COMPANY REPORT

DUFRY

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Business Overview

We are a leading global travel retailer with operations in 45 countries on four continents combining strong positions in emerging markets with prime operations in developed markets.

Our outlets are located in a variety of travel retail settings. As of December 31, 2011, we operated more than 1,200 stores, with a total sales area of approximately 176,000 square meters, including approximately 970 stores located in airports, approximately 70 stores operating on cruise lines, ferries and seaports, approximately 70 stores at downtown tourist, hotel and resort locations and approximately 90 stores in railway stations, among others. Our travel retail operations consist of a variety of retail concepts focusing on the specific needs of travelers, including general travel retail outlets offering a wide range of products such as perfumes and cosmetics, confectionary and other foods, wines, spirits and tobacco, brand boutiques, specialized shops, convenience stores and theme shops.

Our corporate strategy is to focus on profitable growth with an emphasis on emerging markets and tourist destinations. Emerging markets are expected to be a significant driver of global growth in air traffic over the next decade, and since 2004, we have increased our exposure to those growth markets. In 2011, we generated approximately 60% of our sales from emerging markets.

We generated turnover of CHF 2,637.7 million for the year ended December 31, 2011 and CHF 1,517.4 million for the six months ended June 30, 2012. As of December 31, 2011, we had approximately 13,900 employees.

Factors Affecting Our Results of Operations

General

Our turnover is generated by travel-related retail sales and income from advertising, accounting for 97.1% and 2.9% of turnover for the year ended December 31, 2011, respectively. Apart from the cost of sales, our main operating expenses are concession fees, personnel costs and other expenses associated with our retail operations.

Sales

Our sales growth has been, and is likely to continue to be, driven by the combination of organic growth and acquisitions.

Organic Growth

Organic growth represents the combination of like-for-like growth and growth from new concessions/expansions.

Like-for-like growth is based on sales at existing locations and is influenced by:

- *Passenger Flows*: The number of passengers passing through in the locations where we operate is the most significant factor influencing sales. Globally, there were approximately five billion passengers in 2011. More importantly, the number of air passengers has been consistently growing in the last ten years at more than 4% per year, with growth expected to continue in the coming decade and to reach almost 10 billion by 2029. Although passenger numbers can be affected by external shocks such as terrorist attacks, wars, epidemics and other calamities, passenger growth has proven resilient over the long term.

- *Product Pricing:* Traditionally, sales of duty- and tax-free beverages, tobacco, perfumes and cosmetics to international passengers have dominated the travel-related retail industry, with favorable pricing of duty-free products compared to the products of traditional Main Street retailers as a key competitive differentiation. In order to drive our organic growth, however, our pricing strategy reflects a positioning and continuous monitoring of prices, including the pricing policies of our suppliers, and targeted marketing of specific products in certain locations.

- *Turnover Productivity:* Productivity may be improved through penetration (i.e., the number of passengers who actually buy products compared to total passengers at the location) and average spend per customer. We may influence both measures to improve sales, and this can be achieved through infrastructure measures, such as improving the layout, location and accessibility of the shops, and marketing activities, such as signposting inside and outside the stores, product variety, active selling by the sales staff and customer service.

In addition to like-for-like growth, we may also increase sales by expanding existing facilities and adding new concessions to our portfolio. We enter into new markets, operate newly created retail space built by airport operators and replace other travel industry retailers at existing concessions as their contracts expire. During 2009, we expanded our facilities at twelve different locations. During 2010, we continued with our strategy of refurbishing and enlarging main locations, including our stores at airports in Newark, Houston, Nice, Guadeloupe, Mexico, Dominican Republic and Cambodia, to make them more attractive and impactful, with the aim of capturing additional customers (for example, by designing walk-through shops, where passengers pass by in their way to the boarding gates).

Acquisitions

Due to the high fragmentation of the travel retail industry, acquisitions are one of our main sources of growth. We have, over the past years, played a key role in the consolidation of the industry and have executed several transactions. We benefit from economies of scale compared to local and regional operators. Our primary advantages are mainly in procurement, logistics and customer intelligence. These advantages enable us to generate synergies relatively quickly and turn acquisitions into an important driver of profitable growth.

Sales Per Square-Meter

Unlike traditional Main Street retailers for whom lease costs are usually structured as a fixed rent based on the number of square-meters occupied, our concession fees are usually based on a percentage of our sales. Consequently, although management uses sales per square-meter in some of our evaluations, this is not a key performance indicator for us. Sales per square-meter of retail space varies considerably, depending on the type of shop (for example, general travel retail stores or specialist shops), the type of channel (for example, airports or cruise lines) and the region or country where the shop is operated.

Gross Margin and Advertising Income

We see the cost of sales sold and the resulting gross margin as an important measurement of our performance as a retailer. The cost of sales sold is a function of the prices we pay for certain merchandise and influenced by our strategy of centralized negotiations with our suppliers, which includes segmenting suppliers by volume and active central management of these relationships.

Our pricing and product mix policy at any given location also affects the gross margin at such location.

Our relationships with our suppliers also generate advertising income. Advertising income represented 2.9% of turnover for the years ended 2011 and 2010, thereby positively affecting our gross margin. Our global presence and the large number of locations at which we operate allow us to offer attractive advertising opportunities for our suppliers.

