, University of Hartford, Hartford, USA / Paris and Master's degree in Business Administration and Marketing, University of Hartford, USA.

Professional Background
Mr. Koutsolioutsos' professional career started in New York working two years in the jewelry industry. 1992 – 2011 held various key positions at Folli Follie Group, including supervising and managing local and international distribution, investor relations, and leading the international expansion. Since January 2011 Chief Executive Officer of Folli Follie Group.

Current Board Mandates
Dufry AG, Folli Follie Commercial Manufacturing and Technical Societe Anonyme.

HEEKYUNG (JO) MIN
Director, born 1958, American

Education
Master in Business Administration from Columbia Graduate School of Business (Columbia University of New York) and an Undergraduate Degree from Seoul National University.

Professional Background
2004 – 2005 Executive Vice President at Prudential Investment and Securities Co. in Korea.
2006 Country Advisor, Global Resolutions in Korea. 2007 – 2010 Director General at Incheon Free Economic Zone in Korea. Since 2011, Executive Vice President of Global Creating Shared Value of CJ Cheiljedang, focusing on Corporate Social Responsibility and Sustainability of CJ Corporation, a publicly-listed multi-industry Korean conglomerate with retail operations.

Current Board Mandates
Dufry AG, Asia New Zealand Foundation (Honorary Advisor), CJ Welfare Foundation, Hudson Ltd. (listed as of February 1, 2018).

JOAQUÍN MOYA-ANGELER CABRERA
Director, born 1949, Spanish

Education
Master's degree in mathematics from the University of Madrid, diploma in economics and forecasting from the London School of Economics and Political Science and an MBA from MIT's Sloan School of Management.

Professional Background
Mr. Moya-Angeler has focused his career on the technology and real estate industries, including having founded a number of companies. He has been the Chairman of the Board of various companies: IBM Spain (1994 – 1997), Leche Pascual (1994 – 1997), Meta4 (1997 – 2002), TIASA (1996 – 1998), and Hildebrando (2003 – 2014). To date Chairman of Redsa (since 1997), Presenzia and Pulsar Technologies (since 2002), La Quinta Real Estate (since 2003), Inmoan (since 1989), Avalon Private Equity (since 1999) and Corporación Tecnológica Andalucía (since 2005).

Current Board Mandates
Dufry AG, La Quinta Group (Chairman), Corporación Tecnológica Andalucia (Honorary Chairman), Board of Trustees of the University of Almeria (Honorary Chairman), Fundación Mediterránea (Honorary Chairman), Redsa S.A. (Chairman), Inmoan SL (Chairman), Avalon Private Equity (Chairman), Spanish Association of Universities Governing Bodies (Honorary Chairman), AGS Nasoft (Board of Advisors), Palamon Capital Partners (Board of Advisors), MCH Private Equity (Board of Advisors), Corporación Gropo Leche Pascual (Vice Chairman), Hudson Ltd. (listed as of February 1, 2018).

Messrs. Juan Carlos Torres Carretero (Chairman), Andrés Holzer Neumann (Vice-Chairman), Julián Díaz González and George Koutsolioutsos are members of a group of shareholders, which held a 20.36% purchase position of Dufry AG as of December 31, 2017 (participation mentioned includes financial instruments). See for details the disclosure under "1.2 Significant Shareholders" on page 214 of this Annual Report.

Due to his intense involvement with the Company's management the Chairman of the Board of Directors, Mr. Juan Carlos Torres Carretero is considered an executive Chairman. Mr. Julián Díaz González acts as Chief Executive Officer of the Company. All other members of the Board of Directors are non-executive members. Mr. George Koutsolioutsos, in his function as CEO of the Folli Follie Group, oversaw the operations of Hellenic Duty Free Shops SA prior to its acquisition by Dufry in 2013 (no executive function for Dufry AG or any of its subsidiaries since 2014). Otherwise, none of the members of the Board of Directors have ever been in a managerial position at Dufry AG or any of its subsidiaries. For information on related parties and related party transactions please refer to Note 35 on page 179 and to the information provided in the Remuneration Report on page 237 ff. of this Annual Report.

3.3 RULES IN THE ARTICLES OF INCORPORATION REGARDING THE NUMBER OF PERMITTED MANDATES OUTSIDE THE COMPANY

For the website link regarding the Articles of Incorporation referred to in the following chapters please see page 236 of this Corporate Governance Report.

In accordance with Article 24 para. 2 of the Articles of Incorporation, dated March 8, 2016, no member of the Board of Directors may hold more than four additional mandates in listed companies and ten additional mandates in non-listed companies. The following mandates are not subject to the limitations under para. 2 of this Article:

a) mandates in companies which are controlled by the Company or which control the Company;
b) mandates held at the request of the Company or any company controlled by it. No member of the Board of Directors may hold more than ten such mandates; and
c) mandates in associations, charitable organizations, foundations, trusts and employee welfare foundations. No member of the Board of Directors may hold more than ten such mandates.

Mandates shall mean mandates in the supreme governing body of a legal entity which is required to be registered in the commercial register or a comparable foreign register. Mandates in different legal entities that are under joint control or the same beneficial ownership are deemed one mandate.

3.4 ELECTION AND TERMS OF OFFICE

In accordance with Article 13 of the Articles of Incorporation, dated March 8, 2016:

- The Board of Directors shall consist of at least three and at most nine members.
- Members of the Board of Directors and the Chairman of the Board shall be elected for a term of office extending until completion of the next Ordinary Meeting of Shareholders.
- The members of the Board of Directors and the Chairman of the Board may be re-elected without limitation.
- If the office of the Chairman of the Board of Directors is vacant, the Board of Directors shall appoint a Chairman from among its members for a term of office extending until completion of the next Ordinary Meeting of Shareholders.
- Except for the election of the Chairman of the Board of Directors and the members of the Remuneration Committee by the Meeting of Shareholders, the Board of Directors determines its own organization. The Board of Directors shall elect a Vice-Chairman. It shall appoint a Secretary who does not need to be a member of the Board of Directors.

Article 24 para. 1 of the Articles of Incorporation stipulates the following: As members of the Board of Directors only persons may be elected who served a minimum of four years in aggregate on the Board of Directors or on the Executive Management of each of (i) one or several travel retail company(ies) with operations in more than one continent at the end of at least one year of the years of activity of such person, and (ii) one or several publicly listed retail company(ies) with an annual turnover of at least CHF 3 billion at the end of at least one year of the years of activity of such person. The requirements under (i) and (ii) above can be fulfilled by the same or several cumulated position(s) held by such person.

All members of the Board of Directors were re-elected in individual elections at the Ordinary General Meeting of Shareholders held on April 27, 2017. The same General Meeting re-elected Juan Carlos Torres Carretero as Chairman of the Board of Directors. Mr. Jorge Born, Mr. Xavier Bouton and Ms. Heekyung (Jo) Min were re-elected in individual elections as members of the Remuneration Committee.

3.5 INTERNAL ORGANIZATIONAL STRUCTURE

Except for the election of the Chairman of the Board of Directors and the members of the Remuneration Committee (which are to be elected by the General Meeting of Shareholders), the Board of Directors determines its own organization. It shall elect its Vice-Chairman, the members of the Audit Committee and of the Nomination Committee, and appoint a Secretary who does not need to be a member of the Board of Directors.

As of December 31, 2017, Dufry AG has three committees: the Audit Committee, the Nomination Committee and the Remuneration Committee. All three Committees are assisting the Board of Directors in fulfilling its duties and have also decision authority to the extent described below.

Audit Committee
Members as of December 31, 2017: Joaquín Moya-Angeler Cabrera (Chairman Audit Committee), Xavier Bouton, Claire Chiang.

The members of the Audit Committee are all non-executive and independent members of the Board of Directors. Pursuant to item 14 of the Swiss Code of Best Practice for Corporate Governance (SCBP), an independent member is a non-executive member, has not been an executive member of the Dufry Group in the last three years and has no or comparatively minor business relations with the Company. The members shall be appointed, as a rule, for the entire duration of their mandate as Board members and be re-eligible.

The Audit Committee assists the Board of Directors in fulfilling its duties of supervision of management. It is responsible for the review of the performance and independence of the Auditors, the review of and the decision on the audit plan and the audit results and the monitoring of the implementation of the findings by management, the review of the internal audit plan, the assessment of the risk management and the decision on proposed measures to reduce risks, the review of the compliance levels and risk management, as well as

THE BOARD COMMITTEES AS OF DECEMBER 31, 2017

MEMBER OF THE BOARD OF DIRECTORS	BOARD OF DIRECTORS	AUDIT COMMITTEE	NOMINATION COMMITTEE	REMUNERATION COMMITTEE
Juan Carlos Torres Carretero	Chairman	–	–	–
Andrés Holzer Neumann	Vice-Chairman	–	Committee Chairman	–
Jorge Born	Director	–	Committee Member	Committee Chairman
Xavier Bouton	Director	Committee Member	–	Committee Member
Claire Chiang	Director	Committee Member	–	–
Julián Díaz González	Director / CEO	–	–	–
George Koutsolioutsos	Director	–	–	–
Heekyung (Jo) Min	Director	–	–	Committee Member
Joaquín Moya-Angeler Cabrera	Director	Committee Chairman	Committee Member	–
Number of meetings in fiscal year 2017	**12**	**4**	**2**	**3**
Average attendance ratio [1]	**95%**	**100%**	**100%**	**100%**

[1] The average attendance ratio regarding the Committees refers directly to the members of the respective Committee. Additional participants who participate as guests in Committee meetings are not included in the percentage calculations.

the review to propose whether the Board of Directors should accept the Company's accounts. The Audit Committee regularly reports to the Board of Directors on its decisions, assessments, findings and proposes appropriate actions. The Audit Committee generally meets at the same dates the Board of Directors meetings take place (usually 4-5 times per year), although the Chairman may call meetings as often as business requires. The length of the meetings lasted usually for approximately 2 to 3 hours in fiscal year 2017, during which the Audit Committee held 4 meetings. The auditors attended 3 meetings of the Audit Committee in 2017. The Chairman of the Board of Directors usually participates as a guest in the Audit Committee meetings. Members of the Group Executive Committee attended meetings of the Audit Committee as follows: CEO 4 meetings, the CFO (who acts as Secretary of the Audit Committee meetings) 4 meetings.

Nomination Committee
Members as of December 31, 2017: Andrés Holzer Neumann (Chairman Nomination Committee), Jorge Born, Joaquín Moya-Angeler Cabrera.

The members of the Nomination Committee are all non-executive and independent members of the Board of Directors. Pursuant to item 14 of the Swiss Code of Best Practice for Corporate Governance (SCBP), an independent member is a non-executive member, has not been an executive member of the Dufry Group in the last three years and has no or comparatively minor business relations with the Company. The members shall be appointed, as a rule, for the entire duration of their mandate as Board members and be re-eligible.

The Nomination Committee assists the Board of Directors in fulfilling its nomination related matters. It is responsible for assuring the long-term planning of appropriate appointments to the positions of the CEO and the Board of Directors, reviewing the curriculum vitae, credentials and experience of the candidates proposed by the Board of Directors to fill vacancies on the Board of Directors or for the position of the CEO, making recommendations on Board composition and balance, presenting to the Board a proposal of succession plan for the position of the CEO at least once a year, and reviewing the adequacy of the selection system and criteria used for the appointment of the members of the Group Executive Committee. The Nomination Committee meets as often as business requires (usually 2–4 meetings per year). The 2 meetings held in the fiscal year 2017 lasted about 1 to 3 hours. The Chairman of the Board of Directors usually participates as a guest in the Nomination Committee meetings. Members of the Group Executive Committee attended meetings of the Nomination Committee as follows: CEO 1 meeting.

Remuneration Committee
Members as of December 31, 2017: Jorge Born (Chairman Remuneration Committee), Xavier Bouton, Heekyung (Jo) Min.

