ANNUAL REPORT 2018

DUFRY

WorldClass.WorldWide.


L'INTERDIT
GIVENCHY
GLENGRANT
ROTHES SPEYSIDE
SINGLE MALT SCOTCH WHISKY
18
RARE EDITION
SILVER
TEQUILA
100 % DE AGAVE
CORRALEJO
HECHO EN MEXICO
80° PROOF
CALVIN KLEIN
WOMEN
Sì
passione
GIORGIO ARMANI

FOCUS STORY

UNIQUE SHOPPING EXPERIENCES – EXCLUSIVES, LIMITED EDITIONS, AND NOVELTIES

Read the full focus story on the DUFRY exclusives and limited editions on page 30 – 35.

DUFRY GROUP – A LEADING GLOBAL TRAVEL RETAILER

DUFRY AG (SIX: DUFN) IS A LEADING GLOBAL TRAVEL RETAILER OPERATING OVER 2,300 DUTY-FREE AND DUTY-PAID SHOPS IN AIRPORTS, CRUISE LINES, SEAPORTS, RAILWAY STATIONS AND DOWNTOWN TOURIST AREAS.

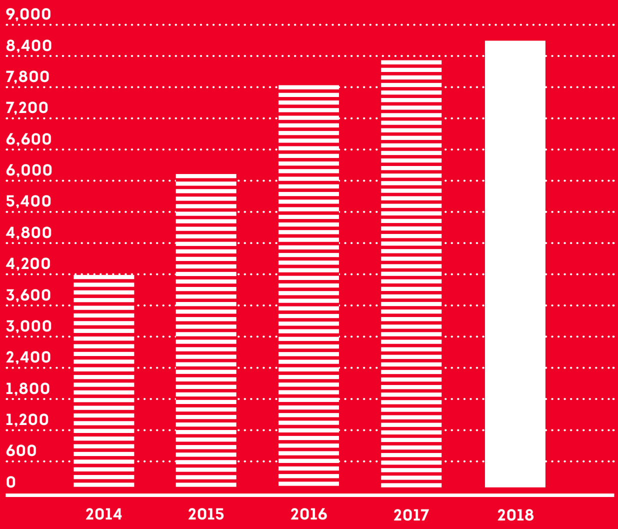
DUFRY EMPLOYS OVER 30,000 (FTE) PEOPLE. THE COMPANY, HEADQUARTERED IN BASEL, SWITZERLAND, OPERATES IN 65 COUNTRIES ON ALL SIX CONTINENTS.

ANNUAL REPORT 2018 CONTENT

DUFRY
AT A GLANCE

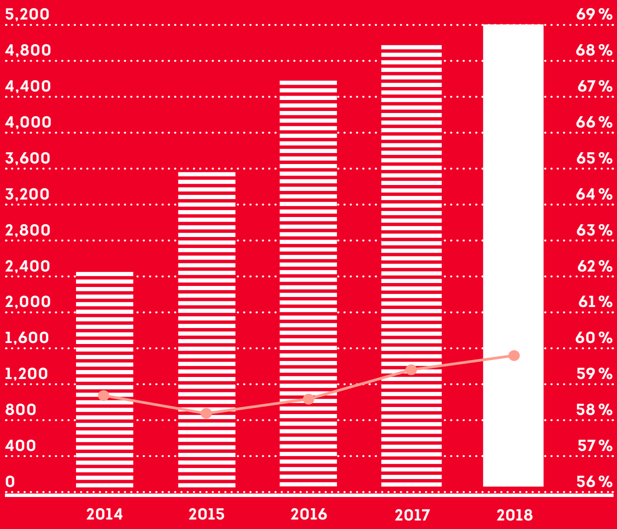
TURNOVER

IN MILLIONS OF CHF



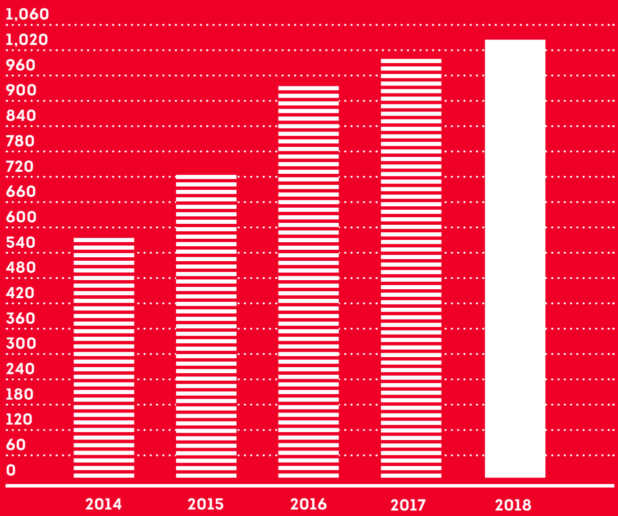
GROSS PROFIT

IN MILLIONS OF CHF MARGIN



EBITDA[1]

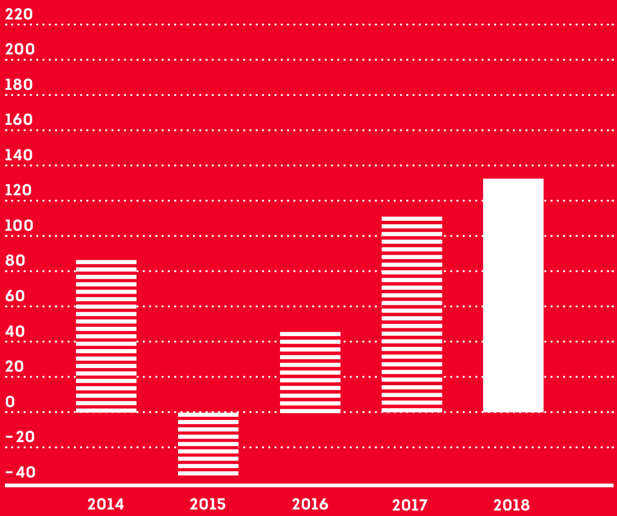
IN MILLIONS OF CHF



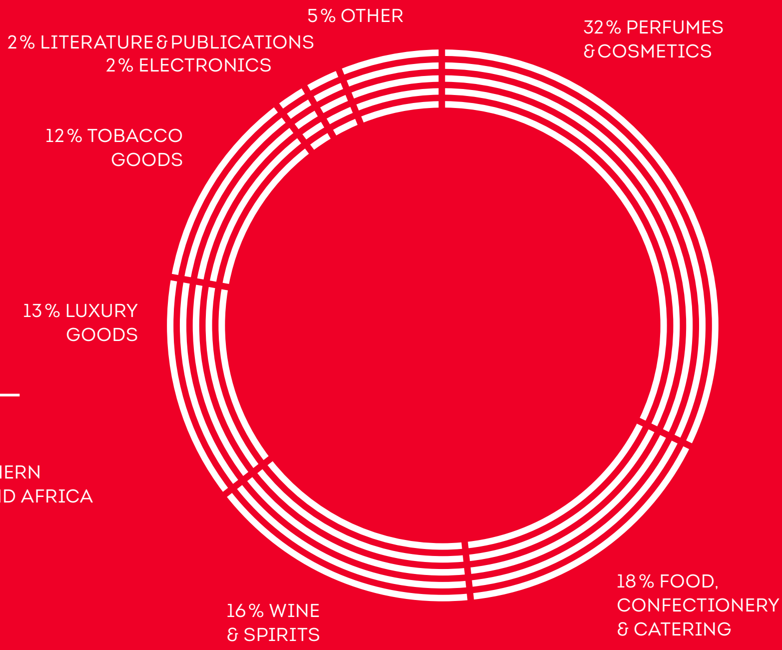
[1] EBITDA before other operational result

NET EARNINGS

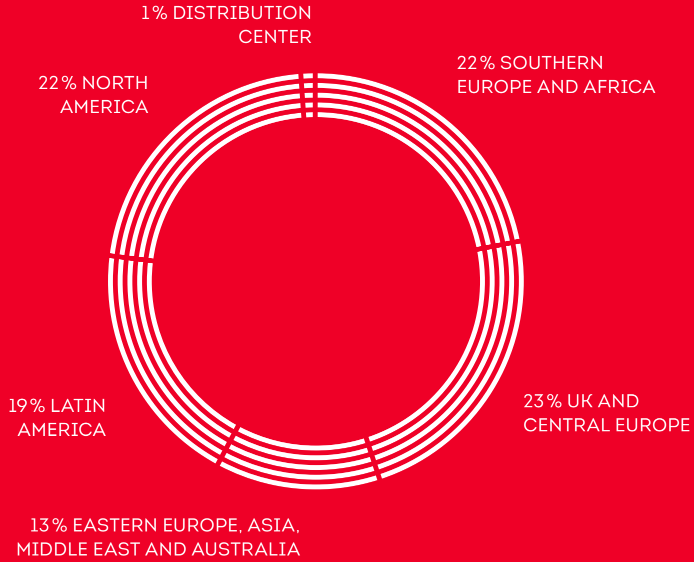
IN MILLIONS OF CHF



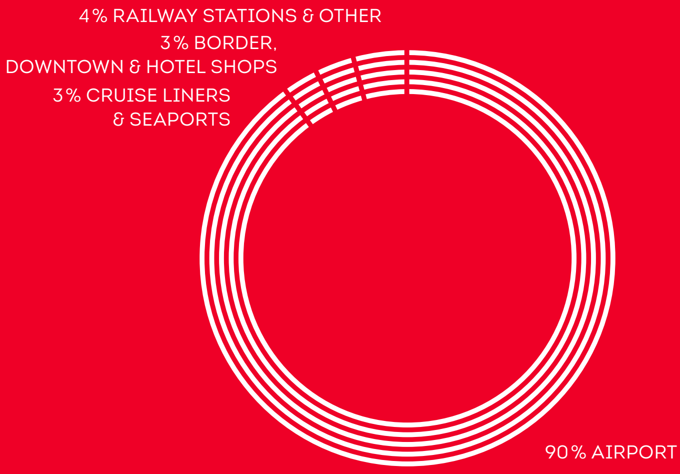
NET SALES BY PRODUCT CATEGORY 2018



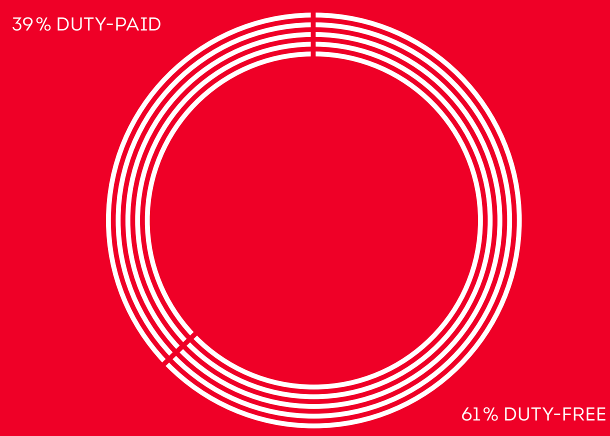
NET SALES BY DIVISION 2018



NET SALES BY CHANNEL 2018



NET SALES BY MARKET SECTOR 2018



HIGHLIGHTS 2018

65

Present in 65 countries

In line with its geographic diversification strategy, Dufry has further expanded its footprint.

CHF 8.7 BILLION

RECORD TURNOVER

Record turnover of CHF 8.7 billion in 2018, driven by like-for-like growth and contribution from new concessions.

IMPORTANT CONCESSIONS ADDED IN ASIA

2018 marked an important year for the expansion of our operations in Asia with openings in Hong Kong, Malaysia and Australia.

BOM

FULLY IMPLEMENTED

By year-end 2018, Dufry finalized the implementation of the new Business Operating Model (BOM) as expected.

DIGITAL INITIATIVES

Dufry continues to drive its digital initiatives in order to further engage with customers through a multi-channel approach.

CHF 370.8 MILLION

EQUITY FREE CASH FLOW

In 2018 Dufry generated record Equity Free Cash Flow of CHF 370.8 million.

COOPERATION WITH BRAND OWNERS

Dufry moved one step further in its cooperation with brand owners by increasing the number of Dufry exclusive products. See more on page 30.

EXPANSION IN THE CRUISE BUSINESS

Dufry successfully expanded its presence into the cruise channel, by adding 16 new ships to the business.

CHF 600.6 MILLION

CASH RETURNED TO SHAREHOLDERS

After over a decade focusing its growth strategy on acquisitions, Dufry started returning cash to shareholders via dividend payment and a share buyback program.

MESSAGE FROM THE CHAIRMAN OF THE BOARD OF DIRECTORS

DEAR SHARE-HOLDERS

In the financial year 2018, Dufry delivered resilient results, despite a challenging market environment and volatile currency developments in some key markets. Thanks to the implementation of the new Business Operating Model (BOM) initiative and driving our digital strategy, Dufry is well prepared to tackle its next strategic steps ahead. Equally important, we have reduced leverage considerably and as a result started returning cash to shareholders through dividend payment and a share buyback program in 2018. Last but not least, the IPO of Hudson on February 1, 2018, set the basis to strategically develop our North American business.

Record levels of turnover and EBITDA.

From a performance perspective, turnover climbed by 3.7% to CHF 8,684.9 million, resulting in a new all-time high. Our geographic diversification strategy has once more proven effective, generating positive organic growth of 2.7% despite adverse trading conditions in some key markets such as Spain, Brazil and Argentina. EBITDA continued to grow, reaching CHF 1,040.3 million and achieving a record high free cash flow of CHF 617.1 million.

Operationally, Dufry focused on the implementation of the BOM initiative, pro-

453,000 m²

Dufry operates over 453,000 m² of retail space.

viding a solid base for operational excellence. With the completion of the BOM and the implementation of our digital initiatives, we are now ready to move further in the strategic development of Dufry.

Finally, we successfully executed the initial public offering (IPO) of our North American business unit under the name of Hudson Ltd. in February 2018. While Dufry continues to own the majority of this division, the strategic flexibility provided by the listing facilitates the capturing of additional opportunities in the North American travel concessions market.

Over CHF 600 million returned to shareholders.

Consistent with our priorities on the operational side, we also deleveraged considerably in 2018 and reduced net debt by a total of CHF 400.8 million, mainly due to the strong free cash flow generation of CHF 617.1 million and the proceeds from the Hudson IPO.

In 2018, we also started to return cash to our shareholders. As an ongoing element of our revised capital allocation strategy, shareholders approved the payment of a dividend of CHF 3.75 per share for the financial year 2017, resulting in a total payback of CHF 198.7 million. Secondly, we executed a one-off CHF 401.9 million share buyback program of 3.3 million shares completed at the end of October, which we intend to propose for cancellation at the 2019 Annual General Meeting. Through both initiatives, in 2018 we returned a total of CHF 600.6 million to our shareholders. In addition, Dufry bought 877,666 treasury shares for CHF 120.8 million in the first quarter of 2018, which will be kept as treasury shares.

For the financial year 2018, the Board of Directors' proposal to the shareholders will be a dividend of CHF 4.00 per share. This dividend level will allow us to maintain the flexibility to further reduce debt or allocate capital into M&A. In this context and as outlined in our strategy, our focus will be on the highly fragmented Asian market, where we are seeking opportunities to execute small and mid-size acquisitions.

Our market capitalization at December 31, 2018, amounted to CHF 5.0 billion. Daily trading volumes on all platforms reached CHF 101.4 million, confirming the good liquidity of our shares. The SIX Swiss Exchange remains the most important trading venue for Dufry shares, despite the fragmentation of our trading volumes onto other stock exchanges. As is our tradition, we have maintained a continuous dialogue with our shareholders and the financial community in close to 1,200 meetings, conference calls and emails in 2018.

Besides our long-term shareholders, such as Travel Retail Investments, Qatar Investment Authority and Richemont, in 2018, we also welcomed new and former shareholders such as Franklin Mutual Advisors and GIC Asset Management, both with participations of above 5.0%. Together these major shareholders represent approximately 38% of our share capital and continue to strongly support Dufry through active participation.

Long-term and new shareholders supporting Dufry.

In 2018, we continued to develop the Board of Directors: Ms. Lynda Tyler-Cagni and Mr. Steve Tadler were both elected by shareholders as new members and they contribute to the strategic discussion with their wealth of experience. Dufry's Board of Directors has evolved considerably and we are very pleased to have increased the proportion of women on the Board as well as counting on a broad representation from different geographies, resulting in a dynamic combination of experienced long-standing board members and the fresh points-of-view of members who have joined over the past few years.

Always cognizant of changing market environments and dynamics, we announced a new simplified organizational structure in early January 2019 that will allow us to be more agile and generate additional efficiencies.

Further extended CSR engagement and reporting.

As part of our commitment to further develop CSR reporting, in 2017 we presented our first CSR report in accordance with the Core Option of the Global Reporting Initiative (GRI) Standards.

In 2018, we revised and disclosed the Dufry Code of Conduct and we have established a new Supplier Code of Conduct that we have started to share with our major suppliers. 82% of these suppliers, representing 40% of our sales, have already acknowledged the Code. We have started to extend the dialogue in 2019 with more brand partners in order to increase its reach. Moreover, we have widened the spectrum of our reporting by including more operations, as well as increasing the granularity of our KPIs.

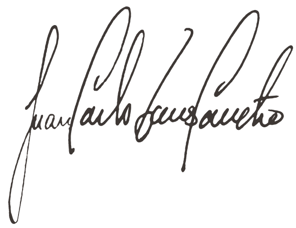
Ongoing community engagement.

Concerning our community engagement, we continued to support disadvantaged children around the world and assist communities in markets where we operate. It is now the 9th year that we have supported the funding of SOS Children's Villages initiatives in Brazil, Russia and Mexico. In 2018, we endorsed community projects in many other parts of the world such as Haiti, Greece, Korea, Turkey, the United Kingdom, Switzerland, the United States and Australia.

Last but not least, we renewed our support for the United Nation's Global Goal awareness-raising campaign #YouNeedToKnow. We deployed the campaign in our shops at 34 airports around the world and reached an audience of over 55 million people traveling through these hubs in 2018.

I thank our management and employees for the immense amount of work they have done and the positive changes implemented in 2018. Their persistence and motivation has built a solid base for the further successful development of Dufry. 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 WorldClass.WorldWide company.

Sincerely,



Juan Carlos Torres Carretero


MADE IN FRIBOURG
SWITZERLAND
SINCE 1901
Villars
Lindt

STATEMENT OF THE CHIEF EXECUTIVE OFFICER
DEAR ALL

In 2018 we faced challenging conditions in some of our main markets. Turnover reached CHF 8,684.9 million versus CHF 8,377.4 million in 2017, a growth of 3.7 %, and EBITDA grew by 3.3 % to CHF 1,040.3 million in 2018 from CHF 1,007.1 million one year earlier. Free cash flow reached CHF 617.1 million, 32.1 % higher than in 2017.

While in the first semester of the year, we saw good organic growth in almost all locations and global growth reached 5.5 %, we experienced a deceleration in the second half of 2018 in some of our key markets, particularly in South America and Spain. As a result, and despite the adverse conditions in the year under review, Dufry continued to grow organically by 2.7 % in the full year 2018. Growth in Spain slowed down, driven by a shift in tourist flows from Spain to other Mediterranean destinations, and in Latin America, currency devaluations – notably in Brazil and Argentina – affected the purchasing power of these important nationalities. Conversely, we performed well in a significant number of other markets, with strong growth in Turkey and most markets in the Middle East, Asia and Australia, as well as North America showing a very robust development. Overall, 2018 confirmed once more that geographical diversification helps to mitigate risks from external factors.

In addition, we saw a remarkable acceleration in new concession wins in several channels. Dufry added important new contracts in airports, cruise

2,300

Dufry is a real global player operating over 2,300 shops throughout all six continents.

lines and ferries, and signed agreements to run duty-free shops in locations such as Hong Kong and Perth, and on Holland America Line, Norwegian Cruise Line and P&O Ferries vessels.

Business Operating Model fully implemented.

Business Operating Model fully implemented
By year-end 2018, we finalized the implementation of the new Business Operating Model (BOM) as expected. The BOM is aimed at standardizing processes, procedures and IT systems, introducing best practices across the Group and in general at further aligning and standardizing the way we work as a company. This setup allows for fast response to changing market requirements, while securing efficient coordination across the whole organization. By implementing the program, we secured the delivery of the expected CHF 50 million in efficiencies, of which CHF 40 million are already included in the 2018 results, while the remaining CHF 10 million will be reflected in 2019.

Resilient cash flow generation confirmed
The 2018 business year is a good example of our capability to generate resilient operational cash flows despite challenging conditions. In 2018 we reached a new record, with free cash flow amounting to CHF 617.1 million and an equity free cash flow of CHF 370.8 million, almost the double recorded in the previous year. This is a remarkable performance and it allowed us to further reduce our net debt during 2018 by CHF 400.8 million in total.

Dufry executed a significant number of global marketing initiatives
In order to drive organic growth through our operations, we have intensified bilateral collaboration with our most important global brand partners. In particular, Dufry has been fostering the introduction of exclusive products, limited editions and novelties. By developing products sold only in travel retail – or increasingly exclusively in Dufry shops – we can create that sense of uniqueness and individuality, that raises brand value, drives sales and provides customers with memorable experiences. Ultimately, it is a great way to differentiate from online or high street retail.

Resilient strong cash flow generation.

Securing future business through the expansion and refurbishment of retail space
In 2018, we successfully secured future business by further increasing our retail space, extending important concessions and winning new contracts, thus once more demonstrating our leading position in the industry.

The first major highlight among our new contracts is our important expansion in Asia, where we won the concession to operate duty-free shops at the new West Kowloon train station. Operated by MTR, this express railway connects Hong Kong with Mainland China (Shenzhen) through its high-speed rail network. Furthermore, we opened the much-anticipated downtown operation in Genting Highlands, an integrated resort located northeast of Kuala Lumpur. Last but not least, we added another operation to our portfolio in Australia with the duty-free stores at Perth Airport, which allows us to increase our footprint in the Southern Hemisphere.

Another step towards our Asia expansion.

Secondly, in line with our strategy, we considerably expanded our cruise ship and ferry business with the addition of 16 new ships and a total of 48 shops. This includes shops on ten Holland America Line vessels, the duty-free shops on board the BLISS (Norwegian Cruise Line) as well as on the Carnival Inspiration of Carnival Cruise Lines. Moreover, Dufry signed a contract to operate shops on board 15 P&O Ferries crossing the English Channel as well the Northern and the Irish Seas.

Adding new locations to our global footprint is important 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 may go beyond our presence in airports.

Important contract wins and extensions across channels.

The second key element of our 2018 business development was the early renewal and extension of existing contracts. After already renewing important operations in the UK in 2017, in the year under review Dufry successfully extended its Gatwick concession until 2025. The Hudson team was also successful renewing important concessions, such as Pittsburg for an additional 10 years, LaGuardia for 4 years and Boston for an additional 10 years, to mention a few.

Moreover, we continued to deploy our shop refurbishment plan, as this is one of the most effective means of driving sales within a given retail space. The total retail space refurbished in 2018 included over 34,000 m^2 in over 90 shops across all our divisions. In this context it is worth mentioning the refurbishments carried out in Malaga, Antalya, Toulouse, Heraklion, London Heathrow T3 (New Generation Store), Glasgow, Bali, Cancun T3 (New Generation Store) and Atlanta.

Overall, we expanded our gross retail space in 2018 by 26,800 m^2, with Latin America and Asia, the Middle East and Australia accounting for the largest portion of this, followed by North America and then Southern Europe and Africa. Moreover, we currently already have 19,800 m^2 of signed space that will open in 2019 and 2020.

Despite headwinds in certain markets in 2018, Dufry has a strong strategic positioning with a broad portfolio of high-quality concessions across many markets in a sector with positive fundamentals. Our focus continues to be the delivery of solid long-term results for our shareholders.

Digital Strategy – Enhancing customer experience to drive sales

Dufry's digital strategy aims at driving sales by using digital technology to increase the number of touchpoints and customer engagement, as well as providing employees on the shop floor with digital tools to better serve and interact with customers to improve their shopping experience. Besides an intensified market research effort, our digital strategy is built on three major elements that allow us to connect with our customers from the moment they plan their trip until they get back to their home airport.

Improving communication with customers through digitalization.

In 2018 we progressed well with each element and made some significant steps with the rollout of our different work streams. The cornerstone of our digital strategy is the new generation store. After a first wave of implementations of the concept in 2017 in Melbourne, Madrid and Cancun T4, we continued the rollout in Zurich, Heathrow T3 and Cancun T3. The new generation stores provide a stronger 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 the sending of 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 and it is currently available in 200 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 153 airports around the globe. Last but not least, at the end of 2018, we also launched our new online platform Forum by Dufry, which connects all of our digital dots and adds emotion and experience with content provided by brands, bloggers and influencers, highlighting the attractiveness of the travel retail channel. The Forum provides access to our Reserve & Collect websites as well as to RED by Dufry, completing the circle.

One of the key advantages of travel retail is that, by definition, our customers come to us. Unlike the high street, we do not need to attract customers to our locations, they are there to travel. As such, our digital strategy does not seek to replace the physical shop and personal interaction. Quite the opposite, those remain to be key elements, while digital initiatives contribute for an enhanced experience and facilitate our communication with the customer.

Full impact of strategic initiatives in 2019
We faced difficult external conditions in some regions in 2018, but remain optimistic about Dufry´s ability to deliver mid- and long-term sustainable growth. The situation in 2019 remains uncertain, but we are confident that the consolidation of our BOM and the global digital and marketing initiatives launched in 2018, will – along with the reorganization announced at the beginning of 2019 – support the acceleration of our organic growth in 2019, despite the strong Q1 2018 comparables.

New organization announced in January 2019
In January 2019 we announced a new organization to reflect developments made thanks to the BOM. As this process has now been completed and the setup of the local operations has been aligned, we can further simplify our organization, drive market agility with full customer focus, generate additional efficiencies at headquarter level, and accelerate organic growth. Changes include the regrouping of the former divisions Southern Europe & Africa and UK & Central Europe into the new division Europe & Africa. Moreover, the new structure will also further integrate the commercial and corporate teams at divisional and headquarter level. We also plan to invest further in sales staff and sales incentive programs. In the context of the new organization, the Divisional CEOs will join the Global Executive Committee.

Thank you
2018 proved to be a challenging year for Dufry, but we delivered resilient results. Besides managing the daily business, the teams made a major effort implementing the BOM throughout the whole year – a task that involved countries, divisions and headquarters alike and requested a tight collaboration. I would therefore like to thank all our colleagues and teams across all functions and operations for their strong contribution and their engagement in accomplishing 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 the level of collaboration intensifying along the value chain of travel retail, which we consider to be key to our mutual success, also going forward. We are looking forward to continuing to develop 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

Group Chief Executive Officer
Julián Díaz González

Deputy Group Chief Executive Officer
José-Antonio Gea

Chief Financial Officer
Andreas Schneiter (until March 31, 2019)
Yves Gerster (as of April 1, 2019)

Global Chief Corporate Officer
Luis Marin

Group General Counsel
Pascal Duclos

Chief Executive Officer
Europe, Africa and Strategy
Eugenio Andrades

Global Marketing
and Digital Innovation Director
Javier González

Chief Executive Officer
Asia Pacific and Middle East
Andrea Belardini

Chief Executive Officer
Central and South America
René Riedi

Chief Executive Officer
North America
Roger Fordyce


ESTEE LAUDER
BOBBI BROWN
GIVENCHY
CLINIQUE
CLINIQUE
PRADA

BOARD OF DIRECTORS MEMBERS


1

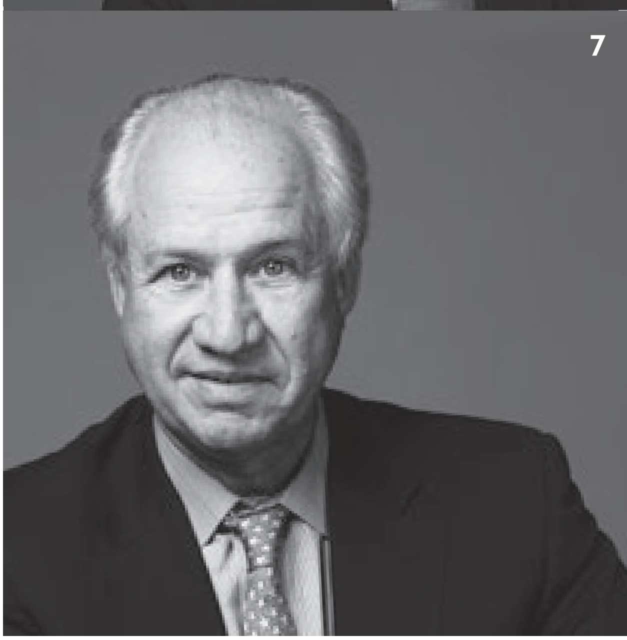

2

1 Juan Carlos Torres Carretero
2 Julián Díaz González
3 Jorge Born
4 Claire Chiang


3


4

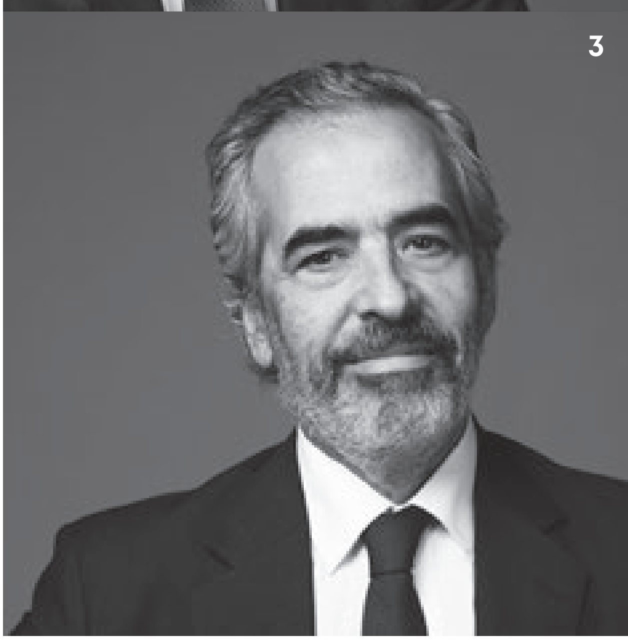
5 Heekyung Jo Min
6 Andrés Holzer Neumann
7 Steven Tadler
8 Lynda Tyler-Cagni

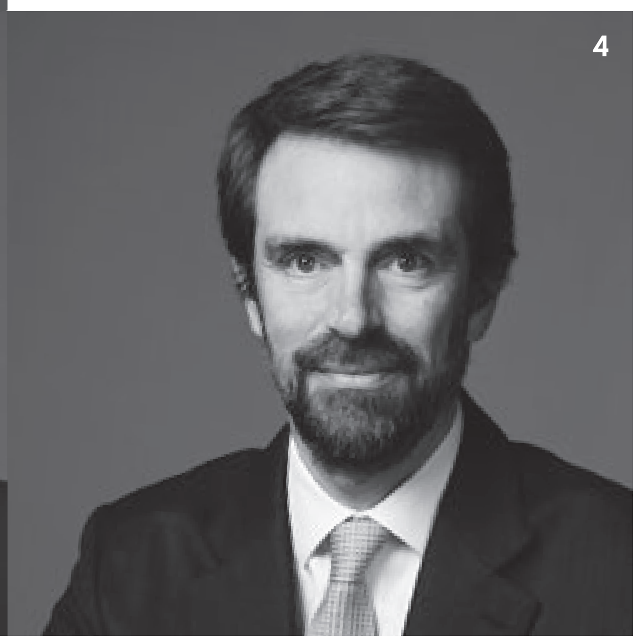


GLOBAL EXECUTIVE COMMITTEE MEMBERS

As per December 31, 2018

1 Julián Díaz González
2 Andreas Schneiter
3 José Antonio Gea
4 Luis Marin





5 Pascal C. Duclos
6 Eugenio Andrades
7 Javier González

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 six continents, covering 65 countries and over 400 locations.

Geographic diversification allows Dufry to capture global growth trends of the travel retail industry and in most cases mitigate potential local events.

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

400

Over 400 locations operated by Dufry worldwide

UNIQUE WINDOW DISPLAY FOR GLOBAL BRANDS

Global player, with over 2,300 shops operated in 65 countries on six continents.

Offering global brands a unique market access and window display.

7 YEARS

Over 7 years of remaining average concession lifetime, across a highly diversified portfolio

LONG-TERM CONCESSION PORTFOLIO

Long-term concession portfolio further enhanced through new important concessions, such as Hong Kong, Perth, Kuwait 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 617.1 million in 2018.

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

GLOBAL “PURE PLAY” IN A GROWING INDUSTRY

Dufry is the only listed global “pure play” to participate in the growing travel retail industry.

Dufry’s organic growth to be further fueled mainly by increasing passenger numbers and net new concessions.

5%

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

FAST GROWING INDUSTRY

Average expected industry passenger growth of 5% p.a. in the coming years will drive Dufry’s organic growth.

Affluent customer base, with above average spending power.

OUR STRATEGY
GROW PROFITABLY AND CREATE LONG-TERM VALUE

It only took slightly more than a decade for Dufry to emerge from a small company with CHF 950 million turnover to the leading player in travel retail, an industry with a turnover of USD 69 billion in 2018. Our leading position today with CHF 8.7 billion turnover is the result of remarkably rapid expansion. Through a combination of organic growth and acquisitions, we have reached a market share of 13 % in travel retail. And when looking more specifically at airport retail, which accounts for 90 % of our business, we increased our share from 3 % in 2005 to over 20 % today.

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

Dufry, and travel retail in general, is at the center of three very important and distinct industries: retail, travel locations and consumer goods. Addressing the different requirements of our stakeholders and aligning their respective interests is critical in order to generate value for all. Our approach can be summarized in a simple way: we focus on offering the best services to our customers.

This clear focus ultimately creates a winning formula for all stakeholders: to customers, by providing an unrivalled shopping experience, to suppliers, by showcasing their brands to a fast-growing group of affluent customers, to landlords, by fully exploring the commercial potential of a travel location and to shareholders, by creating value through generating cash and profits.

For our customers, we aim to create memorable shopping experiences by constantly improving our shops and developing best-in-class retail formats, and by implementing innovative cross-channel marketing initiatives. Our team of sales representatives will always receive travelers with their biggest smile, introducing them to the world of travel retail and providing them with detailed product information – increasingly supported by digital technology.

Equally important for Dufry is to offer travelers an unparalleled sense of place: This includes local product offerings, as customers increasingly want to complete their travel experience by bringing home memories, as well as internationally recognized brands that are well known and much liked. Our shops combine the well-known assortment of global brands and products with a special local touch which differentiates our shops worldwide, wherever they may be – at airports, seaports, ships, railway stations or borders – and irrespective of whether they are duty-free or duty-paid. For a selection of our main retail concepts please refer to pages 36 through 45 of this report.

Providing memorable experiences.

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, extrapolated 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 access to the largest footprint in the ever more attractive travel retail channel, through our more than 2,300 shops in over 400 locations in 65 countries. Our shops offer suppliers an unrivalled worldwide window display to promote their brands and products to an affluent consumer segment.

Dufry works closely with brands to offer customers a unique product selection at the best price, giving special attention to novelties, exclusives and limited editions, which make the channel even more attractive. Please find out more in the Focus Story on page 30.

Landlords get the highest productivity from their retail areas, maximizing their revenues when working with Dufry. We offer a 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

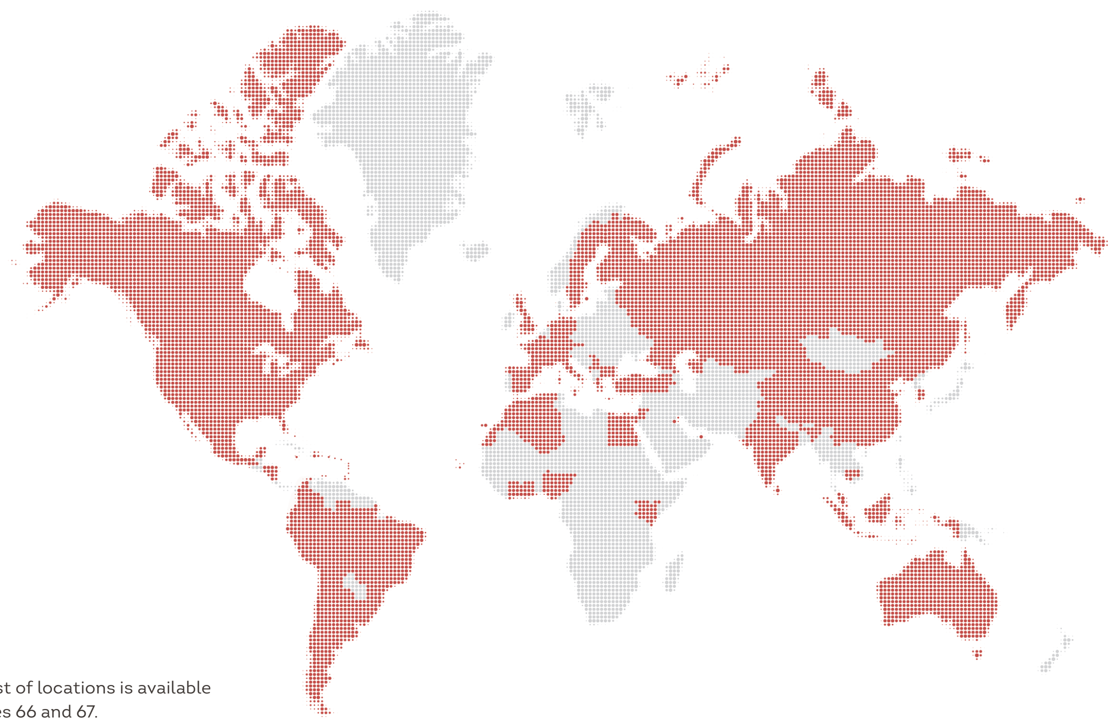
Dufry is today not only the market leader in travel retail, but also by far the most diversified player in the industry with operations in 65 countries on all six continents. Geographic diversification is of key importance to our strategy for a number of reasons: first, it is the best way to benefit from the ever growing number of travelers worldwide; second, as a global organization, we can efficiently develop new business opportunities anywhere; third, major global brands can offer their products via a truly global travel retailer and fourth, it is a very effective approach to mitigating risks.