Operating Expense Structure

The operating expense structure is important to our profitability. After the cost of sales, concession and other periodic expenses associated with our retail operations are our principal expense.

In return for granting us the right to operate our concession, airport authorities or other landlords typically receive a fixed or variable fee that is based on our sales at the concession. Where the concession fees are variable, most concession agreements provide for a minimum guaranteed payment that is either a fixed amount or variable based upon the number of passengers using an airport or other travel channel, based on retail space used or based upon current budgets or past results. A limited number of our contracts are based on fixed concession fees or rents. As a result, our profitability may be adversely affected if revenues decrease at concessions with a fixed minimum guaranteed amount.

Our selling expenses, such as variable concession fees, credit card commission and packaging expenses, are variable in nature as they generally move in line with sales. Although general and administrative expenses, such as repairs and maintenance, office and warehouse rent, general administration and marketing, are rather fixed in the short term, we have been able to protect our profitability by implementing a number of measures to control and reduce costs in a downturn climate. In addition, personnel costs, which represent a significant expense, are comprised of fixed and variable components as bonuses are based on the performance of the business.

Seasonality

In addition to the economic environment and passenger flows, our sales are affected by seasonal factors. This seasonality, however, varies from region to region. In Europe, for example, the highest sales and profit levels are obtained during the months of July and August, while in Central America & Caribbean, sales and profit levels are highest in December. In addition, certain seasonal events affecting sales, such as Easter or Ramadan, fall on different dates each year. We increase our working capital prior to these peak sales periods, so as to carry higher levels of stock and add temporary personnel to the sales team to meet the expected higher demand. Our results of operations would be adversely affected by any significant reduction in sales during the traditional peak sales periods.

Currency Fluctuations

Exchange rate risk affects us in several ways. The first type of exchange rate effect is translation effects, which arise when our financial statements are converted into Swiss Francs. As a major part of our assets, liabilities, income or expenses are denominated in currencies other than the Swiss Franc, increases and decreases in the value of the Swiss Franc against the respective currencies may affect our consolidated financial statements.

Second, we are exposed to the exchange risk inherent to our operations. Although we operate in 45 countries, the pricing of our products is mostly done in Euros or U.S. dollars. When we receive local currencies from our customers, such currencies are converted at the exchange rate of the day. Sometimes our sales prices are denominated in local currencies, whereas the products are acquired in U.S. dollars or Euros. At those locations, currency exchange fluctuations in relation with U.S. dollars or Euros may positively or adversely affect our business, financial condition and results of operations.

We are further impacted by the exchange rate fluctuation of the customers' functional currency compared to the currency of our products. In Brazil, for example, prices for duty-free products are denominated and labelled in U.S. dollars. A depreciation of the Brazilian Real diminishes the purchase power of local customers, while an appreciation strengthens the purchasing power of customers in Brazil. Therefore, any change in the value of the Brazilian Real against the U.S. dollar could affect our business, financial condition and results of operations in Brazil.

The cost of goods and concession payments are also largely denominated in, or related to, Euros or U.S. dollars. Concession fees are largely linked to sales and, to that extent, not exposed to transaction risk. There are, however, certain cost elements, such as salaries and other expenses, which are usually in local currencies. We largely benefit from natural hedging and therefore do not currently engage in material forward foreign exchange hedging. Further, we match certain assets and liabilities taking into consideration short-term cash flows in the respective currencies of our operations.

Depreciation, Amortization and Impairment

Our depreciation and amortization policies may affect our results of operations. We depreciate fixed assets using the straight-line method over the useful life of the asset (for example, five years for furniture and between five and ten years for equipment and other improvements to leased property) or the life of the concession to which the assets relate, whichever is less. Intangible assets with a finite lifespan are amortized over their economic useful life and are tested whenever there is an indication that the book value of the intangible asset may not be recoverable. Intangible assets with an indefinite lifespan are tested for impairment annually, whether individually or at the cash generation unit level, and are also reviewed annually to determine if the evaluations of indefinite lifespan assets remain sustainable. Otherwise, the change in the evaluation from indefinite to finite useful life is made on a prospective basis. Intangible assets with an indefinite useful life are not amortized. Our principal intangible asset is our concession rights.

Financial Result

Our profitability may be affected by the net amount of interest paid and received, exchange gains or losses arising from currency fluctuation.

Income Tax

Income tax expenses are based on our taxable results of operations after financial result based on each subsidiary's jurisdiction. Tax losses carried from one tax period to the next may also influence our deferred tax expenses. As a result, there is a broad diversity of tax rates affecting our effective group tax rate. However, in order to allocate certain corporate common expenses, we have put into effect certain cost transfer agreements, under which certain costs can be charged to our subsidiaries based on the source of the expenses, i.e. certain administration, information technology or franchise costs. These fees are tested periodically to ensure that they are in accordance with usual market conditions.