The members of the Remuneration Committee are all non-executive and independent members of the Board of Directors. Pursuant to item 14 of the Swiss Code of Best Practice for Corporate Governance (SCBP), an independent member is a non-executive member, has not been an executive member of the Dufry Group in the last three years and has no or comparatively minor business relations with the Company. The members shall be appointed by the Shareholders' Meeting until the next Ordinary General Meeting of Shareholders and be re-eligible.

The Remuneration Committee assists the Board of Directors in fulfilling its remuneration related matters. It is responsible for the review of the remuneration system of the Company and for proposals in relation thereto to the Board of Directors. The Remuneration Committee makes recommendations regarding the proposals of the Board of Directors in relation to the maximum aggregate amount of compensation of the Board and of the Group Executive Committee to be submitted to the General Meeting of Shareholders of the Company for approval, as well as in relation to the remuneration package of the CEO and the members of the Board. The Remuneration Committee makes proposals on the grant of options or other securities under any other management incentive plan of the Company, if any. The Remuneration Committee reviews and recommends to the Board of Directors the Remuneration Report. The Remuneration Committee meets as often as business requires (usually 2–4 meetings per year). The 3 meetings held in the fiscal year 2017 lasted about 2 to 3 hours. The Chairman of the Board of Directors usually participates as a guest in the Remuneration Committee meetings. Members of the Group Executive Committee attended meetings of the Remuneration Committee as follows: CEO 1 meeting.

Work method of the Board of Directors
As a rule, the Board of Directors meets about six to seven times a year (usually at least once per quarter). Additional meetings or conference calls are held as and when necessary. The Board of Directors held 12 meetings during fiscal year 2017, of which 2 were held

as telephone conferences. The meetings of the Board of Directors usually lasted half a day. The Chairman determines the agenda and items to be discussed at the Board meetings. All members of the Board of Directors can request to add further items on the agenda.

The CEO, the CFO, the GCOO and the GC, also acting as Secretary to the Board, attend the meetings of the Board of Directors. Other members of the Group Executive Committee may attend meetings of the Board of Directors as and when required. Members of the Group Executive Committee attended meetings of the Board of Directors in 2017 as follows: CEO 11 meetings, CFO 10 meetings, GCOO 5 meetings, GCCO 1 meeting, CRD 1 meeting, GC 12 meetings, CEOs of the five divisions 1 meeting, GM Brazil & Bolivia 1 meeting.

The Board of Directors also engages specific advisors to address specific matters when required. External financial advisors attended pertinent portions of 2 meetings of the Board of Directors in 2017. The external Auditors attended 3 meetings of the Audit Committee in 2017.

3.6 DEFINITION OF AREAS OF RESPONSIBILITY

The Board of Directors is the ultimate corporate body of Dufry AG. It further represents the Company towards third parties and shall manage all matters which by law, Articles of Incorporation or Board regulations have not been delegated to another body of the Company.

In accordance with the Board regulations ("Organisationsreglement"), the Board of Directors has delegated the operational management of the Company to the CEO who is responsible for overall management of the Dufry Group. The following responsibilities remain with the Board of Directors:

- Ultimate direction of the business of the Company and the power to give the necessary directives;
- Determination of the organization of the Company;
- Administration of the accounting system, financial control and financial planning;
- Appointment and removal of the members of the committees installed by itself as well as the persons entrusted with the management and representation of the Company, as well as the determination of their signatory power;
- Ultimate supervision of the persons entrusted with the management of the Company, in particular with respect to their compliance with the law, the Articles of Incorporation, regulations and directives;
- Preparation of the business report, the remuneration report and the Meetings of Shareholders and to carry out the resolutions adopted by the Meeting of Shareholders;
- Notification of the judge if liabilities exceed assets;
- Passing of resolutions regarding the subsequent payment of capital with respect to non-fully paid in shares;
- Passing of resolutions confirming increases in share capital and the amendments of the Articles of Incorporation entailed thereby;
- Non-delegable and inalienable duties and powers of the Board of Directors pursuant to the Swiss Merger Act;
- To approve any non-operational or non-recurring transaction not included in the annual budget and exceeding the amount of CHF 10,000,000;
- To issue convertible debentures, debentures with option rights or other financial market instruments;
- To approve the annual investment and operating budgets of the Company and the Dufry Group;
- To approve the executive regulations promulgated in accordance with the board regulations; and
- To propose an independent voting rights representative for election to the Meeting of Shareholders, and to appoint an independent voting rights representative in the event of a vacancy.

Except for the Chairman of the Board of Directors, who has single signature authority, the members of the Board have joint signature authority, if any.

3.7 INFORMATION AND CONTROL INSTRUMENTS VIS-À-VIS THE SENIOR MANAGEMENT

The Board of Directors ensures that it receives sufficient information from the management to perform its supervisory duty and to make the decisions that are reserved to the Board through several means:

- Dufry Group has an internal management information system that consists of financial statements, performance indicators and risk management. Information to management is provided on a regular basis according to the cycles of the business: sales on a weekly basis; income statement, cash management and key performance indicator (KPI) including customer, margins and investment information, balance sheet and other financial statements on a monthly basis. The management information is prepared on a consolidated basis as well as per division. Financial statements and key financial indicators / ratios are submitted to the entire Board of Directors on a quarterly basis.
- During Board meetings, each member of the Board may request information from the other members

of the Board, as well as from the members of the management present on all affairs of the Company and the Group.

- Outside of Board meetings, each member of the Board may request from the Chief Executive Officer information concerning the course of business of the Company and the Group and, with the authorization of the Chairman, about specific matters.
- The CEO reports at each meeting of the Board of Directors on the course of business of the Company and the Group in a manner agreed upon from time to time between the Board and the CEO. Apart from the meetings, the CEO reports immediately any extraordinary event and any change within the Company and within the Dufry Group to the Chairman.
- For attendance of the members of the Group Executive Committee at meetings of the Board of Directors or meetings of the Board Committees please refer to section "3.5 Internal organizational structure" above.
- The Audit Committee met 4 times in 2017 with management to review the business, better understand laws, regulations and policies impacting the Dufry Group and its business and support the management in meeting the requirement and expectations of stakeholders. In meetings of the Audit Committee, the CFO acts as Secretary to the Committee. The Auditors are invited to the meetings of the Audit Committee and attended 3 meetings of the Audit Committee in 2017. Among these meetings some or part of them are also held without management.
- The Global Internal Audit department provides independent risk-based and objective assurance reviews, loss prevention advice, and risk exposure analysis to group companies through 3 different activities streams: Internal Audit, Loss Prevention and Enterprise Risk Management.
- Internal auditing is an independent function that provides objective assurance and consulting activity, aiming to improve the organization's operations. The selection of Internal Audit reviews to be executed during the year is based on specific methodology throughout the Dufry Group and includes the consideration of internal and external factors. In fiscal year 2017, Internal Audit conducted over 60 reviews, examining Headquarters activities, Divisional functions and Distribution Centers in addition to more than 30 operations in all Divisions, representing a coverage of about 86 % of 2017 group net sales including non-consolidated entities. Regular follow-up is performed to ensure that risk mitigation and control improvement measures are implemented on a timely basis.
- The Global Loss Prevention activity was created to prevent losses and misappropriations within the group. The day-to-day work is designed to leverage profitability using advanced data mining and anti-fraud techniques. Currently, validations are performed monthly or bimonthly for all group companies and results are proven to provide valuable information for loss prevention purposes. Additionally, Dufry is continuously trying to use new data mining techniques to establish validations that can enhance the coverage and create a higher assurance level over the key retail risks.
- Dufry has in place an Enterprise Risk Management program which sets out our approach for assessing compliance with: relevant laws, corporate policies and procedures, tax regulations, agreements or contracts and integrity policy, anticipating externally imposed guidelines and preventing losses. The program is sponsored by the Group Executive Committee and based on the concept of direct stakeholder assurance feedback, and is distributed among all operations and areas.
- All the results of these Group Internal Audit activities are communicated to key management in charge and to the Group's senior management, including all the members of the Group Executive Committee on an on-going basis, and also to the Audit Committee.
- Detailed information on the financial risk management is provided in Note 38 in the Financial Statements of this Annual Report.

4. GROUP EXECUTIVE COMMITTEE

4.1 MEMBERS OF THE GROUP EXECUTIVE COMMITTEE

As of December 31, 2017, the Group Executive Committee comprised twelve executives. On January 11, 2018, Dufry announced a new, simplified organizational structure with immediate effect, replacing the Group Executive Committee with the newly created Global Executive Committee.

The Global Executive Committee (former Group Executive Committee), under the control of the CEO, conducts the operational management of the Company pursuant to the Company's board regulations. The CEO reports to the Board of Directors on a regular basis.

The following two tables show the new organizational structure of the Global Executive Committee as of January 11, 2018, and the previous structure as of December 31, 2017, and until January 10, 2018. Both tables set forth the name and year of appointment of the respective members, followed by their Curricula Vitae with a short description of each member's business experience, education and activities.

All agreements entered into with the members of the Group Executive Committee (and Global Executive Committee) are entered for an indefinite period of time.

GLOBAL EXECUTIVE COMMITTEE AS OF JANUARY 11, 2018 (NEW STRUCTURE)

NAME	NATIONALITY	POSITION	GEC MEMBER SINCE YEAR
Julián Díaz González	Spanish	Group Chief Executive Officer (Group CEO)	2004
Andreas Schneiter	Swiss	Chief Financial Officer (CFO)	2012
José Antonio Gea	Spanish	Deputy Group Chief Executive Officer (Deputy Group CEO)	2004
Luis Marin	Spanish	Global Chief Corporate Officer (GCCO)	2014
Pascal C. Duclos	Swiss	General Counsel (GC)	2005
Eugenio Andrades	Spanish	Chief Executive Officer Operations and Strategy	2016
Javier Gonzalez	Spanish	Global Marketing and Digital Innovation Director	2018

GROUP EXECUTIVE COMMITTEE AS PER DECEMBER 31, 2017 AND UNTIL JANUARY 10, 2018 (PREVIOUS STRUCTURE)

NAME	NATIONALITY	POSITION	GEC MEMBER SINCE YEAR
Julián Díaz González	Spanish	Chief Executive Officer (CEO)	2004
Andreas Schneiter	Swiss	Chief Financial Officer (CFO)	2012
José Antonio Gea	Spanish	Global Chief Operating Officer (GCOO)	2004
Luis Marin	Spanish	Global Chief Corporate Officer (GCCO)	2014
Pascal C. Duclos	Swiss	General Counsel (GC)	2005
Jordi Martin-Consuegra	Spanish	Chief Resources Director (CRD)	2016
Pedro J. Castro Benitez	Spanish	Chief Executive Officer (DCEO) Division Southern Europe and Africa	2016
Eugenio Andrades	Spanish	Chief Executive Officer (DCEO) Division UK, Central and Eastern Europe	2016
Andrea Belardini	Italian	Chief Executive Officer (DCEO) Division Asia, Middle East and Australia	2016
René Riedi	Swiss	Chief Executive Officer (DCEO) Division Latin America	2000
Joseph DiDomizio	American	Chief Executive Officer (DCEO) Division North America	2008
Gustavo Magalhães Fagundes	Brazilian	General Manager (GM) Brazil and Bolivia	2016

4.2 EDUCATION, PROFESSIONAL BACKGROUND, OTHER ACTIVITIES AND VESTED INTERESTS

Members of Global Executive Committee (as of January 11, 2018)

JULIÁN DÍAZ GONZÁLEZ
Group Chief Executive Officer,
born 1958, Spanish

Education
Degree in business administration from Universidad Pontificia Comillas I.C.A.D.E., de Madrid.