> Diversification remains a key aspect of our strategy.

Our global presence allows us to quickly and better evaluate new projects almost anywhere, capitalizing on the expertise of our local teams. This local perspective helps us to accurately evaluate opportunities, gives us a clear understanding of the local market characteristics and allows us 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 illustrated by the share of individual concessions in the Group. With the largest concession accounting for around 7% of our business, and with the ten biggest representing less than 35% of 2018 sales, Dufry has

GLOBAL PRESENCE



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

limited its exposure to single contracts. Ultimately, geographic diversification is key to offering our brand partners a fine-meshed network of locations and shops, which allows them direct engagement with a growing number of customers through a window display in any given mature or emerging market.

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

As part of our financial risk management, 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.

Resilient cash flow generation.

The combination of Dufry's solid profitability and low capital intensity results in a strong cash generation. With the current size of the Group and the full implementation of our business operating model, we expect to further improve our cash generation capacity.

Dufry's growth path going forward
Supported by the growth of passenger numbers – the most important driver of our business – organic growth will continue to be an important driver of Dufry's development going forward and we will focus on driving sales through the implementation of best-in-class shop concepts and new digital technologies, which will be complemented with 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 contracts in airports where we don't currently operate or in other channels.

At Dufry, we traditionally have a sizeable project pipeline, allowing us to grow our retail space in different channels, regions and sectors.

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 on M&A with small and mid-sized opportunities that may arise, with a focus on Asia and the Middle East, or with 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 61% of its revenues in duty-free and 39% in duty-paid operations with both sectors continuing to offer substantial growth opportunities.

On the duty-free side, the airport channel is expected to continue to be the largest and fastest growing part of our business. We see additional potential in 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 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.

We continue to actively foster the expansion of our successful duty-paid retail concepts, Hudson and Dufry Shopping, which have already been implemented in several 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 over the past 30 years and that we have deployed in 17 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 that targets domestic passengers.

We originally piloted Dufry Shopping in Brazil in 2014, expanding to 7 locations across the country and the immediate success has led us to a strategic decision to roll out this concept into other countries. The first Dufry Shopping store outside Brazil was opened in 2017 at Las Vegas McCarran International Airport. Based on the positive results with 8 Dufry Shopping locations in 2 countries so far, we are convinced that this concept can be successfully rolled out to 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 traveler numbers. The increased demand from passengers to travel is the reason why this attractive retail channel keeps growing and displays different dynamics to high street retail.

Global passenger numbers are currently expected to grow by at least 5% per annum, which translates to a potential of over 400 million new customers for the industry every year. 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. Dufry's ambition is to deliver excellence in execution while driving change in the way travel retail operates. We believe that being the market leader also means being at the forefront of this development.

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

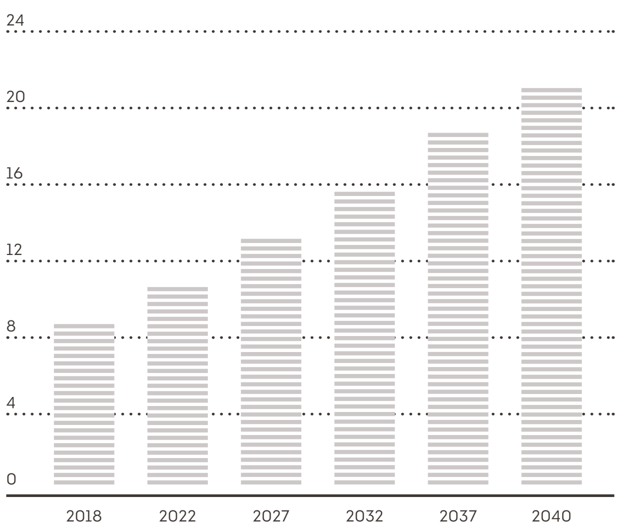
For Dufry, digital technologies are tools, which support and evolve a strong business model to the next level, to continuously improve our offer to the travelers we welcome in our shops. As customers come to our stores, while they are waiting to board their plane or train, or while they enjoy their stay on a cruise liner, in a casino or hotel, they enjoy strolling through the attractive retail spaces and take away memorable shopping experiences. Sales are often generated by impulse decisions and/or immediate needs, which protect travel retail from the direct competition of online platforms.

To attract customers to our stores we want to provide a superior customer experience; and in addition create further value through a more efficient business. Thus the use of digital and online technology is changing our business in three major areas: how we communicate with our customers, how we sell products, and how we organize our processes internally and in the value chain.

Capitalizing on digital opportunities.

Specifically, this means that we will be further increasing personalized communication with customers at home, during their whole journey, and in particular when they are at the airport close to our shops. We are also digitalizing the shops to increase conversion rates and to simplify in-store processes, such as product consultations, payments, individual promotions etc. Lastly, we will further improve customer service and individualize product offers for specific customer profiles.

LONG-TERM PASSENGER FORECAST
IN BILLIONS OF PASSENGERS



Source: ACI 2018 / World Airport Traffic Forecast 2018 – 2040.

FOCUS STORY

UNIQUE SHOPPING EXPERIENCES – EXCLUSIVES, LIMITED EDITIONS, AND NOVELTIES

IN THE PAST TWO YEARS DUFRY HAS STRONGLY ENGAGED WITH BRANDS TO CREATE DUFRY EXCLUSIVE PRODUCTS, LIMITED EDITIONS AND LAUNCH NOVELTIES THROUGH ITS GLOBAL NETWORK OF TRAVEL RETAIL SHOPS. BRANDS INCREASINGLY RECOGNIZE THE POWER OF THESE STRATEGIC MARKETING PARTNERSHIPS AND THE UNIQUE OPPORTUNITY TO POSITION THEIR PRODUCTS TO AN AFFLUENT AUDIENCE WHILE OFFERING THEM MEMORABLE EXPERIENCES THROUGH THE TRAVEL RETAIL CHANNEL.

BVLGARI JUST FOR DUFRY

This high-class ladies' backpack by Bvlgari is exclusive in a multiple sense. It has been created specially for Dufry, it's a very limited edition and it is sold only at World Duty Free's London Heathrow T5 shops. The backpack has been designed for millennials and is tailored to match the taste of British, Chinese and Middle Eastern customers in particular.

FOCUS STORY
UNIQUE SHOPPING EXPERIENCES – EXCLUSIVES, LIMITED EDITIONS, AND NOVELTIES

JOHNNIE LIKES TO WALK WITH DUFRY

An exclusive black label triple cask Johnnie Walker edition for Dufry finished in three different casks that previously held: Bourbon, Caribbean pot still rum and Scotch whisky. The Triple Cask Black Label blend is distributed globally, is made for the younger generation, and features notes of sweet vanilla and ginger aromas.

CHOCOLATE FREY RETURNS TO TRAVEL RETAIL AS DUFRY EXCLUSIVE

Switzerland's No. 1 chocolate manufacturer and iconic brand returns to the travel retail channel with a tempting product assortment including the "Frey Mahony 400 g Orange", which will be marketed exclusively in Dufry shops in EMEA, Asia and the Americas as of the first quarter 2019.

TORRES 15 – A BRANDY NOVELTY & EXCLUSIVE FOR THE FIRST YEAR

Torres 15 is a tribute to Miguel Torres Carbó, who rebuilt the winery after it had been destroyed in the Spanish civil war. The packing features unique buildings in Barcelona and targets an international audience. Its incomparable character makes this brandy very versatile, to be enjoyed in many ways including with ice, diluted with water, with soft drinks or in cocktails.

TOBLERONE TINY – CRUNCHY ALMOND AS LIMITED AND DUFRY-EXCLUSIVE EDITIONS

Toblerone Tiny Crunchy Almond – one of the brand's most successful flavors is now available in a new light blue and golden bag sold only at airports and containing 34 single wrapped snack-size pieces. On top of this – a Dufry exclusive edition – the brand has produced the Tiny Mix – Crunchy Almond, a 225 g pack with a unique assortment of this range.

A NEW JOY BY DIOR

Joy is an excellent example how perfume brands develop new fragrances to approach new consumer segments and profiles by complementing their range with innovations. This new Eau de Parfum, illuminated by the vibrant smile of flowers and citrus fruits, was one of the key novelties at Dufry stores in 2018.

30 %

Depending on the category, up to 30 % of Dufry's sales come from promotions, novelties, Dufry and Travel Retail exclusives, and special editions.

Boosting the attractiveness of Travel Retail

The newest trends in customer behavior and shopping habits show that today's customers want to enjoy memorable shopping experiences that must increasingly provide a sense of individuality and exclusivity and tailor-made offers. Exclusive products, Limited Editions and Novelties and the related experiences are exactly the drivers that brands of all categories can use to best fulfill this wish, while fostering the attractiveness of travel retail as an aspirational shopping environment. There is no better place then travel retail and airport environments to engage with affluent customers and help them experience a brand's "spirit" in an attractive atmosphere. By developing products sold only in travel retail – or increasingly exclusively in Dufry shops – we can create that sense of uniqueness and individuality, which increases brand value and drives sales. And it is ultimately a great way to avoid comparisons with online or high-street offers.

Each brand follows its own strategy to drive sales

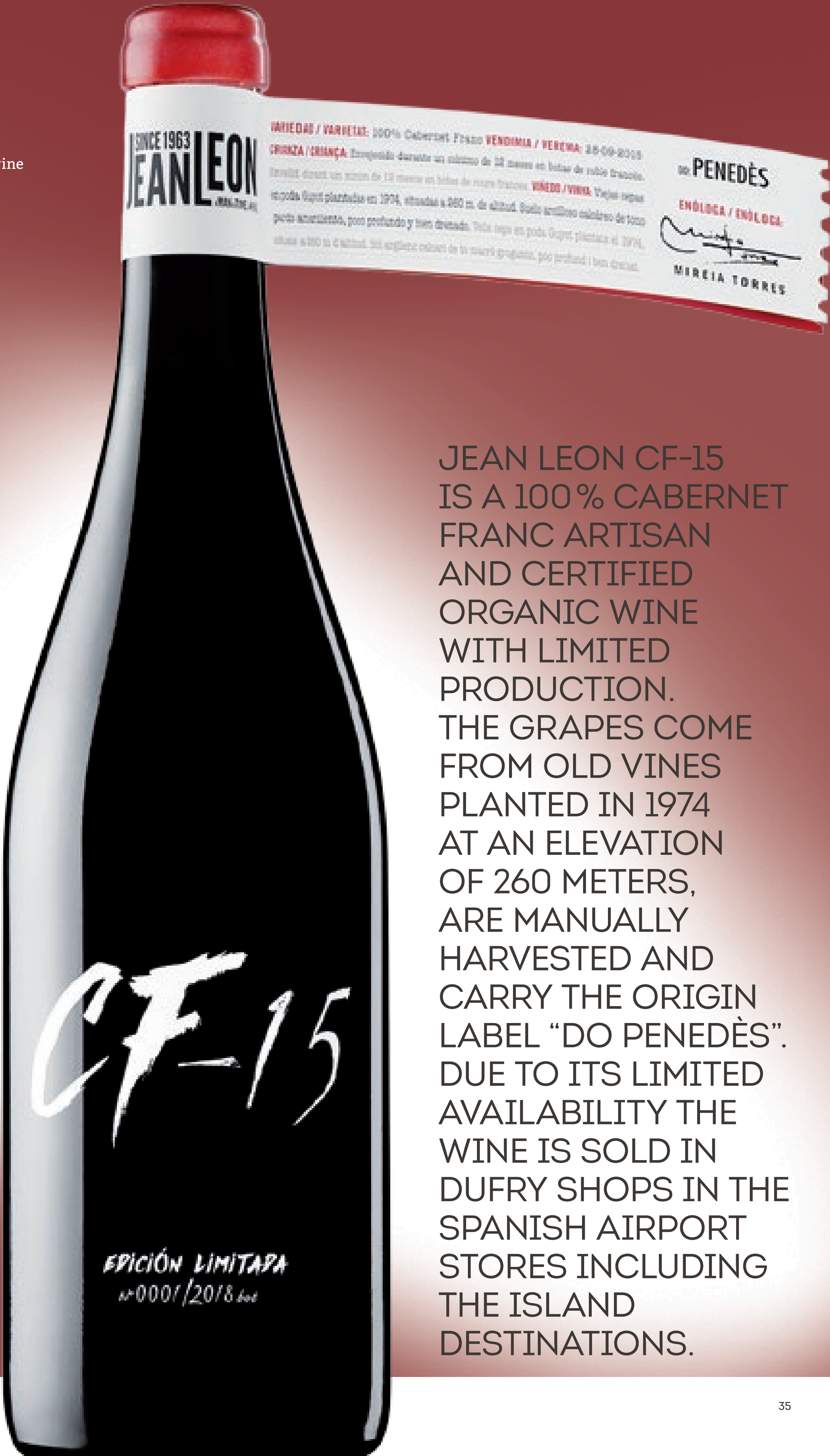
One size fits all would be the wrong approach. That is why Dufry gathers market feedback and presents the brands with individual opportunities on how to improve product and brand positioning. Creating a limited edition to drive sales in the summer months, or filling a price gap between a 10-year-old whisky and the top range bottle aged 18 years. Launching a seasonal flavor to tempt chocolate connoisseurs or introducing a premium limited edition series to enter high price levels. Or attracting the attention of style-savvy shoppers with a unique backpack from an iconic brand, for the ultimate fashion accessory. This is the reality of several brand partners' creativity, already successfully displayed and available in Dufry's duty-free shops.

Our ultimate goal is to create memorable experiences.

Multichannel experiences through activations and story-telling

The combination of physical stores and digital channels including social media or other digital content platforms – such as the new Forum by Dufry – forum.shopdutyfree.com – create the perfect multichannel experience for all the senses. Forum by Dufry features contributions from bloggers and influencers, inspires with real customer experiences and tells brand stories, to attract travelers to the shop floor and enable them to "see and share the experience" in person. The aligned multichannel approach is the best way to attract travelers to the shop floor and engage with them – to ultimately drive sales.

Limited edition
experimental wine



JEAN LEON CF-15 IS A 100% CABERNET FRANC ARTISAN AND CERTIFIED ORGANIC WINE WITH LIMITED PRODUCTION. THE GRAPES COME FROM OLD VINES PLANTED IN 1974 AT AN ELEVATION OF 260 METERS, ARE MANUALLY HARVESTED AND CARRY THE ORIGIN LABEL "DO PENEDÈS". DUE TO ITS LIMITED AVAILABILITY THE WINE IS SOLD IN DUFRY SHOPS IN THE SPANISH AIRPORT STORES INCLUDING THE ISLAND DESTINATIONS.

GENERAL TRAVEL RETAIL SHOPS

The general travel retail shop concept is the most commonly used at airports. It carries a large assortment 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 others.

General travel retail shops are typically located in central areas with high passenger flow, mostly in airports, but can also be implemented in seaports and other locations. In airports, both departure and arrival areas can be fitted with this shop concept. As of December 31, 2018, Dufry operated over 800 as general travel retail shops. In the duty-free segment, these shops can be identified as carrying the name of 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 in 2018 by one in Zurich (Switzerland), a second one in Cancun and one in Heathrow T3 (UK). 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 digital technology.


ESTÉE LAUDER
CLARINS
ESTÉE LAUDER
LANCÔME
benefit

DUFRY SHOPPING

Dufry shopping offers domestic passengers a similar shopping experience in a duty-paid environment to the one offered to international travelers in a classic duty-free shop, with a wide assortment of different product categories and a brand positioning that is similar to that of the duty-free stores. In this context, Dufry Shopping fulfills more a convenience aspect as there are a number of countries where domestic travelers account for the majority of passengers, specifically in large countries such as China, the United States and Brazil, where this concept can offer additional potential.

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


DUFRY SHOPPING
CONFECTIONERY
GRAB & GO
GRAB & GO
GRAB & GO
Chocolate
Chocolate
Anthon Berg
NOW OPEN
Great Deals
Great Deals
Great Deals
Great Deals
GREAT ESCAPE

BRAND BOUTIQUES

Brand boutiques enhance the traveler's 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 dedicated retail spaces and to mirror their high street image. 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 and as of December 31, 2018, Dufry operated over 140 brand boutiques, among which are included: Armani, Burberry, Bally, Bottega Veneta, Bvlgari, Cartier, Clarins, Chloe, Coach, Ermenegildo Zegna, Etro, Gucci, Hermès, Hugo Boss, Jimmy Choo, Jo Malone, Lacoste, LaPrairie, Lindt, L'Occitane, Longchamp, MAC, Mango, MaxMara, MCM, Michael Kors, Montblanc, Omega, Polo Ralph Lauren, Salvatore Ferragamo, Swatch, Swarovski, Tory Burch, Tumi, Victorinox, Victoria's Secret and others. See also selection of brands on page 73.


BACKSTAGE
Dior
FOREVER
DIOROUGE
Lip Studio

CONVENIENCE STORES

Our convenience stores offer a wide assortment that passengers may want or need when traveling. The range includes soft drinks, confectionery, packaged food, travel accessories, electronics, personal items, souvenirs, newspapers, magazines and books.

Within this concept, we are using different brands according to the passenger profile and the location. "Hudson" is our most important brand in the convenience segment with a strong recognition from and highly valued by passengers. As "The Traveler's Best Friend", our goal with Hudson is to provide passengers with anything they may need during their journey.

Hudson is a successful, very flexible concept operated at airports within international and domestic areas, as well as in other channels such as railway stations and other transit locations. Hudson shops are carefully designed and facilitate orientation through whimsical, color-coded signage to attract customers' attention to four distinct selling areas: Media, Marketplace, Essentials and Destination.

North America is home to most of our convenience stores, with almost 550 shops. In addition, we operate 135 convenience stores outside North America.


media
essentials
FT LAUDERDALE

SPECIALIZED SHOPS

Specialized shops 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, electronics, spirits, food, destination products, and in locations where we see potential for a shop to carry a broad product range relating to one specific theme. As of December 31, 2018, Dufry operated over 670 shops under the Specialized Shops / Theme Stores concept.

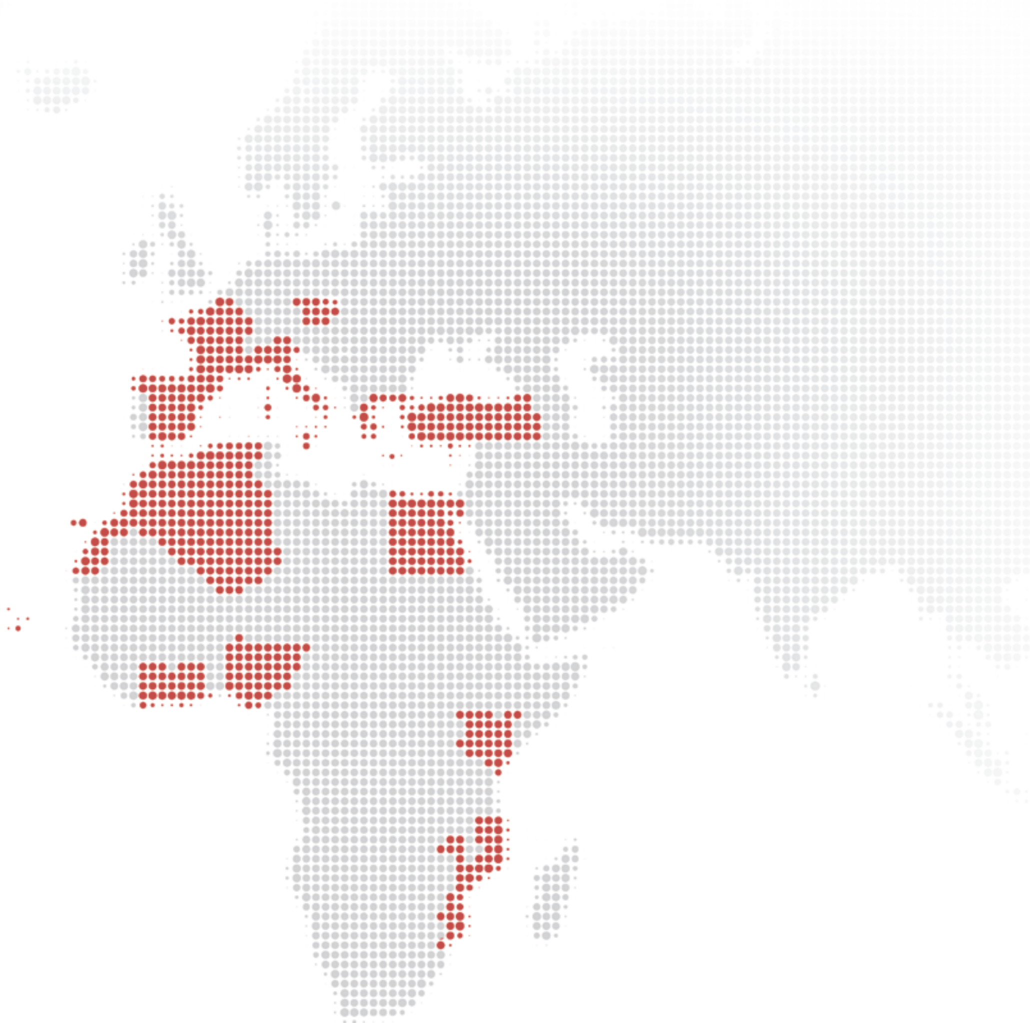
Examples of the shop concept names include “Colombian Emeralds International”; a dedicated watches & jewelry format used in the Caribbean market, “Do Brasil” for local Brazilian goods, “Kids Works” with its wide selection of toys, dolls, games, books and apparel for children and “Tech on the Go” focusing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

Further examples are “Sun Catcher” for sunglasses, “World of Whiskies” and “Tequileria” for a selection of finest single malt or blend whiskies and tequilas, “Master of Time” for luxury watches and jewelries, “Temptation” and “Timebox” for fashion watches and accessories, “Sound & Vision” for multi-brand electronics, “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.


SWEET INDULGENCES
SUCRÉ
SUC

SOUTHERN EUROPE AND AFRICA



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

Changing patterns 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 France, Italy, Turkey, Malta, as well as in Morocco and Egypt. With this portfolio, Dufry captures major travel flows in this key geographical area.

The division, headquartered in Madrid, also manages all African operations of Dufry in Cape Verde, Egypt, Algeria, Ghana, Ivory Coast, Kenya, Morocco and Nigeria as well as our partnership in Portugal. In total, the division comprises 130 locations in 15 countries in Southern Europe and Africa.

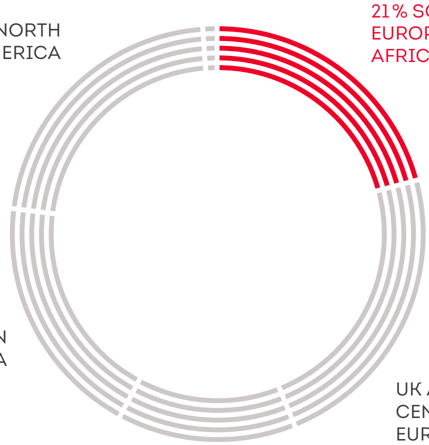
2018 saw some changes in tourist flows in the region. Spain, after a number of years of strong growth, experienced a relatively stable number of tourists, but a change in the mix of nationalities.

While Spain was negatively affected by the change in travel patterns, this was partially compensated in other locations, particularly in Turkey. After a very challenging environment in 2016, Russian travelers returned to our Antalya operation in 2017, and in 2018, the business finally swung back to its full potential, with a strong increase of Western European travelers visiting Turkey.

Elsewhere in the division, performance was strong in Italy, France, Malta and Kenia.

In 2018 we continued expanding and improving our business in the region. In Malaga, Spain, we refurbished all the main stores, covering 2,900 m² of retail space. Important renovations have also been implemented in Antalya, Turkey (3 stores – 1,700 m²), Toulouse, France (main store – 1,700 m²) and Heraklion, Greece (main store intra-EU – 1,600 m²).

PORTION OF TURNOVER 2018



KEY REPORTED DATA 2018

Number of shops	406
Sales area in m²	105,006
Employees in FTE	5,437

TURNOVER

1,854 IN MILLIONS OF CHF

1

1

1 **TOULOUSE | TOULOUSE-BLAGNAC INT. AIRPORT**
Dufry inaugurated a new duty-free store at Toulouse-Blagnac Int. Airport, under a walk-through concept, with a total retail area of 1,700 m².

2 **MALTA | MALTA AIRPORT**
Dufry extended its contract with the airport, which included an increase in space and a remodeling of the current walk-through departures store, as well as an arrivals store and a last-minute shop. The main departures store covers around 1,400 m².

2

3

4

3 MALAGA | MALAGA COSTA DEL SOL AIRPORT
Our shops have gone through a major renovation, which included new features such as a dedicated service totem for RED by Dufry clients.

4 CASABLANCA | MOHAMMED V INTERNATIONAL AIRPORT
The departure store located in Casablanca's Mohammed V International Airport, Morocco, offers 800 m² of retail space.

UK AND CENTRAL EUROPE

EDINBURGH
BASEL-MULHOUSE BIRMINGHAM CARDIFF
STANSTED JÖNKÖPING BELFAST LIVERPOOL
SUNDSVALL
LONDON MANCHESTER
NORRKÖPING NORWICH NEW CASTLE
SKELLEFTEÅ SHERWOOD FOREST HAMBURG
STOCKHOLM VISBY ÖSTERSUND
KALMAR ZURICH
HELSINKI
WHINFELL FOREST
WOBURN FOREST GLASGOW

Solid performance and important retail development

Headquartered in London, the division comprises all our operations in Central Europe, including the United Kingdom, Sweden, Finland, Switzerland and Germany. It features operations in 58 locations in 6 countries and a broad variety of customer nationalities from mature and emerging markets with both tourist and business travelers.

In 2018, the division reported an ongoing good sales performance in the United Kingdom, driven by a steady growth in the number of passengers and ongoing improvement in the spend per passenger.

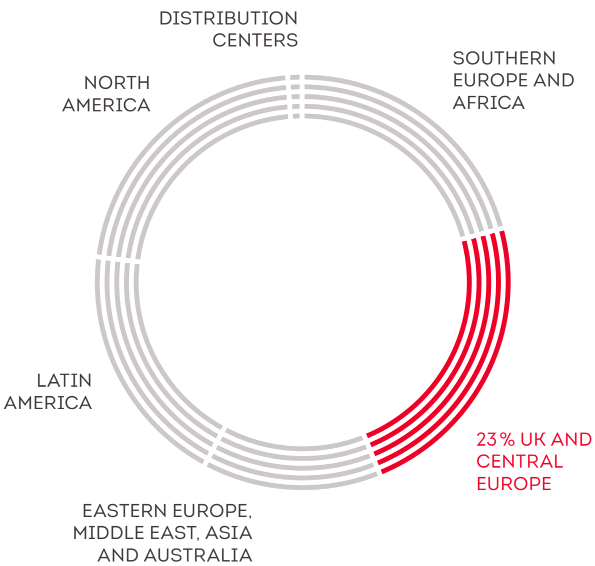
Switzerland, excluding Geneva, also posted good growth, due to a combination of the refurbishment and introduction of the New Generation Store concept in Zurich along with growth in passengers.

In the year under review, Dufry further secured its strong footprint in the United Kingdom. After renewing important operations in 2017, such as Aberdeen, Glasgow and Liverpool, in 2018 Dufry renewed its Gatwick concession until 2025.

We have also renovated several operations within the division including several important operations in the United Kingdom. Among the main developments and highlights are: London Heathrow Terminal 3, with the launch of Dufry's sixth New Generation Store (2,500 m^2); Glasgow, where we refurbished the main shop (1,400 m^2); and Liverpool, also with a full renovation of the main store (900 m^2). At Zurich airport, we have further enhanced our New Generation Store concept.

Among the most recent new contracts wins in this Division is a long-term contract with P&O Ferries for 15 ships connecting the UK with France, Belgium, the Netherlands and Ireland, as well as an agreement to expand Dufry's convenience store offering at Zurich Airport by adding a new concession for 5 additional Hudson shops, spread across the terminals.

PORTION OF TURNOVER 2018



KEY REPORTED DATA 2018

Number of shops	239
Sales area in m^2	70,605
Employees in FTE	4,384

TURNOVER

1,974 IN MILLIONS OF CHF

1

2

1

1 **ZURICH | ZURICH INTERNATIONAL AIRPORT**
The New Generation Store and renowned Brand Boutiques feature the most up-to-date shop layouts in a fresh new look, delivering a WorldClass shopping experience to customers and offer 7,000 m² of retail space.

2 **NORWICH | NORWICH AIRPORT**
Dufry added Norwich to its portfolio in 2018. The new walkthrough store, which covers over 200 m², offers an extensive product mix across all categories and takes the airport's shopping experience to another level.

3

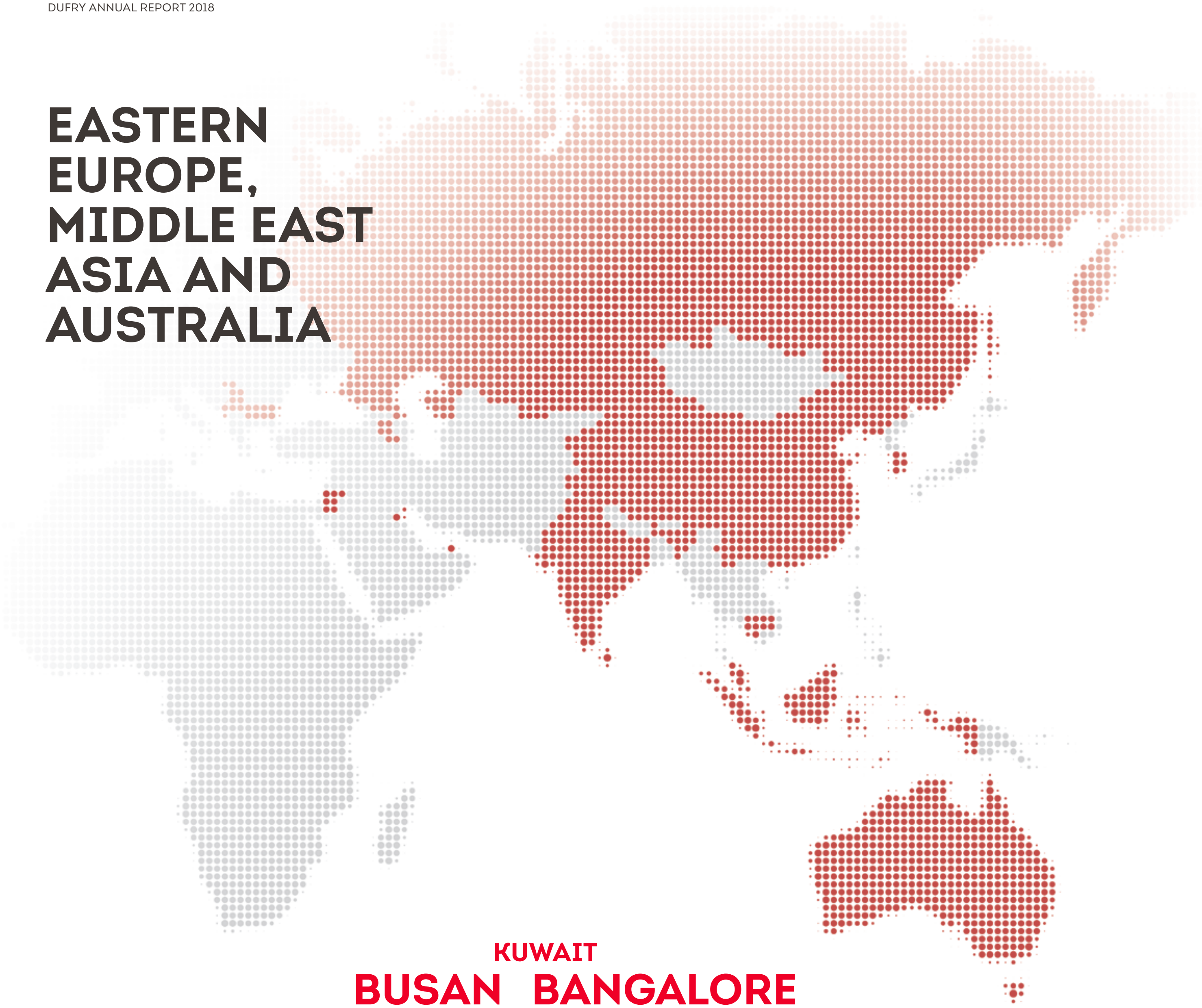
4

4

3 **LONDON | LONDON HEATHROW AIRPORT**
The New Generation Store at T3 features the latest digital technology to boost customer engagement across over 2,500 m² of retail space.

4 **LIVERPOOL | LIVERPOOL AIRPORT**
Dufry renewed its contract and expanded its main duty-free retail space to 900 m², with an innovative design showcasing the latest trends in travel retail.

EASTERN EUROPE, MIDDLE EAST ASIA AND AUSTRALIA



KUWAIT
BUSAN BANGALORE
YEREVAN
BURGAS
HONG KONG
ST PETERSBURG
CANBERRA
MOSCOW
ASTANA
SINGAPORE
PHNOM PENH
MELBOURNE
KUALA LUMPUR
CHENGDU
MARKA
SIEM REAP
AMMAN
BELGRADE
COLOMBO
SHANGHAI
SHARJAH
PERTH
AQABA
VARNA
MACAU

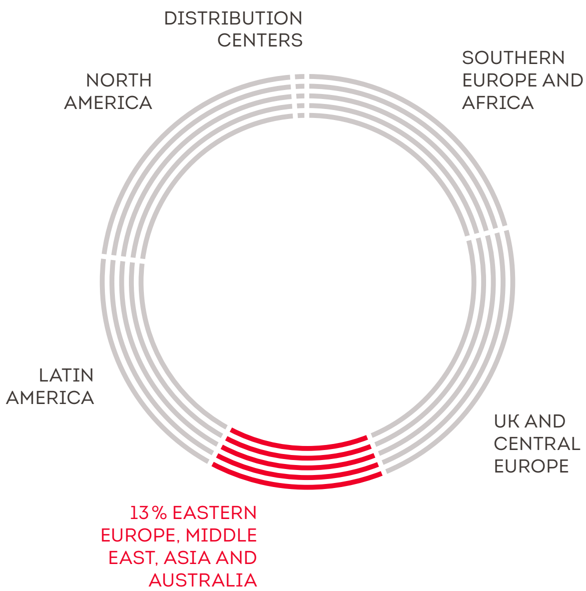
Important new wins, contract renewals and renovations in a strategic region
Asia and the Middle East is a strategic growth area for Dufry, as travel retail in the region is still fragmented and the area features the highest current and prospective passenger growth globally. With its presence in 32 locations in 17 countries Dufry is already today the most international travel retailer in that region and features the highest number of operations.

Headquartered in Hong Kong, the division includes several locations in Armenia, Bulgaria, Kazakhstan, Serbia and Russia in Eastern Europe, as well as in the United Arab Emirates, Jordan and Kuwait in the Middle East, in Australia, Hong Kong, Macao, Singapore, Malaysia, Indonesia, Cambodia, India and Sri Lanka, and also in China and South Korea in the Asia Pacific region. Building on this well diversified portfolio, it is our goal to further expand our presence in Asia.

The performance of the division continues to be very strong. Driven by a strong increase in Chinese travelers in the region, several operations even recorded double digit growth in 2018, such as South Korea, Cambodia, Indonesia, Australia, Jordan and Kuwait.

In 2018, we saw several important developments in the division. In September, we opened our duty-free shops at the new West Kowloon train station in Hong Kong, from where the MTR, a high-speed train, connects with Mainland China (Shenzhen). Furthermore, we opened our downtown operation in Genting Highlands, a tourist resort featuring casinos, shopping malls, and outdoor leisure activities located northeast of Kuala Lumpur. Last but not least, we strengthened our position in Australia with the opening of a duty-free shop at Perth Airport.

PORTION OF TURNOVER 2018



KEY REPORTED DATA 2018

Number of shops	197
Sales area in m²	50,218
Employees in FTE	3,588

TURNOVER

1,154 IN MILLIONS OF CHF

1

3

2

1 **SHANGHAI | SHANGHAI HONGQIAO AIRPORT**
Dufry opened a luxury Montblanc boutique located in Terminal 2. Customers visiting the store will discover the full Montblanc range of products.