Non-Controlling Interests

Our business model contemplates the involvement of local partners in our operations in certain situations. In the case of a minority stake by the landlord, a local partnership allows us to align our interests with those of the landlord. We also have local partners that bring relevant expertise to operate in the local market and to manage relationships with the local community. For example, 40% of one of our major operating subsidiaries in Europe, Dufrital, belongs to the Milan airport operator, the Società Esercizi Aeroportuali SpA (SEA), 49% of our operating subsidiary Dufry Sharjah FZC, the operator of the duty-free shops at Sharjah Airport in the United Arab Emirates, belongs to the Sharjah Civil Aviation Authority and 40% of our subsidiary Duty Free Caribbean belongs to a local partner Cave Shepherd & Co, one of the oldest commercial companies established in Barbados. In addition, airport authorities in the United States frequently require us to partner with a Disadvantaged Business Enterprise (a for-profit small business concern that is at least 51% owned by one or more individuals who are both socially and economically disadvantaged) with whom we typically operate a concession through a joint-venture. The net earnings from these operating subsidiaries attributed to us are reduced accordingly.

Critical Accounting Estimates

The preparation of our financial statements in conformity with IFRS 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. 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 valued at fair value as of the date of acquisition and recorded as intangible assets on our statement of financial position. The useful lives of operating concessions are assessed to be either finite or indefinite based on individual circumstances. Concessions with a finite lifespan are amortized over their economic useful life and are tested whenever there is an indication that the book value of such concession may not be recoverable. The useful lives of operating concessions classified as indefinite are reviewed annually to determine whether the indefinite useful life assessment for those concessions continues to be sustainable. If it is not, then we may be required to reduce the carrying value of such concession. For those operating concessions with indefinite useful lives, we test annually for impairment. Where the impairment test reveals that the fair value is below the book value, an impairment is required. The underlying calculation requires the use of estimates.

Brands and Goodwill

We test these items annually for impairment in accordance with IAS 36. The underlying calculation requires the use of estimates.

Income Taxes

We are 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. We recognize 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 and deferred tax provisions in the period in which such assessment is made.

Deferred Tax Assets

Deferred tax assets are recognized for all 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 together with future tax planning strategies.

Share-Based Payments

We measure the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. Estimating fair value requires determining the most appropriate valuation model for a grant of equity instruments, which is dependent on the terms and conditions of the grant. This also requires determining the most appropriate inputs to the valuation model including the expected life of the option, volatility and dividend yield and making assumptions about them.

Pension and Other Post-Employment Benefit Obligations

The cost of defined benefit pension plans is determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, expected rates of return on assets, future salary increases, mortality rates and future pension increases. Due to the long-term nature of these plans, such estimates are subject to significant uncertainty.

EBITDA (Before Other Operational Result)

We define EBITDA before other operational result as net earnings before income taxes, interest income, interest expenses, foreign exchange gain or loss and depreciation, amortization and impairment, and other operating result, where other operating result includes non-recurring income or expenses not directly involving sales activities, such as gain or loss on sale of fixed assets, gain or loss on sale of investments, costs of projects, litigation income or expenses and restructuring costs.

Certain of our credit facilities require us to adhere to financial covenants. The definition of EBITDA contained in these financial covenants differs from the definition set forth above.

Recent Developments

On October 8, 2012, we signed an agreement to acquire 51% of the travel retail operations of Folli Follie Group, a leading travel retailer in Greece. Folli Follie Group's travel retail business consists of 106 duty-free and duty-paid shops in locations throughout Greece in airports, seaports and border shops. We have an option to acquire the remaining 49% in four years' time at fair market value, subject to agreement on fair market value.

The travel retail segment of the Folli Follie Group reported turnover of approximately EUR 291 million and EBITDA of approximately EUR 84 million for the travel retail segment of the Folli Follie Group for the year ended December 31, 2011. The historical financial results of the travel retail business of the Folli Follie Group presented here reflect the historical results of the travel retail segment of the Folli Follie Group and may not necessarily reflect the historical results of the business that will be carved out of Folli Follie Group as part of the acquisition.

We will pay a total consideration of EUR 200.5 million for the 51% equity stake in the target business plus EUR 28 million for the shareholder structuring. The consideration for the equity stake and the shareholder structuring, together with transaction costs, is expected to be financed through a capital increase of approximately EUR 250 million. We intend to raise this equity using existing authorized capital in due course to retain financial flexibility for future growth opportunities. The travel retail operations of the Folli Follie Group will be carved out of the Folli

Follie Group into a new entity and will assume EUR 335 million of debt from the Folli Follie Group, which will be financed with a new syndicated facility. The new facility is agreed with a syndicate of local banks and will be structured as a committed five-year amortizing term loan. The facility is structured as non-recourse debt, secured only through pledging of 100% shares of the entity to which the travel retail operations of Folli Follie Group are transferred. Subject to certain closing conditions, in particular, without limitation, receipt of certain shareholder and governmental approvals and change of control consents required in connection with the transfer of the travel retail operations of the Folli Follie Group, the acquisition is expected to close early.