Professional Background
1989 – 1993 General Manager at TNT Leisure, S.A. 1993 – 1997 Division Director at Aldeasa. 1997 – 2000 various managerial and business positions at Aeroboutiques de Mexico, S.A. de C.V. and Deor, S.A. de C.V. 2000 – 2003 General Manager of Latinoamericana Duty-Free, S.A. de C.V. Since 2004 Chief Executive Officer at Dufry AG.

Current Board Mandates
Dufry AG, Distribuidora Internacional de Alimentacion, S.A. (DIA), Hudson Ltd. (listed as of February 1, 2018).

ANDREAS SCHNEITER
Chief Financial Officer,
born 1970, Swiss

Education
Degree in business administration and specialization in finance at School of Economy and Business Administration Berne.

Professional Background
1998 – 2003 various positions at UBS Warburg in Zurich in the area of Mergers and Acquisitions. Joined Dufry in 2003 as Head Corporate Controlling. 2004 – 2012 Head Group Treasury and since 2005 additionally Investor Relations at Dufry. Since 2012 Chief Financial Officer at Dufry AG.

JOSÉ ANTONIO GEA
Deputy Group Chief Executive Officer, born 1963, Spanish

Education
Degree in economics and business sciences from Colegio Universitario de Estudios Financieros.

Professional Background
1989 – 1995 various positions at TNT Express Espana, S.A. Director of Blue Cow Division (1993 – 1995). 1995 – 2003 various managerial positions at Aldeasa. Left Aldeasa as Director of Operations. 2004 – 2017 Global Chief Operating Officer at Dufry AG. Since 2018 Deputy Group Chief Executive Officer at Dufry AG.

LUIS MARIN
Global Chief Corporate Officer,
born 1971, Spanish

Education
Degree in Economic Sciences and Business Administration from Universidad de Barcelona.

Professional Background
1995 – 1998 Auditor at Coopers & Lybrand. 1998 – 2001 Financial Controller at Derbi Motocicletas – Nacional Motor S.A. 2001 – 2004 Head of Finance and Administration of Spanish subsidiaries of Areas (member of the French group Elior). Joined Dufry in 2004, as Business Controlling Director and since 2012, also responsible for mergers and acquisitions. Since 2014 Chief Corporate Officer at Dufry AG.

PASCAL C. DUCLOS
General Counsel, born 1967, Swiss

Education
Licence en droit from Geneva University School of Law, L.L.M. from Duke University School of Law. Licensed to practice law in Switzerland and admitted to the New York Bar.

Professional Background
1991 – 1997 Senior attorney at law at Geneva law firm Davidoff & Partners. Also academic assistant at the University of Geneva School of Law (1994 – 1996). 1999 – 2001 Attorney at law at New York law firm Kreindler & Kreindler. 2001 – 2002 Financial planner at UBS AG in New York. 2003 – 2004 Senior foreign attorney at law at the Buenos Aires law firm Beretta Kahale Godoy. Since 2005 General Counsel and Secretary to the Board of Directors at Dufry AG.

EUGENIO ANDRADES
Chief Executive Officer Operations and Strategy, born 1968, Spanish

Education
Degree in Mining Engineering at Politécnica University of Madrid. MS of Economics and Strategy of Colorado School of Mines, Colorado/USA.

Professional Background
Prior to 1996 Consultant at McKinsey & Co and Carboex, a subsidiary of Endesa. 1996 – 2001 Director of Strategy & Development and Investor Relations at Aldeasa. 2001 Chief Executive Officer Jordan and Middle East region at Aldeasa. 2002 – 2007 Director of Strategy & Development and Investor Relations at Aldeasa. 2007 – 2010 Commercial Director and Operations Coordinator at Aldeasa. 2011 – 2014 Chief Commercial Officer at World Duty Free Group. 2014 – 2015 Chief Executive Officer at World Duty Free Group. 2016 - 2017 Chief Executive Officer Division UK, Central and Eastern Europe at Dufry AG. Since 2018 Chief Executive Officer Operations and Strategy at Dufry AG.

JAVIER GONZALEZ
Global Marketing and Digital Innovation Director, born 1976, Spanish

Education
Executive MBA from La Salle University Philadelphia, Basel. Degree in Business Administration and Economics, EBS, Madrid.

Professional Background
1998 – 1999 Marketing Executive at Coca Cola. 1999 – 2001 In-Store & Events Manager at Lego Iberia. 2001 – 2002 In-Store Marketing Manager at British American Tobacco. 2002 – 2004 Sales Manager at British American Tobacco. 2004 – 2005 Business Unit Marketing Manager at British American Tobacco. 2005 – 2009 International Senior Brand Manager at British American Tobacco. 2009 – 2011 Senior Marketing Manager at Dufry AG. 2011 – 2014 Global Marketing Director at Dufry AG. 2014 – 2016 Global Retail Operations and Marketing Director at Dufry AG. Since 2016 Global Marketing and Digital Innovation Director at Dufry AG.

Other members of the Group Executive Committee (as per December 31, 2017 and until January 10, 2018)

JORDI MARTIN-CONSUEGRA
Chief Resources Director, born 1972, Spanish

Education
Executive MBA from Instituto de Empresa, Madrid. Degree in economics from Universidad Complutense de Madrid and Bachelor of Arts in Combined Studies from University of Wolverhampton, UK.

Professional Background
1996 – 1998 Business Consultant at Burke in Madrid (today Burke is part of ALTEN Group in Spain). 1998 – 2000 Director of Consultancy Services at Burke. 2001 – 2002 Lawson Software Product Manager at Burke in Madrid. 2003 – 2005 Director of Business Solutions at Burke. 2005 – 2008 Global Information Technology Director at Dufry AG. 2008 – 2009 Global Integration Director at Dufry AG. 2009 – 2012 Global Organization and Human Resources Director at Dufry AG. 2012 - 2017 Chief Resources Director at Dufry AG. In 2018 new senior management position in Division North America at Dufry AG.

PEDRO J. CASTRO BENITEZ
Chief Executive Officer Division Southern Europe and Africa, born 1967, Spanish

Education
Masters degree in international relations, specializing in foreign trade, from Spanish Diplomatic School in Madrid. Degree in administration and political science, specializing in foreign affairs, from Complutense University in Madrid.

Professional Background
1998 – 2000 General Manager Chile at Aldeasa. 2000 – 2003 Managing Director Canariensis at Aldeasa. 2003 – 2006 Chief Executive Officer at Aldeasa Jordan. 2006 – 2010 Director Operations Spain at Aldeasa. 2011 – 2015 Chief Operating Officer International at World Duty Free. Since January 2016 Chief Executive Officer Division Southern Europe and Africa at Dufry AG.

ANDREA BELARDINI
Chief Executive Officer Division Asia, Middle East and Australia, born 1968, Italian

Education
Degree in Business and Economics, University of Rome (La Sapienza).

Professional Background
1991 – 1996 various positions as Controller and Project Manager at Carlson Wagonlit Travel. 1997 – 1999 Director of Operations Italy at Carlson Wagonlit Travel. 1999 – 2000 Vice President Operations South Europe at Carlson Wagonlit Travel. 2000 – 2004 Executive Vice President Strategy & Development at Aeroporti di Roma. 2004 – 2009 Executive Vice President Commercial Business Management & Development at Aeroporti di Roma. 2009 – 2015 Chief Executive Officer Europe at Nuance Group (since 2013 also Global Chief Commercial Officer at Nuance Group). Since January 2016 Chief Executive Officer Division Asia, Middle East and Australia at Dufry AG.

RENÉ RIEDI
Chief Executive Officer Division Latin America, born 1960, Swiss

Education
Degree in business administration from the School of Economy and Business Administration Zurich.

Professional Background
Prior to 1993 worked in product marketing and international sales of the multinational FMCG (Fast Moving Consumer Goods) company Unilever. 1993 – 2000 Joined Dufry as Sales Manager Eastern Europe. Product Category Manager Spirits & Tobacco (1995 – 1996). Head of Product Marketing (1996 – 1997). Director Division Spirits & Tobacco (Weitnauer Distribution Ltd. 1998 – 2000). 2000 – 2012 Chief Operating Officer Region Eurasia at Dufry AG. 2012 – 2015 Chief Operating Officer Region America I at Dufry AG. Since January 2016 Chief Executive Officer Division Latin America at Dufry AG.

JOSEPH DIDOMIZIO
Chief Executive Officer Division North America, born 1970, American

Education
Bachelor's of Arts degree in Marketing and Business Administration from the University of Bridgeport.

Professional Background
1992 – 2008 several managerial positions in Hudson Group (April–September 2008: President and Chief Executive Officer). 2008 – 2015 Chief Operating Officer Region United States & Canada at Dufry AG. Since January 2016 Chief Executive Officer Division North America at Dufry AG.

Current Board Mandates
Hudson Ltd. (listed as of February 1, 2018).

GUSTAVO MAGALHÃES FAGUNDES
General Manager Brazil and Bolivia, born 1967, Brazilian

Education
Degree in business administration and management and post-graduate degree in HR and marketing from EAESP/Fundação Getúlio Vargas in São Paulo, Master in international economics and management from Bocconi University in Milan, executive MBA from AmBev Corporate University in São Paulo, general management degree from Harvard Business School in Massachusetts, USA.

Professional Background
1996 – 2002 Head of Marketing at AmBev. 2002 – 2009 Chief Operating Officer at Travel Retail, Brasif. 2010 – 2014 Chief Operating Officer at Brasif Holding. 2014 – 2015 COO Dufry Brazil and Bolivia. Since January 2016 General Manager Brazil and Bolivia at Dufry AG.

Other activities and vested interests

As of December 31, 2017, none of the members of the Group Executive Committee of Dufry AG has had other activities in governing and supervisory bodies of important Swiss or foreign organizations, institutions or foundations under private and public law with the exception of the Board mandates of Mr. Julián Díaz mentioned above. As of February 1, 2018, the business Division North America has been separately listed on the New York Stock Exchange under the name of Hudson Ltd. (see also comments about Hudson Ltd. in section 1.1 Group Structure). Joseph DiDomizio is the Chief Executive Officer of Division North America and therefore also Chief Executive Officer and a member of the Board of Directors of the listed entity Hudson Ltd. No member of the Group Executive Committee has permanent management or consultancy functions for important Swiss or foreign interest groups, nor holds any official functions and political posts.

4.3 RULES IN THE ARTICLES OF INCORPORATION REGARDING THE NUMBER OF PERMITTED MANDATES OUTSIDE THE COMPANY

In accordance with Article 25 para. 1 of the Articles of Incorporation, dated March 8, 2016, no member of the Group Executive Committee may hold more than two additional mandates in listed companies and four additional mandates in non-listed companies. The following mandates are not subject to the limitations under para. 1 of this Article:

a) mandates in companies which are controlled by the Company or which control the Company;
b) mandates held at the request of the Company or any company controlled by it. No member of the Group Executive Committee may hold more than ten such mandates; and
c) mandates in associations, charitable organizations, foundations, trusts and employee welfare foundations. No member of the Group Executive Committee may hold more than ten such mandates.

For definition of "mandate" please refer to section 3.3 above. For the website link regarding the Articles of Incorporation please see page 236 of this Corporate Governance Report.

4.4 MANAGEMENT CONTRACTS

Dufry AG does not have management contracts with companies or natural persons not belonging to the Group.

5. COMPENSATION, SHAREHOLDINGS AND LOANS

5.1 CONTENT AND METHOD OF DETERMINING THE COMPENSATION AND SHAREHOLDING PROGRAMS

Detailed information of compensation, shareholdings and loans to active and former members of the Board of Directors and of the Group Executive Committee in fiscal year 2017 is included in the Remuneration Report on pages 237 to 249 of this Annual Report.