2 **KUALA LUMPUR | GENTING HIGHLANDS**
The downtown shop is located in the Genting Highlands resort in Kuala Lampur. The 1,146 m² store marks an important development for Dufry, by giving it a presence in a new Southeast Asian market.

3

4

3 HONG KONG | HONG KONG MTR RAILWAY STATION
The stores are located in the new state-of-the-art MTR railway station in Hong Kong serving the High Speed Rail connecting the island to Mainland China. The departures shop covers 1,200 m² while the arrivals shop covers 300 m².

4 SHANGHAI | SHANGHAI HONGQIAO AIRPORT
The Cartier boutique located in Terminal 2 is the first to be opened with the new airport concept, which strikes a subtle balance between tradition and modernity.

LATIN AMERICA

MEXICO
CURITIBA CITY BELÉM
GRENADA
CANCUN
MONTERREY
CAMPINAS BUENOS
PUERTO VALLARTA GRAND TURK
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
FLORIANÓPOLIS BRASILIA
BELO HORIZONTE SAN JUAN PUERTO PLATA
SAMANA RIO DE SALVADOR BOGOTA
BARBADOS
PUNTA DEL ESTE JANEIRO MONTEVIDEO
NATAL
SANTO DOMINGO SANTIAGO
ACAPULCO DE CHILE
SANTIAGO
ORANJESTAD

2018 – A challenging year in Latin America

Division Latin America comprises all Dufry operations in Central and South America as well as in the Caribbean. Dufry has had a very strong market position in Latin America for years and the region includes some of the most dynamic travel retail markets in the world.

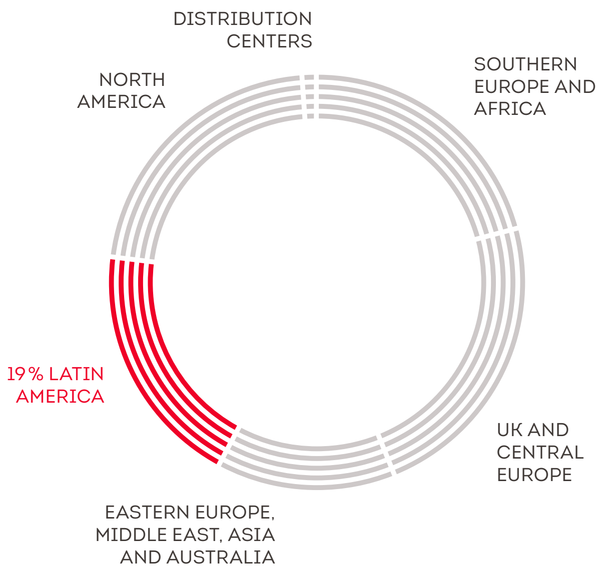
The region continues to offer expansion opportunities, not only in airport retail but also in other channels such as border shops, cruise ships and downtown operations.

Headquartered in Miami, USA, the division runs operations in Argentina, Brazil, Bolivia, Colombia, many locations in the Caribbean, Chile, Dominican Republic, Ecuador, Honduras, Jamaica, Mexico, Nicaragua, Peru, Puerto Rico and Uruguay.

Within the division, we experienced two completely different market situations in 2018: Central America, including the Caribbean, had a solid performance that was further supported by the substantial expansion of our cruise business by 12 new ships, In South American markets, the overall economic situation was challenging, mainly driven by the strong currency devaluations in several countries, such as Argentina and Brazil, which led to the lower purchasing power of local consumers in US Dollar terms.

Business development in the region included our Cancun operation in Mexico, where similar to the full renovation last year in Terminal 4, we fully refurbished the main shop in Cancun T3 and implemented the second new generation store at the airport, covering 1,800 m^2 of retail space.

PORTION OF TURNOVER 2018



KEY REPORTED DATA 2018

Number of shops	476
Sales area in m^2	126,784
Employees in FTE	6,899

TURNOVER

1,617 IN MILLIONS OF CHF

1

1

1 **CANCUN | CANCUN INTERNATIONAL AIRPORT**
The New Generation Store located in T3 covers over 1,400 m² and offers customers the world's most renowned brands and a strong sense of place, bringing aspects from Mexican culture.

2

3

3

2 **SÃO PAOLO | GUARULHOS INTERNATIONAL AIRPORT**
Dufry launched the first Dior Beauty Boutique in travel retail Americas. The boutique showcases a new way to exhibit its products in Brazil.

3 **NORWEGIAN CRUISE LINE "BLISS"**
The ship offers a retail space of around 800 m², where Dufry operates all product categories including fine jewelry.

NORTH AMERICA

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

Hudson Group
Investor Relations
website

Year of strong growth and expansion in North America

The North American travel retail market is another of Dufry's traditional core markets. Since the acquisition of Hudson in 2008, the division has successfully expanded the original duty-paid convenience business and has grown its portfolio of concepts and retail formats.

In 2018, we set another milestone in the successful history of Hudson, with its Initial Public Offering on the New York Stock Exchange and trading of the HUD shares since February 1, 2018. The separate listing of our North American business allows us to develop this market with a somewhat different focus compared to the rest of Dufry. Due to the importance of food & beverage (F&B) in North America, and the convergence of retail with F&B in parts of the business, the strategic development in North America should include a strong F&B angle. Moreover, airports are increasingly looking for so-called "master concessionaires" to operate both travel retail and F&B operations and to act as unique partners for the management of the airport's commercial area. In this North American specific market context, the IPO gives strategic flexibility to Hudson, while maintaining the benefits of being part of Dufry Group. Dufry retains a 57% ownership in Hudson and we consider the position in North America as strategic.

"Hudson" is the most recognized travel retail convenience shop brand in the world. In addition to almost 550 convenience shops in North America, the ongoing modernization of the airport infrastructure in the United States offers considerable potential to further expand with duty-free operations, as well with brand boutiques and specialized shops. Hudson already successfully operates all of these formats in North America, across over 88 locations in both the US and Canada.

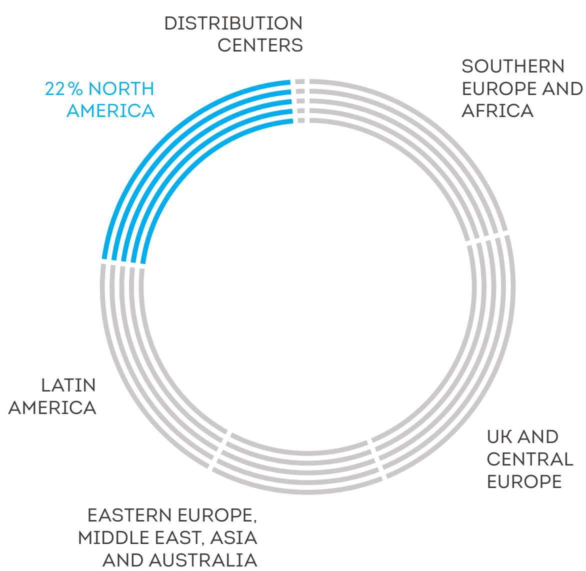
The division performed very well in 2018, driven by a combination of passenger growth and new openings along the year.

In terms of retail development, highlights were the 800 m² of space added to our existing duty-free business in Las Vegas, the opening of seven new duty-paid stores at Fort Lauderdale airport (800 m²) and the opening of 7 travel essential, specialty retail and duty-free shops at Raleigh-Durham airport (600 m²).

Important contracts were also signed in 2018: at Boston Logan airport we concluded a contract extension for 10 years, which in addition provides a 36% expansion over the current footprint. We also won a new contract in Philadelphia to operate 11 stores covering 900 m² of retail space.

To have an in-depth view of the performance of our North American division please follow the QR code on page 62 that will take you to the Hudson Group Investor Relations website and the Annual Report 2018.

PORTION OF TURNOVER 2018



KEY REPORTED DATA 2018

Number of shops	1,028
Sales area in m²	101,258
Employees in FTE	9,372

TURNOVER

1,884 IN MILLIONS OF CHF

1

2

1 RALEIGH | RALEIGH-DURHAM AIRPORT
Hudson opened during 2018 seven new shops across more than 600 m² of retail space at Raleigh-Durham Airport including different retail concepts, such as specialty, travel essentials and duty-free.

2 FORT LAUDERDALE | FORT LAUDERDALE HOLLYWOOD AIRPORT
The specialized shop brings a great selection of sunglasses to customers, including iconic brands.

3

4

3 **ATLANTA | ATLANTA AIRPORT**
The airport features the world's largest Hudson store covering over 460 m².

4 **VANCOUVER | VANCOUVER AIRPORT**
The duty-free shop offers travelers a wide range of the world's best brands.

OVER 400 LOCATIONS WORLDWIDE

SOUTHERN EUROPE AND AFRICA

Algeria
- Algiers

Cape Verde
- Sal
- Santiago

Cote d'Ivoire
- Abidjan

Egypt
- 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 Diagoras
- Blue Star Naxos
- Blue Star Paros
- Chania
- Corfu
- Doirani
- Elyros
- Evzonoi
- Hellenic Spirit
- Heraklion
- Igoumenitsa
- Kafalonia
- Kakavia
- Kalamata
- Karlovasi
- Karpathos
- Kastanies
- Kastelorizo
- Katakolo
- Kavala
- Kipoi
- Kos
- Kriti Ship
- Krystallopigi
- Limnos
- Mertziani
- Mykonos
- Mytilini
- Niki
- Olympic Champion
- Ormenio
- Patmos
- Patras
- Piraeus
- Prevelis
- Promachonas
- Rhodes
- Sagiada
- Samos
- Santorini
- Skiathos
- Superfast I, II, XI
- 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

Mozambique
- Maputo

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 AND CENTRAL EUROPE

Finland
- Helsinki

Germany
- Dusseldorf
- Hamburg

Jersey
- Saint Peter

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
- London St. Pancras
- Longleat Forest Center Parks
- Manchester
- Newcastle
- Norwich
- Sherwood Forest Center Parks
- Southampton
- Stansted
- Whinfell Forest Center Parks
- Windsor
- Woburn Forest Center Parks

Cruise ships
- Arcadia
- Aurora
- Ventura
- Queen Elizabeth

EASTERN EUROPE, MIDDLE EAST, ASIA AND AUSTRALIA

Armenia
- Gyumri
- Yerevan

Australia
- Canberra
- Melbourne
- Perth

Bulgaria
- Burgas
- Varna

Cambodia
- Phnom Penh
- Siem Reap

China
- Chengdu
- Hong Kong
- Macau
- Shanghai

India
- Bangalore

Indonesia
- Bali

Jordan
- Amman
- Aqaba
- Marka

Kazakhstan
- Astana

Malaysia
- Kuala Lumpur

Kuwait
- Kuwait City

Russia
- Moscow Domodedovo
- Moscow Sheremetyevo
- St Petersburg Pulkovo

Serbia
- Belgrade
- Nis

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
- Bariloche
- 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
- Brasilia
- Campinas
- Curitiba
- Florianopolis
- Fortaleza
- Goiânia
- Natal
- Recife
- Rio de Janeiro
- Rio de Janeiro Galeão
- Rio de Janeiro Santos Dumont
- Salvador
- São Paulo Congonhas
- São Paulo Guarulhos

Chile
- Santiago de Chile

Colombia
- Bogota

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 Inspiration
- Carnival Sensation
- Carnival Valor
- Holland of America Koningsdam
- Holland of America Maasdam
- Holland of America Nieuw Amsterdam
- Holland of America Nieuw Statendam
- Holland of America Oosterdam
- Holland of America Prinsendam
- Holland of America Rotterdam
- Holland of America Veendam
- Holland of America Westerdam
- Holland of America Zaandam
- NCL Bliss
- NCL Dawn
- NCL Escape
- NCL Gem
- NCL Jade
- NCL Jewel
- NCL Pearl
- NCL Sky
- NCL Spirit
- 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
- 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
- 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
- Washington Ronald Reagan Airport

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

CUSTOMERS
RETAILING AT ITS BEST

Research on consumer trends around the world shows that customers nowadays are looking for experiences rather than just "buying a product". To best accommodate this changing behavior and to meet our customers' expectations, Dufry is investing in different initiatives to take airport and travel retail shopping to the next level.

Engage with customers through new generation stores
In our strive to provide customers with a unique shopping experience, our new generation store is the cornerstone of our latest approach to retail. With the first 6 shops opened in Madrid, Melbourne, Cancun T3 and T4, Zurich as well as in Heathrow T3, our customers can experience a shopping environment which changes its appearance several times during the day. Displays appear in different languages and show the brands that best fit the customer profile present at the airport at any given time of the day.

Retail at its best
Our aspiration 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 and to provide you with the best service when visiting our shops.

Personally engaging with customers.

We welcome customers of more than 150 nationalities to our shops every day and our wide assortment can exceed 50,000 items in any given location. For this reason, providing our customers the right product information in different languages is a considerable challenge. Therefore, we have started to equip our shop staff with tablet computers so that they can provide customers with extensive product information in several languages. Going forward, we plan to also offer payment services through the tablets without the need to go to the tills.

Pre-order at home, collect at the airport
To provide convenience is another priority for Dufry, this is why we want to engage with our customers well beyond our shops. Even before they start their trip, travelers can pre-order products through the internet and collect them conveniently once at the airport. Our "Reserve & Collect" service is already available in 153 locations in 39 countries around the world. New locations are constantly added – the full list is available on our website under:
www.shopdutyfree.com

Constantly enhancing customer service.

RED by Dufry
RED by Dufry is structured as a loyalty program but it takes the idea one step further. RED works primarily through a mobile application (app) and via the traditional earning of points the program offers exclusive advantages such as discounts at Dufry stores and specific airport benefits. Additionally, going forward members of the program will become identifiable through the app's beacon technology once they are at the airport and will receive personalized notifications

400

Dufry operates in over 400 locations in 65 countries worldwide.

on promotions and offers tailored to their preferences. This allows Dufry to increase conversion of travelers into customers and to attract them to the shops. RED by Dufry is already live in 200 locations in 40 countries and is continuously expanded to further operations worldwide. A full list of the locations where RED by Dufry is implemented can be found here: www.redbydufry.com

Forum – Connecting the digital dots

Forum is the new Dufry social media platform launched in 2018 that provides stories from bloggers and influencers, as well as background information from brands and Dufry in an exclusive and glamorous environment. Moreover, Forum by Dufry connects with our other digital initiatives such as RED by Dufry and Reserve & Collect and serves as a vehicle to connect with our potential customers when they are planning their journey or even before. Forum is designed to support the inclination to shop with us, to change customer perception, and position Dufry shops as the place to find the latest trends and launches for the main categories – visit Forum by Dufry at:
https://forum.shopdutyfree.com/en

Dufry's focus on customer orientation

Our understanding of customer orientation goes beyond the pure fulfilment of expectations and requests we receive in our shops. A satisfied customer for us is a customer that can also trust us when it comes to guarantees, data security, privacy, product safety and other aspects of our interaction with our customers .

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 60 days of purchase. Dufry's customer service representatives, who can be reached in several languages by phone, email or online chat, attended around 164,000 customers from 152 countries in 2018. Dufry's customer service team and policies guarantee full customer satisfaction. That service is another example of our commitment to an outstanding customer experience day-by-day.

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 take 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 shape 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 that 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 the product is going to be sold. Given that our

200

Dufry's loyalty program RED by Dufry is already available in 200 locations.

stores operate in an environment where we serve many nationalities speaking different languages every day, we are proactively engaged with our industry trade associations to find off-the-label solutions.

Dufry commits to comply with all advertising and marketing regulations.

Customer Privacy
Management and protection of customers' private data in the processes that involve the handling of client information is an area of importance for Dufry. As a requirement of customs authorities, airport authorities and for contractual reasons, the customer's personal data is collected, processed and retained in accordance with the privacy statement listed on the Dufry website or in the retail locations.

Additionally, in some countries, the company offers Reserve & Collect and RED by Dufry services, for which additional personal information from customers is needed to provide the with requested services such as newsletters and marketing & advertising materials. In order to protect and ensure that 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 policy and specific training for employees dealing with personal information, as well as internal procedures and policies which follow relevant laws and regulations.

During 2018 Dufry completed a number of processes to conclude the alignment of our operations in accordance to the EU General Data Protection Regulation (GDPR). Specifically, this work involved expanded documentation and information requirements, privacy impact assessments and the right of individuals (mainly customers, employees, partners and suppliers) to request access to, or to correct, delete, object to processing of their own personal data and to request data portability. All of this was completed ahead of the GDPR implementation deadline of May 2018.

Customer data protection is important to Dufry.

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.

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.

Dufry's expertise recognized by the industry
In 2018, Dufry's customer focus and retail excellence has been recognized by different industry partners again. A complete list of the 2018 awards is displayed on our website:
www.dufry.com/en/company/our-awards

MORE THAN 50,000

items are available in our portfolio for our customers to choose from.

NET SALES BY PRODUCT CATEGORY 2018

SUPPLIERS BENEFIT FROM A UNIQUE GLOBAL WINDOW DISPLAY

Dufry is by far the largest travel retail operator worldwide offering suppliers a network of over 2,300 shops in over 400 locations in 65 countries on 6 continents. Dufry's global footprint offers suppliers a unique opportunity to showcase their brands across the globe in exclusive environments to captive audiences. We operate in duty-paid and duty-free areas with access to domestic and international travelers respectively, and offer our customers both convenience products and luxury shopping experiences. In 2018, over one billion passengers passed through locations where Dufry operates shops, making us the perfect ambassador for global brands.

Working closely with brands

The travel retail industry has a number of elements that are attractive to suppliers: it is a fast growing channel, it has a captive and affluent audience, and it offers an international and exclusive setting. This makes travel retail an important window display for brands. Dufry aims to be the preferred partner for global brands, based on the scope of our global network, our superior execution, and strong customer service.

Since 2015, we have intensified cooperation with our suppliers and we increasingly partner with global brands for more strategic initiatives, identifying opportunities for marketing campaigns, global promotions or product launches, that also contribute to our turnover by generating additional income. In this context, we offer each brand a customized approach to create a joint set of goals for the supplier and for Dufry, and together we agree on specific actions and distinctive campaigns. Both parties establish clear targets and evaluate the effectiveness of their initiatives together.

Jointly increasing customer experience

In the recent few years we have seen a growing number of brand partners developing Dufry-exclusive products, which together with novelties, limited editions and travel exclusives, considerably augment and differentiate the customers' shopping experience. Internal research also shows that personally engaging with customers in the shop substantially increases the spend per ticket – and what is a better subject to talk about than an exclusive or a newly launched product? In our Focus Story on page 30, we feature some great examples of successful marketing initiatives with our brand partners.

Centralized procurement and logistics

With a focus on generating efficiencies, Dufry has streamlined its key processes. Through our centralized procurement and logistic functions we have considerably simplified the entire 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 simplified the ordering process, by internally aggregating the orders from the different retail operations and sending a consolidated order to suppliers.

Accordingly, we have adapted our logistics organization with three distribution centers in Uruguay, Switzerland and Hong Kong which operate warehouses in Hong Kong, Runnymede (UK), Barcelona (Spain) and Miami (USA) and provide the timely shipping of goods to our operations. The process benefits both Dufry and suppliers, as it allows us to order and ship larger volumes to the distribution centers, thus increasing flexibility so that we allocate the optimal product quantity to each country and shop and maximize product availability.

BRAND UNIVERSE

1,000

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

AIRPORT AUTHORITIES & LANDLORDS
BENEFITTING FROM COMPREHENSIVE RETAIL CONCEPTS

Dufry is the partner of choice for airport operators and other travel related landlords. We strive to create 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 our landlords have placed in us has allowed Dufry to become the leader in travel retail, currently operating over 2,300 shops in 65 countries located in airports, seaports, railway stations, downtown areas, border crossings, cruise liners & ferries, hotels and other locations with captive audiences.

Benefitting from the widest industry experience
Dufry shares a common goal with the facility owners, which is to maximize returns on the available space and to create a highly innovative and attractive shopping experience for customers. Dufry's extensive expertise in all technical and regulatory 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. The in-depth understanding of customer profiles is key to best designing these retail concepts and to develop successful marketing initiatives. Moreover, in order to understand the latest trends in consumer behavior, Dufry regularly carries out detailed consumer research, thus generating insights that ultimately benefit landlords through increased sales and profitability of their commercial space.

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

Dufry has a long-standing tradition of working together with landlords in different operations, be they large or small, in emerging or developed markets, in airports, or seaports, border shops or cruise lines. Recent examples of refurbishments and expansions of our shops confirm the value of coordinated strategies. Projects developed at the airports of Antalya, Bali, Cancun, Fort Lauderdale, Glasgow, Las Vegas, London Heathrow T3, and Malaga are a few examples of how Dufry and landlords can work together on the structuring of passenger flows, improving the appearance of commercial space and expanding retail offerings to considerably increase sales.

6 New Generation Stores opened.

Dufry's New Generation Store – up and running
Dufry's New Generation Store concept makes extensive use of digital technology to increase communication with passengers at the airport. The digital route allows Dufry to approach potential customers in an even more personalized way than ever before and to flexibly adapt in-store communication during the day to the changing nationalities and customer profiles, enhancing the communication's 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. New Generation Stores have so far been opened in Madrid, Melbourne, Cancun T3 and T4, and Zurich as well as at London Heathrow T3.

Deployment of our digital strategy improves conversion and boosts the visibility of operations

In 2018, Dufry accelerated the deployment of its digital strategy that essentially aims at converting more travelers into customers, thus driving sales and ultimately benefitting our landlords. Besides the New Generation Stores, services such as Reserve & Collect and above all the loyalty program RED by Dufry, promote our operations online on a world-wide scale, through their global span and reaching travelers across the world. This gives airports and their retail offer additional visibility and exposure, thus promoting them as attractive shopping locations. For a more detailed description of our digital strategy and the 2018 achievements, please also refer to the strategy chapter on page 26.

Dufry has a long-term concession portfolio.

Successful contract extensions secure future business

In travel retail, concession contracts are the key business driver for retail operators, as they provide the right to sell their products at a given operation. In 2018, Dufry continued to successfully win new contracts and to renew existing concession contracts, some of them well before the previous expiry date, thus extending the remaining average lifetime of its portfolio, which is 7 years. Within our concession portfolio, 25 % of our contracts have a remaining life-time of one to two years; 23 % three to five years; another 30 % between six and nine years, and the final 22 % have a remaining duration of ten years or more. On average, Dufry renews existing contracts that generate between 8 % to 10 % of our sales every year, as well as adding new contracts,

New shops added to our first-class concession portfolio

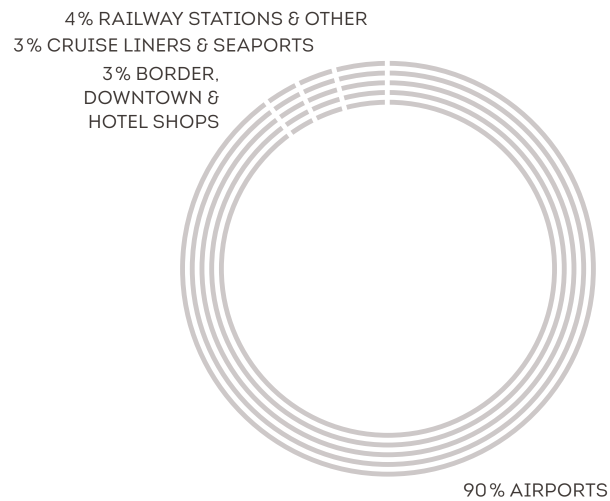
In 2018, Dufry opened and expanded 192 new shops adding 26,800 m^2 of retail space across all divisions. At December 31, 2018, the entire concession portfolio of the group included retail space of over 453,000 m^2.

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

Focusing 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 2018



INVESTORS PARTICIPATING IN THE GROWTH OF TRAVEL RETAIL

Since its listing in 2005, Dufry has executed a consistent strategy focusing on profitable growth and cash generation to create sustainable value for shareholders and bondholders alike. In the first phase, the company accelerated growth through acquisitions, and more recently shifted towards a more organic growth profile.

Pure-player 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 an attractive risk profile based on our geographical diversification, makes Dufry a compelling investment opportunity. For a detailed view on Dufry's investment case please refer to page 24.

Over CHF 600 million returned to shareholders.

Capital allocation and dividend strategy

In 2018, Dufry revised its capital allocation and dividend strategy. In this context, the company paid a dividend of CHF 3.75 per share for the 2017 business year, equal to a total of CHF 198.7 million. Going forward, Dufry intends to pay out a dividend of at least the same amount as in the previous year and target 40% of cash earnings. Moreover, in 2018 the company executed a share buyback program, early completed end of October, in which 3,304,541 Dufry shares were bought in the market for an amount of CHF 401.9 million in total. In 2018, Dufry has thus returned CHF 600.6 million to its shareholders.

Member of the Swiss Leaders Index

With a market capitalization of CHF 5.0 billion as per December 31, 2018, 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 145.15 and after reaching a high of CHF 153.00 in January, closed 2018 at CHF 93.12.

Dufry's trading volume continued to be very healthy in 2018. Considering all major trading platforms, Dufry's average daily trading volume was approximately CHF 101.4 million. The SIX Swiss Exchange remains our most important trading platform, where the average daily volume of Dufry shares reached CHF 37.2 million in 2018.

Our long-term shareholders, in particular Travel Retail Investments, Qatar Investment Authority and Richemont, represented 38 % of our share capital and continue to support Dufry. We also saw former investors renewing their participation during 2018, such as GIC Singapore, and we welcomed new large shareholders, such as Franklin Mutual, both disclosing above 5 %.

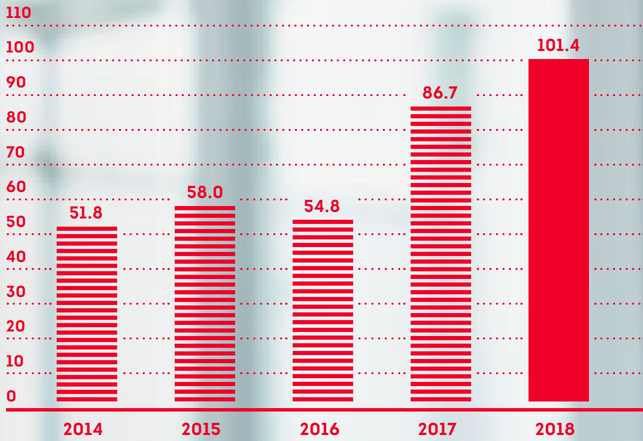
Dufry's free-float is well balanced, with shares being held by institutional investors in the most important investor countries such as the United Kingdom, the United States, and Switzerland.

Termination of the Company's secondary listing in Brazil

Dufry has had a secondary listing on the Brazilian stock exchange B3 (former Bovespa) since 2010. Through Brazilian Depositary Receipts (BDRs), Dufry was an attractive equity opportunity in the local Brazilian market, as it provided South American investors a convenient alternative to invest in a global company

DAILY AVERAGE VOLUME

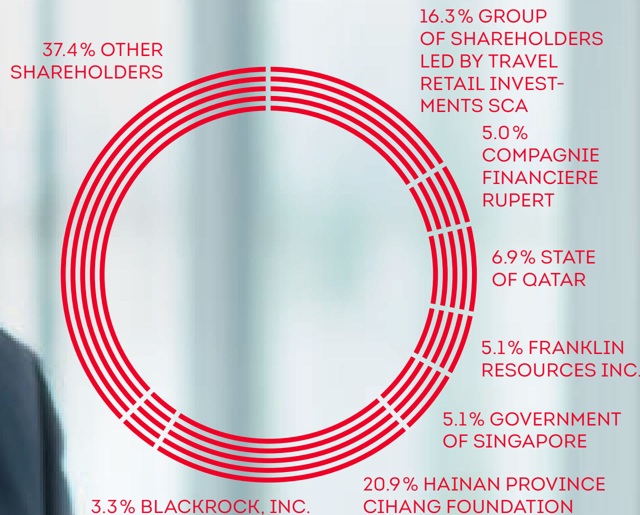
MILLIONS OF CHF



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

SHAREHOLDER STRUCTURE

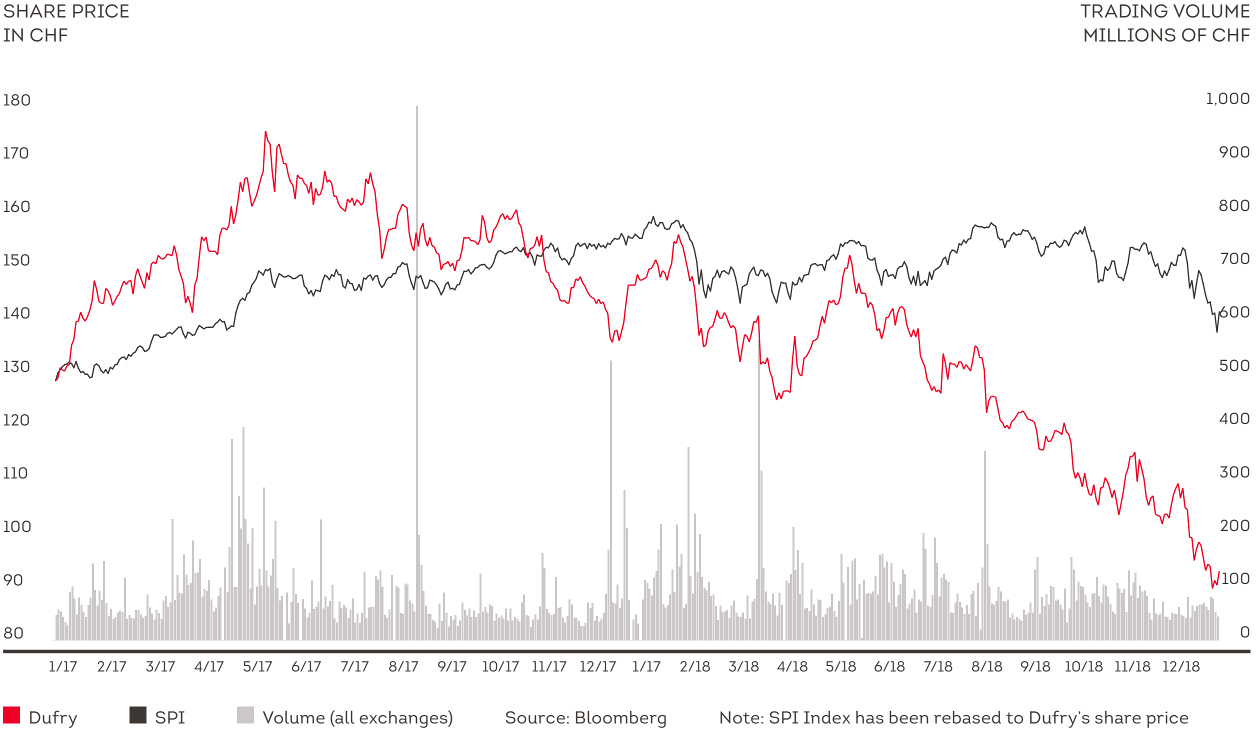
AT DECEMBER 31, 2018



Note: Based on shares. For a complete overview of Shareholder disclosures please refer to page 228.

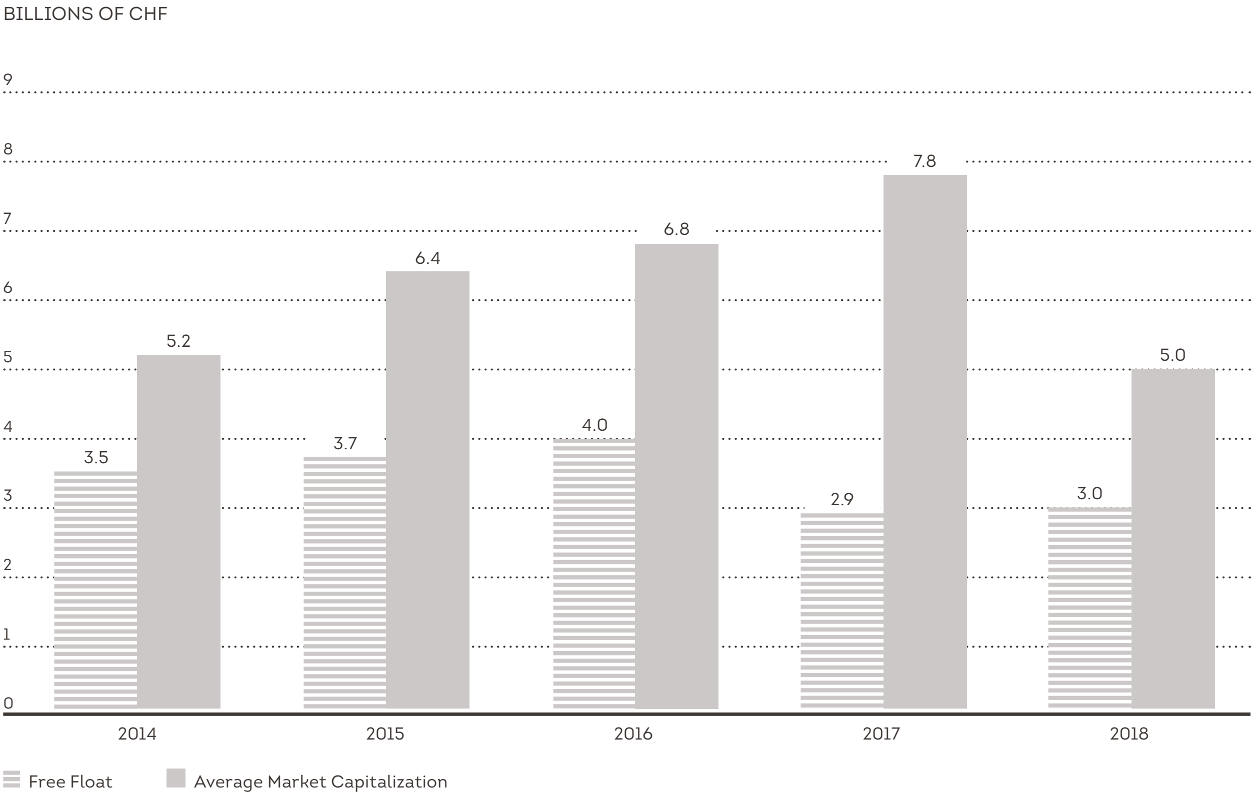
On February 1, 2019, the Hainan Province Cihang Foundation disclosed that it no longer held any Company securities or financial instruments.

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



such as Dufry. At its highest levels, the BDRs represented close to 27% of Dufry's share capital.

Due to the reduced number of BDRs and low trading volumes, Dufry decided to cancel its listing on B3. The process, which was executed in the second half of 2018, was successfully concluded in December.

Strong fundamentals – solid investment for bondholders
Since the issuance of its first senior note in 2012, Dufry has been a well-established investment opportunity in the bond market, and this represents an important source of financing for the company. Our low operating leverage and the strong and resilient cash flow generation are characteristics welcomed by the fixed income market.

Long-term financing in place.

Dufry has bank credit facilities in place totaling CHF 1,250 million maturing in 2022 and CHF 1,500 million maturing in 2023 (denominated in multiple currencies); as well as senior notes, EUR 700 million 4.5% maturing in 2023, and EUR 800 million 2.5% maturing in 2024. With this solid long-term financing structure, Dufry has no debt maturity before 2022.

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

Committed to fair and comprehensive market communication
We are committed to open and transparent communications with the financial market to present our investment story and opportunities. 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 2018 Investor Relations activities, senior management and the Investor Relations team devoted 36 days to meeting investors directly through roadshows and conferences in Europe as well as in North and South America, during which we met more than 520 investors in one-to-one or group meetings and many more in presentations. Apart from meetings, the Investor Relations team answered around 650 calls and emails in 2018. This results in a total of about 1,200 contacts with investors and analysts, an increase of 33% compared to the previous year. For contact details for our Investor Relations team, located in Switzerland and Brazil, please see page 244 and page 261 of this Annual Report.

IFRS16 and its impact on Dufry's financials
Starting in 2019, Dufry will adopt the new International Financial Reporting Standard IFRS 16 (effective as of January 1, 2019), which will substantially affect the accounting of concession and rental agreements.

Given Dufry's retail nature and the fact that it does not own the real state where it operates, IFRS 16 will therefore result in significant changes to Dufry's financial statements.

The topic was presented at Dufry's Capital Markets Day in May 2018. Since then, the company has been updating the market on new developments and indications regarding the expected impacts on the financial statements. Dufry intends to host a further Capital Markets Day in the second quarter of 2019 to keep the market updated on the different reporting implications and on the KPIs that the company will use going forward.

SUSTAINABILITY REPORT FOSTERING STAKEHOLDER DIALOGUE

Setting the scene

Beyond its commercial and financial goals, Dufry is also committed to contributing to the travel retail industry and to society in general. In order to provide more visibility on the efforts made by Dufry to further develop our sustainability engagement, in 2016 we began to increase the depth and breadth of Dufry´s reporting on sustainability issues. At that time, we commissioned a materiality assessment to EY (Ernst & Young) that served to establish a detailed view on which sustainability topics are material to our business from both a company and a stakeholder perspective. Based on the findings, in 2017 we prepared our first Sustainability Report in accordance with the Global Reporting Initiative (GRI) Standards, Core Option.