As of December 31, 2011 and June 30, 2012, our global operations were segmented into six regions: Europe, Africa, Eurasia, Central America & Caribbean, South America and North America. On June 7, 2012, we announced changes to our organizational structure. The organizational changes went effective on July 1, 2012 and were fully implemented on September 1, 2012. Such changes principally include the re-shaping of our regional structure with greater responsibilities allocated to the regional level. In particular, our new organizational structure will be consolidated from six into the following four regions: Region Europe, Africa and Asia; Region Latin America; Region Brazil and Region North America. We describe our results of operations in this section using the segments in effect as of December 30, 2011 and June 30, 2012. Commencing with our interim condensed financial statements for the period ended September 30, 2012, we will report segmental data on the basis of the new segment structure.

Use of Constant Exchange Rate

We analyze turnover and turnover growth in currencies other than the Swiss Franc, our reporting currency, on a constant exchange rate (“CER”) basis, so that turnover and turnover growth can be considered excluding movements in foreign exchange rates. See “—Factors Affecting Our Results of Operations—Currency Fluctuations.” Turnover and turnover growth on a CER basis is a Non-IFRS financial measure, computed by converting turnover in local currency for the relevant period using the prior period’s average foreign exchange rates and comparing to the prior period’s turnover.

Results of Operations

The following table sets forth our consolidated income statement for each of the periods indicated as a percentage of total turnover:

	Six months ended June 30,		For the year ended December 31,		
	2012	**2011**	**2011**	**2010**	**2009**
			(%)		
Net sales	97.1	97.0	97.1	97.1	97.0
Advertising income	2.9	3.0	2.9	2.9	3.0
Turnover	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**
Cost of sales	(41.2)	(42.0)	(41.8)	(42.5)	(44.1)
Gross profit	**58.8**	**58.0**	**58.2**	**57.5**	**55.9**
Selling expenses	(21.8)	(22.1)	(22.0)	(22.4)	(21.5)
Personnel expenses	(15.5)	(16.3)	(15.3)	(15.3)	(15.2)
General expenses	(7.0)	(7.0)	(6.9)	(6.7)	(6.6)
EBITDA (before other operational result)	**14.5**	**12.6**	**14.1**	**13.1**	**12.7**
Depreciation, amortization and impairment	(5.4)	(4.9)	(5.0)	(5.0)	(5.2)
Other operational result	(0.5)	(0.5)	(1.0)	(0.6)	(0.6)
Earnings before interest and taxes (EBIT)	**8.6**	**7.2**	**8.1**	**7.6**	**6.9**
Financial results, net	(2.4)	(1.3)	(1.9)	(1.2)	(1.8)
Earnings before taxes (EBT)	**6.3**	**5.8**	**6.2**	**6.3**	**5.0**
Income taxes	(1.1)	(1.0)	(1.1)	(0.8)	(1.0)
Net Earnings	**5.1**	**4.8**	**5.1**	**5.5**	**4.1**

Comparison between the Six Months Ended June 30, 2012 and June 30, 2011

General

The following summarizes changes in financial performance for the six months ended June 30, 2012, compared to the six months ended June 30, 2011:

	Six months ended June 30,		
	2012	**2011**	**Percent Change**
	(Millions of CHF)		**(%)**
Net sales	1,473.7	1,145.8	28.6
Advertising income	43.7	35.5	23.1
Turnover	**1,517.4**	**1,181.3**	**28.5**
Cost of sales	(625.7)	(496.6)	26.0
Gross profit	**891.7**	**684.7**	**30.2**
Selling expenses	(331.1)	(260.7)	27.0
Personnel expenses	(234.6)	(192.5)	21.9
General expenses	(105.9)	(83.2)	27.3
EBITDA (before other operational result)	**220.1**	**148.3**	**48.4**
Depreciation, amortization and impairment	(82.2)	(57.5)	43.0
Other operational result	(6.9)	(6.1)	13.1
Earnings before interest and taxes (EBIT)	**131.0**	**84.7**	**54.7**
Financial results, net	(36.0)	(15.6)	130.8
Earnings before taxes (EBT)	**95.0**	**69.1**	**37.5**
Income taxes	(17.1)	(12.0)	42.5
Net Earnings	**77.9**	**57.1**	**36.4**

Turnover

Reported turnover increased by 28.5% to CHF 1,517.4 million for the first half of 2012 compared to CHF 1,181.3 million for the prior year period. On a CER basis, turnover increased by 27.0% in the first half of 2012 and reached CHF 1,500.5 million compared to CHF 1,181.3 million for the prior year period. Foreign exchange fluctuations resulted in a positive translation effect of 1.4%. Organic growth represented 7.6% of this increase, with like-for-like growth contributing 4.9% and new concessions and expansions adding 2.7% and acquisitions contributed 19.5% to turnover growth for the first half of 2012.

Performance by Region

The following summarizes changes in turnover for the six months ended June 30, 2012, compared to the six months ended June 30, 2011 by region:

	Six months ended June 30,		
	2012	**2011**	**Percent Change**
	(Millions of CHF)		**(%)**
Europe	152.0	149.7	1.5
Africa	74.1	62.9	17.8
Eurasia	146.3	95.3	53.5
Central America & Caribbean	193.6	179.1	8.1
South America	546.7	344.7	58.6
North America	386.7	341.1	13.4

Region Europe's turnover grew by 1.5% in the first half of 2012 and reached CHF 152.0 million compared to CHF 149.7 million for the prior year period. On a CER basis, turnover growth was 6.4% for the period compared to the prior year period. The performance in the region remained solid even as the economic environment in the region limited growth, especially in Italy, where we saw lower passenger numbers in the airports where we operate. On the other hand, operations in Switzerland and in Spain showed improved performance in the period.