5.2 DISCLOSURE OF RULES IN THE ARTICLES OF INCORPORATION REGARDING COMPENSATION OF THE BOARD OF DIRECTORS AND OF THE EXECUTIVE MANAGEMENT

For rules in the Articles of Incorporation regarding the approval of compensation by the Meeting of Shareholders, the supplementary amount for changes in the executive management as well as the general compensation principles please refer to Articles 20 – 22 of the Articles of Incorporation. The Articles of Incorporation do not contain any rules regarding loans, credit facilities or post-employment benefits for the members of the Board of Directors and executive management. The rules regarding agreements with members of the Board of Directors and of the executive management in terms of duration and termination are stipulated in Article 23.

Dufry's Articles of Incorporation are available on the Company website www.dufry.com – section Investors – Corporate Governance – Articles of Incorporation. For the website link regarding the Articles of Incorporation please see page 236 of this Corporate Governance Report.

6. SHAREHOLDERS' PARTICIPATION RIGHTS

For the website link regarding the Articles of Incorporation referred to in the following chapters please see page 236 of this Corporate Governance Report.

6.1 VOTING RIGHTS AND REPRESENTATION

Each share recorded as a share with voting rights in the share register confers one vote on its registered holder. Each shareholder duly registered in the share register on the record date may be represented at the Meeting of Shareholders by the independent voting rights representative or any person who is authorized to do so by a written proxy. A proxy does not need to be a shareholder. Shareholders entered in the share register as shareholders with voting rights on a specific qualifying date (record date) designated by the Board of Directors shall be entitled to vote at the Meeting of Shareholders and to exercise their votes at the Meeting of Shareholders. See section 6.5 below.

Nominees are only entitled to represent registered shares held by them at a Meeting of Shareholders if they are registered in the share register in accordance with Article 5 para. 4 of the Articles of Incorporation and if they hold a valid written proxy granted by the beneficial owner of the registered shares instructing the nominee how to vote at the Meeting of Shareholders. Shares held by a nominee for which it is not able to produce such a proxy count as not being represented at the Meeting of Shareholders.

As explained under section 2.6 above, BDR holders do not own the Dufry AG shares underlying their BDRs. As a consequence, BDR holders are prevented from exercising directly any of the shareholders' rights provided for by the Company's Articles of Incorporation and by Swiss corporate law. For example, BDR holders are not entitled to personally participate in the General Meetings of the Company. However, BDR holders are entitled to instruct the Depositary Institution to vote the Company's shares underlying their BDRs, according to the instructions sent to them by the Depositary Institution. See section 2.6 above or the Articles of Incorporation on the corporate website.

6.2 THE INDEPENDENT VOTING RIGHTS REPRESENTATIVE

In accordance with Article 10 para. 3 of the Articles of Incorporation, dated March 8, 2016, the independent voting rights representative shall be elected by the Meeting of Shareholders for a term of office extending until completion of the next Ordinary Meeting of Shareholders. Re-election is possible. If the Company does not have an independent voting rights representative, the Board of Directors shall appoint the independent voting rights representative for the next Meeting of Shareholders.

The Company may also make arrangements for electronic voting (Article 11 para. 5). Resolutions passed by electronic voting shall have the same effect as votes by ballot.

The Ordinary General Meeting of Shareholders held on April 27, 2017, re-elected Altenburger Ltd legal + tax, Kuesnacht-Zurich, as the independent voting rights representative until the completion of the Ordinary General Meeting of Shareholders in 2018. Altenburger Ltd legal + tax is independent from the Company and has no further mandates for Dufry AG.

For the upcoming Ordinary General Meeting of Shareholders on May 3, 2018, the Company will enable its shareholders to send their voting instructions electronically to the independent voting rights representative Altenburger Ltd legal + tax through the platform:

www.netvote.ch/dufry

The corresponding instructions regarding registration and voting procedures on this electronic platform will be sent to the shareholders together with the invitation to the General Meeting.

6.3 QUORUMS

The Meeting of Shareholders shall be duly constituted irrespective of the number of shareholders present or of shares represented. Unless the law or Articles of Incorporation provide for a qualified majority, an absolute majority of the votes represented at a Meeting of Shareholders is required for the adoption of resolutions or for elections, with abstentions, blank and invalid votes having the effect of "no" votes. The Chairman of the Meeting shall have a casting vote.

A resolution of the Meeting of Shareholders passed by at least two thirds of the votes represented and the absolute majority of the nominal value of shares represented shall be required for:

1. a modification of the purpose of the Company;
2. the creation of shares with increased voting powers;
3. restrictions on the transfer of registered shares and the removal of such restrictions;
4. restrictions on the exercise of the right to vote and the removal of such restrictions;
5. an authorized or conditional increase in share capital;
6. an increase in share capital through the conversion of capital surplus, through a contribution in kind or in exchange for an acquisition of assets, or a grant of special benefits upon a capital increase;
7. the restriction or denial of pre-emptive rights;
8. the change of the place of incorporation of the Company;
9. the dismissal of a member of the Board of Directors;
10. an increase in the maximum number of members of the Board of Directors;
11. a modification of the eligibility requirements of the members of the Board of Directors (Article 24 para. 1 of the Articles of Incorporation);
12. the dissolution of the Company;
13. other matters where statutory law provides for a corresponding quorum.

6.4 CONVOCATION OF THE MEETING OF SHAREHOLDERS

The Meeting of Shareholders shall be called by the Board of Directors or, if necessary, by the Auditors. One or more shareholders with voting rights representing in the aggregate not less than 10 % of the share capital can request, in writing, that a Meeting of Shareholders be convened. Such request must be submitted to the Board of Directors, specifying the items and proposals to appear on the agenda.

The Meeting of Shareholders shall be convened by notice in the Swiss Official Gazette of Commerce (SOGC) not less than 20 days before the date fixed for the Meeting. Registered shareholders will also be informed by ordinary mail.

6.5 AGENDA

The invitation for the Meeting of Shareholders shall state the day, time and place of the Meeting, and the items and proposals of the Board of Directors and, if any, the proposals of the shareholders who demand that the Meeting of Shareholders be called or that items be included in the agenda.

One or more shareholders with voting rights whose combined holdings represent an aggregate nominal value of at least CHF 1,000,000 may request that an item be included in the agenda of a Meeting of Shareholders. Such a request must be made in writing to the Board of Directors at the latest 60 days before the Meeting and shall specify the agenda items and the proposals made.

6.6 REGISTRATION INTO THE SHARE REGISTER

The record date for the inscription of registered shareholders into the share register in view of their participation in the Meeting of Shareholders is defined by the Board of Directors. It is usually around 2 weeks before the Meeting. Shareholders who dispose of their registered shares before the Meeting of Shareholders are no longer entitled to vote with such disposed shares.

7. CHANGE OF CONTROL AND DEFENSE MEASURES

For the website link regarding the Articles of Incorporation referred to in the following chapters please see page 236 of this Corporate Governance Report.

7.1 DUTY TO MAKE AN OFFER

An investor who acquires more than 33 ⅓ % of all voting rights (directly, indirectly or in concert with third parties) whether they are exercisable or not, is required to submit a takeover offer for all shares outstanding (Article 135 Financial Market Infrastructure Act, FMIA). The Articles of Incorporation of the Company contain neither an opting-out nor an opting-up provision (Article 125 para. 4 FMIA).

7.2 CLAUSES ON CHANGE OF CONTROL

In case of change of control, the share-based payments as disclosed in the Remuneration Report shall vest immediately.

In case of change of control, all amounts drawn under the USD 700,000,000, EUR 500,000,000 and EUR 1,300,000,000 multicurrency term and revolving credit facilities agreements shall become immediately due and payable. Furthermore, upon the occurrence of a change of control, Dufry may be required to repurchase the EUR 800,000,000 Senior Notes due 2024 and the EUR 700,000,000 Senior Notes due 2023 at a purchase price equal to 101 % of their principal amount, plus accrued and unpaid interest.

According to Article 23 of the Articles of Incorporation, employment and other agreements with the members of the Group Executive Committee may be concluded for a fixed term or for an indefinite term. Agreements for a fixed term may have a maximum duration of one year. Renewal is possible. Agreements for an indefinite term may have a notice period of maximum twelve months. The current contracts with the members of the Group Executive Committee contain termination periods of twelve months or less.

8. AUDITORS

8.1 AUDITORS, DURATION OF MANDATE AND TERM OF OFFICE OF THE LEAD AUDITOR

Pursuant to the Articles of Incorporation, the Auditors shall be elected each year and may be re-elected. Ernst & Young Ltd acted as Auditor and has held the mandate as Auditor since 2004. Christian Krämer has been the Lead Auditor in charge of the consolidated financial statements and the statutory financial statements of the Company as of December 31, 2017. Mr. Krämer took the existing auditing mandate in 2017.

8.2 AUDITING FEE

During fiscal year 2017, Dufry agreed with Ernst & Young Ltd to pay a fee of CHF 5.6 million for services in connection with auditing the statutory annual financial statements of Dufry AG and its subsidiaries, as well as the consolidated financial statements of Dufry Group (including quarterly reviews).

8.3 ADDITIONAL FEES

Additional fees amounting to CHF 5.2 million were paid to Ernst & Young Ltd for audit related work in connection with capital market transactions (such as the IPO of a subsidiary and the issuance of senior notes), CHF 0.4 million for tax services and CHF 0.1 million for other advisory services.

8.4 SUPERVISORY AND CONTROL INSTRUMENTS PERTAINING TO THE AUDIT

The Audit Committee as a committee of the Board of Directors reviews and evaluates the performance and independence of the Auditors at least once each year. Based on its review, the Audit Committee recommends to the Board of Directors, which external Auditor should be proposed for election at the General Meeting of Shareholders. The decision regarding this agenda item is then taken by the Board of Directors. When evaluating the performance and independence of the Auditors, the Audit Committee puts special emphasis on the following criteria: Global network of the audit firm, professional competence of the lead audit team, understanding of Dufry's specific business risks, personal independence of the lead auditor and independence of the audit firm as a company, co-ordination of the Auditors with the Audit Committee and the Senior Management / Finance Department of Dufry Group, practical recommendations with respect to the application of IFRS regulations.

Within the yearly approved budget, there is also an amount permissible for non-audit services that the Auditors may perform. Within the scope of the approved and budgeted amount, the Chief Financial Officer can delegate non-audit related mandates to the Auditors.

The Audit Committee determines the scope of the external audit and the relevant methodology to be applied to the external audit with the Auditors and discusses the results of the respective audits with the Auditors. The Auditors prepare a management letter addressed to the Senior Management, the Board of Directors and the Audit Committee once per year, informing them in detail on the result of their audit. The Auditors also review the interim quarterly reports before these publications are released.

Representatives of the Auditors are regularly invited to meetings of the Audit Committee, namely to attend during those agenda points that dealt with accounting, financial reporting or auditing matters.

In addition, the Audit Committee reviews regularly the internal audit plan. Internal Audit reports are communicated to management in charge and the Company's senior management on an on-going basis and 5 briefings were done to the Audit Committee in 2017.

During the fiscal year 2017, the Audit Committee held 4 meetings. The Auditors were present at 3 of those meetings. The Board of Directors has determined the rotation interval for the Lead Auditor to be seven years, as defined by the Swiss Code of Obligation; such rotation occurred the last time in 2017.

9. INFORMATION POLICY

Dufry is committed to an open and transparent communication with its shareholders, financial analysts, potential investors, the media, customers, suppliers and other interested parties.

Dufry AG publishes its financial reports on a quarterly basis, both in English and Portuguese. The financial reports and media releases containing financial information are available on the Company website.

In addition, Dufry AG organizes presentations and conference calls with the financial community and media to further discuss details of the reported earnings or on any other matters of importance. The Company undertakes roadshows for institutional investors on a regular basis.