For 2018, we have taken the same approach, and expanded the reach of our report by adding additional operations to our sample data, which provides a broader view of our business from a sustainability standpoint. More detailed information may be found in the dedicated sustainability section of our corporate website: www.dufry.com/en/company/sustainability-dufry

Materiality Analysis

The materiality matrix serves to map the topics that we consider most important for our stakeholders and identifies the ones having the highest impact on our business from a broad persective, and in particular from a sustainability point of view.

When defining the matrix, Dufry followed a company specific approach – rather than a pure sustainability view – in order to optimally link the company strategy and the broader company environment with the expectations of our stakeholders. We based the list of topics on a number of internal and external sources such as our existing policies and regulations, publicly available materiality assessments of peers and the SASB requirements (Sustainability Accounting Standard Board) as well as the report of the Governance & Accountability Institute. These topics, and the corresponding performance indicators included in the GRI guidelines, have been grouped into the three dimensions of our sustainability strategy: Economic, Environment and Social.

We periodically revise the assessment made to ensure it remains accurate and relevant for our business. We have observed the increased importance of digital themes, both for our stakeholders and our business, but as this was already forecasted in our 2016 assessment, our matrix remained unchanged.

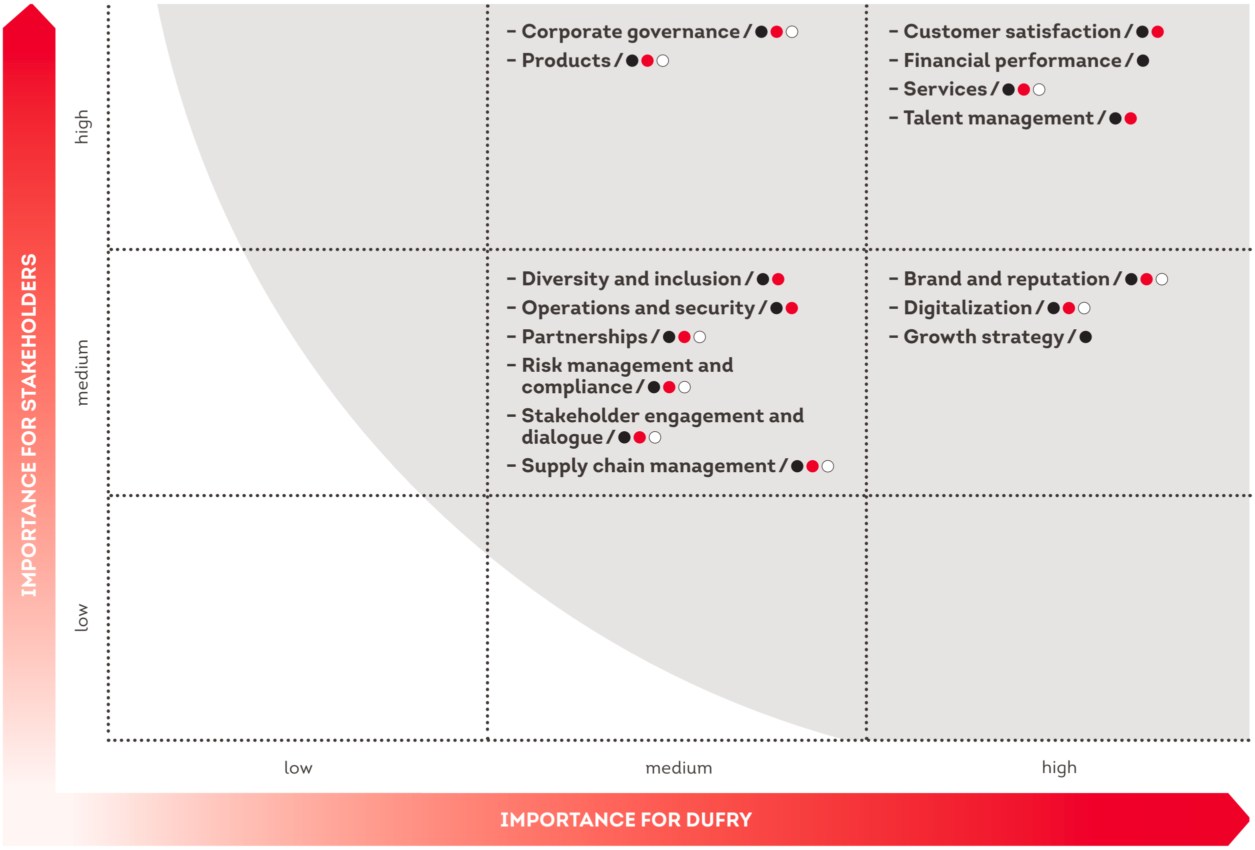
Dufry’s materiality matrix remained unchanged.

Likewise, the group of relevant stakeholders included in our materiality assessment remains valid. It includes airports, customers, employees, investors (incl. shareholders, bondholders and lending banks), public authorities, society and suppliers.

Our Sustainability Goals

For Dufry success goes beyond commercial and financial performance. Operating over 2,300 stores in over 400 locations across 65 countries and with a workforce of more than 30,000 employees, we understand that our business activities also have an impact on the societies of the countries where we operate. In addition, as the leading travel retailer, we aim to further improve the overall traveler experience – in our shops we welcome customers from over 150 nationalities every day – and initiate growth opportunities that benefit brands, airports and travelers alike. For these rea-

MATERIALITY MATRIX



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

sons, we believe our goals are more articulate as we aim to cultivate and enrich sustainability for all our stakeholders.

In 2017, we identified the social assessment of our supply chain as one of the areas for development and accordingly drafted a Code of Conduct for Suppliers during 2018, which we have started to share with our most prominent partners. This is an on-going effort that will continue in 2019. More details may be found in the Social dimension section of this report.

Addressing the cultural transformation of Dufry has also been an area of focus during 2018. With the introduction of ONEDUFRY, a program aimed at mobilizing our people to focus their minds, hearts and hands on three core pillars – driving employee experience, driving customer experience and driving business results – we continue with the global transformation process of Dufry.

Increasing the share of female representation in our corporate governance bodies and managerial positions is another of our goals. In 2016, we launched an initiative called women@dufry, bringing together female leaders across the business, in a variety of functions and geographies. This group has the mission of ensuring women's advancement at Dufry, seeing talented women rise to top leadership positions within the company, and helping employees to manage work, family and life-balance topics.

We have made progress incentivizing women's progression and today over 30 % of the staff selected for our Talent Program are women. More details can be found in the Social section of this report.

Moreover, Dufry has continued to develop its program for fair compensation and gender pay gap reduction. Through different initiatives across locations such as the UK (one of Dufry´s largest operations) and Switzerland, compensation schemes where analyzed and remediation plans established if needed.

IMPROVEMENTS CARRIED OUT DURING 2018

COMPLIANCE AND DISCLOSURE

- ✓ Update of the Dufry Code of Ethics, Sustainability and Integrity in Business Transactions
- ✓ Disclosure of the Dufry Code of Conduct on the company website
- ✓ Formal setup of compliance department reporting to general counsel; member of group executive committee
- ✓ Launch of two additional reporting channels (hot-line and dedicated website) for wrongdoings
- ✓ GDPR implementation completed ahead of May 2018 deadline
- ✓ Execution of dedicated trainings for employees dealing with personal information and customer data

SUPPLY CHAIN

- ✓ Development & Finalization of Dufry Supplier Code of Conduct
- ✓ Launch of supply chain surveillance with largest suppliers
- ✓ Further improvement of logistics and supply chain with one order initiative

EMPLOYEES

- ✓ Equal Salary Certification achieved in Switzerland
- ✓ New mentoring program for Talent Management
- ✓ Launch of ONEDUFRY initiative to further harmonize collaboration through common values and principles

KPI'S

- ✓ Extended number of operations included in HR data sample through leveraging Dufry Connect (Global HR Platform)

Further details on these topics discussed can be found under the headings of the respective dimensions on the subsequent pages, as well as on pages 69–70 for customer and privacy related topics.

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.

ENVIRONMENTAL 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 decades – and which is expected to continue to grow. According to Generation Research, a travel retail market research specialist, the travel retail industry had a market value of USD 69.3 billion dollars in 2018, an 9.5 % increase on 2016, and it is expected to reach USD 93.8 billion in 2022.

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.

Create best possible shopping experiences and environments.

As a retailer, our ambition is to create the best possible shopping environments to capture the interest of travelers and to generate selling opportunities. We closely cooperate with airport authorities and brand suppliers for store design, passenger flows and allocation of commercial space. 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 total retail by value. In 2018 again, Dufry's retail in Heathrow has been recognized by Skytrax, winning the accolade for Best Airport Shopping in the world for the ninth consecutive year.

Taking the shopping experience to the next level
Dufry´s ambition 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 more detailed aspects related to our customer services and approach, please refer to the Customer Section on page 68.

Engaging with customers through digital technology.

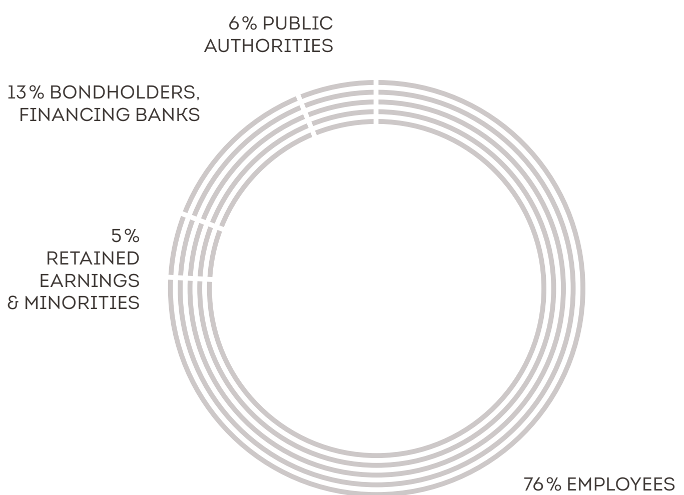
In 2018, we continued investing in renewing, refurbishing and upgrading our stores and to include additional services that improve the passengers´ shopping experience. Complementing the physical construction of the stores and the adoption of corporate best practices with our digitalization strategy has resulted in the creation of *"New Generation Stores"*. As described in the Strategy section of this Annual Report, these stores make extensive use of digital technology to take customer engagement to the next level by facilitating the communication with the most relevant nationalities of passengers in their own language and addressing the individual preferences of the different passenger profiles. As well as generating a unique shopping experience, digitalization within the store also supports sales staff when serving customers. So far, there are *New Generation Stores* in the airports of Cancun, London Heathrow, Madrid, Melbourne and Zurich. Dufry has plans to extend this store concept to two more locations in 2019 (Buenos Aires and Amman). Moreover, in the attempt to further improve customer engagement, Dufry enhanced its online Reserve & Collect service, which is now available in 39 countries and 153 locations, to its loyalty program RED by Dufry covering 40 countries and 200 locations, as well as the use of sales tablets for shop floor employees, now in service in 30 countries across 60 locations.

Another important component of our store renovations is to create a strong sense of place, linking the shopping environment to the country´s cultural heritage, where they are located. One of the most remarkable examples is La Tequilería in our Cancun New Generation Store. The powerful combination of state-of-the-art store designs with local motives, 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.

Track record of delivering successful shopping concepts.

Industry recognition
Our ongoing strive to develop state-of-the-art shopping environments and new services is also being recognized by the industry and sets new standards. Today, Dufry has a proven track record in delivering successful shopping concepts, specialized stores and marketing activations and some of the latest awards gained by Dufry include the 2018 Moodie Davitt Report's Dreamstore Award to both our Collection and Sunglasses stores in Heathrow's Terminal 5, an award where the world's brand owners rate the world's travel retailers. A detailed list of the awards won during 2018 is available under www.dufry.com/en/company/our-awards

STAKEHOLDER VALUE ALLOCATION 2018



Stakeholder Value Allocation by Dufry in 2018
The stakeholder value allocation 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 1,546.6 million in 2018 (CHF 1,553.7 million in 2017). Out of this amount, CHF 1,175.2 million was accrued to our employees in form of remuneration and social security payments. CHF 196.4 million was given as interest payments to our bondholders and lending banks. Income taxes to public authorities and communities in which the group companies are located amounted to CHF 98.8 million. The remaining amount was allocated to retained earnings and local partners. In 2018, the Board of Directors revised the company's capital allocation strategy and proposed to the Annual General Meeting 2018 the payment of a CHF 3.75 dividend per registered share for the 2017 business year. Moreover, the Board of Directors approved a share buyback program to enhance the value of shareholders' equity. With these two initiatives, the company returned CHF 600.6 million of capital to its shareholders. Further details of the dividend and the share buyback program can be found on page 76.

Anti-corruption and anti-competitive behavior
Corruption is a worldwide phenomenon which is considered to be the cause of many negative economic, social and environmental impacts. From a business perspective, corruption distorts the functioning of the market and undermines governance institutions and in general the rule of law.

No-tolerance approach to curruption.

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 prohibits bribery and corruption at all times and 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 applicable law and in full compliance with Dufry's Code of Ethics, as well as its Sustainability and Integrity in Business Transactions Policy. Where laws, rules or customs exist that are different from the principles set out in this 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 both 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 Code of Ethics, and the Sustainability and Integrity in Business Transactions Policy outline the types of conduct which are not permissible and impose 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, the rules require careful due diligence to be conducted on new external partners Dufry is working with, including a procedure that must be followed to vet all new minority partners, consultants for business development projects, counterparties to M&A transactions and other similar counterparties.

Dufry also conducts training of managers and relevant employees on an ongoing basis. These training sessions reflect the changes introduced in the modified Code of Ethics, Sustainability and Integrity in Business Transaction Policy as of May 1, 2018, such as the formal establishment of a Compliance Department within the Legal and Governance Department, enhanced third-party due diligence procedures and expansion of Dufry's anonymous reporting channels, among others.

Dufry's Compliance Department regularly evaluates the content of Dufry's training on Governance and Corporate Policies. The efforts of the Compliance Department are fully coordinated with, and supported by, the CEOs of each Division and the respective HR Departments who help identify the individuals, including new hires, who should receive the training.

New compliance reporting channels launched.

Dufry also undertakes to properly investigate all complaints and prohibits retaliation or discrimination against any employee who reports a concern made in good faith. As of June 1, 2018, two new Group-wide reporting channels have been initiated to go along-side the e-mail reporting channel integrity@dufry.com: (1) a world-wide, toll-free hotline in 9 languages (English, Spanish, Portuguese, French, Italian, Mandarin, Russian, Greek and German) also accessible via local dial-in numbers for all countries in which Dufry operates; and (2) the online reporting website www.dufry-compliance.com. These reporting channels ensure the integrity of such investigations by acting as a centralized contact point through which any wrongdoing or corruption concerns can be reported directly to the Compliance Department for further investigation. Unless the report is made anonymously, the identity of any employee reporting such concerns or possible violations of Dufry's Code of Ethics, Sustainability and Integrity in Business Transactions Policy is kept strictly confidential, unless the disclosure of the identity is required by law.

GOVERNANCE & CORPORATE POLICIES TRAINING

DIVISION	Total Number of Managers trained/ retrained in 2018
HQ	111
Southern Europe and Africa	132
UK and Central Europe	147
Eastern Europe, Middle East, Asia and Australia	114
Latin America	87
North America	151
Total	**742**

Approximately 1.100 managers have been trained in total since the training 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 on page 86, between July and December 2018, 742 managers at Headquarters and across all five Divisions have completed this training.

Dufry employees who are not included in the list above are familiarized with Dufry's governance and corporate policies via a series of videos available through various internal channels, including on the Group´s intranet – Dufry Gate, the learning management system – Dufry Connect, and its in-house television channel – Dufry TV, among others. Additionally, all of Dufry's corporate and governance policies, including its Code of Ethics and its Sustainability and Integrity in Business Transactions Policy, are available to all Dufry employees, managers and executive board members on Dufry Gate for their reference.

ENVIRONMENTAL

Dufry operates over 2,300 retail stores across 65 countries, where it sells products sourced from over 1,000 suppliers. For information on our divisional structure, countries and major locations covered by each Division please refer to pages 46 to 67. All the stores operated can be categorized into one of five types, which are explained on pages 36 to 45.

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 materials used to build stores and boxes and pallets used to transport products, to office supplies and carrier bags given to customers with every sale.

Transportation
As part of the strategic priorities set for the year with the roll-out of the Business Operating Model, Dufry has further improved its supply chain organization with the implementation of One Order. As described in more detail in the Suppliers and Strategy sections, One Order principally aims to simplify our supply chain by further centralizing logistics and warehousing, hence, reducing operational costs and administrative tasks and ultimately our impact on the environment. As a result of this process, our three Distribution Centers (Switzerland, Uruguay and Hong Kong) operate 3 major warehousing centers: Barcelona (Spain) serving 81 delivery points in Division 1 (Southern Europe & Africa) and Division 2 (UK & Central Europe) with the exception of UK – served by Runnymede – and some countries from Division 3 (Eastern Europe, Asia, Middle East & Australia); Hong Kong (China) serving most countries from Division 3 (Eastern Europe, Asia, Middle East & Australia); and Miami (US) serving Division 4 (Latin America) and partially Division 5 (North America). These three main logistics centers receive the long-haul and major shipments and organize the further dispatch of the goods to the retail entities. Through the high efficiency in our logistics chain, we ensure that the environmental impact of transporting the goods is kept to a minimum.

CO_2 emission
Reducing CO_2 emissions is one of Dufry's concerns. Whenever possible, the transport of goods is done by shipping on sea, thereby choosing the most CO_2-efficient means of transportation. Through the reconfiguration of goods in our Global Distribution Centers and regional logistics platforms, we reduce intercompany transportation of the goods to a minimum. 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 22 of 44 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 249 accredited airports in its program, which are spread across 68 countries worldwide. In 2018, based on information by Airport Carbon Accreditation 71 of these airports have actively reduced the CO_2 emissions under their direct control, and 44 airports have achieved carbon neutrality. Dufry has retail shops in 22 of these 44 carbon neutral airports, including Dallas Fort Worth, Athens, Antalya, London-Gatwick, Helsinki, Milan-Malpensa, Manchester and Stockholm airports just to name a few. Queen Alia in Amman, Jordan, and London Stansted airports, where Dufry is the main retail operator, joined the carbon neutral airports list in 2018.

Waste and Recycling
Avoiding any waste in the first place or recycling it, if it occurs, is an effective way to save valuable resources. In the European Distribution Center 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 into different containers and sent for recycling. The recycling process is outsourced to specialized service providers.

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 London Heathrow airport, to contribute and further improve recycling systems and/or reduce energy consumption.

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

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 our main operations in the last years. 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 ongoing 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 the printing of the legal text on the bottom of emails, and encouraging people only to print when necessary. The adoption of IT solutions, such as the Dufry Connect, which is being rolled-out to staff across all locations, is also helping to reduce the amount of paper used in day-to-day work of our staff. Local initiatives, including the Dufry Award for the Best Initiative in Division 1, where the Turkish team developed an induction app for new joiners also work on that objective of reducing paper consumption.

Energy consumption
For the most part our travel retail shops are operated in premises and buildings such as airports or seaports, ships, train stations, 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. As public spaces, airports have to provide well-lit facilities and naturally this is a substantial part of their energy consumption. 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, resulting in a significant drop in the energy consumption (and associated CO_2 emissions). The same concept of using latest energy-efficient technologies also applies for our Basel headquarters, division offices and the regional operations centers.

SOCIAL

Socio-Economic Compliance
Having operations in 65 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.

82 % of top suppliers have acknowledged our Supplier Code of Conduct.

As a step forward towards achieving a more sustainable supply chain, in 2017 Dufry developed its Supplier's Code of Conduct, with the purpose of ensuring that our suppliers across all product categories have in place accepted business standards, as described by the UN Global Compact, regarding:

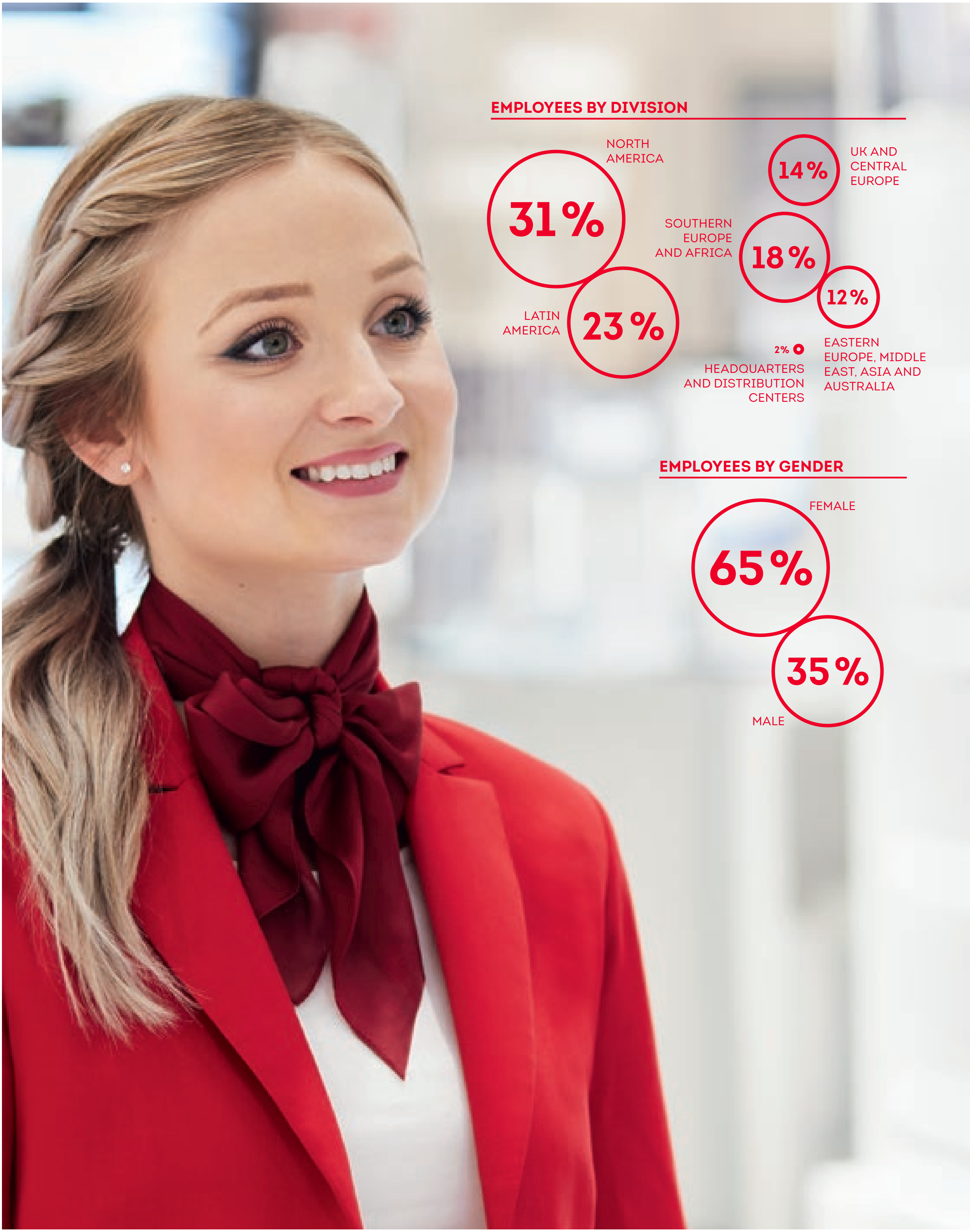
- Ethics and integrity
- Labor and employment practices and working conditions
- Environmental compliance and sustainability
- Product safety and security

This code of conduct, together with the Dufry Code of Ethics – available on the sustainability section of our corporate website – and the Corporate Governance and Remuneration reports included in the annual report, demonstrate how Dufry assumes its responsibility concerning social, ethical and environmental standards and how we put into practice the principles of sustainable development in our day-to-day work.

As we expect all of our suppliers and business partners to comply with the principles included in Dufry Supplier´s Code of Conduct, and ultimately to replicate these standards further down their supply chain, in 2018 we have in a first step proactively shared the Code with our top suppliers – who account for approx. 40 % of our sales. Out of the suppliers reached, we have received acknowledgement of our code from 82 % of them. During 2019 we will extend the reach and engage with more of our suppliers from all product categories.

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 ongoing success and makes Dufry a unique place to work and partner with.

Dufry offers attractive working environments, interesting tasks, fair and competitive wages – which include in-


EMPLOYEES BY DIVISION
31%
NORTH AMERICA
23%
LATIN AMERICA
14%
UK AND CENTRAL EUROPE
18%
SOUTHERN EUROPE AND AFRICA
12%
EASTERN EUROPE, MIDDLE EAST, ASIA AND AUSTRALIA
2%
HEADQUARTERS AND DISTRIBUTION CENTERS
EMPLOYEES BY GENDER
65%
FEMALE
35%
MALE

OVERVIEW EMPLOYEE STRUCTURE 2018

	HQ	Southern Europe and Africa	UK and Central Europe	Eastern Europe, Middle East, Asia and Australia	Latin America	North America	Total
FTEs	584	5,437	4,384	3,588	6,899	9,372	30,264
Headcounts	618	8,860	5,466	4,039	7,486	10,137	36,606

centive plans based on objectives both for office and store staff – and a general working atmosphere based on mutual respect and appreciation for each individual. Some of our locations have been recognized locally for the quality of the working conditions offered. An example of that is Dufry Americas, based in Miami (Florida – USA), recognized as a Top Workplace by Sentinel for three consecutive years (2015 – 2017) and Florida´s Best Companies award in 2017.

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 reviewing and discussing the professional development 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 their performance and identifying further personal development potential for next career steps.

Mentoring program

As part of the talent program, in 2018 Dufry launched a global mentoring program with the aim of transferring the skills and knowledge of Dufry's experienced professionals to talented professionals within our organization. More than 30 members of our senior leadership team, that represent 30 % of Dufry´s top management, have volunteered to act as mentors. Mentees have applied and have been assigned to mentors based on individual aspirations, identified areas of growth and personal interests to ensure mentees make the most of the program. This first mentoring program will span for the whole of 2019 and, if successful, will be extended to more professionals across the Group. The program will help participants (mentors and mentees) to gain sharper focus on what is needed to grow professionally and personally, to demonstrate strengths and explore their potential, better address their priorities, overcome challenges, develop leadership skills, increase career networks, and understand how to achieve a good work-life balance.

Grown to an organization with over 30,000 employees worldwide

In the past four years, our workforce has increased by 84 % from 16,423 employees at the beginning of 2014 to 30,264 people (FTE) by the end of 2018. 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 2018 with 30,264 people (FTE) working for the group at December 31, 2018 compared to 29,879 at year-end 2017.

Dufry's unique cultural diversity

Our workforce comprises colleagues from more than 130 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 view it as a key element in the successful development of our Group and in the implementation of our long-term growth strategy.

> Our staff in each country is predominantly made up of local people.

For our employees, our company represents 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 predominantly local. Dufry's presence in 65 countries around the world make us an important employer in many locations, many of them being located in emerging markets. This, in addition to bringing know-how on operating a business, contributes to local development and wealth beyond the community engagement projects (see also page 98).

DUFRY RETAIL TRAINING AND DEVELOPMENT PROGRAMS

SALES TRAINING PROGRAMS COVERAGE	2018	2017	2016	2015
Out in Front	427 retail managers 4,794 sales professionals	357 retail managers 5,656 sales professionals	392 retail managers 3,424 sales professionals	227 retail managers 1,431 sales professionals
Dufry +1	6,924 sales professionals	7,300 sales professionals	9,015 sales professionals	6,680 sales professionals
Trainer Certificates	177 trainer certificates	193 trainer certificates	166 trainer certificates	751 trainer certificates

ONEDUFRY – Transforming corporate culture
ONEDUFRY is the continuation of a cultural transformation process that started after the acquisitions of Nuance and World Duty Free in 2014 and 2015 respectively. These acquisitions did not just transform the dimension of the company, but also the way of working and doing business. The integration of the three companies into one served to extract the best practices and know-how and the creation of ONEDUFRY, a program aimed at harmonizing values and principles, both at store and office levels. The initiative pursues mobilizing our people to focus their minds, hearts and hands on three core domains: driving employee experience, driving customer experience and driving business results.

ONEDUFRY to harmonize values and principles.

Unlike the Business Operating Model, which aims to standardize processes, ONEDUFRY focusses on our values and makes them visible anywhere in the 65 countries we are present.

Therefore, ONEDUFRY is aligning training and development programs, appraisals and recognitions programs, competency frameworks, etc. all with the single objective of ensuring a consistent way of operating and fostering the same attitude of doing business across the different geographies.

Roll-out of the HR digital platform across the Group
During 2018 Dufry continued to roll out its Human Resources information system “Dufry Connect”, a tool that supports HR and line managers to manage people, development and careers at Dufry in a more consistent, automated and efficient way. The system implementation, which started in 2016 with the staff holding Global functions, continued with the roll-out in key operations in the Divisions during 2017. As part of the standardization of processes included in the implementation of the Business Operation Model (BOM), more locations at country and Division levels have been added.

Dufry Connect has the triple purpose of assisting managers in guiding their teams, helping employees to better control their development and professional careers and enabling HR to manage employee data easily.

From a practical standpoint, this tool provides a more consistent approach to processes such as recruiting or performance reviews, replacing the use of excel or paper documents for a more robust online system that can be updated and progressed, as and when needed.

Beyond the improved employee management processes, Dufry Connect´s learning feature, the platform´s central point for managing all learning materials, offers staff a library of self e-learning modules categorized by specific roles, or per function, as well as instructor-led courses that permit staff to self-design their training paths and to easily access training modules through a web browser, regardless of where the employee is located.

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 talent (for example in new countries where we start operations). Dufry operates a global, systematic process to identify high-potential talent in the organization and to develop them toward key roles in our business model.

The talent pipeline
We strongly believe that talent management and succession planning are key activities for a sustainable business. Accordingly, we develop new and existing candidates to get ready for more senior 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 already have management experience and that will be able to take over one of the senior positions in our organization. At year-end 2018, this pool of talented individuals included 70 high-potential managers. With these managers, we address and safeguard succession in specific key management positions.

- The second level focuses on our stores. Amongst the top-performing store personnel and supervisors, we have identified 42 "Retail talent" employees as of year-end 2018, 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 local and global level. In terms of global programs, our flagship initiatives are "Dufry Sales Academy" and "Step Ahead", with which we strive to 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 2018, Out in Front was running in 57 countries and has been expanded to 65 countries by year-end 2018. The learning program is being implemented across all operations and a total of 177 retail managers were trained as trainers in 2018.

In 2018, we completed the delivery of our integrated Dufry + 1 program to 6,924 team members and continued to educate new shop floor hires on our Dufry + 1 program across the entire Group in 65 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 was 177 at year-end 2018.

Step Ahead includes two programs, 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 programs launched in 2013 provide our managers with a formal education allowing them to assess their current capabilities and improve their role as a manager of teams. In 2018, 1.277 managers participated in our formal sessions covering several topics from the Step Ahead Management Skills suite.

In the Step Ahead Operational program we educated 70 managers from various functions in 2018.

Articulating cultural transformation with ongoing training
As part of the cultural transformation process (ONEDUFRY) previously mentioned, a number of training sessions have been put in place in all Dufry locations. Taking the "train-the-trainer" approach, two different sessions have been designed to accommodate the different needs and nature of their day-to-day work: one for Office Leaders and an extended one for Store Leaders. During 2018, 2,732 members of our staff were educated in the values of ONEDUFRY and the behaviors we expect from all our staff members. This represents 75% of the total workforce targeted.

Zero-tolerance policy on discriminatory abuse.

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, their 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 in an internal forum – Women@ Dufry – where we address today's challenges for women in their 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 represented by selected female executives of the company and HR management and is sponsored by the CEO.

Equal salary certification in Switzerland

Dufry achieved Equal Salary Certification for all functions and operations based in Switzerland at the beginning of 2019 thus demonstrating its commitment to diversity and inclusion in HR practices and initiatives.

EQUAL SALARY

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 country except 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 andCulinary 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 portrays individual employees or teams and their personal stories within Dufry's global environment. Dufry World is issued 4 times per year. Dufry World features also a section called the "Wall of Fame" to pay tribute to individuals that have gone beyond the ordinary either in their personal or in their professional lives, leading by example the rest of the Dufry employees.

"Wall of Fame" to pay tribute to Dufry employees.

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

Awards programs

Employee recognition is an important way to value employee and team achievements. With this is mind, In 2011, Dufry introduced the Dufry One Awards, a global award recognizing locations across the world that have taken initiatives to actively improve sales, efficiency or performance, contributing to Dufry's ambitions of best serving customers and continuous growth and improvement.

The Performance Award – A global award recognizing locations globally that have taken initiatives to actively improve sales, efficiency or performance, contributing to Dufry's ambition of continuous growth and improvement. The 2018 awards went to:
– Division 1 – Marrakech, Morocco
– Division 2 – Astana airport, Kazakhstan
– Division 3 – Bali airport, Indonesia
– Division 4 – Rio de Janeiro airport, Brazil
– Division 5 – Toronto, Canada

The Customer Service Award – Open to all shops participating in the global Mystery Shopper program, this award recognizes individual shop performance across the specific customer impact segments of the Mystery Shop. The winners of the 2018 awards were:
– Antalya airport operation, Turkey
– South Tenerife airport operation, Spain
– Edinburgh airport, Main store, United Kingdom
– Ezeiza International airport in Buenos Aires, Argentina, arrival store
– SeaTac airport operation, Seattle, USA

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 2018 awards went to:
– Division 1 – Antalya, Turkey
– Division 2 – Sweden
– Division 3 – Kuwait
– Division 4 – Brazil and the Beauty Americas team in Miami for a joint project in Sao Paulo
– Division 5 – Vancouver, Canada

The winners of the 2018 awards were announced in May and published in the employee corporate magazine, Dufry World, as well as on the company´s intranet, Dufry Gate.

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 30,000 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 involving in a survey. Applying this system results in regular surveys focusing on the action plans.

In 2016, we organized a global employee engagement survey which included over 28,000 employees, including staff of the – at that time – recently acquired World Duty Free. 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 shared specific results from the survey with their teams and co-worked to put together action plans to improve engagement. The next survey will take place during the first part of 2019 after completion of the Business Operating Model project.

Our employee surveys get excellent response and engagement rates.

Employee health & safety and airport security practices
The majority of our workforce operates in airport, port and cruise-ship environments, where as a basic prerequisite employees have to comply and follow the respective airport's, seaport's or vessel's safety rules as these environments are highly regulated. On top of this, Dufry has specific health & safety regulations for its employees.

The health and safety of our employees is a top priority at Dufry. We ensure work place safety by regular learning and training courses, among them courses in fire safety and first aid to provide staff with knowledge 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. 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 2018, for the third year running, Dufry was awarded with the RoSPA Gold Award by the Royal Society for the Prevention of Accidents (UK), a recognition for companies that achieve a very high level of performance, demonstrating well developed occupational health and safety management systems and culture, outstanding control of risk and very low levels of error, harm and loss; www.rospa.com/awards/winners/2018/gold-awards/

Airport security practices
Due to the nature of our business, most of our staff is located in an airport environment, either working in stores, in airport offices and or in airport warehouses. As part of the 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, members 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 ENGAGEMENT

Dufry places high importance on supporting charitable causes as a way of giving back to society. We have continued to be a sponsor of charitable organizations and partnerships across the world in 2018, as was the case for many years before. Dufry's support comes through by making direct donations to non-profit organizations and by encouraging employees to volunteer and participate in different projects. From participating in charitable sports activities to raising money with the sale of cakes baked by our employees, every little effort helps. Moreover, we also contribute by giving visibility and spreading the reach of the different institutions we work with.

In 2018, the main focus of our sponsorship programs remained on supporting disadvantaged children, young people and their families. They are often the weakest members of our society and the ones that need our support the most. We further provide help to charities that take care of victims of natural disasters, and support cultural as well as sports events.

SOS Children's Villages support programs in Brazil, Mexico and Russia

Dufry and SOS Children's Villages look back on nine years of successful partnership, strengthening families worldwide with the aim that no child should grow up alone. Dufry started to sponsor a project with preventive care in Igarassu, Brazil, back in 2009. The construction of a social center was a tangible example of investing in the care for children and youth. Dufry has been continuing to support the running costs and training classes of the center ever since. In 2018, our donation benefitted 468 infants, young children and teenagers with their mothers and enabled them to join family strengthening programs with child-minding and day care centers. In addition, we financed the yearly family-budgets, medical costs and school fees for 21 children in the SOS Children's Village of Igarassu.

In Russia, Dufry has been supporting the running costs of the SOS Children's Villages center in Lavrovo since 2015. Lavrovo lies in the heart of Russia, about 350 kilometers south of Moscow. In early 2016, SOS Children's Villages identified foster care as its priority form of child upbringing in Russia. Dufry's funding in 2018 supported 12 children during one year to receive a loving care and the requirements to shape their own future.