Turnover in Region Africa increased by 17.8% to CHF 74.1 million for the half year 2012 compared to CHF 62.9 million for the prior year period. On a CER basis, with growth of 22.0%, our operations rebounded strongly over the prior period's performance, when the political turmoil in the region significantly affected our business. In particular, our operations in Tunisia, Egypt and Ivory Coast saw double-digit growth rates.

Region Eurasia turnover grew 53.5% in the first half of 2012 compared to the prior year period. Turnover reached CHF 146.3 million in the first six months of 2012 compared to CHF 95.3 million for the prior year period. The integration of the newly acquired operation in Russia contributed to this growth. In addition, our operations in Sharjah, China and Cambodia all showed double-digit turnover growth in the period.

Region Central America & Caribbean increased its turnover by 8.1% to CHF 193.6 million in the first half of 2012 compared to CHF 179.1 million for the prior year period. The increase in turnover of 5.9% on a CER basis was primarily due to good market conditions with an increase in passenger numbers in our operations in Mexico and Dominican Republic, which offset the weak performance of our shops in the English speaking Caribbean.

Region South America's turnover increased by 58.6% to CHF 546.7 million for the first half of 2012 compared to CHF 344.7 million for the prior year period. On a CER basis, turnover increased 56.1% period-over-period. The consolidation of the operations acquired in 2011 in Argentina, Uruguay and Ecuador was the main growth contributor for the region. The Brazilian operations had a weaker performance due to decreased economic growth in Brazil and capacity constraints at the country's airports.

Turnover in Region North America grew by 13.4% in the first half of 2012. Turnover amounted to CHF 386.7 million for the first half year 2012 compared to CHF 341.1 million for the prior year period. The double-digit turnover growth of 10.1% on a CER basis illustrates our solid business model in the region, which is based on a steady growth of passenger numbers and productivity improvements and backed by a continued expansion of our footprint with 17 new shops across the region. In addition, the duty-free operations continued to perform well.

Gross Profit

Gross profit reached CHF 891.7 million in the first half of 2012 from CHF 684.7 million in the prior year period. The gross profit margin increased by 80 basis points to 58.8% in the first half of 2012 compared to 58.0% for the prior year period. Improvements in our centralized procurement strategy continued to contribute to this growth, and growth was also supported by the integration of certain operations acquired in 2011. Additionally, company-wide changes to the product category mix, focusing on higher ticket items and best sellers, continued to show positive results for the period.

Selling Expenses

Selling expenses amounted to 21.8% of turnover for the six month period ended June 30, 2012, compared to 22.1% for the prior year period. Concession and other periodic fees paid to airport authorities and other travel facility landlords in connection with our retail operations made up over 89% of the selling expenses for the six months ended June 30, 2012. In absolute terms, selling expenses reached CHF 331.1 million for the six months ended June 30, 2012, compared to CHF 260.7 million for the prior year period mainly as a result of the new operations acquired in South America and Russia in August 2011 and January 2012, respectively. Selling expenses are presented net of concession and rental income, commission income and commercial services and other selling expenses. Concession and rental income is generated by us when we sublet retail space at our shops to other retail operations. For the six months ended June 30, 2012, the concession and rental income concession rent income amounted to approximately CHF 6.6 million compared to CHF 7.4 million for the prior year period.

Personnel Expenses

Personnel expenses increased to CHF 234.6 million from CHF 192.5 million in the first half of 2011. This increase was primarily due to the additional personnel costs in connection the new operations acquired in South America and Russia. As a percentage of turnover, personnel expenses remained relatively flat at 15.5% compared to 16.3% for the prior year period.

General Expenses

General expenses increased to CHF 105.9 million in the first half of 2012 compared to CHF 83.2 million in the prior year period. As percentage of the turnover, general expenses remained flat at 7.0%, showing our ability to keep costs under control.

EBITDA (before other operational result)

EBITDA (before other operational result) for the first half of 2012 increased by 48.4% to CHF 220.1 million compared to CHF 148.3 million for the prior year period. EBITDA (before other operational result) margin increased by 1.9 percentage points to 14.5% in the first half of 2012 compared to 12.6% for the prior year period.

Depreciation and Amortization

Depreciation, amortization and impairment increased to CHF 82.2 million for the first half of 2012 compared to CHF 57.5 million for the prior year period. Depreciation and impairment reached CHF 29.8 million for the period, compared to CHF 28.0 million in the first half of 2011. Amortization and impairment increased to CHF 52.4 million in the first half of 2012 compared to CHF 29.4 million for the prior year period. While depreciation remained practically stable, the higher amortization charge was primarily due to the increase in intangible assets as a result of our acquisitions in 2011.

Other Operational Result

Other operational result increased 13.1% for the six months ended June 30, 2012, compared to the prior year period, to CHF 6.9 million from CHF 6.1 million, respectively. The majority of these expenses related to new projects, start-up costs and restructuring costs during the period.