Details and information on the business activities, Company structure, financial reports, media releases and investor relations are available on the Company's website:

www.dufry.com

The official means of publication of the Company is the Swiss Official Gazette of Commerce:

www.shab.ch

Web-links regarding the SIX Swiss Exchange push-/pull-regulations concerning ad-hoc publicity issues are:

www.dufry.com/en/media/press-releases

www.dufry.com/en/media/press-release-registration-form

The current Articles of Incorporation are available on Dufry's website under:

www.dufry.com/en/investors/corporate-governance
page section "Featured downloads – Articles of Incorporation"

The financial reports are available under:

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, the Corporate Headquarter address and a summary of anticipated key dates in 2018 please refer to pages 252 / 253 of this Annual Report.

REMUNERATION REPORT
DEAR SHAREHOLDERS

On behalf of the Board of Directors and the Remuneration Committee ("RC"), I am very pleased to present the Remuneration Report 2017 to you.

2017 was another successful year for Dufry with the synergies from the integration of World Duty Free being fully reflected in our 2017 financials. Furthermore, we were able to accelerate our organic growth and have launched the implementation of the new Business Operating Model. For further details on our operational and financial performance, please refer to the letters of the CEO and CFO on pages 15 and 103, respectively.

At the 2017 Shareholders' Meeting, Ms. Heekyung (Jo) Min, Mr. Xavier Bouton and myself, all three being non-executive independent members of the Board of Directors, were re-elected by the shareholders as members of the Remuneration Committee. The shareholders also approved the proposed maximum aggregate amount of compensation for the Board of CHF 8.4 million for the period from AGM 2017 to AGM 2018 with a majority of 89.2%. The proposal for the maximum aggregate amount of compensation for the Group Executive Committee of CHF 53.5 million for the fiscal year 2018 period was accepted with a majority of 88.2%. The Remuneration Report 2016 was approved by the Shareholders' Meeting in a consultative, non-binding vote by 90.7% of the votes represented. The current Remuneration Report 2017 will again be submitted to a consultative vote at the Shareholders' Meeting on May 3, 2018.

In fiscal year 2017, our Remuneration Committee held three meetings, with attendance ratio of 100% for all meetings.

PricewaterhouseCoopers was also mandated in 2017 to carry out a compensation benchmarking for the Group Executive Committee. The benchmarking continued to represent a group of 18 companies, all of them being comparable in size, geographic reach and market profile.

The Board of Directors, upon proposal of the Remuneration Committee, decided on the following changes to the compensation system for fiscal year 2017:

- Board of Directors: For the bonus of the Chairman, which is based on the growth of reported Cash EPS, a minimum threshold (of 50%) and a maximum threshold (of 150%) were introduced. The cap for the maximum pay-out for the Chairman's bonus was set at 150% of the target bonus. The board fee for the Chairman was raised by TCHF 96 and for the Vice-Chairman by TCHF 100.
- Group Executive Committee: Pay-out of the short-term annual bonus was done 100% in cash. Regarding the achievement of financial performance concerning the 2017 bonus, this will be based on three components with the following weights: Organic growth with 20%, EBITDA with 60% and Free Cash Flow with 20%. Furthermore, the maximum vesting of the Performance Share Units (PSU) was set at 1.5 shares per PSU.

The Remuneration Committee reviews the remuneration system, including the bonus scheme and long-term incentive plans (Performance Share Unit plans) on an annual basis to ensure alignment with shareholders' interests and best practices, and to provide fair management compensation. Over time, we will continue to evolve our compensation system according to the development of Dufry as a company as well as best practices and any regulatory or industry developments in relation to compensation.

On behalf of the Remuneration Committee and the Board of Directors, I would like to thank you, our shareholders, for your contributions and continued trust in Dufry.

Yours Sincerely,

Jorge Born
Chairman of the Remuneration Committee

INTRODUCTION

The continuous success of Dufry is dependent on its ability to attract, motivate and retain outstanding individuals. Dufry's aim is to provide appropriate and competitive remuneration to its employees and to support their development in a high performance environment.

This Remuneration Report provides information on the remuneration system and compensation paid to the members of the Board of Directors and of the Group Executive Committee for fiscal year 2017. The Report is prepared in accordance with Articles 13–17 of the Ordinance against excessive Compensation (OaeC) and item 5 of the Annex to the Corporate Governance Directive (DCG) of the SIX Swiss Exchange, governing disclosure of remuneration systems and compensation paid to members of the Board of Directors and the Group Executive Committee.

The Remuneration Report will be presented to the General Meeting of Shareholders on May 3, 2018, for a consultative vote.

GOVERNANCE

Based on Dufry's Articles of Incorporation and in line with the OaEC, the Board of Directors has the overall responsibility for defining the personnel and remuneration policy used for the entire Group, as well as the general terms and conditions of employment for members of the Group Executive Committee. It approves the individual compensation of the members of the Board of Directors and of the Group Executive Committee.

Since January 1, 2015, the Meeting of Shareholders has to approve the proposal of the Board of Directors in relation to the maximum aggregate amount of compensation of the Board of Directors for the period until the next Ordinary Meeting of Shareholders and of the Group Executive Committee for the following financial year. The vote at the Ordinary Meeting of Shareholders has binding effect for these maximum aggregate amounts of compensation. Thereafter, the approval of the individual compensation to the members of the Board of Directors and of the Group Executive Committee (within the limits approved by the Meeting of Shareholders) is with the Board of Directors.

The Remuneration Committee, which consists of three non-executive independent members of the Board of Directors, supports the Board of Directors in fulfilling all remuneration related matters. The General Meeting of Shareholders held on April 27, 2017 re-elected Ms. Heekyung (Jo) Min, Mr. Jorge Born and Mr. Xavier Bouton (all individually elected) as members of the Remuneration Committee for a term of office until completion of the next Ordinary Meeting of Shareholders in 2018. Jorge Born has been appointed as Chairman of the Remuneration Committee.

COMPENSATION COMPARISONS

During the course of 2017, the Board of Directors of Dufry consulted PricewaterhouseCoopers AG (PwC) on the structure and level of executive compensation arrangements, including both short- and long-term components. PwC also conducted a benchmark analysis on compensation levels for members of the Group Executive Committee using third party compensation survey data and disclosed information from 18 companies which are comparable in size, geographic reach and market profile, mostly from the SMI and SMIM universe. Other divisions of PwC also provided services as Tax and HR Advisors for other internal projects.

REMUNERATION OF THE MEMBERS OF THE BOARD OF DIRECTORS

REMUNERATION SYSTEM

The remuneration of the members of the Board of Directors is set to attract and retain highly qualified individuals to serve on the Board of Directors. The Board of Directors determines the amount of remuneration of its members, taking into account their responsibilities, experience and the time they invest in their activity as members of the Board of Directors.

The total compensation of the members of the Board of Directors, except for the Chief Executive Officer who does not receive any compensation in relation to his position as member of the Board, included the following elements in fiscal year 2017:
- Fixed fee in cash as members of the Board of Directors and members of Board Committees; and
- Mandatory social security contributions

In addition, the Chairman of the Board of Directors, who is intensely involved with the Company's management and is therefore considered an executive Chairman, may also receive a performance bonus. This bonus is based on the growth of reported Cash EPS for the year under review, which for fiscal year 2017 was a target growth of 5%. The bonus has a minimum threshold (50% of target growth) that must be achieved otherwise no bonus will be paid and a maximum threshold (150% of target growth). The bonus for fiscal year 2017

COMMITTEES AND COMMITTEE MEMBERSHIPS AS OF DECEMBER 31, 2017

MEMBER OF THE BOARD OF DIRECTORS	REMUNERATION COMMITTEE	AUDIT COMMITTEE	NOMINATION COMMITTEE
Juan Carlos Torres Carretero, Chairman	–	–	–
Andrés Holzer Neumann, Vice-Chairman	–	–	Committee Chairman
Jorge Born, Director	Committee Chairman	–	Committee Member
Xavier Bouton, Director	Committee Member	Committee Member	–
Claire Chiang, Director	–	Committee Member	–
Julián Díaz González, Director / CEO	–	–	–
George Koutsolioutsos, Director	–	–	–
Heekyung (Jo) Min, Director	Committee Member	–	–
Joaquín Moya-Angeler Cabrera, Director	–	Committee Chairman	Committee Member

For further details regarding the responsibilities of the Remuneration Committee and the meetings held in fiscal year 2017, please refer to section 3.5 Internal Organizational Structure of the Corporate Governance Report.

is capped at 150 % of the target bonus. The target bonus for fiscal year 2017 was set at 100 % of the Chairman's board fee (2016: target bonus was also set at 100 % of Chairman's board fee; cap at 130 %). With the exception of the variable compensation of the Chairman and of the CEO (each in their capacity as Chairman and Chief Executive Officer), the compensation of the members of the Board of Directors is not tied to particular targets.

Extraordinary assignments or work which a member of the Board of Directors would perform for the Company outside of his/her activity as a Board member can be specifically remunerated and has to be approved by the Board of Directors. No extraordinary assignments outside Board activities have taken place in fiscal year 2017 (2016: also no extraordinary assignments). In addition, the members of the Board of Directors are reimbursed all reasonable cash expenses incurred by them in the discharge of their duties.

The Remuneration Committee discusses the annual compensation (board fees, committee fees, target bonus for Chairman) in separate meetings. The Chairman and the CEO usually participate as guests in these meetings without any voting rights. The Remuneration Committee then makes proposals in relation to the compensation of each Board member to the entire Board of Directors. Thereafter, the Board of Directors decides collectively on the compensation of its members once per year, with all Board members being present during such meeting (CEO compensation reviewed and decided separately as described in the section Remuneration of the members of the Group Executive Committee).

CHANGES IN THE REMUNERATION SYSTEM IN 2017 – BOARD OF DIRECTORS

- The bonus of the Chairman is based on the growth of reported Cash EPS for the year under review, which for fiscal year 2017 was a target growth rate of 5 %. For this bonus, a minimum threshold of 50 % and a maximum threshold of 150 % of the target growth rate have been introduced in 2017. The minimum threshold must be reached to achieve any bonus pay-out and the cap for the fiscal year 2017 bonus has been set at 150 % of the target bonus (2016: 130 %). Linear calculation will be applied, if the growth of reported Cash EPS is between the minimum and maximum threshold.
- The annual board fee for the Chairman was raised by TCHF 96 to TCHF 2,010.5 and for the Vice-Chairman by TCHF 100 to TCHF 350.0.

POSITION / RESPONSIBILITY	FEE 2017 IN THOUSANDS OF CHF	FEE 2016 IN THOUSANDS OF CHF
Chairman	2,010.5	1,914.8
Vice-Chairman	350.0	250.0
Member of the Board of Directors [1]	250.0	250.0
Member of the Remuneration Committee	50.0	50.0
Member of the Audit Committee	50.0	50.0
Member of the Nomination Committee	50.0	50.0

[1] The CEO does not receive additional compensation as a Board member.

In 2017, each member of the Board of Directors (except the Chairman, Vice-Chairman and the CEO) received a Board membership fee of TCHF 250 in cash and an additional TCHF 50 in cash as a member of a Board Committee. The level of these Board fees remained unchanged for the last three years, i.e. since the Ordinary General Meeting of Shareholders in April 2015. The Board fee for the Chairman was slightly increased to TCHF 2,010.5. For fiscal year 2017, the Chairman of the Board of Directors will receive a cash bonus of TCHF 3,015.7 (2016: TCHF 2,489). The bonus amounts to 150 % of the Chairman's board fee (2016: 130.0 % of board fee).

SUMMARY OF REMUNERATION FOR FISCAL YEARS 2017 AND 2016

On December 31, 2017, the Board of Directors comprised 9 members (December 31, 2016: also 9 Board members). For fiscal years 2017 and 2016, covering the period between January 1 and December 31, the remuneration for the members of the Board of Directors is shown in the table on the opposite page. The remuneration difference compared to the previous year is mainly due to the increases of the Chairman's and the Vice-Chairman's board fees and the different amount of bonus for the Chairman.