The programs of SOS Children's Villages in the social center in Tehuacán, Mexico, ensured that mothers have better opportunities to go to work and earn their own income while counting on day care solutions for their children. Fathers got rising awareness in educational matters and are better involved in family responsibility, improving the quality of family life for these families. Dufry's donations have been supporting the running costs of the social center in Tehuacán since 2013. The financial support covers expenses for food, school expenditures, medical assistance and educational staff. Dufry's contribution in 2018 supported 1,076 beneficiaries. The program was terminated in 2018. As a follow-up project within Mexico from 2019 onwards, Dufry will support the family strengthening programs in Comitán.

Investing in the care of children and youth.

Since 2013, Dufry runs an additional financing channel to the favor of the worldwide work of SOS Children's Villages by installing coin collection boxes in various Dufry shops all over the world. Dufry and SOS are evaluating new plans now to make the work of SOS Children's Villages even more tangible for Dufry shops, co-workers and partners. Each coin or note is a little milestone for the future of the children and youth at the different SOS Children's Villages projects.

One Water – sustainable clean water service for African communities

During 2018, World Duty Free / Dufry in the UK hit the £ 2 million mark raised for The One Foundation since the start of the partnership in 2006. World Duty Free has been one of The One Foundation's main commercial supporters, selling the charity's bottled "One Water" and branded jute bags in all of its UK airport stores. World Duty Free's donations have helped to bring clean, safe water to over 400,000 people in Africa (mainly Rwanda and Malawi) so far.

Over the years, employees throughout World Duty Free have been selected to go on trips to Malawi as part of a staff incentive to celebrate stores that have shown the most growth in terms of sales. Employees that have been nominated to go on the trip are real advocates for the brand, and the travels are a change for them to see the work that One Water is doing. These journeys to Africa are a great way to inspire our staff to get involved and keep supporting the One Water projects.

United Nations' global campaign #YouNeedToKnow

Dufry continued supporting the United Nations' campaign #YouNeedToKnow, aimed at raising awareness for their Agenda 2030 and the 17 Sustainable Development Goals (SDGs) agreed by all 193 nations in 2015. Since the collaboration started in 2016, Dufry has helped to spread the word by giving visibility to the 17 SDGs and the #YouNeedToKnow campaign in 34 airports where Dufry operates, reaching over 55 million passengers during the activations.

The high diversity of airport users – from many different nationalities – permits amplifying the reach of any communication campaign. By using the in-store and till screens or through interaction with passengers to engage them to share the #YouNeedToKnow hashtag on their social media, Dufry has collaborated in this important mission of moving individuals to adopt more sustainable habits in their day-to-day lives.

Compared to previous years, the campaign itself has evolved. Out of the 17 SDGs, the UN has developed a booklet "170 daily actions to transform our world", that offers examples of small and incremental – but also fundamental – changes everyone can adopt to live responsibly and to be accountable to the next generation. The booklet was distributed throughout Zurich airport during activities that took place in January 2018, just in time to grab the attention of attendees of the World Economic Forum in Davos. These 170 daily actions are the core part of the activities that Dufry plans to take to further airports in collaboration with the UN, aside from internal initiatives to promote them amongst our own Dufry staff.

Kinder-Spitex and Foundation RgZ in the canton of Zurich

Dufry continued its on-going support to Kispex (Kinder-Spitex) by raising funds for this Zurich-canton based charity. Kispex cares for acute and chronically ill children, children with a cognitive and motor impairment or after an accident, as well as children in their final stages of life. Dufry's donation served to partially cover the over CHF 1 million budget that Kispex requires for their activities. Money raised by Kispex through donations goes to fund the cover of additional missions in crisis situations, more night-watches when parents are particularly stressed, to finance assistance in hardship cases where the insurance partners are not responsible for the costs, though the parents urgently need help with the care of their child; and to support families in acute situations when the caregiver, e.g. the mother or father is ill and falls short in the care support.

In 2018, we also started to donate to Foundation RgZ, which has been supporting the development, way of life and social integration of children, teenagers and adults with movement disorders, developments problems and mental and/or multiple disabilities, regardless of the severity, for more than 60 years. Around 260 employees foster, teach, support and engage more than 2,700 children, young people and adults every year in the greater area of Zurich. The services include eight early childhood intervention and therapy centers for children, two schools for curative education, two day care centers, a sheltered workshop, several assisted housing apartments with social-educational support and one residential facility for adults.

Sponsoring children's education in Haiti

During 2018, Dufry continued its support to the Hand in Hand for Haiti Foundation with the sponsoring of their Student Sponsoring Program. Hand in Hand for Haiti runs the "Lycée Jean-Baptiste Pointe du Sable" which was built as part of the collective response to the humanitarian crisis in Haiti following the catastrophic earthquake of January 12, 2010. Located in the village of Saint Marc, north of Port-au-Prince, the school provides trilingual education in French, English and Creole to pupils. Dufry's donation in 2018 supported 25 students to receive free education and it also covered the costs of meals, health services, uniforms, school supplies, and bus transportation to and from the school.

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 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, uniforms, school and educational material, as well as transportation assistance. Dufry supports the students with their career progression too, alerting them to any job 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 23 years ago, the program has benefited almost 700 teenagers in total.

Dufry employees are 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.

Hudson Group supports Communities in Schools in the United States

Hudson Group, Dufry's North American business, continued its long-term partnership with Communities in Schools (CIS), the largest and leading dropout prevention group in the United States, in 2018 through its fund raising program.

CIS and its over 160 local affiliates in the United States. work directly inside schools, building relationships that empower at-risk students to stay in school and succeed in life. The organization works with nearly 1.5 million students and is proud of its success rate: 99% of their students stayed in school and 93% 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.

Manchester HOME project

Opened in 2015, HOME is Manchester's 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 in 1952. World Duty Free's partnership with the Greater Manchester Arts Centre (HomeMcr) supports work with local schools, youth centers and community centers in the Wythenshawe area (south of Manchester).

Since 2016, World Duty Free has funded workshops at The Wythenshawe Community Workshop and projects at the Wythenshawe Primary & Secondary School. These projects provide opportunities to young people and pupils to expand their horizons, build new skills, and increase their confidence. The opportunity for children and young people to take part in creative workshops that help to develop a range of skills, are fun, but most importantly, the projects give the group a chance to maximize their potential for future training and employment.

Three years of continued support for Alzheimer's Research UK

Tragically, there are 50 million people worldwide living with dementia, yet there are currently no treatments available to clearly slow down or stop the diseases, like Alzheimer's, that cause it. Only through research will the picture change.

Despite the crippling impact dementia has on families and society, research into the condition is still extremely low compared to other serious conditions. That's why Alzheimer's Research UK exists. It is Europe's largest dementia research charity, funding pioneering dementia research to understand, diagnose, reduce the risk and treat the condition. World Duty Free has been supporting the Alzheimer's Research UK cause for the past three years.

Mind – a new charity partner in the UK for 2019

Dufry UK employees select the charity partner that the company collaborates with every three years. Mind was selected as Dufry's charity partner for the 2019-2021 period, starting as of January 1, 2019. Mind provides life-changing information, advice and support to individuals suffering from mental health problems, through online information, helplines and 130 local Minds who deliver intensive face-to-face support such as counseling and therapy. By sponsoring different activities and with donations raised in the upcoming three-year period, Dufry expects to finance part of the funds that will be necessary to support over 20,000 people through the helpline, enable more than 10,000 people to attend group support sessions and provide over 1,300 people struggling with mental health a place in a 10-week wellbeing group.

Further donations and cultural events

Dufry supports many other social projects with local activities in countries where it operates. In Spain,

1

1

1

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

2

3

2 **IGARASSU | BRAZIL**
Being taken care of in the SOS Children's Village of Igarassu.

3 **COMITÁN | MEXICO**
Dufry will begin supporting the SOS Children's Villages project in Comitán in 2019, as a follow-up project on its earlier support for the social center in Tehuacán.

Dufry employees from Barcelona, Bilbao, Madrid, Sevilla and Valencia operations participated in several running events organized by Action Against Hunger in the Intercompany Challenge in the months of October and November 2018. For every kilometer run by a Dufry employee, the company funded 10 days of child nutrition treatments. With their efforts on the track, Dufry runners managed to raise over 5,600 days of nutritional treatments, equivalent to covering the treatment of 560 children with severe malnutrition. Furthermore, Dufry also supported a paddle-tennis tournament to raise funds for Project M1, a Spanish NGO for the investigation of Multiple Sclerosis. Madrid-based staff volunteered to organize the tournament, which managed to attract over 150 participants and a large number of attendees to the event.

In Turkey, Dufry entered a charity run with 41 employees. The aim was to raise awareness about the importance of education for children with autism and the Dufry team managed to collect funds to support their education. Dufry also collaborated with WWF and supported their Green Office program. The goal of this program is to reduce the ecological footprint, combat climate change, and promote sustainable lifestyles in offices and beyond.

In Greece, Dufry continued its long-term partnership with the Hellenic Red Cross, supporting their refugees program by giving monetary support and donating products in stock to the organization for their use in lotteries and raffles to raise funds.

In Mexico, Dufry teamed up with Generation for a special recruitment program. Worldwide, more than 75 million young people are unemployed. Many employers cannot find people with the skills they need for entry-level jobs. In September 2018, Dufry Mexico along with Generation Mexico worked in a special recruitment program which created 25 jobs. The recruitment program took place in "Los Reyes" a surrounding area in Mexico City with a high level of unemployment. A group of 25 young people was selected to receive a three week intensive training program which included sales techniques, retail insights and customer service. After the training program the group of 25 took the position of sales associates inside Dufry shops at Mexico City International Airport.

In Australia, Dufry is a supporter of the Diamond Dinner for the Children's Cancer Institute. In 2018, this fundraising event once again brought together over 250 high-net worth individuals, celebrities and industry leaders to support the work of the institute that is wholly dedicated to childhood cancer.

In Korea, through different donations we support local students with high school scholarships, English classes for children of low-income families as well as Korean language teaching for multicultural families. In Jordan, SOS Children's Villages was supported by Dufry employees joining an entertainment trip for orphans and adoptive parents. The activity benefitted 20 children and 6 mothers. In Indonesia, 15 Dufry employees provided mental and physical support to about 100 refugees who suffered from the Mount Agung volcano eruption at a refugee campsite.

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

Having a broad and worldwide network of travel retail shops not only has an advantage for Dufry as the leader in our industry, but it also gives us a unique opportunity to spread the support of social programs worldwide: 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 truly surprising and we thank all participants for their generous donations. The charities that we pass them over to welcome them greatly.

Last but not least, there is a long list of causes our staff contribute to and help with their efforts, either by baking cakes for selling, looking for sponsors for sports challenges, or by helping colleagues and neighbors affected by natural catastrophes. Dufry has often facilitated the communication and the celebration of such events and in some cases, also contributed and helped raising funds for these causes.


MARTELL
CHAMPAGNE

FINANCIAL REPORT 2018

DUFRY

WorldClass.WorldWide.

DELIVERING ON OUR GOALS
DEAR ALL

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

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

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

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

3.7%

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

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

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

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

TURNOVER

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

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

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

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

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

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

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

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

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

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

RESILIENT FINANCIALS IN A VOLATILE YEAR

Gross profit

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

Selling expenses

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

Personnel and general expenses

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

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

EBITDA

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

Depreciation, amortization, impairment and linearization

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

Linearization amounted to CHF –47.7 million in 2018. Linearization is a non-cash item related to the Spanish business and originates from the difference between the average minimum guarantee (MAG) over the full concession period and the effective MAG payable in the period. This item also includes the reduction in concession payments granted based on an upfront payment (prepaid lease) related to the Spanish contracts.

EBIT

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

Financial result

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

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

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

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

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

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

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

A LOT DONE IN 2018; MORE TO COME IN 2019

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

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

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

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

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

Kind regards,

Andreas Schneiter

CONSOLIDATED INCOME STATEMENT

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

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

FINANCIAL STATEMENTS 2018 CONTENT

CONSOLIDATED INCOME STATEMENT

FOR THE YEAR ENDED DECEMBER 31, 2018

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

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED DECEMBER 31, 2018

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT DECEMBER 31, 2018

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED DECEMBER 31, 2018

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED DECEMBER 31, 2018

		ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT									
IN MILLIONS OF CHF	NOTE	Share capital	Share premium	Treasury shares	Employee benefit reserve	Hedging & revaluation reserves	Translation reserves	Retained earnings	TOTAL	NON-CONTROLLING INTERESTS	TOTAL EQUITY
Balance at January 1, 2017		**269.4**	**4,259.3**	**(15.0)**	**(36.7)**	**1.6**	**(250.4)**	**(1,166.2)**	**3,062.0**	**208.6**	**3,270.6**
Profit of the period		–	–	–	–	–	–	56.8	56.8	54.1	110.9
Other comprehensive income / (loss)	15	–	–	–	9.8	(1.6)	(15.1)	0.1	(6.8)	5.3	(1.5)
Total comprehensive income / (loss) for the period		**–**	**–**	**–**	**9.8**	**(1.6)**	**(15.1)**	**56.9**	**50.0**	**59.4**	**109.4**
TRANSACTIONS WITH OR DISTRIBUTIONS TO SHAREHOLDERS:											
Dividends to non-controlling interests		–	–	–	–	–	–	–	–	(57.3)	(57.3)
Assignment of treasury shares	24.3	–	–	2.5	–	–	–	(2.5)	–	–	–
Share-based payments	24	–	–	–	–	–	–	22.5	22.5	–	22.5
Tax effect on equity transactions	14	–	–	–	–	–	–	(0.5)	(0.5)	–	(0.5)
Total transactions with or distributions to owners		**–**	**–**	**2.5**	**–**	**–**	**–**	**19.5**	**22.0**	**(57.3)**	**(35.3)**
CHANGES IN OWNERSHIP INTERESTS IN SUBSIDIARIES:											
Changes in participation of non-controlling interests	23	–	–	–	–	–	–	(3.9)	(3.9)	15.4	11.5
Balance at December 31, 2017		**269.4**	**4,259.3**	**(12.5)**	**(26.9)**	**–**	**(265.5)**	**(1,093.7)**	**3,130.1**	**226.1**	**3,356.2**

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2018

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

CONSOLIDATED STATEMENT OF CASH FLOWS

(CONTINUED)

FOR THE YEAR ENDED DECEMBER 31, 2018

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2018

1. CORPORATE INFORMATION

Dufry AG (the Company) is a publicly listed company with headquarters in Basel, Switzerland. The Company is the world's leading travel retail company. It operates around 2,300 shops worldwide. The shares of the Company are listed on the Swiss Stock Exchange (SIX) in Zurich.

The consolidated financial statements of Dufry AG and its subsidiaries (Dufry or the Group) for the year ended December 31, 2018 and the respective comparative information were authorized for public disclosure in accordance with a resolution of the Board of Directors of the Company dated March 6, 2019, and are subject to the approval of the Annual General meeting to be held on May 9, 2019.

2. ACCOUNTING POLICIES

2.1 BASIS OF PREPARATION

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

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

2.2 BASIS OF CONSOLIDATION

The consolidated financial statements of Dufry comprise all entities directly or indirectly controlled by Dufry (its subsidiaries) as at December 31, 2018 and the respective comparative information.

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

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

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

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

2.3 CORRECTION OF THE 2017 CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Any contingent consideration to be transferred by the acquirer will be recognized at fair value at the acquisition date. Thereafter any change in the fair value of the contingent consideration not classified as equity will be recognized through the income statement.

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

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

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

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

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

c) Cost of sales

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

d) Personnel expenses

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

e) Foreign currency translation

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

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

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

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

Principal foreign exchange rates applied for valuation and translation:

	AVERAGE RATE		CLOSING RATE	
IN CHF	2018	2017	31.12.2018	31.12.2017
1 USD	0.9784	0.9841	0.9814	0.9743
1 EUR	1.1547	1.1119	1.1259	1.1692
1 GBP	1.3055	1.2684	1.2524	1.3170

f) Other operational result

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

g) Linearization

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

h) Equity instruments

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

i) Share capital

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

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

j) Pension and other post-employment benefit obligations

The employees of the subsidiaries are eligible for retirement, invalidity and death benefits under local social security schemes prevailing in the countries concerned and defined benefit or defined contribution plans provided through separate funds, insurance plans, or unfunded arrangements. The pension plans are either funded through regular contributions made by the employer or the employee or unfunded. The cost of providing benefits under defined benefit plans is determined using the projected unit credit method. The plan assets are valued at fair value.

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

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

Net interest is calculated by applying the discount rate to the net defined benefit obligation (asset). Dufry recognizes the following changes in the net defined benefit obligation in the income statement:
- Service costs comprising current service costs are disclosed under "personnel expenses". Past service costs, gains and losses on curtailments and non-routine settlements are shown under "other operational result"
- Net interest expense or income under "interest expenses or income"

Based on pension legislation of certain countries the employer and / or the employees have the obligation to remedy any default situation of the pension foundation, which usually would result in higher periodic contributions. At the balance sheet date, there was no such default situation. The actuarial calculations based on IAS 19 resulted in a defined benefit obligation / asset as presented in note 31.

k) Share-based payments

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

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

l) Taxation

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

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

Current income tax

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

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

Deferred tax

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

Deferred tax liabilities are recognized for all taxable temporary differences, except:

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

Deferred tax assets are recognized for all deductible temporary differences, the carry forward of unused tax credits or tax losses. Deferred tax assets are recognized to the extent that it is probable that taxable profit will be available, against which the deductible temporary differences and the carry forward of unused tax credits and unused tax losses can be utilized, except:

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

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

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

m) Property, plant and equipment

These are stated at cost less accumulated depreciation and any impairment in fair value. Depreciation is computed on a straight-line basis over the shorter of the estimated useful life of the asset or the lease term. The useful lives applied are as follows:

- Real estate (buildings) 20 to 40 years
- Leasehold improvements the shorter of the lease term or 10 years
- Furniture and fixtures the shorter of the lease term or 5 years
- Motor vehicles the shorter of the lease term or 5 years
- Computer hardware the shorter of the lease term or 5 years

n) Intangible assets

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

o) Software

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

p) Impairment of non-financial assets

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

q) Associates

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

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

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

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

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

r) Inventories

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

s) Trade and credit card receivables

These accounts include receivables related to the sale of merchandise.

t) Cash and cash equivalents

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

u) Provisions

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

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

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

Contingent liabilities acquired in a business combination

Contingent liabilities acquired in a business combination are initially measured at fair value at the acquisition date. At the end of subsequent reporting periods, such contingent liabilities are measured at the higher of the amount that would be recognized in accordance with IAS 37 Provisions, contingent liabilities and contingent assets and the amount initially recognized less cumulative amortization recognized in accordance with IFRS 15 Revenue.

Onerous contracts

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

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

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

v) Investments and other financial assets
(i) Classification
From January 1, 2018, the group classifies its financial assets in the following measurement categories:
- those to be measured subsequently at fair value (either through OCI or through profit or loss), and
- those to be measured at amortized cost.

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

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

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

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

Debt instruments

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

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

Equity instruments

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

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

(iv) Impairment of financial assets

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

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

(vi) Accounting policies applied until December 31, 2017
The group has applied IFRS 9 by using the retrospective method, but has elected not to restate comparative information. As a result, the comparative information provided continues to be accounted for in accordance with the group's previous accounting policy.

Classification
Until December 31,2017, the group classified its financial assets in the following categories:
- financial assets at fair value through profit or loss,
- loans and receivables,
- held-to-maturity investments (not applicable to Dufry at this date), and
- available-for-sale financial assets (not applicable to Dufry at this date).

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

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

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

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

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

improvement in the debtor's credit rating), the reversal of the previously recognized impairment loss was recognized in profit or loss. Impairment testing of trade receivables is described in note 21.

w) Financial liabilities

i) Financial liabilities at FVPL

These are stated at fair value, with any gains or losses arising on re-measurement recognized in the income statement. The net gain or loss recognized in the consolidated income statement incorporates any interest paid on the financial liability and is included in the financial result in the income statement. Fair value is determined in the manner described in note 33.

ii) Other financial liabilities

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

iii) Derecognition of financial liabilities

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

iv) Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, to realize the assets and settle the liabilities simultaneously (see note 27.1).

x) Derivatives and hedging activities

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

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

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

Cash flow hedges that qualify for hedge accounting

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

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

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

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

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

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

Net investment hedges

Hedges of net investments in foreign operations are accounted for similarly to cash flow hedges. Any gain or loss on the hedging instrument relating to the effective portion of the hedge is recognised in other comprehensive income and accumulated in reserves in equity. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss within other gains / (losses). Gains and losses accumulated in equity are reclassified to profit or loss when the foreign operation is partially disposed of or sold. See notes 26.1 and 26.2 for further details.

Derivatives that do not qualify for hedge accounting

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

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

2.5 CHANGES IN ACCOUNTING POLICY AND DISCLOSURES

New and amended standards and interpretations
The accounting policies adopted are consistent with those of the previous financial year, except for the revised Standards and the Interpretations adopted in these financial statements (effective January 1, 2018). The impact is disclosed in note 42.

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

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

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

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

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

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

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

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

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

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

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

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

Dufry considered the following aspects:

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

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

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

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

3. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

KEY SOURCES OF ESTIMATION UNCERTAINTY

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

Concession rights
Concession rights acquired in a business combination are measured at fair value as at the date of acquisition. The useful lives of operating concessions are assessed to be either finite or indefinite based on individual circumstances and are considering extensions and renewals. The useful lives of operating concessions are reviewed annually to determine whether the indefinite useful life assessment for those concessions continues to be sustainable.

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

Onerous contracts
Some of the long-term concession agreements described above include clauses to prevent early termination, such as obligations to fulfill guaranteed minimal payments during the full term of the agreement. The conditions for an onerous contract will be met, when such a contract presents a non-profitable outlook. In this event, a provision based on the present value of the unavoidable future negative cash flows expected by the management is established. The unavoidable costs are the lower of the costs of fulfilling it and any compensation or penalties arising from failure to fulfil it. Further details are given in note 30.

Brands and goodwill
Dufry tests these items annually for impairment. The underlying calculation requires the use of estimates. The comments and assumptions used are disclosed in notes 17.1.1 and17.1.4.

Income taxes
Dufry is subject to income taxes in numerous jurisdictions. Significant judgment is required in determining the worldwide provision for income taxes. There are many transactions and calculations for which the ultimate tax assessment is uncertain. Dufry recognizes liabilities for tax audit issues based on estimates of whether additional taxes will be payable. Where the final tax outcome is different from the amounts that were initially recorded, such differences will impact the income tax or deferred tax provisions in the period in which such assessment is made. Further details are given in notes 14 and 29.

Deferred tax assets

Deferred tax assets are recognized for unused tax losses and deductible temporary differences to the extent that it is probable that taxable profit will be available against which the losses can be utilized. Management judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and level of future taxable profits. Further details are given in note 29.

Provisions

Management makes assumptions in relation to the expected outcome and cash outflows based on the development of each individual case. Further details are given in note 30.

Share-based payments

Dufry measures the cost of equity settled transactions with employees by reference to the fair value of the equity instruments at the grant date. Estimating such fair values require determining the most appropriate valuation model for a grant of equity instruments, which depends on the terms and conditions of the grant, as well as, the most appropriate inputs to the valuation model including the expected probability that the triggering clauses will be met. The result will be the expected quantity of shares to be assigned. The assumptions and models used are disclosed in note 24.

Pension and other post-employment benefit obligations

The cost of defined benefit pension plans is determined using actuarial valuations. The actuarial valuation involves assumptions about discount rates, future salary and pension increases as well as mortality rates. Due to the long-term nature of these plans, such estimates are subject to significant uncertainty. Further details are given in note 31.

Purchase price allocation

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

Consolidation of entities where Dufry has control, but holds only minority voting rights

Dufry considers controlling certain entities, even when it holds less than the majority of the voting rights, when it is exposed to or has the rights to variable returns from the involvements with the investee and has the ability to affect those returns through its power over the entity. These indicators are evaluated at the time of first consolidation and reviewed when there are changes in the statutes or composition of the executive board of these entities. Further details on non-controlling interests are disclosed in notes 25 and 25.1 as well as the Annex “Most important subsidiaries”.

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

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

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

To contain a lease, an agreement has to convey the right to control the use of an identified asset throughout the period of use in exchange for consideration, so that the customer has the right to obtain substantially all of the economic benefits from the use of the identified asset; and direct the use of the identified asset (i. e. direct how and for what purpose the asset is used). The lease term corresponds to the non-cancellable period of each contract, except in cases where the Group is reasonably certain of exercising renewal options contractually foreseen. Right-of-use assets are capitalized at a value equivalent to the lease obligation at inception and depreciated over the useful life of the asset, except for leases with a remaining useful life of less than 12 months and leases of low value assets.

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

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

The standard will mainly affect the accounting of:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

New definitions

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

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

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

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

5. SEGMENT INFORMATION

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

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

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

	TURNOVER				
2017 IN MILLIONS OF CHF	**with external customers**	**with other divisions**	**TOTAL**	**EBITDA***	**FULL TIME EQUIVALENTS**
Southern Europe and Africa	1,857.8	–	1,857.8	240.6	5,338
UK and Central Europe[1]	1,945.1	–	1,945.1	240.6	4,408
Eastern Europe, Middle East, Asia and Australia[1]	1,011.4	–	1,011.4	95.9	3,387
Latin America	1,694.0	–	1,694.0	122.9	7,298
North America	1,771.5	–	1,771.5	194.7	8,894
Distribution Centers	97.6	1,114.1	1,211.7	112.4	554
Total divisions	**8,377.4**	**1,114.1**	**9,491.5**	**1,007.1**	**29,879**
Eliminations	–	(1,114.1)	(1,114.1)	–	–
Dufry	**8,377.4**	**–**	**8,377.4**	**1,007.1**	**29,879**

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

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

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

Financial Position and other disclosures

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

31.12.2017 IN MILLIONS OF CHF	TOTAL ASSETS	TOTAL LIABILITIES	INCOME TAX (EXPENSE) / INCOME	CAPITAL EXPENDITURE PAID	DEPRECIATION AND AMORTIZATION	OTHER NON-CASH ITEMS*
Southern Europe and Africa[1]	2,447.8	692.9	(28.2)	(34.9)	(138.0)	16.9
UK and Central Europe[2]	2,298.7	566.0	(28.2)	(27.2)	(114.8)	1.4
Eastern Europe, Middle East, Asia and Australia[2]	627.2	241.3	(0.2)	(30.4)	(59.9)	(103.6)
Latin America	1,786.7	376.6	5.5	(59.9)	(144.7)	(20.7)
North America[1]	1,438.5	232.6	(25.9)	(86.7)	(107.1)	12.1
Distribution Centers	1,014.4	270.8	(1.6)	(0.5)	(2.2)	13.4
Total divisions	**9,613.3**	**2,380.2**	**(78.6)**	**(239.6)**	**(566.7)**	**(80.5)**
Unallocated positions	377.5	4,254.4	(12.4)	(46.4)	(16.1)	55.2
Dufry	**9,990.8**	**6,634.6**	**(91.0)**	**(286.0)**	**(582.8)**	**(25.3)**

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

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

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

Reconciliation of earnings

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

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

Reconciliation of assets

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

[1] Includes notional Cash Pool overdrafts at Headquarter

Reconciliation of liabilities

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

6. HUDSON IPO

Prior to the completion of the secondary initial public offering, Dufry International AG created Hudson Ltd, a fully owned subsidiary in Bermuda, to hold all the shares of Dufry America Holding, Inc. the parent entity of the Hudson Group (HG), Inc. in the USA and Canada, as well as The Nuance Group (Canada), Inc. the parent entity of WDFG Vancouver LP. All these operations comprise Dufry's North America division. On January 31, 2018, the initial public offering (IPO) took place in which Dufry International AG offered 42.6% or 39,417,765 Class A common shares of Hudson Ltd at a public offering price of USD 19.00 per share, adding up to a gross income of CHF 697.4 (USD 748.9) million. The underwriting discounts and commissions incurred were CHF 32.2 (USD 34.5) million, resulting in proceeds of CHF 665.2 (USD 714.4) million. The shares began trading on the New York Stock Exchange on February 1, 2018, under the ticker symbol "HUD". Dufry used the proceeds mainly to reduce the bank debt. The gain of this transaction after transaction expenses amounted to CHF 439.5 million and will have no material income tax effect. After the IPO Dufry retained the control of Hudson Ltd, as the shares offered through the IPO represented less than 50% of the total in terms of shares or voting rights.

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

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

7. NET SALES

Net sales by product categories:

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

Net sales by market sector:

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

Net sales by channel:

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

8. SELLING EXPENSES

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

Dufry pays concession fees to landlords for lease of shops at airports or other similar locations. Such fees are usually determined in proportion to sales or as a fee based on a criteria, such as passengers, square meters or other operating performance indicators. Note 4 explains changes in accounting policy as of January 1, 2019 in relation to these leases.

9. PERSONNEL EXPENSES

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

10. GENERAL EXPENSES

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

11. DEPRECIATION, AMORTIZATION AND IMPAIRMENT

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

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

[2] In 2017, after the annual impairment test of Dufry, the Group has partially impaired concession rights in Southern Europe and Africa for CHF 40.9 million, as the expected sales level used for the projection has not been materialized and concession rights in Asia, Middle East and Australia for the amount of CHF 25 million as Dufry has not been able to secure the extension of the contract.

12. OTHER OPERATIONAL RESULT

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

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

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

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

13. INTEREST

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

14. INCOME TAXES

INCOME TAX RECOGNIZED IN THE CONSOLIDATED INCOME STATEMENT

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

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

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

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

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

The expected tax rate in % approximates the average income tax rate of the countries where the Group is active, weighted by the profitability of the respective operations. For 2018, the most important change in tax rate related to the reduction of the federal US corporate income tax rate. A gradual tax rate change of the Greek current income tax rate from currently 29% to perspectively 25% was enacted in December 2018, which resulted in a deferred tax income of CHF 11.6 millions. In December 2017, a significant decrease of the US federal income tax rate has been enacted, applicable for the year 2018 and onwards. The reduction in the U.S. federal corporate income tax rate from 35% to 21% resulted in a net downward adjustment of CHF 41.1 million in relation to deferred taxes.

DEFERRED INCOME TAX RECOGNIZED IN OTHER COMPREHENSIVE INCOME / EQUITY

IN MILLIONS OF CHF	2018	2017
RECOGNIZED IN OTHER COMPREHENSIVE INCOME		
Actuarial gains / (losses) on defined benefit plans	(1.8)	(1.0)
Total	**(1.8)**	**(1.0)**
RECOGNIZED IN EQUITY		
Tax effect on share-based payments	5.3	(0.5)
Total	**5.3**	**(0.5)**

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

15. COMPONENTS OF OTHER COMPREHENSIVE INCOME

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

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

16. PROPERTY, PLANT AND EQUIPMENT

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

2017 IN MILLIONS OF CHF	LEASEHOLD IMPROVE-MENTS	BUILDINGS	FURNITURE FIXTURES	COMPUTER HARDWARE	VEHICLES	WORK IN PROGRESS	TOTAL
AT COST							
Balance at January 1	**481.9**	**39.0**	**457.6**	**62.3**	**8.6**	**41.1**	**1,090.5**
Additions	64.7	0.3	30.0	12.9	1.0	105.8	214.7
Disposals	(47.5)	(0.8)	(34.3)	(5.5)	(1.1)	(0.5)	(89.7)
Reclassification within classes[1]	84.9	2.0	(2.6)	7.9	0.2	(87.8)	4.6
Reclassification to intangible assets	(0.2)	–	–	(2.2)	–	–	(2.4)
Currency translation adjustments	(14.6)	2.8	(11.5)	(4.0)	(0.3)	–	(27.6)
Balance at December 31	**569.2**	**43.3**	**439.2**	**71.4**	**8.4**	**58.6**	**1,190.1**
ACCUMULATED DEPRECIATION							
Balance at January 1	**(209.0)**	**(11.1)**	**(192.1)**	**(37.7)**	**(5.3)**	**–**	**(455.2)**
Additions (note 11)	(76.7)	(3.7)	(67.3)	(11.5)	(1.1)	–	(160.3)
Disposals	43.8	–	29.5	5.3	1.1	–	79.7
Reclassification within classes	(4.2)	(0.1)	4.8	(0.5)	–	–	–
Reclassification to intangible assets	–	–	–	0.1	–	–	0.1
Currency translation adjustments	8.4	(0.7)	11.3	3.6	0.1	–	22.7
Balance at December 31	**(237.7)**	**(15.6)**	**(213.8)**	**(40.7)**	**(5.2)**	**–**	**(513.0)**
IMPAIRMENT							
Balance at January 1	**(0.6)**	**(0.3)**	**(5.1)**	**–**	**–**	**–**	**(6.0)**
Impairment	(2.9)	–	(0.2)	(0.2)	–	–	(3.3)
Reversal of impairment	0.3	0.1	4.1	0.1	0.1	–	4.7
Net impairment (note 11)	**(2.6)**	**0.1**	**3.9**	**(0.1)**	**0.1**	**–**	**1.4**
Disposals	0.1	–	–	–	–	–	0.1
Reclassification within classes[1]	(0.3)	–	(4.1)	(0.1)	(0.1)	–	(4.6)
Currency translation adjustments	(0.3)	–	0.2	–	–	–	(0.1)
Balance at December 31	**(3.7)**	**(0.2)**	**(5.1)**	**(0.2)**	**–**	**–**	**(9.2)**
CARRYING AMOUNT							
At December 31, 2017	**327.8**	**27.5**	**220.3**	**30.5**	**3.2**	**58.6**	**667.9**

[1] In connection with the reversal of the onerous contract of Lenrianta LLC, assets for a value of CHF 4.6 millions have been reinstated.

Cash flow used for purchase of property, plant and equipment

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

17. INTANGIBLE ASSETS

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

2017 IN MILLIONS OF CHF	CONCESSION RIGHTS Indefinite lives	 Finite lives	BRANDS	OTHER	TOTAL	GOODWILL
AT COST						
Balance at January 1	**42.9**	**4,883.2**	**269.7**	**207.1**	**5,402.9**	**2,615.3**
Additions (note 17.1.5)	–	23.4	–	57.8	81.2	–
Disposals	–	(7.9)	–	(8.0)	(15.9)	–
Reclassification from property, plant & equipment	–	0.2	–	2.2	2.4	–
Currency translation adjustments	4.0	85.2	8.5	(3.3)	94.4	55.3
Balance at December 31	**46.9**	**4,984.1**	**278.2**	**255.8**	**5,565.0**	**2,670.6**
ACCUMULATED DEPRECIATION						
Balance at January 1	**–**	**(1,092.3)**	**(3.3)**	**(123.0)**	**(1,218.6)**	**–**
Additions (note 11)	–	(325.4)	–	(33.8)	(359.2)	–
Disposals	–	7.8	–	7.7	15.5	–
Reclassification	–	0.3	–	(0.3)	–	–
Reclassification from property, plant and equipment	–	–	–	(0.1)	(0.1)	–
Currency translation adjustments	–	1.2	–	1.9	3.1	–
Balance at December 31	**–**	**(1,408.4)**	**(3.3)**	**(147.6)**	**(1,559.3)**	**–**
IMPAIRMENT						
Balance at January 1	**–**	**(12.0)**	**–**	**–**	**(12.0)**	**(1.0)**
Impairment	–	(65.9)	–	–	(65.9)	(0.6)
Reversal of impairment	–	1.8	–	–	1.8	–
Net impairment (note 11)	**–**	**(64.1)**	**–**	**–**	**(64.1)**	**(0.6)**
Currency translation adjustments	–	(0.5)	–	–	(0.5)	–
Balance at December 31	**–**	**(76.6)**	**–**	**–**	**(76.6)**	**(1.6)**
CARRYING AMOUNT						
At December 31, 2017	**46.9**	**3,499.1**	**274.9**	**108.2**	**3,929.1**	**2,669.0**

17.1 IMPAIRMENT TEST

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

17.1.1 Impairment test of goodwill

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

IN MILLIONS OF CHF	31.12.2018	31.12.2017
Southern Europe and Africa	501.5	522.9
UK and Central Europe	1,011.7	1,053.3
Eastern Europe, Middle East, Asia and Australia	87.5	85.7
Latin America	652.7	645.9
North America	306.1	319.2
Distribution Centers	42.0	42.0
Total carrying amount of goodwill	**2,601.5**	**2,669.0**

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

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

CASH GENERATING UNITS IN PERCENTAGE (%)	POST TAX DISCOUNT RATES 2018	POST TAX DISCOUNT RATES 2017	PRE TAX DISCOUNT RATES 2018	PRE TAX DISCOUNT RATES 2017	GROWTH RATES FOR NET SALES 2018	GROWTH RATES FOR NET SALES 2017
Southern Europe and Africa	7.72	7.63	8.90	8.61	4.1 – 4.8	4.0 – 6.5
UK and Central Europe	5.55	5.79	6.14	6.34	3.1 – 4.9	1.7 – 3.4
Eastern Europe, Middle East, Asia and Australia	8.76	8.20	10.06	9.07	6.0 – 10.6	7.6 – 8.5
Latin America	9.11	9.24	10.14	9.95	4.3 – 6.3	8.0 – 12.6
North America	7.13	7.27	8.91	8.79	4.9 – 5.7	4.3 – 5.6

As basis for the calculation of these discount rates, the Group uses the weighted average cost of capital, based on the following risk free interest rates (derived from past 5 year average of prime 10-year bonds rates): CHF (0.21%), EUR 0.30%, USD 2.18% (2017: CHF 0.04%, EUR 0.64%, USD 2.23%)

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

	2018	2017
Beta factor	0.97	0.85

Sensitivity analysis to changes in assumptions

With regard to the assessment of value-in-use, Dufry believes that no reasonably possible change (+/–1%) in any of the above key assumptions would cause the recoverable amount of the concession rights to materially fall below the carrying amount, except for the goodwill allocated to the division Latin America, where an increase of the risk free rate by 1%, would result in the carrying amount exceeding the recoverable amount by CHF 30.9 million.