Financial Results, Net

Financial results, net, increased to CHF 36.0 million for the first half of 2012 compared to CHF 15.6 million for the first half of 2011. In August 2011, we entered into an add-on facility of USD 1,000 million to finance acquisitions in 2011, resulting in increased financial expenses.

Income Tax Expense

Income taxes for the first half of 2012 amounted to CHF 17.1 million compared to CHF 12.0 million for the corresponding period of 2011. The effective tax rate, measured as percentage of EBT, stood at 18.0% compared to 17.4% for the prior year period.

Net Earnings

We recorded net earnings of CHF 77.9 million for the six months ended June 30, 2012, compared to net earnings of CHF 57.1 million for the prior year period.

Comparison between the Fiscal Years Ended December 31, 2011 and December 31, 2010

General

The following summarizes changes in financial performance for the year ended December 31, 2011, compared to the year ended December 31, 2010:

	For the year ended December 31,		
	2011	**2010**	**Percent Change**
	(Millions of CHF)		**(%)**
Net sales	2,560.9	2,533.5	1.1
Advertising income	76.8	76.7	0.1
Turnover	**2,637.7**	**2,610.2**	**1.1**
Cost of sales	(1,102.4)	(1,108.3)	(0.5)

	For the year ended December 31,		
Gross profit	**1,535.3**	**1,501.9**	**2.2**
Selling expenses	(579.7)	(584.8)	(0.9)
Personnel expenses	(402.6)	(398.9)	0.9
General expenses	(182.1)	(175.1)	4.0
EBITDA (before other operational result)	**370.9**	**343.1**	**8.**1
Depreciation, amortization and impairment	(131.5)	(129.5)	1.5
Other operational result	(26.9)	(15.7)	71.3
Earnings before interest and taxes (EBIT)	**212.5**	**197.9**	**7.4**
Financial results, net	(49.4)	(32.2)	53.4
Earnings before taxes (EBT)	**163.1**	**165.7**	**(1.6)**
Income taxes	(28.2)	(20.9)	34.9
Net Earnings	**134.9**	**144.8**	**(6.8)**

Turnover

Reported turnover increased to CHF 2,637.7 million in 2011 from CHF 2,610.2 million in 2010. On a CER basis, turnover grew 16.5% in 2011 compared to 2010. Like-for-like growth contributed 7.5% to this growth and new concessions and acquisitions contributed 2.3% and 6.7%, respectively. On a CER basis, this increase corresponds to a turnover of CHF 3,040.8 million in 2011.

Performance by Region

The following summarizes changes in turnover for the year ended December 31, 2011, compared to the year ended December 31, 2010 by region:

	For the year ended December 31,		
	2011	**2010**	**Percent Change**
	(Millions of CHF)		**(%)**
Europe	304.3	310.8	(2.1)
Africa	138.1	184.1	(25.0)
Eurasia	215.4	229.1	(6.0)
Central America & Caribbean	368.3	400.0	(7.9)
South America	885.9	713.3	24.2
North America	700.5	755.8	(7.3)

Region Europe's reported turnover fell 2.1% to CHF 304.3 million in 2011 compared to 2010. On a CER basis, turnover increased 8.4% in 2011 compared to 2010. All major operations contributed to the growth, notably in France, which benefited from the expansion of the Pointe-à-Pitre operations and the addition of operations in Martinique. Spain also performed well as some of the tourist flows shifted to Europe due to political turmoil in Northern Africa.

Region Africa's reported turnover fell 25.0% to CHF 138.1 million in 2011. On a CER basis, turnover fell by 14.9% in 2011 compared to 2010. The political turmoil that hit North Africa in early 2011 was the key reason for this weak performance; whereas Egypt and Ivory Coast saw a mild recovery throughout the year, Tunisia was affected during most of the year. Morocco on the other hand proved to be stable.

Region Eurasia's reported turnover fell 6.0% to CHF 215.4 million in 2011 compared to 2010. On a CER basis, turnover increased 9.2% in 2011 compared to 2010. Our Russian operations recorded double-digit growth after a weak first quarter when most flights to North Africa from Russia were canceled due to political crisis in the region. The other operations in the region also performed well, most notably Sharjah and Cambodia. Our duty-paid business in China also saw solid growth.

Region Central America & Caribbean's reported turnover fell 7.9% to CHF 368.3 million in 2011 compared to 2010. On a CER basis, turnover rose 8.0% in 2011 compared to 2010. The expansion of our activities in Mexico contributed to this growth, as did the recovery of our business in the country in the fourth quarter, when the bankruptcy of Mexicana, one of the incumbent airlines, in 2010 started to impact our performance. Most Caribbean operations also performed well and our operations in the Dominican Republic continued to thrive.

Region South America's reported turnover increased 24.2% to CHF 885.9 million in 2011 compared to 2010. On a CER basis, the region reported a growth rate of 42.4% in 2011 compared to 2010. The consolidation of our acquisitions in Argentina, Uruguay, and Ecuador in 2011 contributed 22% to growth. The existing business in the region also performed well with double-digit growth on the back of higher passenger numbers and further improvements in productivity. Towards the end of 2011, the capacity constraints at some of the Brazilian airports started to limit the growth of those operations.