OTHER COMPENSATION, LOANS OR GUARANTEES (AUDITED)

In the years 2017 and 2016, there was no other compensation paid directly or indirectly to active or former members of the Board of Directors, or to their related parties. There are also no loans or guarantees received or provided to these Board members, nor to their related parties.

COMPENSATION OF THE BOARD OF DIRECTORS (AUDITED)

	2017			2016		
NAME, FUNCTION IN THOUSANDS OF CHF	**REMUNERATION**	**POST-EMPLOYMENT BENEFITS [5]**	**TOTAL**	**REMUNERATION**	**POST-EMPLOYMENT BENEFITS [5]**	**TOTAL**
Juan Carlos Torres Carretero, Chairman [1]	5,026.2	256.8	5,283.0	4,403.9	224.6	4,628.5
Andrés Holzer Neumann, Vice-Chairman	351.4	17.1	368.5	287.9	14.2	302.1
Jorge Born, Director	350.0	20.6	370.6	350.0	20.6	370.6
Xavier Bouton, Director	350.0	17.1	367.1	321.5	15.6	337.1
Claire Chiang, Director [2]	300.0	14.5	314.5	202.5	9.7	212.2
James S. Cohen, Director [3]	–	–	–	98.3	5.8	104.1
Julián Díaz González, Director and CEO [4]	–	–	–	–	–	–
José Lucas Ferreira de Melo, Director [3]	–	–	–	98.3	5.8	104.1
George Koutsolioutsos, Director	250.0	15.0	265.0	250.0	15.0	265.0
Heekyung (Jo) Min, Director [2]	300.0	–	300.0	202.5	–	202.5
Joaquin Moya-Angeler Cabrera, Director	350.0	17.1	367.1	321.5	15.6	337.1
Total	**7,277.6**	**358.2**	**7,635.8**	**6,536.4**	**326.9**	**6,863.3**

[1] The remuneration for Mr. Torres Carretero includes Board fee of CHF 2,010.5 million and bonus of CHF 3,015.7 million (2016: CHF 1.915 million Board fee and CHF 2,489 million bonus).
[2] Director since AGM on April 28, 2016.
[3] Director until AGM on April 28, 2016.
[4] Mr. Díaz González (CEO of the Company) does not receive any additional compensation as Board member.
[5] Amount includes mandatory employer social security contributions.

RECONCILIATION BETWEEN REPORTED BOARD COMPENSATION FOR FISCAL YEAR 2017 AND THE AMOUNT APPROVED BY THE SHAREHOLDERS AT THE AGM 2017 UNTIL THE AGM 2018

The Ordinary Meeting of Shareholders held on April 27, 2017 approved a maximum aggregate amount of compensation of the Board of Directors for the term of office from the AGM 2017 to the AGM 2018 of CHF 8.4 million. The following table shows the reconciliation between the reported Board compensation for fiscal year 2017 and the amount approved by the shareholders at the AGM 2017.

IN THOUSANDS OF CHF	BOARD COMPENSATION IN FISCAL YEAR 2017 AS REPORTED	LESS BOARD COMPENSATION TO BE ACCRUED FOR THE PERIOD JANUARY 1, 2017 TO THE AGM ON APRIL 27, 2017 (4 MONTHS)	PLUS BOARD COMPENSATION TO BE ACCRUED FOR THE PERIOD JANUARY 1, 2018 TO THE AGM ON MAY 3, 2018 (4 MONTHS)	TOTAL BOARD COMPENSATION FOR THE PERIOD FROM AGM 2017 TO AGM 2018	TOTAL MAXIMUM AMOUNT AS APPROVED BY SHAREHOLDERS AT THE AGM 2017 FOR PERIOD OF AGM 2017 TO AGM 2018	COMPENSATION RATIO
Total Board of Directors	**7,635.8**	**1,469.7**	**1,504.4**	**7,670.5**	**8,400.0**	**91.3 %**

REMUNERATION OF THE MEMBERS OF THE GROUP EXECUTIVE COMMITTEE

REMUNERATION SYSTEM

Dufry aims to provide internationally competitive compensation to the members of its Group Executive Committee (GEC) that reflects the experience and the area of responsibility of each individual member. The members of the Group Executive Committee receive compensation packages which consist of a fixed basic salary in cash, social benefits, allowances in kind, a performance related bonus and share-based incentive plans.

In fiscal year 2017, the Group Executive Committee consisted of 12 members, unchanged compared to the previous year (CEO, CFO, GCOO, GC, GCCO, CRO, five Divisional CEOs and one GM Brazil & Bolivia: see also Corporate Governance Report on page 227).

BASIC SALARY

The annual basic salary is the fixed compensation reflecting the scope and key areas of responsibilities of the position, the skills required to perform the role and the experience and competencies of the individual person. The basic salary is reviewed annually.

ANNUAL BONUS

The annual bonus is defined once per year and is based on a bonus target expressed as a percentage of the annual basic salary. The target bonus corresponds to the bonus award at 100 % achievement of the predefined objectives. Each member of the Group Executive Committee has its own bonus. In the event that an executive reaches the objectives in full, the bonus pay-out will correspond to the targeted level. If one or more objectives are not reached, the bonus will be reduced. The bonus pay-out can be between a minimum of zero and the maximum capped amount of 130 % of the target bonus for all members of the Group Executive Committee, including the CEO.

The annual bonus for a particular year is usually paid out in cash in the second quarter of the following year. An exception to this was in fiscal year 2016, when the Board of Directors (upon proposal by the Remuneration Committee) decided that the bonus pay-out for fiscal year 2015 shall be 50 % in cash and 50 % in rights to receive shares which will vest if the GEC member is employed on January 1, 2019. The shares eventually to be used for this bonus payment are expected to have no dilutive effect, as they shall be sourced from treasury shares. The bonus pay-outs for fiscal year 2016 and 2017 are in cash.

REMUNERATION COMPONENTS

	INSTRUMENT	PURPOSE	INFLUENCED BY
Basic salary	– Basic compensation – Paid in cash on monthly basis	– To attract and retain management	– Position – Competitive market environment – Experience of the person
Bonus	– Annual bonus – Paid in cash and / or rights to receive shares after completion of the relevant year	– Pay for performance	– Achievement of financial results of the Group and of specific Divisions / Countries (for the DCEOs and the GM BRA / BOL)
Share-based incentives PSUs	– Performance Share Units (PSU) if any, vesting conditional on performance	– Rewarding long-term performance – Aligning compensation to shareholder interests	– PSU Awards 2015 / 2016 / 2017: Cumulative Cash EPS in CHF over 3 years
Other indirect benefits, post-employment benefits	– Allowances in kind – Social pension and insurance prerequisites	– To attract and retain management	– Market practice and position – Legal requirements of social benefits

PERFORMANCE OBJECTIVES

GROUP EXECUTIVE COMMITTEE	GROUP RESULTS		DIVISION / COUNTRY RESULTS	
	FY 2017	FY 2016	FY 2017	FY 2016
Chief Executive Officer Chief Financial Officer Global Chief Operating Officer Global Chief Corporate Officer Chief Resources Director General Counsel	20 % Organic growth 60 % EBITDA 20 % Free Cash Flow	50 % EBITDA 25 % Free Cash Flow 25 % Synergies	n / a	n / a
5 Division Chief Executive Officers 1 General Manager BRA / BOL	20% Organic growth 20 % Free Cash Flow	25 % Free Cash Flow 25 % Synergies	60 % EBITDA	50 % EBITDA

The target bonus amounted to 150 % of the basic salary for the CEO and to between 45 % and 150 % of the basic salary for the other members of the Group Executive Committee in fiscal year 2017 (fiscal year 2016: 150 % for the CEO and between 45 % and 150 % for the other members of the Group Executive Committee).

The bonus is mainly related to measures regarding financial performance: in 2017, the relevant weightings for the CEO, CFO, GCOO, GCCO, CRD and GC were 20 % Organic growth, 60 % EBITDA and 20 % Free Cash Flow of the Group results. For the five Division CEOs and the GM Brazil & Bolivia it was 60 % EBITDA of their respective division (of the 2 countries in the case of the GM BRA / BOL), as well as 20 % Organic growth and 20 % Free Cash Flow of the Group results. In addition, exceptional individual performance may be rewarded. The bonus matrix for fiscal year 2016 included 25 % of Synergies, 50 % EBITDA and 25 % Free Cash Flow.

The bonus accrued as part of the compensation for the members of the Group Executive Committee represented in 2017 between 41 % and 217 % of their basic salary and amounted to CHF 11.1 million in the aggregate (2016: between 39 % and 148 % of their basic salary and an amount of CHF 9.0 million in the aggregate). The achievement ratio regarding the Group results' targets of the three elements Organic growth, EBITDA and Free Cash Flow combined was 91.6 % for fiscal year 2017 (2016: achievement ratio 98.7 %).

RANGE OF BONUS COMPONENTS

IN % OF BASIC SALARY	2017	2016	2015
Group Executive Committee	41 – 217 %	39 – 148 %	61 – 203 %

The bonus compensation for each of the members of the Group Executive Committee, other than the CEO bonus, is approved by the Remuneration Committee in coordination with the CEO. The CEO's bonus compensation is determined based on achieved targets and proposed by the Remuneration Committee and decided by the Board of Directors once per year. The Remuneration Committee as well as the Board of Directors review the compensation of the CEO, CFO, GCOO, GCCO, CRD and the GC yearly. The compensation of the Division CEOs and of the GM Brazil & Bolivia is reviewed once per year by the CEO.

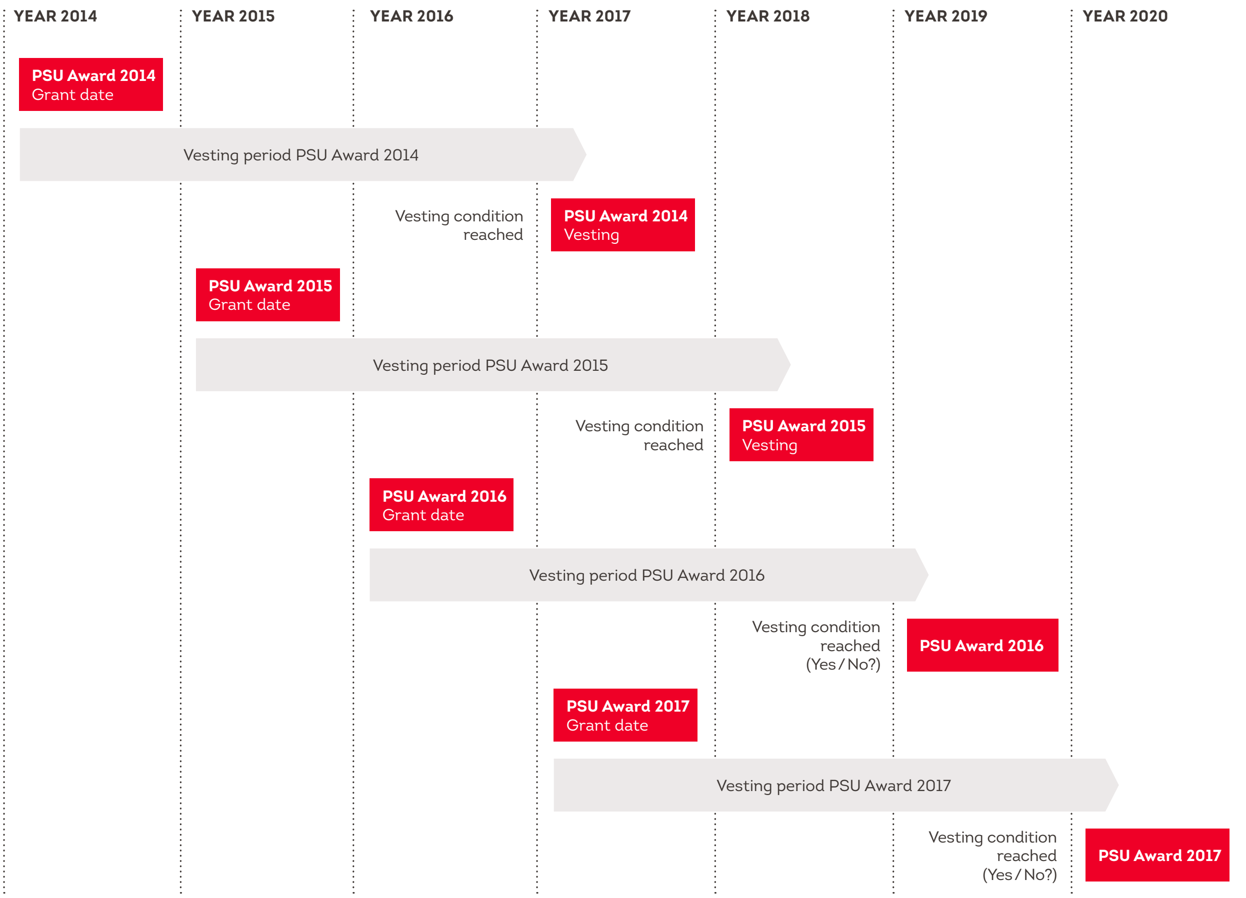
SHARE-BASED INCENTIVES (PSU)

In 2013, the Company introduced a Performance Share Unit (PSU) plan for the members of the Group Executive Committee. The purpose of the plan is to provide the members of the Group Executive Committee (and since fiscal year 2015 also selected members of the Senior Management team) with an incentive to make significant and extraordinary contributions to the long-term performance and growth of Dufry Group, enhancing the value of the shares for the benefit of the shareholders of the Company. The share-based incentive is also increasing the ability of Dufry Group to attract and retain persons of exceptional skills.