17.1.2 Impairment test of concession rights with indefinite useful lives

Concession rights are tested for impairment purposes at company level, which represents the cash generating unit. At present, the concession rights with indefinite useful lives of EUR 40.1 (2017: 40.1) million relate to our Italian operations where the concessions are granted by the non-controlling interest holder.

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

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

	POST TAX DISCOUNT RATES		PRE TAX DISCOUNT RATES		GROWTH RATES FOR NET SALES	
CONCESSION RIGHTS IN PERCENTAGE (%)	2018	2017	2018	2017	2018	2017
Italy	7.55	7.63	8.53	8.61	0.4 – 3.6	4.1 – 6.6

Sensitivity to changes in assumptions

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

17.1.3 Key assumptions used for value-in-use calculations

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

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

Sales growth

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

Growth rates used to extrapolate

For the period after 5 years, Dufry has used a growth rate of 1.0 % – 2.0 % (2017: 2.0 % – 3.0 %) to extrapolate the cash flow projections.

Gross margins

The expected gross margins are based on average product assortment values estimated by the management for the budget 2019. These values are maintained over the planning period or where specific actions are planned and have been increased or decreased by up to 1 % over the 5 year planning horizon compared to the historical data. The gross margin is also affected by supplier's prices. Estimates are obtained from global negotiations held with the main suppliers for the products and countries for which products are sourced, as well as data relating to specific commodities during the months before the budget.

Concession fee levels

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

Discount rates

Several factors affect the discount rates:

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

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

17.1.4 Brands

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

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

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

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

17.1.5 Cash flows used for purchase of intangible assets

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

18. INVESTMENTS IN ASSOCIATES

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

These investments are accounted for using the equity method.

Summarized statement of financial position

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

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

Summarized statement of comprehensive income

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

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

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

Reconciliation of the carrying amount of its investments

IN MILLIONS OF CHF	LOJAS FRANCAS DE PORTUGAL SA	OTHER ASSOCIATES	TOTAL
Carrying value at January 1, 2017	**30.7**	**9.0**	**39.7**
Contribution to new partnership	–	1.0	1.0
Net earnings	5.0	(6.6)	(1.6)
Dividends received	(4.9)	–	(4.9)
Other comprehensive income	0.5	(0.2)	0.3
Currency translation adjustments	(0.4)	(0.2)	(0.6)
Carrying value at December 31, 2017	**30.9**	**3.0**	**33.9**
Additions	–	3.3	3.3
Net earnings	4.1	(0.3)	3.8
Dividends received	(5.7)	–	(5.7)
Other comprehensive income	(0.2)	0.5	0.3
Carrying value at December 31, 2018	**29.1**	**6.5**	**35.6**

19. OTHER NON-CURRENT ASSETS

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

MOVEMENT IN ALLOWANCES

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

20. INVENTORIES

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

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

CASH FLOWS USED FOR INCREASE / FROM DECREASE IN INVENTORIES

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

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

21. TRADE AND CREDIT CARD RECEIVABLES

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

AGING ANALYSIS OF TRADE RECEIVABLES

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

MOVEMENT IN ALLOWANCES

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

22. OTHER ACCOUNTS RECEIVABLE

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

MOVEMENT IN ALLOWANCES

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

23. EQUITY

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

23.0.1 Fully paid ordinary shares

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

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

23.1 AUTHORIZED AND CONDITIONAL SHARE CAPITAL

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

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

23.2 EMPLOYEE BENEFITS RESERVE

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

23.3 HEDGING AND REVALUATION RESERVES

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

23.4 TRANSLATION RESERVES

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

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

23.5 RETAINED EARNINGS

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

24. SHARE-BASED PAYMENTS

24.1 SHARE PLAN OF DUFRY AG

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

On December 1, 2017, Dufry granted to the members of the Group Executive Committee and selected members of the senior management the award 2017 consisting of 144,654 PSU units. The PSU award 2017 has a contractual life of 29 months and will vest on May 4, 2020. At grant date the fair value of one PSU award 2017 represents the market value for one Dufry share at that date, i.e. CHF 140.69, adjusted by the probability that participants comply with the ongoing contractual relationship clause. As of December 31, 2018, no PSU award 2017 forfeited, so that 144,654 PSU award 2017 remain outstanding.

Holders of one PSU award 2018 or award 2017 will have the right to receive free of charge up to two Dufry shares depending on the effective cumulative amount of cash earnings per share (Cash EPS) reached by Dufry during the grant year of award and the following two years compared with the target (2018: CHF 29.23, 2017: CHF 25.97). The Cash EPS equals the basic Earnings per Share adjusted for amortization of intangible assets identified during business combinations and non-recurring effects. If at vesting the cumulative adjusted Cash EPS is at target level, each PSU grants one share. If the cumulative adjusted Cash EPS is at 150 % of the target (maximum threshold) or above, each PSU grants 2 (2017: 1.5) shares at vesting, and if the adjusted Cash EPS is at 50 % of the target (minimum threshold) or below, no share will be granted at vesting. If the adjusted Cash EPS is between 50 % and 150 % of the target, the number of shares granted for each PSU will be allocated on a linear basis. Additionally, the allocation of shares is subject to an ongoing contractual relationship of the participant with Dufry throughout the vesting period. Holders of PSU are not entitled to vote or receive dividends, like shareholders do.

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

Holders of 82,536 RSU-award 2016 will have the right to receive free of charge one Dufry share per RSU subject to an ongoing contractual relationship with Dufry throughout the vesting period (Award 2016 until January 1, 2019). Holders of these rights are not entitled to vote or receive dividends, like shareholders do.

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

24.2 SHARE PLAN OF HUDSON LTD.

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

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

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

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

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

24.3 TREASURY SHARES

Treasury shares are valued at historical cost.

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

24.4 EARNINGS PER SHARE

24.4.1 Earnings per share attributable to equity holders of the parent

Basic

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

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

Diluted

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

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

24.4.2 Earnings per share adjusted for amortization (cash eps)

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

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

24.4.3 Weighted average number of ordinary shares

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

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

25. BREAKDOWN OF TRANSACTIONS WITH NON-CONTROLLING INTERESTS

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

IN MILLIONS OF CHF	2018	2017
Hudson Ltd 42.6 % disposed (see note 6)	206.4	–
Dufry Cyprus Ltd 30 % acquired (holding of Russian entity)	0.3	–
Dufry do Brasil DF Shop Ltda 13.05 % disposed [1]	–	20.0
Dufry Lojas Francas Ltd 6.95 % acquired (new NCI share 13.05 %) [1]	–	(15.3)
Dufry Aruba N. V. 20 % acquired [1]	–	0.4
Dufry Sharjah FZC 1 % disposed [1]	–	0.3
Nuance Group (India) Pvt. Ltd 50 % acquired [1]	–	(1.3)
Other non-controlling interests acquired	–	(0.2)
Change in Dufry's interest	**206.7**	**3.9**
Division North America, increase in share capital of several subsidiaries	15.1	10.4
Dufry Kenia Ltd share capital increase [1]	0.2	–
Dufry Thomas Julie Korea Co. Ltd share capital increase	0.2	–
Dufry TCDC Ltd liquidation (Taiwan)	(0.5)	–
Nuance Group (Bulgaria) AD liquidation	(0.2)	–
Dufry Mozambique Ltda 75 %	–	0.4
Dufry HWG Shopping Sdn Bhn (Malaysia) 51 %	–	0.2
Other	(0.1)	0.5
Total	**221.4**	**15.4**

[1] No cash flow effects in current financial period

25.1 INFORMATION ON COMPANIES WITH NON-CONTROLLING INTERESTS

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

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

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

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

[1] More information about Hudson Ltd. is available under www.hudsongroup.com
[2] Comprises subsidiaries worldwide, except US and Canada, with non-controlling interests (see list of most important subsidiaries within the financial statements)

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

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

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

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

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

26. FINANCIAL DEBT

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

BANK DEBT

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

SENIOR NOTES

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

DETAILED CREDIT FACILITIES

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

The bank credit agreements and the bank guarantee facility (see note 32) contain covenants and conditions customary to this type of financing. Dufry complied with the financial covenants and conditions contained in the bank credit agreements in 2017 and 2018 as well.

Main bank credit facilities

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

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

Senior notes

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

WEIGHTED AVERAGE INTEREST RATE

The borrowings under these credit facilities bear interest at a floating rate (EURIBOR or LIBOR) plus spread. Below are the overall weighted average notional interest rates on the main currencies as per December 31, 2018 of respective years:

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

26.1 HEDGE OF NET INVESTMENTS IN FOREIGN OPERATIONS

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

		AMOUNT IN HEDGING CURRENCY		AMOUNT IN CHF	
IN MILLIONS OF	CURRENCY	31.12.2018	31.12.2017	31.12.2018	31.12.2017
Dufry do Brasil and other subsidiaries [1]	USD	292.9	947.2	287.4	922.8
World Duty Free Group SA	GBP	–	50.0	–	65.8
Total				**287.4**	**988.6**

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

26.2 NET INVESTMENT IN FOREIGN OPERATIONS

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

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

27. NET DEBT

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

IN MILLIONS OF CHF	CASH AND CASH EQUIVALENTS	FINANCIAL DEBT CURRENT	FINANCIAL DEBT NON-CURRENT	NET DEBT
Balance at January 1, 2017	**450.8**	**127.3**	**4,073.9**	**3,750.4**
Cash flows from operating, financing and investing activities	56.4	–	–	(56.4)
Transaction costs for financial instruments	–	–	(26.9)	(26.9)
Proceeds from loans, senior notes and 3rd party loan	–	30.2	3,972.5	4,002.7
Repayments of bank loans and senior notes[1]	–	(68.8)	(4,029.1)	(4,097.9)
Cash flow	**56.4**	**(38.6)**	**(83.5)**	**(178.5)**
Foreign exchange adjustments[1]	**57.8**	**(1.9)**	**139.6**	**79.9**
Fair value adjustments	–	–	0.7	0.7
Arrangement fees amortization	–	–	34.4	34.4
Other non-cash movements	**–**	**–**	**35.1**	**35.1**
Balance at December 31, 2017	**565.0**	**86.8**	**4,165.1**	**3,686.9**

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

27.1 OFFSETTING FINANCIAL ASSETS AND FINANCIAL LIABILITIES

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

IN MILLIONS OF CHF	BALANCE BEFORE GLOBAL POOLING	SET-OFF	NET BALANCE
31.12.2018			
Cash and cash equivalents	1,440.6	(902.4)	538.2
Financial debt, short-term	960.4	(902.4)	58.0
31.12.2017			
Cash and cash equivalents	1,243.7	(678.7)	565.0
Financial debt, short-term	765.5	(678.7)	86.8

27.2 LEGAL RESTRICTIONS ON MONEY TRANSFER

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

28. OTHER LIABILITIES

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

29. DEFERRED TAX ASSETS AND LIABILITIES

Defered tax assest or liabilities arising from the following positions:

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

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

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

Reconciliation of movements to the deferred taxes:

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

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

Tax loss carry-forwards

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

Deferred tax assets relating to tax loss carry-forwards or temporary differences are recognized when it is probable that such tax credits can be utilized in the future by the respective entity in accordance with the approved budget 2019 and the management projections thereafter.

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

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

Unrecognized deferred tax liabilities

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

30. PROVISIONS

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

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

CONTINGENT LIABILITIES

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

ONEROUS CONTRACTS

Concession agreements usually fix the fee for the locations as a percentage on net sales. Some of these long-term concession agreements, which Dufry has entered into, include clauses to ensure a minimal concession fee during the full term of the agreement. However, in certain circumstances the economic environment around an activity deteriorates in such a way that it is highly unlikely that the operation will become profitable during the remaining concession duration. In such cases Dufry does impair the assets subject to amortization or depreciation and creates a provision for onerous contracts. This provision reflects the present value of the unavoidable cost (losses) of meeting the contractual obligation. At balance sheet date, an amount of CHF 33.4 (2017: 55.6) million has been provided in relation to operations in Europe.

CLOSE DOWN

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

LAWSUITS AND DUTIES

The provision for lawsuits and duties of CHF 33.6 (2017: 35.9) million cover uncertainties dependent on the outcome of law suits in relation to taxes, duties or other claims with our subsidiaries located in India, Turkey, Brazil and Ecuador. Two of Dufry's dormant operations in India still keep two open claims (CHF 12.9 million) in relation with customs duties and service taxes. Dufry expects that both cases won't be finally judged in the next year. After reaching an agreement with the tax authorities, Italy has used CHF (1.3) million of the provision. Other charges of the year relate to interests on a custom claim in Ecuador,

LABOR DISPUTES

The provision of CHF 4.1 (2017: 4.2) million relates mainly to claims presented by sales staff in Brazil based on disputes due to the termination of temporary labor contracts.

OTHER

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

CASH OUTFLOWS OF NON-CURRENT PROVISIONS

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

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

31. POST-EMPLOYMENT BENEFIT OBLIGATIONS

Dufry provides retirement benefits through a variety of arrangements comprised principally of stand-alone defined benefit or defined contribution plans, or state administered plans that cover a substantial portion of employees in accordance with local regulations and practices. The most significant plans in terms of the benefits accrued to date by participants are cash balance and final salary plans. Around 99.5 % (2017: 99.6 %) of the total defined benefit obligation and 99.5 % (2017: 99.4 %) of the plan assets correspond to pension funds in Switzerland (CH) and the United Kingdom (UK).

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

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

Reconciliation to the funded plans

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

31.1 SWITZERLAND

Dufry operates a company sponsored pension fund in form of a foundation in Switzerland that provides contribution-based cash balance retirement and risk benefits to employees. Pension plans in Switzerland are governed by the Federal Law on Occupational Retirement, Survivors' and Disability Pension Plans (BVG), which stipulates that pension plans are to be managed by independent, legally autonomous units. Pension plans are overseen by a regulator as well as by a state supervisory body. A pension plan's most senior governing body (Board of Trustees) must be composed of equal numbers of employee and employer representatives. The various insurance benefits are governed in regulations, with the BVG law specifying the minimum benefits that are to be provided. The employer and employees pay contributions to the pension plan. In case of an underfunding, various measures can be taken such as increasing future contributions revising the investment strategy or the benefits granted above the legally granted rents. The BVG law prescribes how the employer and the employee have to jointly fund potential restructurings. Under Swiss pension law Dufry cannot recover any surplus from the pension foundation.

The main risks assumed by the pension fund are eventual discrepancies between: a) the effective average life expectancy compared with the official demographic statistics, b) the effective future returns on plan assets compared with the estimated discount rate used to calculate the conversion factors and c) the effective invalidity cases compared with the demographic statistics. These risks are regularly assessed by the Board of Trustees. In addition, two annual actuarial reports are submitted, one in accordance with the requirements of the BVG, the other in accordance with IFRS requirements.

The investment strategy is defined in form of a long-term target asset-, currency- and risk allocation, which takes into account requirements from BVG, and aim to obtain a high long-term return on plan assets. The Board of Trustees is responsible for the investment of the assets, reviewing the investment portfolio from time to time at least once a year. The Investment Committee supervises the investment process. The plan assets are deposited in a global custody bank account, whereby the investments in Real estate funds are directly managed by the fund administration.

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

31.2 UNITED KINGDOM (UK)

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

Cost of defined benefit plans

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

[1] The past service cost in the UK for 2018 is materially lower than prior year, as it reflects a CHF 21.1 (GBP 15,8) million past service credit arising from the move from RPI-linked to CPI-linked pension increases. The above past service credit was calculated as at the date that the change was announced to the Plan membership (November 9, 2017) using a discount rate of 2.75 % p. a. (reflecting market conditions at that date).

The current service costs are included in personnel expenses, whereas the past service costs are included in the other operational result.

Remeasurements employee benefits

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

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

Change in the fair value of plan assets

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

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

Change in present value of defined benefit obligation

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

Actuarial assumptions

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

	2018		2017	
IN PERCENTAGE (%)	Switzerland	UK	Switzerland	UK
Discount rates	0.90	3.00	0.75	2.60
Future salary increases	1.50	–	1.50	–
Future pension increases	0.25	1.80	0.25	1.80
Average retirement age (in years)	64	65	64	65
Mortality table (generational tables)	2015	2016	2015	2016

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

Plan asset structure

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

	2018		2017	
IN PERCENTAGE (%)	Switzerland	UK	Switzerland	UK
Shares	34.5	33.3	31.5	31.4
Bonds	22.1	–	22.6	50.4
Real estate	42.6	–	31.9	–
Other [1]	0.8	66.7	14.0	18.2
Total	**100.0**	**100.0**	**100.0**	**100.0**

[1] Includes liquid positions and alternative investments.

All assets held by the Pension fund in Switzerland and UK are fair-value-level 1 (quoted prices in active markets), except certain real estate in Switzerland which are fair-value-level 2 (significant observable inputs) representing 27.7% (2017: 29.0%) of the total assets.

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

Plan participants

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

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

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

Sensitivities of significant actuarial assumptions

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

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

2018 IN MILLIONS OF CHF	SWITZERLAND		UK	
	Increase	Decrease	Increase	Decrease
A CHANGE OF 0.5 % IN THE FOLLOWING ASSUMPTIONS WOULD IMPLY				
Discount rate	(16.5)	18.9	–	18.8
Salary rate	3.9	(3.6)	–	–

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

Expected costs

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

32. COMMITMENTS AND CONTINGENCIES

GUARANTEE COMMITMENTS

Some long-term concession agreements, which Dufry has entered into, include obligations to fulfill minimal fee payments during the full term of the agreement. Some of these agreements have been backed with guarantees provided by Dufry or a financial institution. During the years 2018 or 2017, no party has exercised their right to call upon such guarantees. All accrued, but still unpaid concession fees are presented as liabilities in the statement of financial position.

33. FAIR VALUE MEASUREMENT

FAIR VALUE OF FINANCIAL INSTRUMENTS CARRIED AT AMORTIZED COST

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

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

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

Quantitative disclosures fair value measurement hierarchy for assets

DECEMBER 31, 2018 IN MILLIONS OF CHF	FAIR VALUE MEASUREMENT AT DECEMBER 31, 2018 USING				
	TOTAL	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	BOOK VALUES
ASSETS MEASURED AT FAIR VALUE					
Derivative financial assets					
Foreign exchange forward contracts – USD	0.2		0.2		0.2
Foreign exchange swaps contracts – USD	0.5		0.5		0.5
Foreign exchange swaps contracts – EUR	4.5		4.5		4.5
Foreign exchange swaps contracts – OTHER	0.9		0.9		0.9
Cross currency swaps contracts – USD	1.0		1.0		1.0
Cross currency swaps contracts – GBP	0.5		0.5		0.5
Total (Note 37.3)	**7.6**		**7.6**		**7.6**
Financial assets valued at FVOCI					
Equity investments at FVOCI	1.7	1.7	–		1.7
	1.7	**1.7**	**–**		**1.7**
ASSETS FOR WHICH FAIR VALUES ARE DISCLOSED					
Loans and receivables					
Credit card receivables	18.1		18.1		18.6

DECEMBER 31, 2017 IN MILLIONS OF CHF	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
ASSETS MEASURED AT FAIR VALUE					
Derivative financial assets					
Foreign exchange forward contracts – USD	0.1		0.1		0.1
Foreign exchange swaps contracts – USD	5.0		5.0		5.0
Cross currency swaps contracts – EUR	3.9		3.9		3.9
Cross currency swaps contracts – GBP	0.3		0.3		0.3
Cross currency swaps contracts – OTHER	0.7		0.7		0.7
Total (Note 37.3)	**10.0**		**10.0**		**10.0**
ASSETS FOR WHICH FAIR VALUES ARE DISCLOSED					
Loans and receivables					
Credit card receivables	21.6		21.6		22.1

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

Quantitative disclosures fair value measurement hierarchy for liabilities

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

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

DECEMBER 31, 2017 IN MILLIONS OF CHF	TOTAL	FAIR VALUE MEASUREMENT AT DECEMBER 31, 2017 USING Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	BOOK VALUES
LIABILITIES MEASURED AT FAIR VALUE					
Derivative financial liabilities					
Foreign exchange forward contracts – USD	–		–		–
Foreign exchange forward contracts – EUR	–		–		–
Foreign exchange forward contracts – GBP	–		–		–
Foreign exchange swaps contracts – EUR	–		–		–
Cross currency swaps contracts – GBP	–		–		–
Total (Note 37.3)	**–**		**–**		**–**
Financial liabilities valued at FVPL					
Interest rate swaps	–		–		–
Total (Note 38.1)	**–**		**–**		**–**
LIABILITIES FOR WHICH FAIR VALUES ARE DISCLOSED					
At amortized cost					
Senior Notes EUR 800	953.6	953.6			926.6
Senior Notes EUR 700	857.5	857.5			811.0
Total	**1,811.1**	**1,811.1**			**1,737.6**
Floating rate borrowings USD	1,294.9		1,294.9		1,256.5
Floating rate borrowings EUR	591.2		591.2		579.9
Floating rate borrowings CHF	287.0		287.0		263.6
Floating rate borrowings GBP	331.0		331.0		316.1
Total	**2,504.1**		**2,504.1**		**2,416.1**

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

34. FINANCIAL INSTRUMENTS

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

35. CAPITAL RISK MANAGEMENT

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

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

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

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

35.1 GEARING RATIO

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

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

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

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

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

35.2 CATEGORIES OF FINANCIAL INSTRUMENTS

AT DECEMBER 31, 2018

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

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

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

AT DECEMBER 31, 2017

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

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

35.3 NET INCOME BY IFRS 9 VALUATION CATEGORY

Financial Assets at December 31, 2018

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

Financial Liabilities at December 31, 2018

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

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

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

Financial Assets at December 31, 2017

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

Financial Liabilities at December 31, 2017

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

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

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

36. FINANCIAL RISK MANAGEMENT OBJECTIVES

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

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

37. MARKET RISK

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

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

During the current financial year Dufry utilized foreign currency forward contracts and options for hedging purposes.

37.1 FOREIGN CURRENCY RISK MANAGEMENT

Dufry manages the cash flow surplus or deficits in foreign currency of the operations through FX-transactions in the respective local currency. Major imbalances in foreign currencies at Group level are hedged through foreign exchange forwards contracts. The terms of the foreign currency forward contracts have been negotiated to match the terms of the forecasted transactions.

37.2 FOREIGN CURRENCY SENSITIVITY ANALYSIS

Among various methodologies to analyze and manage risk, Dufry utilizes a system based on sensitivity analysis. This tool enables Group treasury to identify the level of risk of each entity. Sensitivity analysis provides an approximate quantification of the exposure in the event that certain specified parameters were to be met under a specific set of assumptions.

Foreign Currency Exposure:

IN MILLIONS OF CHF	USD	EURO	GBP	BRL	OTHER	TOTAL
DECEMBER 31, 2018						
Monetary assets	1,314.0	1,086.9	215.6	23.3	454.1	3,093.9
Monetary liabilities	2,261.6	1,706.0	728.1	32.2	277.5	5,005.4
Net currency exposure before foreign currency contracts and hedging	**(947.6)**	**(619.1)**	**(512.5)**	**(8.9)**	**176.6**	**(1,911.5)**
Foreign currency contracts	543.1	527.7	501.0	15.2	(16.2)	1,570.8
Hedging	271.4	–	–	–	(96.5)	174.9
Net currency exposure	**(133.1)**	**(91.4)**	**(11.5)**	**6.3**	**63.9**	**(165.8)**
DECEMBER 31, 2017						
Monetary assets	2,031.4	1,269.1	323.7	19.1	1,043.8	4,687.1
Monetary liabilities	3,384.1	1,834.8	452.7	43.4	521.5	6,236.5
Net currency exposure before hedging	**(1,352.7)**	**(565.7)**	**(129.0)**	**(24.3)**	**522.3**	**(1,549.4)**
Foreign currency contracts	(262.1)	963.3	(50.9)	11.8	(229.0)	433.1
Hedging	903.8	–	65.8	–	(105.7)	863.9
Net currency exposure	**(711.0)**	**397.6**	**(114.1)**	**(12.5)**	**187.6**	**(252.4)**

The sensitivity analysis includes all monetary assets and liabilities irrespective of whether the positions are third party or intercompany. Dufry has considered some intercompany long-term loans as net investment in foreign operations. Consequently, the related exchange differences are presented in other comprehensive income and thereafter as translation reserve in equity and Dufry has entered into cross currency swaps to reduce the currency exposure.

The foreign exchange rate sensitivity is calculated by aggregation of the net currency exposure of Dufry entities at December 31 of the respective year. The values and risk disclosed here are the hedged and remaining net currency exposure assuming a 5% appreciation of the CHF against all other currencies.

A positive result indicates a profit, before tax in the income statement or in the hedging and revaluation reserves when the CHF strengthens against the relevant currency.

IN MILLIONS OF CHF	31.12.2018	31.12.2017
Effect on the Income Statement – profit (loss) of USD	6.7	35.6
Other comprehensive income – profit (loss) of USD	13.6	45.2
Effect on the Income Statement – profit (loss) of EUR	4.6	(19.9)
Effect on the Income Statement – profit (loss) of GBP	0.6	5.7
Other comprehensive income – profit (loss) of GBP	–	3.3

Reconciliation to categories of financial instruments:

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

[1] See note 35.2 Categories of financial instruments

37.3 FOREIGN EXCHANGE FORWARD CONTRACTS AND FOREIGN EXCHANGE OPTIONS AT FAIR VALUE

As the management of the company actively pursues to naturally hedge the positions in each operation, the policy of Dufry is to enter into foreign exchange forward and options contracts only where needed.

The following table shows the contracts or underlying principal amounts and fair values of derivative financial instruments, including foreign exchange forwards and foreign exchange swaps as well as cross currency interest rate swaps. Contracts or underlying principal amounts indicate the volume of business outstanding at the balance sheet date. The fair values are determined by reference to market prices or standard pricing models that used observable market inputs at December 31 of each year. During 2018, Dufry has entered into a number of cross currency swap contracts in order to optimize interest expenses, which led to a material increase of contractual underlying amounts as of December 31, 2018 compared to previous year.

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

38. INTEREST RATE RISK MANAGEMENT

Dufry manages the interest rate risk through interest rate swaps and options to the extent that the hedging cannot be implemented through managing the duration of the debt drawings. The levels of the hedging activities are evaluated regularly and may be adjusted in order to reflect the development of the various parameters.

38.1 INTEREST RATE SWAP CONTRACTS

The following table shows the contracts or underlying principal amounts and fair values of derivative financial instruments. Contracts or underlying principal amounts indicate the volume of business outstanding at December 31. The fair values are determined by reference to market prices or standard pricing models that used observable market inputs at December 31.

IN MILLIONS OF CHF	CONTRACT OR UNDERLYING PRINCIPAL AMOUNT	POSITIVE FAIR VALUE	NEGATIVE FAIR VALUE
December 31, 2018	687.0	–	2.7
December 31, 2017	–	–	–

38.2 INTEREST RATE SENSITIVITY ANALYSIS

The sensitivity analysis below has been determined based on the exposure to interest rates derivatives and non-derivative instruments at the reporting date. The risk analysis provided here assumes a simultaneous increase of 100 basis points of the interest rate of all interest bearing financial positions.

If interest rates had been 100 basis points higher whereas all other variables were held constant, Dufry's net earnings for the year 2018 would decrease by CHF 37.0 (2017: decrease by 43.3) million.

38.3 ALLOCATION OF FINANCIAL ASSETS AND LIABILITIES TO INTEREST CLASSES

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

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

39. CREDIT RISK MANAGEMENT

Credit risk refers to the risk that counterparty may default on its contractual obligations resulting in financial loss to Dufry.

Almost all Dufry sales are retail sales made against cash or internationally recognized credit / debit cards. Dufry has policies in place to ensure that other sales are only made to customers with an appropriate credit history or that the credit risk is insured adequately. The remaining credit risk is in relation to taxes, refunds from suppliers and guarantee deposits.

The credit risk on cash deposits or derivative financial instruments relates to banks or financial institutions. Dufry monitors the credit ranking of these institutions and does not expect defaults from non-performance of these counterparties.

The main banks where the Group keeps net assets positions hold a credit rating of A – or higher.

39.1 MAXIMUM CREDIT RISK

The carrying amount of financial assets recorded in the financial statements, after deduction of any allowances for losses, represents Dufry's maximum exposure to credit risk.

40. LIQUIDITY RISK MANAGEMENT

Dufry evaluates this risk as the ability to settle its financial liabilities on time and at a reasonable price. Beside its capability to generate cash through its operations, Dufry mitigates liquidity risk by keeping unused credit facilities with financial institutions (see note 26).

40.1 REMAINING MATURITIES FOR NON-DERIVATIVE FINANCIAL ASSETS AND LIABILITIES

The following tables have been drawn up based on the undiscounted cash flows of financial assets and liabilities (based on the earliest date on which Dufry can receive or be required to pay). The tables include principal and interest cash flows.

AT DECEMBER 31, 2018 IN MILLIONS OF CHF	1–6 MONTHS	6–12 MONTHS	1–2 YEARS	MORE THAN 2 YEARS	TOTAL
Cash and cash equivalents	545.7	19.8	–	–	565.5
Financial instruments at FVOCI	1.7	–	–	–	1.7
Trade and credit card receivables	62.0	0.6	–	–	62.6
Other accounts receivable	217.4	2.7	–	–	220.1
Other non-current assets	2.8	2.9	41.9	90.1	137.7
Total cash inflows	**829.6**	**26.0**	**41.9**	**90.1**	**987.6**
Trade payables	640.4	–	–	–	640.4
Financial debt, short-term	66.0	9.1	–	–	75.1
Other liabilities	759.9	1.5	–	–	761.4
Financial debt, long-term	59.7	52.9	115.2	4,050.9	4,278.7
Other non-current liabilities	–	–	–	1.1	1.1
Total cash outflows	**1,526.0**	**63.5**	**115.2**	**4,052.0**	**5,756.7**

AT DECEMBER 31, 2017 IN MILLIONS OF CHF	1–6 MONTHS	6–12 MONTHS	1–2 YEARS	MORE THAN 2 YEARS	TOTAL
Cash and cash equivalents	575.5	3.9	–	–	579.4
Trade and credit card receivables	82.3	0.2	–	–	82.5
Other accounts receivable	238.7	7.3	–	–	246.0
Other non-current assets	1.2	1.2	4.4	136.7	143.5
Total cash inflows	**897.7**	**12.6**	**4.4**	**136.7**	**1,051.4**
Trade payables	644.7	–	–	–	644.7
Financial debt, short-term	86.3	10.9	–	–	97.2
Other liabilities	759.6	1.9	–	–	761.5
Financial debt, long-term	39.9	42.5	165.1	4,427.4	4,674.9
Other non-current liabilities	0.1	0.1	16.9	1.9	19.0
Total cash outflows	**1,530.6**	**55.4**	**182.0**	**4,429.3**	**6,197.3**

40.2 REMAINING MATURITIES FOR DERIVATIVE FINANCIAL INSTRUMENTS

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

41. RELATED PARTIES AND RELATED PARTY TRANSACTIONS

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

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

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

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

The transactions with associated companies are the following:

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

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

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

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

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

42. ACCOUNTING POLICY CHANGES

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

10.1 CLASSIFICATION AND MEASUREMENT OF FINANCIAL INSTRUMENTS

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

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

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

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

MOST IMPORTANT SUBSIDIARIES

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

AS OF DECEMBER 31, 2018	LOCATION	COUNTRY	TYPE	OWNER-SHIP IN %	SHARE CAPITAL IN THOUSANDS	CURRENCY
SOUTHERN EUROPE AND AFRICA						
Dufry France SA	Nice	France	R	100	8,291	EUR
Hellenic Duty Free Shops SA	Athens	Greece	R	100	397,535	EUR
Dufrital SpA	Milan	Italy	R	60	466	EUR
Nuance Group (Malta) Ltd	Luqa	Malta	R	52	2,796	EUR
Dufry Maroc SARL	Casablanca	Morocco	R	80	2,500	MAD
World Duty Free Group SA	Madrid	Spain	R	100	19,832	EUR
Sociedad de Distribucion Comercial Aeroportuaria de Canarias, S. L.	Telde	Spain	R	60	667	EUR
Urart Gumr. Magaza Isletm. ve Ticaret A.S.	Antalya	Turkey	R	100	1,161	EUR
UK AND CENTRAL EUROPE						
World Duty Free Group Helsinki Ltd	Vantaa	Finland	R	100	2,500	EUR
World Duty Free Group Germany GmbH	Düsseldorf	Germany	R	100	250	EUR
Nuance Group (Sverige) AB	Stockholm	Sweden	R	100	100	SEK
Dufry Basel-Mulhouse AG	Basel	Switzerland	R	100	100	CHF
The Nuance Group AG	Zurich	Switzerland	R	100	82,100	CHF
WDFG UK Limited	London	UK	R	100	360	GBP
Nuance Group (UK) Ltd	London	UK	R	100	50	GBP
EASTERN EUROPE, MIDDLE EAST, ASIA AND AUSTRALIA						
ADF Shops CJSC	Yerevan	Armenia	R	100	553,834	AMD
Nuance Group (Australia) Pty Ltd	Melbourne	Australia	R	100	210,000	AUD
Dufry (Cambodia) Ltd	Phnom Pen	Cambodia	R	80	1,231	USD
The Nuance Group (HK) Ltd	Hong Kong	China	R	100	–	HKD
The Nuance Group (Macau) Ltd	Macau	China	R	100	49	HKD
Dufry (Shanghai) Commercial Co., Ltd	Shanghai	China	R	100	123,547	CNY
The Nuance Group (India) Pvt. Ltd	Bangalore	India	R	100	1,035,250	INR
Aldeasa Jordan Airports Duty Free Shops Ltd	Amman	Jordan	R	100	705	USD
World Duty Free Group SA*	Kuwait City	Kuwait	R	100	2,383	KWD
Regstaer Ltd	Moscow	Russia	R	51	3,991	EUR
Dufry East OOO	Moscow	Russia	R	100	712	USD
Lenrianta CSJC	St. Petersburg	Russia	R	100	315	EUR
Dufry D.O.O.	Belgrade	Serbia	R	100	693,078	RSD
Dufry Shops Colombo Limited	Colombo	Sri Lanka	R	100	30,000	LKR
Dufry Sharjah FZC	Sharjah	U. Arab. Emirates	R	50	2,054	AED
LATIN AMERICA						
Interbaires SA	Buenos Aires	Argentina	R	100	25,743	USD
Dufry Aruba N.V.	Oranjestad	Aruba	R	100	1,900	USD
Duty Free Caribbean Ltd.	St. Michael	Barbados	R	60	5,000	USD
Dufry do Brasil DF Shop Ltda	Rio de Janeiro	Brazil	R	87	98,175	USD
Dufry Lojas Francas Ltda	Sao Paulo	Brazil	R	87	99,745	USD
Aldeasa Chile, Ltd	Santiago de Chile	Chile	R	100	2,517	USD
Inversiones Tunc SRL	Santo Domingo	Dominican Republic	R	100	–	USD

AS OF DECEMBER 31, 2017	LOCATION	COUNTRY	TYPE	OWNER-SHIP IN %	SHARE CAPITAL IN THOUSANDS	CURRENCY
Inversiones Pánamo SRL	Santo Domingo	Dominican Republic	R	100	–	USD
Aldeasa Jamaica, Ltd	St. James	Jamaica	R	100	280	USD
Dufry Mexico SA de CV	Mexico City	Mexico	R	100	268	USD
Dufry Yucatan SA de CV	Mexico City	Mexico	R	100	1,141	USD
World Duty Free Group Peru S.A.C.	Lima	Peru	R	100	1,010	USD
Alliance Duty Free, Inc.	San Juan	Puerto Rico	R	100	2,213	USD
Dufry Trinidad Ltd	Port of Spain	Trinidad and Tobago	R	60	392	USD
Navinten SA	Montevideo	Uruguay	R	100	126	USD
Dufry Cruise Services, Inc.	Miami	USA	R	100	–	USD
NORTH AMERICA						
Hudson Ltd	Hamilton	Bermuda	H	57	–	USD
Nuance Group (Canada) Inc.	Toronto	Canada	R	100	13,260	CAD
WDFG Vancouver LP	Vancouver	Canada	R	100	9,500	CAD
Hudson Group Canada Inc.	Vancouver	Canada	R	100	–	CAD
Hudson News O'Hare JV	Chicago	USA	R	70	–	USD
Dufry O'Hare T5 JV	Chicago	USA	R	80	–	USD
HG-Multiplex-Regali Dallas JV	Dallas	USA	R	75	–	USD
Atlanta WDFG TAC ATL Retail LLC	Delaware	USA	R	86	–	USD
HG Denver JV	Denver	USA	R	76	–	USD
AMS of South Florida JV	Fort Lauderdale	USA	R	31	–	USD
Hudson Las Vegas JV	Las Vegas	USA	R	73	–	USD
Nuance Group Las Vegas Partnership	Las Vegas	USA	R	73	850	USD
HG Magic Concourse TBIT JV	Los Angeles	USA	R	68	–	USD
Airport Management Services LLC	Los Angeles	USA	H / R	100	–	USD
Hudson-Magic Johnson Ent. CV LLC	Los Angeles	USA	R	91	–	USD
LAX Retail Magic 2 JV	Los Angeles	USA	R	73	–	USD
AMS-Olympic Nashville JV	Nashville	USA	R	83	–	USD
Hudson Group (HG) Retail, LLC	New Jersey	USA	H / R	100	–	USD
New Orleans Air Ventures II	New Orleans	USA	R	66	–	USD
JFK Air Ventures II JV	New York	USA	R	80	–	USD
Hudson-NIA JFK T1 JV	New York	USA	R	90	–	USD
HG-KCGI-TEI JFK T8 JV	New York	USA	R	85	–	USD
Seattle Air Ventures II	Olympia	USA	R	75	–	USD
AMS-SJC JV	San Jose	USA	R	91	–	USD
Dufry Seattle JV	Seattle	USA	R	88	–	USD
HG St Louis JV	St. Louis	USA	R	70	–	USD
HG National JV	Virginia	USA	R	70	–	USD
GLOBAL DISTRIBUTION CENTERS						
International Operations & Services (HK) Ltd	Hong Kong	Hong Kong	D	100	109,000	HKD
International Operations & Services (CH) AG	Basel	Switzerland	D	100	5,000	CHF
International Operations & Services (UY) SA	Montevideo	Uruguay	D	100	50	USD
International Operations & Services (USA) Inc.	Miami	USA	D	100	398	USD
HEADQUARTERS						
Dufry International AG	Basel	Switzerland	H	100	1,000	CHF
Dufry Holdings & Investments AG	Basel	Switzerland	H	100	1,000	CHF
Dufry Financial Services B.V.	Eindhoven	Netherlands	H	100	–	EUR
Dufry One B.V.	Eindhoven	Netherlands	H	100	–	EUR

* Branch of World Duty Free Group SA, Spain

EY
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To the General Meeting of
Dufry AG, Basel

Basel, March 6, 2019

Statutory auditor's report on the audit of the consolidated financial statements

Opinion
We have audited the consolidated financial statements of Dufry AG and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at 31 December 2018 and the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements (pages 112 to 207) give a true and fair view of the consolidated financial position of the Group as at 31 December 2018, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) and comply with Swiss law.