Region North America's reported turnover fell 7.3% to CHF 700.5 million in 2011 compared to 2010. On a CER basis, turnover increased 9.3% in 2011 compared to the prior year period. The positive result (on a CER basis) was supported by a moderate improvement in the region's macroeconomic scenario and the constant growth in the passenger numbers, which offset a mixed performance early in 2011, due to the snowstorms at the East Coast. Also contributing to the increased growth was the continued expansion of the Hudson News concept and our duty-free operations.

Gross Profit

Gross profit reached CHF 1,535.3 million in 2011 from CHF 1,501.9 million for the prior year period. The gross profit margin improved by 0.7 percentage points to 58.2% compared to 57.5% in 2010. The global negotiations with suppliers, branding actions and promotions designed under the "Dufry Plus One" initiative were the key factors that led to this increase.

Selling Expenses

Selling expenses amounted to 22.0% of turnover in 2011, compared to 22.4% in 2010. Concession and other periodic fees paid to airport authorities and other travel facility landlords in connection with our retail operations made up over 90% of the selling expenses in both 2011 and 2010. In absolute terms, selling expenses decreased to CHF 579.7 million in 2011 from CHF 584.8 million in 2010. For the year ended 2011, concession and rental income amounted to approximately CHF 14.6 million compared to CHF 19.7 million for the prior year period.

Personnel Expenses

Personnel expenses reached CHF 402.6 million in 2011 compared to CHF 398.9 million in 2010. As a percentage of turnover, personnel expenses remained stable at 15.3%.

General Expenses

General expenses reached 6.9% of turnover in 2011, compared to 6.7% in 2010. In absolute terms, general expenses increased to CHF 182.1 million in 2011 from CHF 175.1 million in 2010, primarily due to the newly acquired businesses consolidated since August 2011.

EBITDA (before other operational result)

On a CER basis, EBITDA (before other operational result) increased by 26.3% in 2011 compared to 2010 and reached CHF 433.5 million as a result of gross margin improvement and reduced expenses. After translation effects, the increase was 8.1% to CHF 370.9 million in 2011 compared to CHF 343.1 million in 2010. The EBITDA (before other operational result) margin increased 100 basis points and reached 14.1%.

Depreciation and Amortization

Depreciation, amortization and impairment remained practically unchanged at CHF 131.5 million in 2011 from CHF 129.5 million in 2010. Depreciation and impairment was lower at CHF 58.8 million in 2011 compared to CHF 63.7 million in 2010. Amortization and impairment increased by CHF 6.9 million to CHF 72.7 million in 2011 due to the acquisitions performed in August 2011.

Other Operational Result

Other operational result increased 71.3% to CHF 26.9 million in 2011 from CHF 15.7 million in 2010. This increase was primarily due to CHF approximately 11.3 million in transaction costs related to acquisitions.

Financial Results, Net

Financial results, net, increased to CHF 49.4 million in 2011 from CHF 32.2 million in 2010. The main reason for the increase was the add-on credit facility of USD 1,000 million that was structured to finance acquisitions in August 2011.

Income Tax Expense

In 2011, the effective consolidated tax rate across our operations was 17.3%. Income tax expense reached CHF 28.2 million in 2011, compared to CHF 20.9 million in 2010.

Net Earnings

We recorded net earnings of CHF 134.9 million in 2011, compared to net earnings of CHF 144.8 million in 2010.

Comparison between the Fiscal Years Ended December 31, 2010 and December 31, 2009

General

The following summarizes changes in financial performance for the year ended December 31, 2010, compared to the year ended December 31, 2009:

	For the year ended December 31,		
	2010	**2009**	**Percent Change**
	(Millions of CHF)		**(%)**
Net sales	2,533.5	2,307.1	9.8
Advertising income	76.7	71.6	7.1
Turnover	**2,610.2**	**2,378.7**	**9.7**
Cost of sales	(1,108.3)	(1,049.3)	5.6
Gross profit	**1,501.9**	**1,329.4**	**13.0**
Selling expenses	(584.8)	(510.9)	14.5
Personnel expenses	(398.9)	(361.3)	10.4
General expenses	(175.1)	(156.1)	12.2
EBITDA (before other operational result)	**343.1**	**301.1**	**13.9**
Depreciation, amortization and impairment	(129.5)	(123.0)	5.3
Other operational result	(15.7)	(14.7)	6.8
Earnings before interest and taxes (EBIT)	**197.9**	**163.4**	**21.1**
Financial results, net	(32.2)	(43.4)	(25.8)
Earnings before taxes (EBT)	**165.7**	**120.0**	**38.1**
Income taxes	(20.9)	(22.7)	(7.9)
Net Earnings	**144.8**	**97.3**	**48.8**

Turnover

Reported turnover increased to CHF 2,610.2 million in 2010, up 9.7% from CHF 2,378.7 million in 2009. On a CER basis, turnover increased by 15.0% in 2010 compared to 2009. In addition to the contribution of a double-digit like-for-like growth, new concessions added 4.7%, whereas the foreign exchange impact of translating into Swiss Franc was negative by 5.1%.