From an economic point of view, the PSUs are stock options with an exercise price of nil. However, they are expected to have no dilutive effect, as the shares for share-based incentives historically have been sourced from treasury shares, held by the Company.

Details of the Performance Share Units (PSU)
The number of PSUs allocated to each member of the Group Executive Committee in any given year takes into account the basic salary as well as the prevailing share price and assumes that the target will be achieved, i.e.

TIMING OF THE PSU PLANS



that one share vests for each PSU. The accrued value of the PSU awards 2017 represented about 136% of the basic salary for the CEO and between 110% and 139% of the basic salary for the other members of the Group Executive Committee (2016: 160% for the CEO and between 70% and 150% for the other members of the Group Executive Committee). The PSU awards will only vest in the third year of the award period and are linked to specific performance criteria (see below).

Vesting conditions of the PSUs are:
- The participant's ongoing contractual relationship on the vesting date; and
- The achievement of the performance target as described below.

Performance target for 2017 and 2016 PSU grants

The number of shares allocated for each PSU for the 2017 and the 2016 grants directly depends on the Company's Cumulative Normalized Cash EPS as a nominal amount in Swiss Francs of the three year period preceding the vesting date:
- For the 2017 grants, the Target Cumulative Cash EPS has been set at a nominal amount in Swiss Francs that was based on the cash EPS of the previous financial year 2016 and applied a growth rate of 5% per annum. This amount which is CHF 25.97, and the derived figures below are subject to change from year to year by the Remuneration Committee.
- For the 2016 grants, the Target Cumulative Cash EPS has been set at a nominal amount in Swiss Francs that was based on the cash EPS of the previous financial year 2015 and applied a growth rate of 7% per annum (an amount of CHF 24.59).

Depending on the Cumulative Normalized Cash EPS achieved, each PSU will convert according to the following grid:
- Minimum threshold of 50% of target must be achieved; otherwise the PSU shall not vest and will become nil and void. The participant will not be allocated any shares from the PSU.

PSU VESTING

PSU GRANTS 2017		PSU GRANTS 2016	
CUMULATIVE CASH EPS	**PSU VESTING**	**CUMULATIVE CASH EPS**	**PSU VESTING**
< minimum threshold (50 % of target)	No vesting	< minimum threshold (50 % of target)	No vesting
at target	100 % vesting (1 share per PSU)	at target	100 % vesting (1 share per PSU)
≥ maximum threshold (150 % of target)	Maximum vesting (1.5 shares per PSU)	≥ maximum threshold (150 % of target)	Maximum vesting (2 shares per PSU)
Between minimum threshold and maximum threshold	Linear calculation (between 0 and maximum 1.5 shares per PSU)	Between minimum threshold and maximum threshold	Linear calculation (between 0 and maximum 2 shares per PSU)

- For a Cumulative Cash EPS at target, the participant shall be allocated one share for every PSU that has vested.
- For a Cumulative Cash EPS of 150 % of target or above, which represents the maximum threshold, the participant shall be allocated two shares for every PSU that has vested. For the 2017 grants, this level has been set at 1.5 shares for every PSU that has vested. For a Cumulative Cash EPS higher than the minimum threshold but lower than the maximum threshold, the number of shares allocated from vested PSUs is calculated on a linear basis.
- The maximum number of shares allocated is usually capped at two shares per vested PSU. For the 2017 grants, this level has been set at 1.5 shares per vested PSU.

In 2017, the twelve members of Group Executive Committee have been granted, in the aggregate, 79,895 PSU (2016: 92,319 PSU). Out of this amount, 16,823 PSU were granted to the CEO (2016: 21,873 PSU). The total number of shares that can be allocated to the current members of the Group Executive Committee would amount to the following: At target, 79,895 shares for the PSU Award 2017, 92,319 shares for the PSU Award 2016 and 62,554 shares which will vest for the PSU Award 2015. At maximum (i.e. at 1.5 shares per vested PSU from the 2017 grant and 2 shares per vested PSU from the earlier grants) it would amount to 119,843 shares for the PSU Award 2017, 184,638 shares for the PSU Award 2016 and 62,554 shares for the PSU Award 2015.

Overall, the number of persons qualified to PSU awards includes (since fiscal year 2015) not only the members of the Group Executive Committee, but also further selected members of the Senior Management team of Dufry (about 70 senior managers). In addition to the PSUs awarded to the members of the Group Executive Committee as shown above, this further group of Senior Managers received in aggregate 64,759 PSU from the Award 2017 (2016: 70 managers and 66,900 PSU from the Award 2016; 2015: 60 managers and 50,466 PSU which will vest for the PSU Award 2015). The conditions of the PSU plans are identical for all plan participants (whether members of the Group Executive Committee or senior managers). The total number of shares that can be allocated to the current Senior Management team members would amount to the following: At target, 64,759 shares for the PSU Award 2017, 66,900 shares for the PSU Award 2016 and 50,466 shares which will vest for the PSU Award 2015. At maximum, 97,138 shares for the PSU Award 2017, 133,800 shares for the PSU Award 2016 and 50,466 shares for the PSU Award 2015.

The total number of shares that can be allocated to all participants of the PSU Awards 2017, 2016, the vested and allocated 113,020 shares from the PSU Award 2015 and the rights to receive shares from the 2015 bonus (which was split into 50 % cash and 50 % in rights to receive shares, equivalent to 85,015 shares in total) would amount to the following: At target 501,908 shares, representing a total of 0.93 % of outstanding shares as at December 31, 2017. At maximum (i.e. at 1.5 shares per vested PSU from the 2017 grant and 2 shares per vested PSU from the earlier grants) 733,454 shares, representing a total of 1.36 % of outstanding shares as at December 31, 2017.

Historically, Dufry has always sourced its share-based compensation from treasury shares, so that no dilutive effect is expected from the PSUs.

For a description of the performance targets of PSU grants in fiscal year 2014 and 2015 (with vesting in 2017 and 2018, respectively), please refer to the details in the Remuneration Report 2016 on page 235 of the Annual Report 2016.

COMPENSATION OF THE MEMBERS OF THE GROUP EXECUTIVE COMMITTEE (AUDITED)

	2017		2016	
REMUNERATION COMPONENT IN THOUSANDS OF CHF	**GEC (12 members)**	**CEO [1]**	**GEC (12 members)**	**CEO [1]**
Basic salary	9,043.7	1,851.6	8,361.1	1,730.8
Bonus	11,113.5	2,543.0	8,996.0	2.561.1
Post-employment benefits [2]	1,768.4	481.5	1,721.3	420.1
Other indirect benefits	1,136.2	23.1	1,310.1	37.0
Share-based payments accrued (3 years vesting period) [3]	11,943.0	2,514.8	11,678.4	2,766.9
Total compensation accrued	**35,004.6**	**7,414.1**	**32,066.9**	**7,516.0**
Total compensation pay-out	**26,065.9**	**5,950.5**	**20,388.5**	**4,749.1**
Number of performance share units awarded (in thousands)	79.9	16.8	92.3	21.9

1 The CEO has the highest compensation of the Group Executive Committee.
2 Amount includes employer social security contributions and pension contributions.
3 For valuation details see Note 28 of the consolidated financial statements. The accrued values in the table reflect the different valuations of the PSUs in the different reporting years.

Link to the Annual Report 2016:
www.dufry.com/en/investors/ir-reports-presentations-and-publications
page section "Presentation of results and other publications – select Financial Reports"

The PSU plans have been approved by the Remuneration Committee and the Board of Directors. The Remuneration Committee reviews achievement of the respective performance target at a specific vesting date, upon proposal of the CEO, who as plan administrator will analyze and adjust potential exceptional and non-recurring events to normalize Cash EPS in relation to the PSU plan. The CEO acts as Plan Administrator and therefore proposes the amount of each specific grant to each individual plan participant, which is reviewed by the Remuneration Committee. The grants made to the CEO are decided by the Remuneration Committee.

OTHER INDIRECT BENEFITS

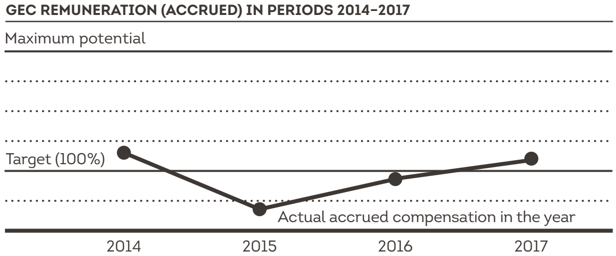
The Company limits further benefits to a minimum. Fringe benefits such as health insurance, company car, or housing allowances have been granted to certain members of the Group Executive Committee. The total amounted to CHF 1.14 million in the aggregate in fiscal year 2017 (2016: CHF 1.31 million).

CHANGES IN THE REMUNERATION SYSTEM IN 2017 – GROUP EXECUTIVE COMMITTEE

The Board of Directors, upon proposal by the Remuneration Committee, has decided on some changes to the remuneration system in fiscal year 2017:

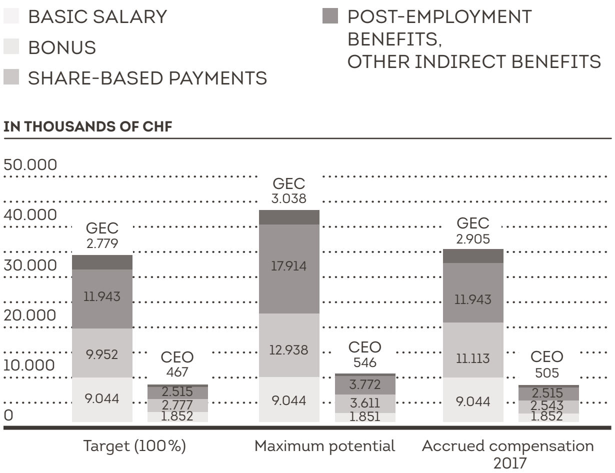
- Annual Bonus: The annual bonus for a particular year is usually paid out in cash in the second quarter of the following year. As an exception in fiscal year 2016, the Board of Directors decided, based on a proposal by the Remuneration Committee, to adapt the pay-out for the 2015 bonus (paid out in Q2 of 2016) to 50 % in cash and 50 % in rights to receive shares. These rights to receive shares will vest for the members of the Group Executive Committee only if the person will have an ongoing contractual relationship with Dufry on January 1, 2019. The 2016 and 2017 bonuses are being paid out again in cash.
- The measures regarding the financial performance relevant for the annual bonus have been changed as

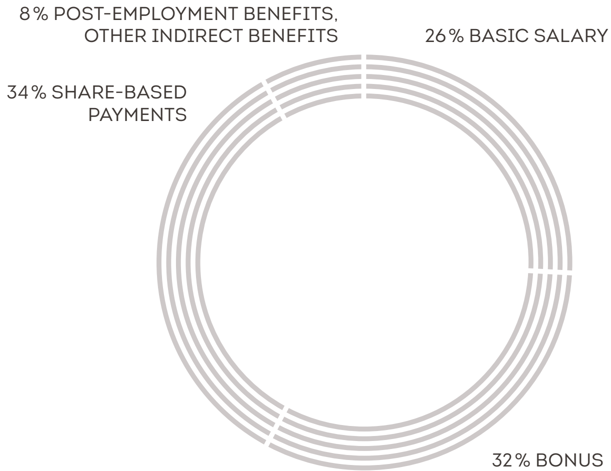
GEC REMUNERATION (ACCRUED) IN PERIODS 2014–2017



YE 2014: 9 GEC members; YE 2015: 7 GEC members;
YE 2016/2017: 12 GEC members.