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

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

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

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

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

Valuation of goodwill / intangible assets with indefinite useful life

Area of Focus

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

Our audit response

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

Deferred tax assets – recoverability of tax loss carry forwards

Area of Focus

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

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

Our audit response

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

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Accounting for concession fees, above all minimum annual guarantees

Area of Focus

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

Our audit response

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

Other information in the annual report

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

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

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

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Responsibility of the Board of Directors for the consolidated financial statements

The Board of Directors is responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRS and the provisions of Swiss law, and for such internal control as the Board of Directors determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Board of Directors is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Swiss law, ISAs and Swiss Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

A further description of our responsibilities for the audit of the consolidated financial statements is located at the website of EXPERTsuisse: http://www.expertsuisse.ch/en/audit-report-for-public-companies. This description forms part of our auditor's report.

Report on other legal and regulatory requirements

In accordance with article 728a para. 1 item 3 CO and the Swiss Auditing Standard 890, we confirm that an internal control system exists, which has been designed for the preparation of consolidated financial statements according to the instructions of the Board of Directors.

We recommend that the consolidated financial statements submitted to you be approved.

Ernst & Young Ltd

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

INCOME STATEMENT

FOR THE YEAR ENDED DECEMBER 31, 2018

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

STATEMENT OF FINANCIAL POSITION

AT DECEMBER 31, 2018

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

NOTES TO THE FINANCIAL STATEMENTS

1. CORPORATE INFORMATION

Dufry AG (the company) is a publicly listed company. The shares of the Company are listed on the Swiss Stock Exchange (SIX) in Zurich.

Dufry AG was incorporated in 1865 and is registered with the commercial register in the canton of Basel Stadt, Switzerland.

2. ACCOUNTING POLICIES

2.1 BASIS OF PREPARATION

These financial statements of Dufry AG were prepared in accordance with the requirements of the Swiss law on Accounting and Financial Reporting (32nd title of the Swiss Code of Obligations).

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

2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Assets
Financial assets include loans. A valuation adjustment reserve has not been accounted for. Loans granted in foreign currencies are translated at the rate at the balance sheet date, whereby unrealized losses are recorded through the income statement whereas unrealized profits are deferred within accrued liabilities.

Treasury Shares
Treasury shares are recognized at acquisition cost and deducted from shareholders' equity. A gain or loss is recognized as financial income or expenses through the income statement when these shares are sold.

Intangible assets
Intangible assets are recognized at cost, or when generated internally they must meet additionally all the following conditions at the date of recognition:
- To be identifiable and controlled by the entity;
- They generate a measurable benefit for more than one year for the entity;
- The costs incurred in relation with the internally generated intangible assets can be separately recognized and measured;
- It is likely that the resources required to complete and market or use the intangible assets for the entity's own purposes are available or will be made available.

Intangible assets are amortized using the straight-line method. As soon as there are indications that book values may be overstated, these are reviewed and, if necessary, adjusted.

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

Current and non-currnt interest-bearing liabilities
Interest-bearing liabilities are recognized at nominal value in the balance sheet.

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

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

3. SIGNIFICANT INVESTMENTS

	SHARE IN CAPITAL AND VOTING RIGHTS		SHARE CAPITAL	
IN THOUSANDS OF CHF	2018	2017	2018	2017
Dufry International AG, Switzerland	100 %	100 %	1,000	1,000
Dufry Management AG, Switzerland	100 %	100 %	100	100
Dufry Corporate AG, Switzerland	100 %	100 %	100	100
Dufry Holdings & Investments AG, Switzerland	100 %	100 %	1,000	1,000

4. RELEASE OF HIDDEN RESERVES

IN THOUSANDS OF CHF	2018	2017
Intangible assets (trademarks)	–	34,544

5. SIGNIFICANT SHAREHOLDERS' PARTICIPATION

IN PERCENTAGE (%) OF OUTSTANDING REGISTERED SHARES	31.12.2018	31.12.2017
Hainan Province Cihang Foundation	20.92%	20.92%
Group of shareholders consisting of various companies and legal entities representing the interests of: Andrés Holzer Neumann, Julián Díaz González, Juan Carlos Torres Carretero, James S. Cohen, James S. Cohen Family Dynasty Trust, Dimitrios Koutsolioutsos and Nucleo Capital Co-Investment Fund I Ltd.	16.34%	18.27%
State of Qatar	6.92%	6.92%
Franklin Resources, Inc.	5.09%	–
Government of Singapore	5.05%	–
Compagnie Financiere Rupert	5.00%	5.00%
Black Rock, Inc.	3.25%	2.64%
JP Morgan Chase	0.77%	–
Morgan Stanley	0.48%	–
Paul E. Singer	–	5.57%
Norges Bank (the Central Bank of Norway)	–	3.30%

6. SHARE CAPITAL

6.1 ORDINARY SHARES

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

6.2 CONDITIONAL SHARE CAPITAL

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

7. TREASURY SHARES

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

8. PERSONNEL EXPENSES

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

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

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

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

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

10. CONTINGENT LIABILITIES

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

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

There are no assets pledged in 2018 and 2017.

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

The following members of the Board of Directors or of the Group Executive Committee of Dufry AG (including related parties) hold directly or indirectly shares or share options of the Company as at December 31, 2018 or December 31, 2017 (members not listed do not hold any shares or options):

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

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

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

At December 31, 2018, a Dufry share quoted at CHF 93.04 (2017: 144.90) each.

In addition to the above, the shareholders' group consisting, among others, of different legal entities controlled by Andrés Holzer Neumann, Juan Carlos Torres, Julián Díaz González (and Dimitrios Koutsolioutsos for 2017) holds sale positions of 5.09 % through options (2.739.430 voting rights) as of December 31, 2018 (as of December 31, 2017: sale positions of 7.31 % through options 3,937,130 voting rights).

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

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

12. PROPOSED APPROPRIATION OF RETAINED EARNINGS AND CAPITAL DISTRIBUTION

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

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

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

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

To the General Meeting of
Dufry AG, Basel

Basel, 6 March 2019

Report of the statutory auditor on the financial statements

As statutory auditor, we have audited the financial statements of Dufry AG, which comprise the income statement, statement of financial position and notes (pages 212 to 219), for the year ended 31 December 2018.

Board of Directors' responsibility
The Board of Directors is responsible for the preparation of the financial statements in accordance with the requirements of Swiss law and the company's articles of incorporation. This responsibility includes designing, implementing and maintaining an internal control system relevant to the preparation of financial statements that are free from material misstatement, whether due to fraud or error. The Board of Directors is further responsible for selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Swiss law and Swiss Auditing Standards. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal control system relevant to the entity's preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control system. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the financial statements for the year ended 31 December 2018 comply with Swiss law and the company's articles of incorporation.

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

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

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

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

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

Report on other legal requirements

We confirm that we meet the legal requirements on licensing according to the Auditor Oversight Act (AOA) and independence (article 728 CO and article 11 AOA) and that there are no circumstances incompatible with our independence.

In accordance with article 728a para. 1 item 3 CO and Swiss Auditing Standard 890, we confirm that an internal control system exists, which has been designed for the preparation of financial statements according to the instructions of the Board of Directors.

We further confirm that the proposed appropriation of available earnings complies with Swiss law and the company's articles of incorporation. We recommend that the financial statements submitted to you be approved.

Ernst & Young Ltd

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

The financial reports are available under:

https://www.dufry.com/en/investors/ir-reports-presentations-and-publications
Page section "Presentation of results and other publications" – select Financial Reports

For the Investor Relations and Corporate Communications contacts as well as a summary of anticipated key dates in 2019 please refer to pages 260 / 261 of this Annual Report.

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 245) refers to the Company Organization, Internal Regulations and Articles of Incorporation that were in effect as of December 31, 2018 (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 18 of this Annual Report.

Listed company as of December 31, 2018

COMPANY

Dufry AG, Brunngässlein 12, 4052 Basel, Switzerland
(hereinafter "Dufry AG" or the "Company")

LISTING

Registered shares: SIX Swiss Exchange

MARKET CAPITALIZATION

CHF 5,016,533,356 as of December 31, 2018

PERCENTAGE OF SHARES HELD BY DUFRY AG

7.74% of Dufry AG share capital as of December 31, 2018. This includes 3,304,541 registered shares (6.13% of share capital) purchased as part of a share buyback program of CHF 401 million, which was successfully completed by October 31, 2018. The Company will propose to the Annual General Meeting of Shareholders in May 2019 to cancel these shares held as a result of the share buyback program.

SECURITY NUMBERS

Registered shares:
ISIN-Code CH0023405456, Swiss Security-No. 2340545,
Ticker Symbol DUFN

Listed consolidated subsidiary as of December 31, 2018

As of February 1, 2018, Hudson Ltd. is separately listed on the New York Stock Exchange.

COMPANY

Hudson Ltd., 2 Church Street, Hamilton, HM 11, Bermuda

LISTING

Class A common shares: New York Stock Exchange

MARKET CAPITALIZATION

USD 1,586,565,022 as of December 31, 2018

PERCENTAGE OF SHARES HELD BY DUFRY AG

53,093,315 Class B common shares, being 57.39% of Hudson Ltd. share capital (93.1% of voting rights) as of December 31, 2018

SECURITY NUMBERS

Class A common shares (listed):
ISIN-Code BMG464081030, Ticker Symbol HUD

Non-listed consolidated entities as of December 31, 2018

For a table of the operational non-listed consolidated entities please refer to page 206 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 2018, the following shareholders disclosed significant positions as of December 31, 2018[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]	16.34%	1.51%	−5.09%	12.76%
Hainan Province Cihang Foundation [5]	20.92%	–	−20.92%	–
State of Qatar [6]	6.92%	–	–	6.92%
Franklin Resources, Inc. [7]	5.09%	–	–	5.09%
Government of Singapore [8]	5.05%	–	–	5.05%
Compagnie Financiere Rupert [9]	5.00%	–	–	5.00%
BlackRock, Inc. [10]	3.25%	0.02%	−0.67%	2.60%
Morgan Stanley [11]	0.48%	6.13%	−2.64%	3.97%
JP Morgan Chase & Co. [12]	0.77%	24.79%	−7.42%	18.14%

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, Wilen (Sarnen)/Switzerland, Julián Díaz González, Altendorf/Switzerland, Juan Carlos Torres Carretero, Meggen/Switzerland, James S. Cohen, Alpine NJ/USA, James S. Cohen Family Dynasty Trust, Teaneck, NJ/USA, Dimitrios Koutsolioutsos, Agios Stephanos/Greece and Nucleo Capital Co-Investment Fund I Ltd, Grand Cayman/Cayman Islands. Shares are directly held by the following companies and legal entities: 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, Teaneck, NJ/USA, Hudson Media, Inc., Teaneck, NJ/USA, Folli Follie Commercial Industrial and Technical S.A., Agios Stephanos/Greece, and Strenaby Finance Ltd., Tortola/British Virgin Islands.

5 Shares directly held by 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. On February 1, 2019, the Hainan Province Cihang Foundation disclosed that it no longer held any Company securities or financial instruments.

6 Shares directly held by 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 directly held by Franklin Mutual Advisors, LLC, Short Hills, NJ/USA and Franklin Advisers, Inc., San Mateo, CA/USA. The indirect holder of the shares is Franklin Resources, Inc., San Mateo, CA/USA. Of the total share position of 5.09%, 0.01% relate to delegated voting rights.

8 Shares directly held by GIC Private Limited ("GIC"), Singapore/Singapore. The indirect holder of the shares is the Government of Singapore, Singapore/Singapore. GIC is wholly owned by the Government of Singapore ("GoS") and manages the reserves of Singapore. GIC acts as the fund manager for GoS and the Monetary Authority of Singapore.

9 Shares directly held by Richemont Luxury Group Ltd, St Heller/Jersey. The indirect holder of the shares is Compagnie Financiere Rupert, Geneva/Switzerland.

10 BlackRock, Inc., New York, NY/USA. Of the total share position of 3.27%, 0.2% relate to securities lending and similar transactions, and 0.61% to delegated voting rights.

11 Shares and financial instruments held through several affiliates. The indirect holder of the shares and financial instruments is Morgan Stanley, Wilmington, DE/USA. Of the total share position of 0.48%, 0.24% relate to securities lending and similar transactions, and 0.002% to delegated voting rights.

12 Shares and financial instruments directly held by J.P. Morgan Securities PLC, London/UK and JPMorgan Chase Bank, N.A., Ohio/USA. 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 2018 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, 2018, 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 244 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 issued ordinary share capital of the Company registered in the commercial register as of December 31, 2018.

Authorized share capital
As of December 31, 2018, the Company has no authorized share capital.

2.3 CHANGES IN CAPITAL OF DUFRY AG

NOMINAL SHARE CAPITAL		
December 31, 2016	CHF	269,358,535
December 31, 2017	CHF	269,358,535
December 31, 2018	CHF	269,358,535
CONDITIONAL SHARE CAPITAL		
December 31, 2016	CHF	4,442,160
December 31, 2017	CHF	4,442,160
December 31, 2018	CHF	4,442,160
AUTHORIZED SHARE CAPITAL		
December 31, 2016		None
December 31, 2017		None
December 31, 2018		None

Changes in capital
The capital of Dufry AG remained unchanged in fiscal years 2016, 2017 and 2018.

2.4 SHARES

As of December 31, 2018, 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 General 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 General 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 General 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 was registered as a foreign issuer with the Brazilian Securities and Exchange Commission (Comissão de Valores Mobiliários – CVM) until December 28, 2018 and had listed its shares in the form of Brazilian Depositary Receipts (BDRs) on the São Paulo Stock Exchange (B3 – Brasil, Bolsa, Balcão S.A.). Each BDR issued by Itaú Unibanco S.A. ("Depositary Institution") of the BDR program represented one share issued by the Company and was held in custody by Bank of New York Mellon Depository (Nominees) Limited, in London ("Custodian").

BDR holders did not own, from a legal point of view, the Dufry AG shares underlying their BDRs. As a consequence, BDR holders were 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 were not entitled to personally participate in the General Meetings of the Company. However, BDR holders were 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 had entered into arrangements with the Depositary Institution and the Custodian in 2010 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. BDR holders who wished 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 had to 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.

The Company terminated its BDR program on November 27, 2018 and completed its delisting from the Brazilian market pursuant to the approval by the CVM granted on December 28, 2018.

No other exceptions have been granted during the year under review.

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 General 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, 2018, 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 245 ff.

3. BOARD OF DIRECTORS

3.1 MEMBER OF THE BOARD OF DIRECTORS

As of December 31, 2018, the Board of Directors comprised eight Board members compared with nine members as of December 31, 2017.

The members of the Board of Directors are elected individually and for a term of office extending until completion of the next Ordinary General Meeting of Shareholders. The Chairman of the Board of Directors and the members of the Remuneration Committee are directly elected by the General 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, 2018

NAME	PROFESSION	NATIONALITY	POSITION WITH DUFRY	DATE OF FIRST ELECTION
Juan Carlos Torres Carretero	Chairman of Dufry AG	Spanish	Chairman	2003
Jorge Born	CEO of Bomagra S.A	Argentinian	Vice-Chairman [1]	2010
Claire Chiang	Senior Vice President of Banyan Tree Holdings Limited	Singaporean	Director	2016
Julián Díaz González	Group CEO of Dufry AG	Spanish	Director, Group CEO	2013
Andrés Holzer Neumann	President of Grupo Industrial Omega	Mexican	Director [2]	2004
Heekyung Jo Min	Executive Vice President of CJ Cheiljedang	American	Director	2016
Steven Tadler	Managing Partner Advent International	American	Director	2018
Lynda Tyler-Cagni	CEO of Tyler Cagni Consulting Ltd	British and Italian	Director	2018

[1] Vice-Chairman as of October 31, 2018
[2] Vice-Chairman until October 30, 2018

Changes in the Board of Directors in fiscal year 2018
Xavier Bouton and Joaquín Moya-Angeler Cabrera, both long-time Board members of the Company since 2005, decided not to stand for re-election at the Ordinary General Meeting of Shareholders held on May 3, 2018. Steven Tadler and Lynda Tyler-Cagni were elected as new members of the Board of Directors by the same General Meeting of Shareholders. George Koutsolioutsos resigned from the Board of Directors on June 22, 2018, in order to focus on his other activities. As of October 31, 2018, Jorge Born has assumed the duties of Vice-Chairman of the Board of Directors from Andrés Holzer Neumann.

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, Moncler S.p.A., and Hudson Ltd.

JORGE BORN
Vice-Chairman, 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. and 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.

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 Holdings Limited, Banyan Tree Gallery (Singapore) Pte. Ltd. and Mandai Safari Park Holdings Pte. Ltd.

JULIÁN DÍAZ GONZÁLEZ
Director, 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), and Hudson Ltd.

independent

ANDRÉS HOLZER NEUMANN
Director, 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.

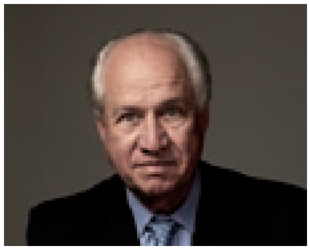
Current Board Mandates
Dufry AG and Inversiones (SOHO) Amilena, Inc.

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, and Hudson Ltd.



STEVEN TADLER
Director, born 1949,
American

Education
Master in Business Administration from Harvard Business School. B.S., with distinction, from the University of Virginia.

Professional Background
1985 Joined Advent International as Managing Partner. Serves as a Director of Advent International Corp (since 2002) and Bojangles', a restaurant operator and franchisor listed on the NASDAQ and wTe Corporation (since 1989). Previous board mandates include Dufry AG (2010 – 2013), Skill-soft (2020 – 2014) and Transunion (2012 – 2017).

Current Board Mandates
Dufry AG, Advent International Corp, Bojangles', and wTe Corporation.

LYNDA TYLER-CAGNI
Director, born 1956,
British and Italian

Education
B.A. (Hons) in Languages, Economics & Politics from the University of Kingston, London.

Professional Background
Lynda Tyler-Cagni is the founder and CEO at Only the Best Agency Ltd, a consulting company advising and representing talent primarily in the fashion, retail and FMCG sectors since 2015. She also served as a Director at Atlantia SpA, an Italian listed global operator in the motorway and airport infrastructure sector until November 2018. Ms. Tyler-Cagni previously served on the Board of World Duty Free Group as a non-executive and independent member and chair of the HR & Remuneration Committee (from 2013 until the acquisition of World Duty Free Group by Dufry AG). She was also an advisor to the management Board of Bonpoint and held various management positions with Fast Retailing Group, Uniqlo and Ermenegildo Zegna.

Current Board Mandates
Dufry AG and EDHEC Paris.

Messrs. Juan Carlos Torres Carretero (Chairman), Andrés Holzer Neumann and Julián Díaz González (Directors) are members of a group of shareholders, which held a 17.85 % purchase position of Dufry AG as of December 31, 2018 (participation mentioned includes financial instruments). See for details the disclosure under "1.2 Significant Shareholders" on page 224 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 Group Chief Executive Officer. All other members of the Board of Directors are non-executive members. None of the current members of the Board of Directors (except Julián Díaz González as Group CEO) 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 41 on page 203 and to the information provided in the Remuneration Report on page 245 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 244 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 of Directors shall be elected for a term of office extending until completion of the next Ordinary General Meeting of Shareholders.
- The members of the Board of Directors and the Chairman of the Board of Directors 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 General Meeting of Shareholders.
- Except for the election of the Chairman of the Board of Directors and the members of the Remuneration Committee by the General 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 elected in individual elections at the Ordinary General Meeting of Shareholders held on May 3, 2018. The same General Meeting re-elected Juan Carlos Torres Carretero as Chairman of the Board of Directors. Mr. Jorge Born was re-elected, and Ms. Claire Chiang and Ms. Lynda Tyler-Cagni were elected in individual elections as members of the Remuneration Committee.

THE BOARD COMMITTEES AS OF DECEMBER 31, 2018

MEMBER OF THE BOARD OF DIRECTORS	BOARD OF DIRECTORS	AUDIT COMMITTEE	NOMINATION COMMITTEE	REMUNERATION COMMITTEE
Juan Carlos Torres Carretero	Chairman	–	Committee Member	–
Jorge Born [1]	Vice-Chairman	Committee Chairman	Committee Chairman [1]	Committee Member
Claire Chiang	Director	–	–	Committee Member
Julián Díaz González	Director / Group CEO	–	–	–
Andrés Holzer Neumann [1]	Director	–	Committee Member [1]	–
Heekyung Jo Min	Director	Committee Member	–	–
Steven Tadler [2]	Director	Committee Member	–	–
Lynda Tyler-Cagni [2]	Director	–	–	Committee Chairwoman
Number of meetings in fiscal year 2018	**8**	**6**	**2**	**4**
Average attendance ratio [3]	**94%**	**89%**	**100%**	**83%**

[1] Andrés Holzer Neumann temporarily renounced his additional function as Vice-Chairman of the Board of Directors and Chairman of the Nomination Committee as of October 30, 2018. He continues to serve as a Board member. The Board of Directors has elected Jorge Born to assume the duties of Vice-Chairman of the Board as well as Chairman of the Nomination Committee from Mr. Holzer Neumann as of October 31, 2018.
[3] Members of the Board of Directors since the Ordinary General Meeting of Shareholders held on May 3, 2018.
[3] 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. For the newly elected Board members, their attendance ratios are calculated as of the date of their election at the Ordinary General Meeting of Shareholders in 2018.

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, 2018, 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, 2018: Jorge Born (Chairman Audit Committee), Heekyung Jo Min, Steven Tadler.

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, who 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 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 2018, during which the Audit Committee held 6 meetings. The auditors attended 3 meetings of the Audit Committee in 2018. The Chairman of the Board of Directors usually participates as a guest in the Audit Committee meetings. Members of the Global Executive Committee attended meetings of the Audit Committee as follows: Group CEO 5 meetings, the CFO (who acts as Secretary of the Audit Committee) 6 meetings, and the Group Deputy CEO 1 meeting.

Nomination Committee
Members as of December 31, 2018: Jorge Born (Chairman Nomination Committee), Juan Carlos Torres Carretero, Andrés Holzer Neumann.

The members of the Nomination Committee, with exception of the executive Chairman of the Board of Directors, are 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, who 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 Group 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 Group CEO, making recommendations on Board composition and balance, presenting to the Board a proposal of succession plan for the position of the Group 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 Global 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 2018 lasted about 1 to 2 hours. Members of the Global Executive Committee attended meetings of the Nomination Committee as follows: Group CEO 2 meetings.

Remuneration Committee
Members as of December 31, 2018: Lynda Tyler-Cagni (Chairwoman Remuneration Committee), Jorge Born, Claire Chiang.

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, who 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 General Meeting of Shareholders 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 Global 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 Group 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 4 meetings per year). The 4 meetings held in the fiscal year 2018 lasted about 1 to 2 hours. The Chairman of the Board of Directors usually participates as a guest in the Remuneration Committee meetings. Members of the Global Executive Committee attended meetings of the Remuneration Committee as follows: Group CEO 4 meetings.

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 8 meetings during fiscal year 2018, of which one was held as a telephone conference. The meetings of the Board of Directors usually lasted about 3 hours. 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 Group CEO, the CFO, the Deputy Group CEO and the Group General Counsel, also acting as Secretary to the Board, attend the meetings of the Board of Directors. Other members of the Global Executive Committee may attend meetings of the Board of Directors as and when required. Members of the Global

Executive Committee attended meetings of the Board of Directors in 2018 as follows: Group CEO 8 meetings, CFO 8 meetings, Deputy Group CEO 5 meetings, Group General Counsel 8 meetings, Global Marketing and Digital Innovation Director 2 meetings.

The Board of Directors also engages specific advisors to address specific matters when required. External financial advisors attended pertinent portions of 4 meetings of the Board of Directors in 2018. The external Auditors attended 3 meetings of the Audit Committee in 2018.

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, the Articles of Incorporation or the 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 Group 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 General Meetings of Shareholders and to carry out the resolutions adopted by the General 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 General 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 Group CEO information concerning the course of business of the Company and the Group and, with the authorization of the Chairman, about specific matters.
- The Group 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 Group CEO. Apart from the meetings, the Group 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 Global 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 6 times in 2018 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 2018. 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 three different activities streams: Internal Audit, Investigations 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 2018, the Global Internal Audit conducted 17 reviews, examining Headquarters activities, Divisional functions and Distribution Centers in addition to 55 operations in all Divisions, representing a coverage of more than 90% of 2018 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 Investigations 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 bi-monthly 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 the 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 Global 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 Global Internal Audit activities are communicated to key management in charge and to the Group's senior management, including all the members of the Global Executive Committee on an on-going basis, and also to the Audit Committee.
- Detailed information on the financial risk management is provided in Notes 36 to 40 in the Financial Statements of this Annual Report.

4. GLOBAL EXECUTIVE COMMITTEE

4.1 MEMBERS OF THE GLOBAL EXECUTIVE COMMITTEE

As of December 31, 2018, the Global Executive Committee comprised seven executives compared to the former Group Executive Committee with twelve members as of December 31, 2017.

The Global Executive Committee under the control of the Group CEO, conducts the operational management of the Company pursuant to the Company's board regulations. The Group CEO reports to the Board of Directors on a regular basis.

The following table sets 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 Global Executive Committee are entered for an indefinite period of time.

GLOBAL EXECUTIVE COMMITTEE AS OF DECEMBER 31, 2018

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	Group General Counsel (GGC)	2005
Eugenio Andrades	Spanish	Chief Executive Officer Europe, Africa and Strategy	2016
Javier Gonzalez	Spanish	Global Marketing and Digital Innovation Director	2018

ADDITIONAL GLOBAL EXECUTIVE COMMITTEE MEMBERS AS OF JANUARY 18, 2019

NAME	NATIONALITY	POSITION	GEC MEMBER SINCE YEAR
Andrea Belardini	Italian	Divisional Chief Executive Officer (Asia Pacific and Middle East)	2019
René Riedi	Swiss	Divisional Chief Executive Officer (Central and South America)	2019
Roger Fordyce	American	Divisional Chief Executive Officer (North America)	2019

ADDITIONAL GLOBAL EXECUTIVE COMMITTEE MEMBER AS OF APRIL 1, 2019

NAME	NATIONALITY	POSITION	GEC MEMBER SINCE YEAR
Yves Gerster	Swiss	Chief Financial Officer (CFO)	2019

4.2 EDUCATION, PROFESSIONAL BACKGROUND, OTHER ACTIVITIES AND VESTED INTERESTS

Members of Global Executive Committee (as of December 31, 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), and Hudson Ltd.

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, since 2018 Global Chief Corporate Officer at Dufry AG.

PASCAL C. DUCLOS
Group 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 Europe, Africa 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. 2018 Chief Executive Officer Operations and Strategy at Dufry AG. Since January 2019 Chief Executive Officer Europe, Africa 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.

Additional members of the Global Executive Committee (as of January 18, 2019 and April 1, 2019)

ANDREA BELARDINI
Chief Executive Officer Division Asia Pacific and Middle East, 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 2016, Chief Executive Officer Division Asia Pacific and Middle East at Dufry AG.

RENÉ RIEDI
Chief Executive Officer Division Central and South 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 2016 Chief Executive Officer Division Central and South America at Dufry AG.

ROGER FORDYCE
Chief Executive Officer Division North America, born 1955, American

Education
Bachelor of Arts in Psychology from SUNY Stony Brook.

Professional Background
Prior to 1988 positions as Manager at Dobbs / Aeroplex, WH Smith, and Greenman Bros. 1988 Joined Hudson Group as a District Manager. 1992 – 1996 Vice President of Operations at Hudson Group. 1996 – 2008 Senior Vice President of Operations at Hudson Group. 2008 – 2018 Executive Vice President and Chief Operating Office at Hudson Group. Since January 2019 Chief Executive Officer Division North America (Hudson Group) at Dufry AG.

Current Board Mandates
Hudson Ltd.

YVES GERSTER
Chief Financial Officer, born 1978, Swiss

Education
Degree in Business Administration & Finance, University of Basel.

Professional Background
1999 – 2003 Assistant Group Treasurer at Danzas Management AG. 2003 – 2006 Assistant Group Treasurer at Bucher Industries AG. Nov 2006 – 2019 Global Head Group Treasury at Dufry International AG. As of April 2019 Chief Financial Officer at Dufry AG.

Other activities and vested interests

As of December 31, 2018 none of the members of the Global 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. The business Division North America is 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). Roger Fordyce 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 Global 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 Global 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 Global 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 Global 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 244 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 Global Executive Committee in fiscal year 2018 is included in the Remuneration Report on pages 245 to 258 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 General 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 244 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 244 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 General 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 General Meeting of Shareholders and to exercise their votes at the General Meeting of Shareholders. See section 6.5 below.

Nominees are only entitled to represent registered shares held by them at a General 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 General 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 General Meeting of Shareholders.

See section 2.6 above for the former BDR program, which was terminated in 2018.

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 General Meeting of Shareholders for a term of office extending until completion of the next Ordinary General 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 General 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 May 3, 2018, 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 2019. 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 9, 2019, 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 of Shareholders.

6.3 QUORUMS

The General 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 General 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 General 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 GENERAL MEETING OF SHAREHOLDERS

The General 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 General 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 General 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 General 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 General 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 General 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 General 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 General 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 244 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 Global 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 Global 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 Auditors and has held the mandate as Auditors 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, 2018. Mr. Krämer took the existing auditing mandate in 2017.

8.2 AUDITING FEE

During fiscal year 2018, Dufry agreed with Ernst & Young Ltd to pay a fee of CHF 5.7 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 0.2 million were paid to Ernst & Young Ltd for tax services during fiscal year 2018.

8.3 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 6 briefings were done to the Audit Committee in 2018.

During the fiscal year 2018, the Audit Committee held 6 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, and used to publish them in English and Portuguese. As a result of the termination of the BDR program on November 27, 2018, and the subsequent delisting on December 28, 2018, the Portuguese language version was discontinued. 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 2019 please refer to pages 260 / 261 of this Annual Report.

REMUNERATION REPORT
DEAR SHAREHOLDERS

2018 was yet another very successful year for Dufry with turnover, EBITDA and free cash flow reaching new all-time highs. Based on our sound business model and the vast opportunities that we see in the travel retail market, we plan to grow our Company and to further develop our market leadership position in the coming years. For details on our operational and financial performance in fiscal year 2018, please refer to the letters of the CEO and CFO on pages 14 and 106, respectively.

The Remuneration Committee, elected at the General Meeting of Shareholders on May 3, 2018, consists of Claire Chiang, Jorge Born and myself, all of us being non-executive and independent members of the Board of Directors. Our 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.

The Shareholders' Meeting approved the Board of Directors' proposal for the maximum aggregate amount of compensation for the Board of CHF 8.7 million from the AGM 2018 to AGM 2019 with a majority of 86.0%. The proposal for the maximum aggregate amount of compensation for the Global Executive Committee of CHF 37.1 million prospective for the fiscal year 2019 period was accepted with a majority of 80.2%. Our Remuneration Report 2017 was approved by the Shareholders' Meeting in a consultative, non-binding vote by 91.7% of the votes represented. This year's Remuneration Report 2018 will again be submitted to a consultative vote at our Shareholders' Meeting on May 9, 2019. In fiscal year 2018, the Remuneration Committee held four meetings, with average attendance ratio of 83%.

The following changes regarding compensation were applied in fiscal year 2018:

- Board of Directors: Certain members of Dufry AG's Board of Directors are also members of the Board of Directors of Hudson Ltd., our subsidiary listed on the New York Stock Exchange. Two Board members (Heekyung Jo Min and Joaquin Moya-Angeler Cabrera) received additional compensation for their services in the Board of Directors at Hudson Ltd. No other changes took place with regard to the Board compensation in 2018.
- Global Executive Committee: The measures regarding financial performance relevant for the annual bonus have been adjusted. The relevant metrics for 2018 were 50% EBITDA, 25% Business Operating Model Efficiency, 25% Free Cash Flow (2017: 60% EBITDA, 20% Organic growth, 20% Free Cash Flow). The changes and especially the introduction of the new Business Operating Model Efficiency were done in order to align the whole organization on this crucial project for Dufry. The successful implementation of the Business Operating Model will create the basis for further development of the Group going forward.

The adoption of IFRS 16, which becomes effective as of January 1, 2019, will affect the way we account for our concession agreements and lease agreements. This will have an impact on the balance sheets and income statements going forward. We will for example discontinue using EBITDA as a key performance indicator and our reported net earnings will also be different. The Remuneration Committee will examine in detail during 2019 what changes need to be made to the compensation measures and system for the Global Executive Committee remuneration in order to align compensation to new IFRS 16 accounting standard rules. For further details on this subject please see explanations on page 255 of this Report and in Note 4 of the Consolidated Financial Statements.

On behalf of the Remuneration Committee and the entire Board of Directors, I would like to thank you, our shareholders, for your contributions and continued trust in Dufry.

Yours Sincerely,

Lynda Tyler-Cagni
Chairwoman 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 Global Executive Committee for fiscal year 2018. 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 Global Executive Committee (formerly Group Executive Committee).

The Remuneration Report will be presented to the General Meeting of Shareholders on May 9, 2019, 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 Global Executive Committee. It approves the individual compensation of the members of the Board of Directors and of the Global Executive Committee.

Since January 1, 2015, the General Meeting of Shareholders has to approve the proposal of the Board of Directors in relation to the maximum aggregate amounts of compensation of the Board of Directors for the period until the next Ordinary General Meeting of Shareholders and of the Global Executive Committee for the following fiscal year. The vote at the Ordinary General 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 Global Executive Committee (within the limits approved by the General 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 May 3, 2018, re-elected Mr. Jorge Born and elected Ms. Claire Chiang and Ms. Lynda Tyler-Cagni (all individually elected) as members of the Remuneration Committee for a term of office until completion of the next Ordinary General Meeting of Shareholders in 2019. Lynda Tyler-Cagni has been appointed as Chairwoman of the Remuneration Committee.

COMPENSATION COMPARISONS

During the course of 2018, the Board of Directors of Dufry consulted PricewaterhouseCoopers AG (PwC) for its annual review on the structure and level of executive compensation arrangements, including both short- and long-term components. As part of this annual review process, PwC again conducted a benchmark analysis on compensation levels for members of the Global Executive Committee using third party compensation survey data and disclosed information from 20 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 Group 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 2018:
- Fixed fee in cash as members of the Board of Directors and members of Board Committees;
- For two members their fixed fee in cash as members of the Board of Directors of Hudson Ltd. (listed subsidiary); 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 2018 was a target growth of 5% (2017: 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 2018 is capped at 150% of the target bonus. The target bonus for fiscal year 2018 was set at 100% of the Chairman's board fee (2017: target bonus was also set at 100% of Chairman's board fee; with the cap at 150%). With the exception of the variable compensation of the Chairman and of the Group CEO (each in their capacity as Chairman and Group 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 2018 (2017: 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 Group 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 (Group CEO compensation reviewed and decided separately as described in the section Remuneration of the members of the Global Executive Committee).

CHANGES IN THE REMUNERATION SYSTEM IN 2018 – BOARD OF DIRECTORS

- No changes took place in terms of Board fees during fiscal year 2018 compared with 2017.
- Certain members of Dufry AG's Board of Directors are also members of the Board of Directors of Hudson Ltd., Dufry's subsidiary which has been separately listed on the New York Stock Exchange as of February 1, 2018. The compensation of the Board of Directors as shown in the table on page 249 includes such remuneration. Heekyung Jo Min and Joaquin Moya-Angeler Cabrera were the only Board members who received additional compensation for their services on the Board of Directors of Hudson Ltd. during fiscal year 2018.

COMMITTEES AND COMMITTEE MEMBERSHIPS AS OF DECEMBER 31, 2018

MEMBER OF THE BOARD OF DIRECTORS	REMUNERATION COMMITTEE	AUDIT COMMITTEE	NOMINATION COMMITTEE
Juan Carlos Torres Carretero, Chairman	–	–	Committee Member
Jorge Born, Vice-Chairman [1]	Committee Member	Committee Chairman	Committee Chairman [1]
Claire Chiang, Director	Committee Member	–	–
Julián Díaz González, Director / Group CEO	–	–	–
Andrés Holzer Neumann, Director [1]	–	–	Committee Member [1]
Heekyung Jo Min, Director	–	Committee Member	–
Steven Tadler, Director	–	Committee Member	–
Lynda Tyler-Cagni, Director	Committee Chairwoman	–	–

[1] Andrés Holzer Neumann temporarily renounced his additional functions as Vice-Chairman of the Board of Directors and Chairman of the Nomination Committee as of October 30, 2018. He continues to serve as a Board member. The Board of Directors has elected Jorge Born to assume the duties of Vice-Chairman of the Board as well as Chairman of the Nomination Committee from Mr. Holzer Neumann.

For further details regarding the responsibilities of the Remuneration Committee and the meetings held in fiscal year 2018, please refer to section 3.5 Internal Organizational Structure of the Corporate Governance Report.

POSITION / RESPONSIBILITY	FEE 2018 IN THOUSANDS OF CHF	FEE 2017 IN THOUSANDS OF CHF
Chairman	2,010.5	2,010.5
Vice-Chairman	350.0	350.0
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 Group CEO does not receive additional compensation as a Board member.

SUMMARY OF REMUNERATION IN FISCAL YEARS 2018 AND 2017

For 2018, each member of the Board of Directors (except the Chairman, the Vice-Chairman and the Group CEO) received a Board membership fee of TCHF 250 in cash and an additional TCHF 50 in cash for each membership in a Board Committee. The level of these Board fees remained unchanged for the last four years, i.e. since the Ordinary General Meeting of Shareholders in April 2015. The Board fees for the Chairman and Vice-Chairman were last increased in 2017 and remained unchanged in fiscal year 2018. The Chairman of the Board of Directors will receive a cash bonus of TCHF 2,763.0 (2017: TCHF 3,015.7). The bonus amounts to 137% of the Chairman's board fee (2017: 150% of board fee).

On December 31, 2018, the Board of Directors comprised 8 members (December 31, 2017: 9 Board members). For fiscal years 2018 and 2017, 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 with the previous year is mainly due to the changes in the total number of Board members and the composition of the Board of Directors and of its Committees, inclusion of Board compensation for services on the Board of Directors of Hudson Ltd. (if any) as well as the different amount of bonus for the Chairman.

OTHER COMPENSATION, LOANS OR GUARANTEES (AUDITED)

For the years 2018 and 2017, no other compensation was paid directly or indirectly to current 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)

NAME, FUNCTION IN THOUSANDS OF CHF	2018 REMUNERATION	2018 POST-EMPLOYMENT BENEFITS [8]	2018 TOTAL	2017 REMUNERATION	2017 POST-EMPLOYMENT BENEFITS [8]	2017 TOTAL
Juan Carlos Torres Carretero, Chairman [1, 6]	4,773.4	243.0	5,016.4	5,026.2	256.8	5,283.0
Jorge Born, Vice-Chairman [2]	383.1	22.4	405.5	350.0	20.6	370.6
Andrés Holzer Neumann, Director [2]	400.0	19.6	419.6	351.4	17.1	368.5
Xavier Bouton, Director [3]	119.6	5.8	125.4	350.0	17.1	367.1
Claire Chiang, Director	300.0	14.5	314.5	300.0	14.5	314.5
Julián Díaz González, Director and CEO [4, 6]	–	–	–	–	–	–
George Koutsolioutsos, Director [5]	119.4	7.1	126.5	250.0	15.0	265.0
Heekyung Jo Min, Director [6]	499.7	–	499.7	300.0	–	300.0
Joaquin Moya-Angeler Cabrera, Director [3, 6]	186.2	5.8	192.0	350.0	17.1	367.1
Steven Tadler, Director [7]	198.3	–	198.3	–	–	–
Lynda Tyler-Cagni, Director [7]	198.3	11.7	210.0	–	–	–
Total	**7,178.0**	**329.9**	**7,507.9**	**7,277.6**	**358.2**	**7,635.8**

1 The remuneration for Mr. Torres Carretero includes Board fee of CHF 2.01 million and bonus of CHF 2.76 million (2017: CHF 2.01 million Board fee and CHF 3.02 million bonus).

2 Mr. Holzer Neumann was Vice-Chairman and Chairman of the Nomination Committee in fiscal year 2017 and until October 30, 2018. Mr. Born assumed these duties as of October 31, 2018.

3 Director until the AGM held on May 3, 2018.

4 Mr. Díaz González (Group CEO) does not receive any additional compensation as Board member.

5 Mr. Koutsolioutsos resigned from the Board of Directors on June 22, 2018.

6 Mr. Torres Carretero, Mr. Díaz González, Ms. Min and Mr. Moya-Angeler Cabrera also serve as members of the Board of Directors of Hudson Ltd., which has been separately listed on the New York Stock Exchange as of February 1, 2018. Included in the above table are for Ms. Min a Board fee of USD 0.20 million (Jan-Dec) and for Mr. Moya-Angeler Cabrera Board fee of USD 0.07 million (Jan-Apr) for the services as members of the Board of Directors of Hudson Ltd. Mr. Torres Carretero, and Mr. Díaz González did not receive additional fees for their services as Hudson Board members.

7 Director since the AGM held on May 3, 2018.

8 Amount includes mandatory employer social security contributions.

RECONCILIATION BETWEEN REPORTED BOARD COMPENSATION FOR FISCAL YEAR 2018 AND THE AMOUNT APPROVED BY THE SHAREHOLDERS AT THE AGM 2018 UNTIL THE AGM 2019

The Ordinary General Meeting of Shareholders held on May 3, 2018 approved a maximum aggregate amount of compensation of the Board of Directors for the term of office from the AGM 2018 to the AGM 2019 of CHF 8.7 million. The following table shows the reconciliation between the reported Board compensation for fiscal year 2018 and the amount approved by the shareholders at the AGM 2018.

IN THOUSANDS OF CHF	BOARD COMPENSATION FOR FISCAL YEAR 2018 AS REPORTED	LESS BOARD COMPENSATION TO BE ACCRUED FOR THE PERIOD JANUARY 1, 2018 TO THE AGM ON MAY 3, 2018 (4 MONTHS)	PLUS BOARD COMPENSATION TO BE ACCRUED FOR THE PERIOD JANUARY 1, 2019 TO THE AGM ON MAY 9, 2019 (4 MONTHS)	TOTAL BOARD COMPENSATION FOR THE PERIOD FROM AGM 2018 TO AGM 2019	TOTAL MAXIMUM AMOUNT AS APPROVED BY SHAREHOLDERS AT THE AGM 2018 FOR PERIOD OF AGM 2018 TO AGM 2019	COMPEN-SATION RATIO
Total Board of Directors	**7,507.9**	**1,644.8**	**1,462.6**	**7,325.7**	**8,700.0**	**84.2 %**

REMUNERATION OF THE MEMBERS OF THE GLOBAL EXECUTIVE COMMITTEE

On January 11, 2018, Dufry announced a new organizational structure of its previous Group Executive Committee with immediate effect. The Committee was replaced with the newly created Global Executive Committee, which consisted of 7 members as of December 31, 2018 (previous Group Executive Committee consisted of 12 members as of December 31, 2017). Members of the Global Executive Committee in fiscal year 2018 were the Group Chief Executive Officer, Chief Financial Officer, Deputy Group Chief Executive Officer, Global Chief Corporate Officer, Group General Counsel, Chief Executive Officer Operations and Strategy, and the Global Marketing and Digital Innovation Officer.

REMUNERATION SYSTEM

Dufry aims to provide internationally competitive compensation to the members of its Global Executive Committee (GEC) that reflects the experience and the area of responsibility of each individual member. The members of the Global 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.

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.

Salary increases for members of the Global Executive Committee are generally done in line with increases for the broader workforce. In case of promotions, typically a more substantial salary increase may be warranted. Nevertheless, a newly promoted GEC member would get a base salary at the lower end of the expected range with a view to get above-average increases alongside his growing experience and with a view to get into the upper half of the target range within 3 – 5 years. Also, higher salary increases may be warranted when there is an increase in responsibilities.

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 Global 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

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	– For FY 2018: Achievement of financial results of the Group – For FY 2017: Achievement of financial results of the Group and of specific Divisions / Countries (for the DCEOs and the GM BRA / BOL)
Share-based incentives PSU	– Performance Share Units (PSU) if any, vesting conditional on performance	– Rewarding long-term performance – Aligning compensation to shareholder interests	– PSU Awards 2016 / 2017 / 2018: 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

FISCAL YEAR 2018	FISCAL YEAR 2017
OBJECTIVES FOR THE GLOBAL EXECUTIVE COMMITTEE	**OBJECTIVES FOR THE GROUP EXECUTIVE COMMITTEE**
50 % EBITDA	60 % EBITDA[1]
25 % Business Operating Model Efficiency	20 % Organic growth
25 % Free Cash Flow	20 % Free Cash Flow

[1] For fiscal year 2017, EBITDA for the 5 Division Chief Executive Officers and the General Manager Brazil/Bolivia was based on the EBITDA of their respective division (or of the two countries in the case of the GM BRA/BOL, respectively).

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 Global Executive Committee, including the Group CEO.

The targets for the annual bonus are set to be stretching but achievable and focus on key operational metrics and metrics related to key strategic initiatives. The Remuneration Committee considers the financial targets for the annual bonus are commercially sensitive and that it would be detrimental to disclose details.

The annual bonus is usually paid out in cash in the second quarter of the following year. As an exception, the Board of Directors (upon proposal by the Remuneration Committee) decided in 2016 that the bonus for fiscal year 2015 shall be settled 50 % in cash and 50 % in rights to receive shares, which will vest if the GEC member is still employed on January 1, 2019. The shares that were used to settle the 2015 bonus payment had no dilutive effect, as they were sourced exclusively from treasury shares. The bonus pay-outs for fiscal years 2016, 2017 and 2018 are in cash.

For fiscal year 2018, the target bonus amounted to 100 % of the basic salary for the Group CEO and to between 38 % and 100 % of the basic salary for the other members of the Global Executive Committee (fiscal year 2017: 150 % for the Group 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 2018, the relevant weightings for all members of the Global Executive Committee were 50 % EBITDA, 25 % Business Operating Model Efficiency and 25 % Free Cash Flow of the Group results. For the previous year 2017 these weightings were 60 % EBITDA , 20 % Organic growth and 20 % Free Cash Flow of the Group results for the Group Chief Executive Officer, Chief Financial Officer, Global Chief Operating Officer, Global Chief Corporate Officer, Chief Resources Director and the General Counsel. For the five Division CEOs and the General Manager Brazil & Bolivia it was 60 % EBITDA of their respective division (of the 2 countries in the case of the General Manager Brazil & Bolivia), as well as 20 % Organic growth and 20 % Free Cash Flow of the Group results.

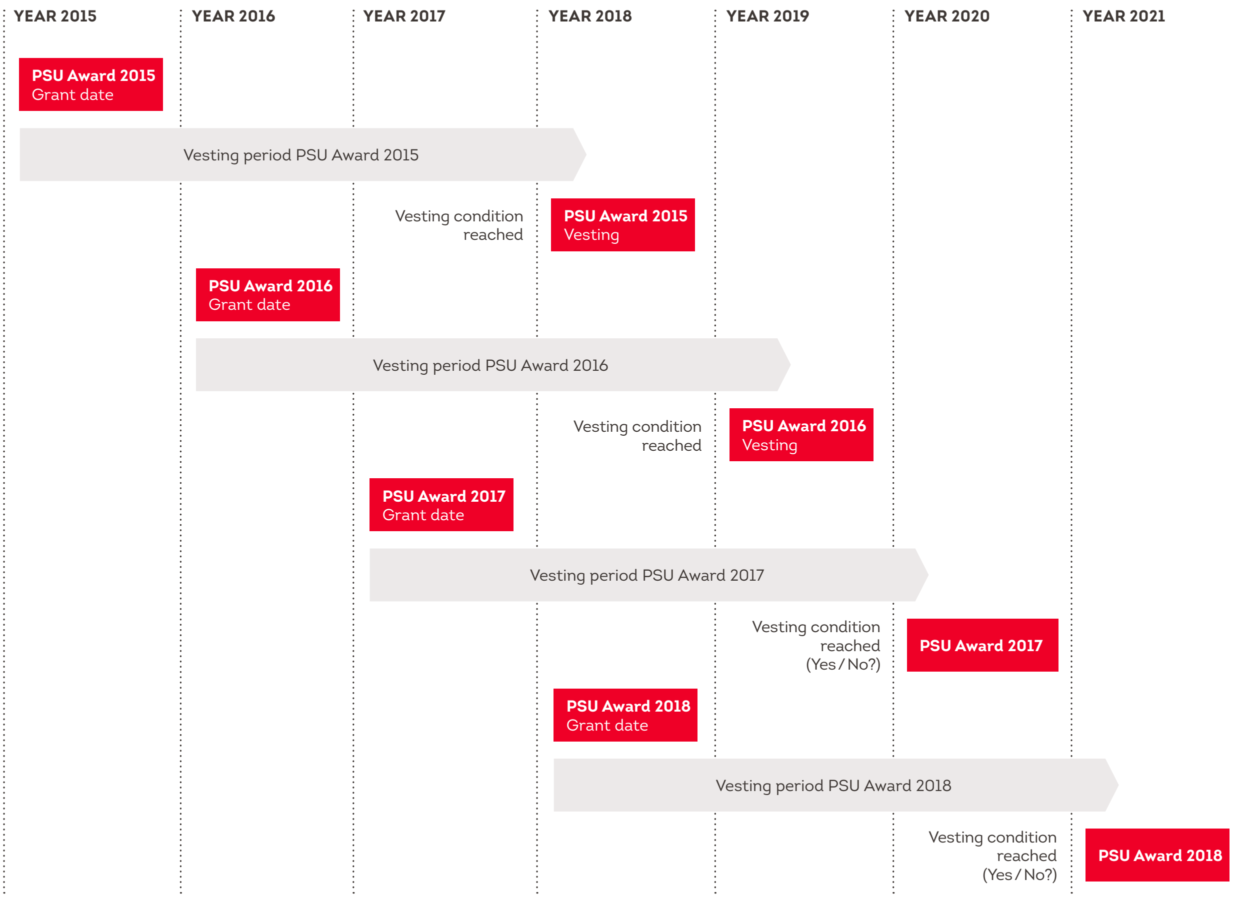
RANGE OF BONUS COMPONENTS

IN % OF BASIC SALARY	2018	2017	2016
Global (former Group) Executive Committee	37 – 97 %	41 – 217 %	39 – 148 %

The bonus accrued as part of the compensation for the members of the Group Executive Committee represented in 2018 between 37 % and 97 % of their basic salary and amounted to CHF 4.97 million in the aggregate (2017: for the twelve members of the Group Executive Committee between 41 % and 217 % of their basic salary and an amount of CHF 11.11 million in the aggregate). The achievement ratio regarding the Group results' targets of the three elements EBITDA, Business Operating Model Efficiency and Free Cash Flow combined was 96.9 % for fiscal year 2018 (2017: achievement ratio 91.6 % for the elements EBITDA, Organic growth and Free Cash Flow). The achievement levels for each of the components were between 90 % and 115 % of target for metrics at Group level (Group EBITDA, Business Operating Model Efficiency and Free Cash Flow) in 2018.

The bonus compensation for each of the members of the Global Executive Committee, other than the Group CEO bonus, is approved by the Remuneration Committee in coordination with the Group CEO. The Group 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 members of the Global Executive Committee on a yearly basis.

TIMING OF THE PSU PLANS



SHARE-BASED INCENTIVES (PSU)

In 2013, Dufry introduced a Performance Share Unit (PSU) plan for the members of the Global Executive Committee (formerly Group Executive Committee). The purpose of the plan is to provide the members of the Global 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.

Since its separate listing on the New York Stock Exchange, Dufry's subsidiary Hudson Ltd. has its own long-term incentive (LTI) plan for members of the management of Hudson Ltd. Details of Hudson's LTI plan awards are available in the S-8 Securities documents, which can be downloaded from the Hudson website www.hudsongroup.com – Download center (link: www.hudsongroup.com/download-center). The LTI plan awards granted by Hudson are directly vesting into Hudson shares and are therefore not part of the Dufry PSU plan.

From an economic point of view, Dufry's PSU 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 PSU allocated to each member of the Global 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. that one share vests for each PSU. The accrued value of the PSU awards 2018 represented about 89 % of the basic salary for the Group CEO and between 74 % and 92 % of the basic salary for the other members of the Global Executive Committee (2017: 136 % for the Group

PSU VESTING

PSU GRANTS 2018		PSU GRANTS 2017	
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 (2 shares per PSU)	≥ maximum threshold (150 % of target)	Maximum vesting (1.5 shares per PSU)
Between minimum threshold and maximum threshold	Linear calculation (between 0 and maximum 2 shares per PSU)	Between minimum threshold and maximum threshold	Linear calculation (between 0 and maximum 1.5 shares per PSU)

CEO and between 110 % and 139 % 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). Once PSU are vesting, the shares will become immediately unrestricted and available to the plan participants.

Vesting conditions of the PSU are:
- The participant's ongoing contractual relationship on the vesting date; and
- The achievement of the performance target as described below.

Performance target for 2018 and 2017 PSU grants
The number of shares allocated for each PSU for the 2018 and the 2017 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 (Cumulative Cash EPS):
- For the 2018 grants, the Target Cumulative Cash EPS has been set at CHF 29.23, based on the cash EPS of the previous fiscal year 2017 and applying a growth rate of 5 % per annum. This amount is subject to change from year to year by the Remuneration Committee.
- For the 2017 grants, the Target Cumulative Cash EPS has been set at CHF 25.97, based on the cash EPS of the previous fiscal year 2016 and applying a growth rate of 5 % per annum.

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.
- 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 had as an exception been set at 1.5 shares per vested PSU).
- For a Cumulative Cash EPS higher than the minimum threshold but lower than the maximum threshold, the number of shares allocated from vested PSU is calculated on a linear basis.
- The maximum number of shares allocated is capped at two shares per vested PSU (for the 2017 grants, the cap had as an exception been set at 1.5 shares per vested PSU).

In 2018, the seven members of Global Executive Committee have been granted, in the aggregate, 55,612 PSU (2017: 79,895 PSU to twelve members of the Group Executive Committee). Out of this amount, 16,823 PSU were granted to the Group CEO (2017: 16,823 PSU). The total number of shares that can be allocated to these seven members of the Global Executive Committee would amount to the following: At target, 55,612 shares for the PSU Award 2018, 54,073 shares for the PSU Award 2017 and 64,249 shares which will vest for the PSU Award 2016. At maximum (i.e. at 2 shares per vested PSU from the 2018 grant, and 1.5 shares per vested PSU from the 2017 grant) it would amount to 111,224 shares for the PSU Award 2018, 81,110 shares for the PSU Award 2017 and 64,249 shares for the PSU Award 2016.

Overall, the number of persons qualified to PSU awards includes (since fiscal year 2015) not only the members of the Global Executive Committee, but also further selected members of the Senior Management team of Dufry (about 60 senior managers). In addition to the PSU

COMPENSATION OF THE MEMBERS OF THE GLOBAL EXECUTIVE COMMITTEE / FORMER GROUP EXECUTIVE COMMITTEE (AUDITED)

	2018		2017	
REMUNERATION COMPONENT IN THOUSANDS OF CHF	**GEC (7 members)**	**CEO [1]**	**GEC (12 members)**	**CEO [1]**
Basic salary	6,661.8	1,832.4	9,043.7	1,851.6
Bonus	4,966.0	1,775.6	11,113.5	2,543.0
Post-employment benefits [2]	1,610.1	593.3	1,768.4	481.5
Other indirect benefits	330.9	23.1	1,136.2	23.1
Share-based payments accrued (3 years vesting period) [3]	5,405.3	1,635.2	11,943.0	2,514.8
Total compensation accrued	**18,974.2**	**5,859.5**	**35,004.6**	**7,414.1**
Total compensation pay-out	**20,021.6**	**6,611.5**	**26,065.9**	**5,950.5**
Number of performance share units awarded (in thousands)	55.6	16.8	79.9	16.8

1 The Group CEO is the highest paid member.

2 Amount includes employer social security contributions and pension contributions.

3 For valuation details see Note 24 of the consolidated financial statements. The accrued values in the table reflect the different valuations of the PSU in the different reporting years.

awarded to the members of the Global Executive Committee as shown above, this further group of Senior Managers received in aggregate 80,831 PSU from the Award 2018 (2017: about 80 managers and 90,581 PSU from the Award 2017; in 2016: about 70 managers and 101,340 PSU which will vest for the PSU Award 2016). The conditions of the PSU plans are identical for all plan participants (whether members of the Global Executive Committee or Senior Managers). The total number of shares that can be allocated to the Senior Management team members would amount to the following: At target, 80,831 shares for the PSU Award 2018, 90,581 shares for the PSU Award 2017 and 101,340 shares which will vest for the PSU Award 2016. At maximum, 161,662 shares for the PSU Award 2018, 135,872 shares for the PSU Award 2017 and 101,340 shares for the PSU Award 2016.

For the PSU plan 2014 that vested in May 2017, 44.9 % of the target number of shares were allocated to the plan participants. For the PSU plan 2015 that vested in May 2018, 92.6 % of the target number of shares were allocated to the plan participants.

The total number of shares that can be allocated to all participants of the PSU Awards 2018, 2017, the vested and allocated 165,589 shares from the PSU Award 2016 and the vested rights to receive shares from the 2015 bonus (which was split into 50 % cash and 50 % in rights to receive shares, equivalent to 82,536 shares in total, and which vested on January 1, 2019) would amount to the following: At target 529,222 shares, representing a total of 0.98 % of outstanding shares as at December 31, 2018. At maximum (i.e. at 2 shares per vested PSU from the 2018 grant, and 1.5 shares per vested PSU from the 2017 grant) 737,993 shares, representing a total of 1.37 % of outstanding shares as at December 31, 2018.

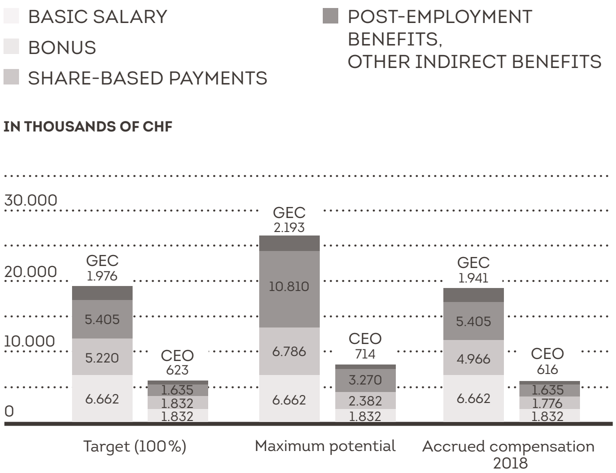
Historically, Dufry has always sourced its share-based compensation from treasury shares, so that no dilutive effect is expected from the PSU.

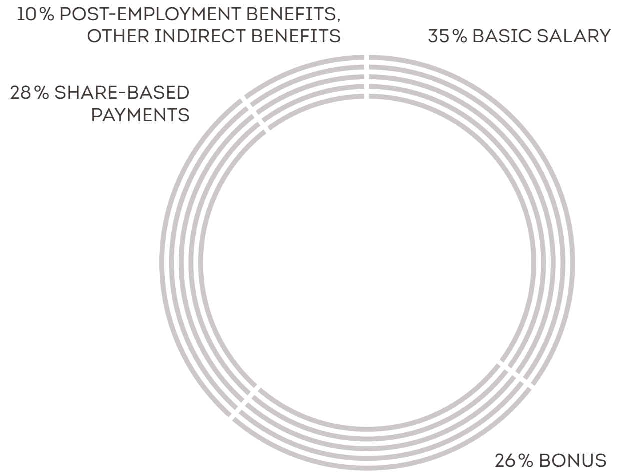
For a description of the performance targets of PSU grants in fiscal years 2015 and 2016 (with vesting in 2018 and 2019, respectively), please refer to the details in the Remuneration Report 2016 on page 235 of the Annual Report 2016.

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 Group 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 Group 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

REMUNERATION STRUCTURE GROUP EXECUTIVE COMMITTEE IN 2018





Committee. The grants made to the Group CEO are decided by the Remuneration Committee.

OTHER INDIRECT BENEFITS

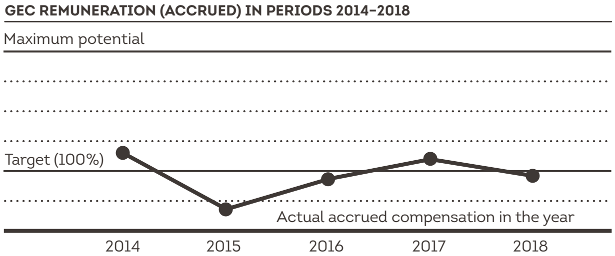
The Company limits further benefits to a minimum. Fringe benefits such as health insurance, company car, or housing allowances have been granted to certain members of the Global Executive Committee. The total amounted to CHF 0.3 million in the aggregate in fiscal year 2018 (2017: CHF 1.1 million in aggregate for certain members of the Group Executive Committee).

CHANGES IN THE REMUNERATION SYSTEM IN 2018 – GLOBAL EXECUTIVE COMMITTEE

The Board of Directors, upon proposal by the Remuneration Committee, has decided on the following change to the remuneration system in fiscal year 2018:

– The measures regarding the financial performance relevant for the annual bonus have been adjusted. In 2018, the relevant metrics are 50% EBITDA, 25% Business Operating Model Efficiency and 25% Free Cash Flow (see also explanation under section "Annual bonus – performance objectives" on page 251). In fiscal year 2017, the relevant metrics were 60% EBITDA, 20% Organic growth and 20% Free Cash Flow. The change and especially the introduction of the new metric Business Operating Model Efficiency was done in order to focus the organization on this key project for 2018. The Business Operation Model initiative (BOM) was launched in 2017 in order to streamline, standardize procedures, organization, and systems to create the basis for Dufry's future development. The efficiency target for the full programme is CHF 50 million to be fully reflected in the 2019 financials. The efficiencies are measured based on the BOM related action plan and tracked specifically against the 2017 cost base.

GEC REMUNERATION (ACCRUED) IN PERIODS 2014–2018



YE 2014: 9 GEC members; YE 2015: 7 GEC members;
YE 2016/2017: 12 GEC members; YE 2018: 7 GEC members.

EXPECTED ADJUSTMENTS TO THE REMUNERATION SYSTEM IN FUTURE, DUE TO THE IMPLEMENTATION OF THE NEW FINANCIAL REPORTING STANDARD IFRS 16

In fiscal year 2019, Dufry Group will adopt the new International Financial Reporting Standard IFRS 16, which became effective as of January 1, 2019. IFRS 16 is the new standard on lease accounting and will affect the accounting of concession agreements, rent agreements for office and warehouse buildings and other lease agreements. Dufry has hundreds of concession agreements and lease agreements and the introduction of IFRS 16 will impact a number of items in the balance sheet, the statement of income and the cash flow statement. For further explanation of IFRS 16 and its expected impacts on Dufry's financial statements 2019 please refer to Note 4 in the Consolidated Financial Statements.

The adoption of IFRS 16 is also expected to have certain consequences on Dufry's remuneration system as of 2018:

- Under IFRS 16, EBITDA will not be reported in the income statement any longer and Dufry will not use it as a key performance indicator any longer. The Remuneration Committee is evaluating alternative metric(s) to replace the EBITDA performance objective in the short-term incentive (annual bonus).
- For the Performance Share Units (PSU) granted in the years 2017 and 2018 with nominal amounts expressed in Swiss Francs of CHF 29.93 for the 2018 grant and CHF 25.97 for the 2017 grant, it is planned that the target values will remain unchanged and the calculation of the Cumulative Normalized Cash EPS will be reconciled to the accounting framework of 2018 and before (i.e. as if IFRS 16 had only been put in place after the time of the vesting). This reconciliation will be applied to reflect the old accounting rules and its impact on the income statement.
- The Remuneration Committee is evaluating to either recalibrate the PSU performance targets by using new Cash EPS metrics or to identify new KPIs and to carefully redesign the share-based incentive for 2019 and the following years.

COMPARISON AND COMPOSITION OF REMUNERATION OF THE GLOBAL EXECUTIVE COMMITTEE FOR FISCAL YEAR 2018

The charts on the previous page 255 reflect the composition of the different remuneration components as well as the actual remuneration of the seven members of the Global Executive Committee for fiscal year 2018. 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 2018

For fiscal year 2018, the achievement ratio in conjunction with the Group result targets for the three elements EBITDA, Business Operating Model Efficiency and Free Cash Flow combined was 96.9 %. Based on this, the pay-out of the bonus component for the Group CEO amounts to CHF 1.78 million, which represents 97 % of the Group CEO's basic salary. The PSU Awards 2016 will vest in fiscal year 2019 at a ratio of 104 %. This will lead to 165,589 shares being vested, of which 22,748 reflect the shares vested for the Group CEO.

The pay-out for the entire Global Executive Committee for fiscal year 2018 amounts to a total of CHF 20.02 million, of which CHF 6.61 million is the pay-out to the Group CEO.

SUMMARY OF REMUNERATION FOR FISCAL YEAR 2018

For fiscal year 2018, the remuneration of the Global Executive Committee includes the compensation of the seven GEC members (2017: twelve Group Executive Committee members). The remuneration for fiscal years 2018 and 2017, mentioned in the table on page 254 covers the period between January 1 and December 31.

The remuneration difference compared with the previous year is mainly due to the change in the number of members of the Global Executive Committee compared to the former Group Executive Committee, 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.

RECONCILIATION BETWEEN REPORTED GLOBAL EXECUTIVE COMMITTEE COMPENSATION FOR FISCAL YEAR 2018 AND THE AMOUNT APPROVED BY THE SHAREHOLDERS AT THE AGM 2017 FOR FISCAL YEAR 2018

The Ordinary General Meeting of Shareholders held on April 27, 2017, approved a maximum aggregate amount of compensation for the members of the Global Executive Committee (former Group Executive Committee) for the fiscal year 2018 of CHF 53.5 million. The approved maximum aggregate amount reflects the maximum possible pay-out calculated for

COMPENSATION RATIO FOR REMUNERATION OF GLOBAL EXECUTIVE COMMITTEE FOR 2018

IN THOUSANDS OF CHF	GEC COMPENSATION FOR FISCAL YEAR 2018 AS REPORTED	TOTAL MAXIMUM AMOUNT FOR GEC COMPENSATION AS APPROVED BY SHAREHOLDERS AT THE AGM 2017 FOR FISCAL YEAR 2018	COMPENSATION RATIO
Total Global Executive Committee	**18,974.2**	**53,500.0**	**35.5 %**

each compensation element and took into account the twelve members of the Group Executive Committee at the time the proposal to the AGM 2017 was made. The actual compensation ratio (accrued compensation) compared with the amount approved by the General Meeting of Shareholders was 35.5 %.

For fiscal year 2019, the Ordinary General Meeting of Shareholders held on May 3, 2018, approved a maximum aggregate amount of compensation for the members of the Global Executive Committee of CHF 37.1 million. The compensation ratio for 2019 will again be disclosed in the Remuneration Report 2019.

OTHER COMPENSATION, LOANS OR GUARANTEES (AUDITED)

For the years 2018 and 2017, no other compensation was paid directly or indirectly to current or former members of the Global Executive Committee (former Group Executive Committee), or to their related parties. There are also no loans or guarantees received or provided to the Global Executive Committee (former 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 Global 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 Global 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 Global Executive Committee of Dufry AG (including related parties) directly or indirectly hold shares or share options of the Company as at December 31, 2018. The table for December 31, 2017 includes additional members of the then relevant Group Executive Committee. Members not listed in the tables do not hold any shares or options.

	DECEMBER 31, 2018			DECEMBER 31, 2017		
IN THOUSANDS	SHARES	FINANCIAL INSTRUMENTS [1]	PARTICIP.	SHARES	FINANCIAL INSTRUMENTS [1]	PARTICIP.
MEMBERS OF BOARD OF DIRECTORS						
J. C. Torres Carretero, Chairman	1,001.0	71.1 [1]	1.99 %	970.3	118.3 [1]	2.02 %
A. Holzer Neumann, Director (2017: Vice-Chairman)	4,334.4	55.2 [1]	8.15 %	4,324.0	220.8 [1]	8.44 %
J. Born, Vice-Chairman (2017: Director)	22.0	30.9 [2]	0.10 %	22.0	30.9 [2]	0.10 %
J. Díaz González, Director and Group CEO	230.0	35.1 [1]	0.49 %	263.1	43.8 [1]	0.57 %
H. Jo Min, Director	0.5	–	0.00 %	–	–	0.00 %
G. Koutsolioutsos (2017: Director)	n/a	n/a	n/a	1,608.4	200.0	3.36 %
Total Board of Directors	**5,587.9**	**192.3**	**10.73 %**	**7,187.8**	**613.8**	**14.48 %**
MEMBERS OF GLOBAL EXECUTIVE COMMITTEE						
J. Díaz González, Director and Group CEO	230.0	35.1 [1]	0.49 %	263.1	43.8 [1]	0.57 %
A. Schneiter, CFO	12.9	–	0.02 %	7.5	–	0.01 %
J. A. Gea, Deputy Group CEO	14.4	–	0.03 %	4.1	–	0.01 %
L. Marin, Global CCO	4.3	–	0.01 %	1.8	–	0.00 %
J. Gonzalez, Global Marketing and Digital Innovation Director	2.0	–	0.00 %	n/a	n/a	n/a
ADDITIONAL MEMBERS OF FORMER GROUP EXECUTIVE COMMITTEE (IN 2017)						
J. Martin-Consuegra, CRD	n/a	n/a	n/a	1.1	–	0.00 %
R. Riedi, Division CEO Latin America	n/a	n/a	n/a	0.9	–	0.00 %
J. DiDomizio, Division CEO North America	n/a	n/a	n/a	1.0	–	0.00 %
G. Magalhães Fagundes, GM Brazil and Bolivia	n/a	n/a	n/a	6.9	–	0.01 %
Total Global Executive Committee (2017: Group Executive Committee)	**263.6**	**35.1**	**0.55 %**	**286.4**	**43.8**	**0.61 %**

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

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

In addition to the above, the shareholders' group consisting, among others, of different legal entities controlled by Andrés Holzer Neumann, Juan Carlos Torres, Julián Díaz González (and Dimitrios Koutsolioutsos for 2017) holds sale positions of 5.09 % through options (2,739,430 voting rights) as of December 31, 2018 (as of December 31, 2017: sale positions of 7.31 % through options (3,937,130 voting rights)).

The detailed terms of these financial instruments are as disclosed to the SIX Swiss Exchange and published on December 28, 2018 (for sale position as of December 31, 2017: publication of disclosure notice on December 28, 2017). Disclosure notices are available on the SIX Swiss Exchange website:
www.six-exchange-regulation.com/en/home/publications/significant-shareholders.html

Building a better working world

To the General Meeting of
Dufry AG, Basel

Basel, 6 March 2019

Report of the statutory auditor on the remuneration report

We have audited the remuneration report of Dufry AG for the year ended 31 December 2018. 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 249 to 254 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 2018 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

KEY DATES IN 2019

March 14, 2019	Results Fiscal Year 2018, Publication of Annual Report
May 9, 2019	Annual General Meeting
May 14, 2019	Results First Three Months 2019
July 30, 2019	Results First Half Year 2019
November 5, 2019	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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1985
RESERVA DEL MAMUT
Edición Coleccionista
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The Dufry Selection.