REMUNERATION STRUCTURE GROUP EXECUTIVE COMMITTEE IN 2017





well. In 2017, the relevant metrics are 20% Organic growth, 60% EBITDA and 20% Free Cash Flow (see also explanation under section "Annual bonus – performance objectives" on page 242). In fiscal year 2016, the relevant metric was 50% EBITDA, 25% Free Cash Flow and 25% Synergies.

- PSU Awards: The metrics for the PSU Awards have remained unchanged (i.e. the PSU plan depends on the Cumulative Normalized Cash EPS as described above). As a one-time change applicable for the 2017 PSU Awards, the maximum number of shares to be allocated has been capped at 1.5 shares per PSU (instead of 2 shares).

COMPARISON AND COMPOSITION OF REMUNERATION TO THE GROUP EXECUTIVE COMMITTEE FOR FISCAL YEAR 2017

The charts above reflect the composition of the different remuneration components as well as the actual remuneration of the twelve members of the Group Executive Committee for fiscal year 2017. In the chart, this actual remuneration is also compared to the potential compensation if 100% of the target bonus was reached, and the maximum potential of compensation possible based on the capped bonus and the capped share-based compensation.

PAY-OUT COMPONENTS FOR FISCAL YEAR 2017

For fiscal year 2017, the achievement ratio in conjunction with the Group result targets for the three elements Organic growth, EBITDA and Free Cash Flow combined was 91.6%. Based on this, the pay-out of the bonus component for the CEO amounts to CHF 2.5 million, which represents 137% of the CEO's basic salary. The PSU Awards 2015 will vest in fiscal year 2018 at a ratio of 92.6% vesting and this will lead to 62,554 shares being vested, of which 16,989 reflect the shares vested for the CEO.

The pay-out for the entire Group Executive Committee for fiscal year 2017 amounts to a total of CHF 26.1 million, of which CHF 6.0 million is the pay-out to the CEO.

COMPENSATION RATIO FOR REMUNERATION OF GROUP EXECUTIVE COMMITTEE IN 2017

IN THOUSANDS OF CHF	GEC COMPENSATION IN FISCAL YEAR 2017 AS REPORTED	TOTAL MAXIMUM AMOUNT FOR GEC COMPENSATION AS APPROVED BY SHAREHOLDERS AT THE AGM 2016 FOR FISCAL YEAR 2017	COMPENSATION RATIO
Total Group Executive Committee	**35,004.6**	**49,000.0**	**71.4%**

SUMMARY OF REMUNERATION FOR FISCAL YEAR 2017

For fiscal year 2017, the remuneration of the Group Executive Committee includes the compensation of twelve GEC members (2016: also twelve GEC members). The remuneration for fiscal years 2017 and 2016, mentioned in the table on page 246 covers the period between January 1 and December 31.

The remuneration difference compared to the previous year is mainly due to regular salary increases based on annual performance review, individual bonus payments based on achievement of yearly objectives set in advance, as well as the different values of the PSU awards.

The Ordinary Meeting of Shareholders held on April 28, 2016, approved a maximum aggregate amount of compensation for the members of the Group Executive Committee for the financial year 2017 of CHF 49 million. The approved maximum aggregate amount reflects the maximum possible pay-out calculated for each compensation element and takes into account the twelve members of the Group Executive Committee in fiscal year 2017. The actual compensation ratio (accrued compensation) compared to the amount approved by the Shareholders' Meeting was 71.4%.

For fiscal year 2018, the Ordinary Meeting of Shareholders held on April 27, 2017, approved a maximum aggregate amount of compensation for the GEC members of CHF 53.5 million. The compensation ratio for 2018 will again be disclosed in the Remuneration Report 2018.

OTHER COMPENSATION, LOANS OR GUARANTEES (AUDITED)

In the years 2017 and 2016, there were no other compensations paid directly or indirectly to active or former members of the Group Executive Committee, or to their related parties. There are also no loans or guarantees received or provided to the Group Executive Committee members, or to related parties.

CONTRACTS OF EMPLOYMENT TERMS

According to Article 23 of the Articles of Incorporation, employment and other agreements with the members of the Group Executive Committee may be concluded for a fixed term or for an indefinite term. Agreements for a fixed term may have a maximum duration of one year. Renewal is possible. Agreements for an indefinite term may have a notice period of maximum twelve months. Of the current contracts with the members of the Group Executive Committee, three contracts contain termination periods of twelve months, whereas the other contracts have termination periods of six months or less.

PARTICIPATIONS IN DUFRY AG

The following members of the Board of Directors or of the Group Executive Committee of Dufry AG (including related parties) hold directly or indirectly shares or share options of the Company as at December 31, 2017 or December 31, 2016 (members not listed do not hold any shares or options):

	DECEMBER 31, 2017			DECEMBER 31, 2016		
IN THOUSANDS	SHARES	FINANCIAL INSTRUMENTS [1]	PARTICIP.	SHARES	FINANCIAL INSTRUMENTS [1]	PARTICIP.
MEMBERS OF THE BOARD OF DIRECTORS						
Juan Carlos Torres Carretero, Chairman	970.3	118.3	2.02%	982.2	118.3	2.04%
Andrés Holzer Neumann, Vice-Chairman	4,324.0	220.8	8.44%	4,308.8	276.1	8.51%
Jorge Born, Director	22.0	30.9 [2]	0.10%	-	30.9 [2]	0.06%
Julián Díaz González, Director and CEO	263.1	43.8	0.57%	284.5	43.8	0.61%
George Koutsolioutsos, Director	1,608.4	200.0	3.36%	1,608.4	200.0	3.36%
Total Board of Directors	**7,187.8**	**613.8**	**14.48%**	**7,183.9**	**669.1**	**14.58%**
MEMBERS OF THE GROUP EXECUTIVE COMMITTEE						
Julián Díaz González, CEO	263.1	43.8	0.57%	284.5	43.8	0.61%
Andreas Schneiter, CFO	7.5	–	0.01%	6.1	–	0.01%
José Antonio Gea, GCOO	4.1	–	0.01%	4.1	–	0.01%
Luis Marin, CCO	1.8	–	0.00%	1.2	–	0.00%
Jordi Martin-Consuegra, CRD	1.1	–	0.00%	1.1	–	0.00%
René Riedi, Division CEO Latin America	0.9	–	0.00%	–	–	–
Joseph DiDomizio, Division CEO North America	1.0	–	0.00%	–	–	–
Gustavo Magalhães Fagundes, GM Brazil and Bolivia	6.9	–	0.01%	6.9	–	0.01%
Total Group Executive Committee	**286.4**	**43.8**	**0.61%**	**303.9**	**43.8**	**0.64%**

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

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

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

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

Disclosure notices are available on the SIX Swiss Exchange website:

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

Building a better working world

To the General Meeting of
Dufry AG, Basel

Basel, 7 March 2018

Report of the statutory auditor on the remuneration report

We have audited the remuneration report of Dufry AG for the year ended 31 December 2017. The audit was limited to the information according to articles 14–16 of the Ordinance against Excessive Compensation in Stock Exchange Listed Companies (Ordinance) contained in the tables labeled "audited" on pages 237 to 249 of the remuneration report.

Board of Directors' responsibility
The Board of Directors is responsible for the preparation and overall fair presentation of the remuneration report in accordance with Swiss law and the Ordinance. The Board of Directors is also responsible for designing the remuneration system and defining individual remuneration packages.

Auditor's responsibility
Our responsibility is to express an opinion on the accompanying remuneration report. We conducted our audit in accordance with Swiss Auditing Standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the remuneration report complies with Swiss law and articles 14–16 of the Ordinance.

An audit involves performing procedures to obtain audit evidence on the disclosures made in the remuneration report with regard to compensation, loans and credits in accordance with articles 14–16 of the Ordinance. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatements in the remuneration report, whether due to fraud or error. This audit also includes evaluating the reasonableness of the methods applied to value components of remuneration, as well as assessing the overall presentation of the remuneration report.

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

Opinion
In our opinion, the remuneration report for the year ended 31 December 2017 of Dufry AG complies with Swiss law and articles 14–16 of the Ordinance.

Ernst & Young Ltd

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

INFORMATION FOR INVESTORS AND MEDIA

REGISTERED SHARES

Issuer	Dufry AG
Listing	SIX Swiss Exchange
Type of security	Registered shares
Ticker symbol	DUFN
ISIN-No.	CH0023405456
Swiss Security-No.	2340545
Reuters	DUFN.S
Bloomberg	DUFN:SW

BRAZILIAN DEPOSITARY RECEIPTS (BDRS)

Issuer	Dufry AG
Listing	BM&FBOVESPA
Type of security	Brazilian Depositary Receipts (BDRs)
Ticker symbol	DAGB33
ISIN-No.	BRDAGBBDR008
Reuters	DAGB33.SA
Bloomberg	DAGB33:BZ

KEY DATES IN 2018

March 15, 2018	Results Fiscal Year 2017, Publication of Annual Report
May 3, 2018	Annual General Meeting
May 8, 2018	Results First Three Months 2018
August 3, 2018	Results First Half Year 2018
November 5, 2018	Results First Nine Months 2018

SENIOR NOTES

Issuer	Dufry Finance SCA
Listing	ISE Irish Stock Exchange
Type of security	Senior Notes
Size of issue	EUR 700 million
Interest rate	4.5 % p.a., paid semi-annually
Maturity	August 1, 2023
ISIN-No.	XS1266592457 (Serie REG S) XS1266592705 (Serie 144A)
Bloomberg	DUFNSW

Issuer	Dufry One B.V.
Listing	The International Stock Exchange ("TISE")
Type of security	Senior Notes
Size of issue	EUR 800 million
Interest rate	2.5 % p.a., paid semi-annually
Maturity	October 15, 2024
ISIN-No.	XS1699848914 (Serie REG S)
Bloomberg	DUFNSW

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DUFRY.COM

Company's website:

Latest news:

Articles of incorporation:

Financial reports:

This Annual Report contains certain forward-looking statements, which can be identified by terms like "believe", "assume", "expect" or similar expressions, or implied discussions regarding potential new projects or potential future revenues, or discussions of strategy, plans or intentions. Such forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause actual results to be materially different from any future results, performance or achievements expressed or implied by such statements. All forward-looking statements are based only on data available to Dufry at the time of preparation of this Annual Report. Dufry does not undertake any obligation to update any forward-looking statements contained in this Annual Report as a result of new information, future events or otherwise.

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