Performance by Region

The following summarizes changes in turnover for the year ended December 31, 2010, compared to the year ended December 31, 2009 by region:

	For the year ended December 31,		
	2010	2009	Percent Change
	(Millions of CHF)		(%)
Europe	310.8	316.8	(1.9)
Africa	184.1	190.2	(3.2)
Eurasia	229.1	232.1	(1.3)
Central America & Caribbean	400.0	392.1	2.0
South America	713.3	530.0	34.6
North America	755.8	699.6	8.0

Region Europe's reported turnover in 2010 stood at CHF 310.8 million compared to CHF 316.8 million in 2009. On a CER basis, turnover grew by 8.2% in 2010 compared to 2009. This growth was primarily driven by our operations at Milan Malpensa airport, which started to improve in the second half of 2010, and by the introduction of the Hudson News concept in various Italian railway stations. The closing of European airspace due to the volcano ash cloud in April 2010 and the snow storms in Europe in December 2010 had a limited impact on our operations.

Region Africa's reported turnover fell 3.2% to CHF 184.1 million in 2010 compared to 2009. On a CER basis, Region turnover increased by 5.4% in 2010 compared to 2009. Weak performance in Egypt at our operation in Sharm-el-Sheikh Airport, which was temporarily closed due to flooding between January and February 2010, was offset by the opening of our operation in Alexandria's new International Airport in December 2010. Morocco and Tunisia had a strong performance throughout the year.

Region Eurasia's reported turnover fell 1.3% to CHF 229.1 million in 2010 compared to 2009. On a CER basis, turnover increased by 2.7% in 2010 compared to 2009. Our operation in Moscow-Domodedovo performed well on the back of double-digit traffic growth, and our operations in Shanghai, which we opened in March 2010, began to contribute to growth.

Region Central America & Caribbean's reported turnover increased 2.0% to CHF 400.0 million in 2010 compared to CHF 392.1 million in 2009. On a CER basis, turnover increased by 6.3% in 2010 compared to 2009. Turnover in the English speaking Caribbean gradually recovered from the lows seen in 2009. Additionally, other Caribbean operations saw a stronger continued upward trend throughout 2010 due to higher passenger numbers and increased spend per passenger. Business in Mexico experienced a setback in September due to the bankruptcy of Mexicana, one of the two incumbent carriers in Mexico which stopped operating, resulting in substantially lower passenger numbers. Some airlines started to increase their flight schedule to this region in 2010, but the overall situation remained weak until year-end 2010.

Region South America's reported turnover increased 34.6% to CHF 713.3 million in 2010 compared to 2009. On a CER basis, turnover increased by 39.6% in 2010 compared to 2009. Our turnover growth was driven by several initiatives in our Brazilian operations that we implemented during 2010. For example, we launched innovative promotions and sales incentive programs. These elements on top of the strong passenger growth together generated a solid increase in spend-per-passenger.

Reported turnover in Region North American increased 8.0% to CHF 755.8 million in 2010 compared to 2009. On a CER basis, turnover increased by 11.6% in 2010 compared to 2009. The Hudson News business continued its positive organic growth trend as did the other operations in the United States. This growth was further supported by productivity improvements, increased passenger growth and an active development of the concession portfolio in the United States with the opening of 66 new Hudson News shops.

Gross Profit

Gross profit reached CHF 1,501.9 million in 2010 from CHF 1,329.4 million for the prior year period. The gross profit margin improved by 1.6 percentage points to 57.5% in 2010 compared to 55.9% in 2009. This growth was supported by the continuation of the global negotiations with suppliers, improved economies of scale and the further development of initiatives started in 2010 as part of the "Dufry plus One" project.

Selling Expenses

Selling expenses came to CHF 584.8 million or 22.4% of turnover in 2010, compared to CHF 510.9 million, or 21.5% of turnover in 2009. The start-up phase of a number of new projects, as well as the impact of certain locations, led to an increase in concession fees in 2010. We also benefited from temporary rebates on concession fees during the first quarter of 2009. Concession and other periodic fees paid to airport authorities and other travel facility landlords in connection with our retail operations made up over 90% of the selling expenses in both 2010 and 2009. For the year ended 2010, the concession and rental income amounted to approximately CHF 19.7 million compared to CHF 22.2 million for the prior year period.

Personnel Expenses

Personnel expenses remained relatively stable as a percentage of turnover at 15.3% in 2010, compared to 15.2% in 2009. In absolute terms, personnel expenses amounted to CHF 398.9 million in 2010, compared to CHF 361.3 million in 2009. The increase was primarily due to an increase in full time equivalents by 6.1% to 11,892 as of December 31, 2010, compared to 11,209 as of December 31, 2009 as a result of the new operations added during the year.

General Expenses

General expenses represented 6.7% of turnover in 2010, compared to 6.6% in 2009. In absolute terms, general expenses increased to CHF 175.1 million in 2010, compared to CHF 156.1 million in 2009. During 2009, we launched our Efficiency Plan in order to maximize productivity and reduce costs, with the aim of minimizing the impact of the global downturn in our profitability.

EBITDA (before other operational result)

On a CER basis, EBITDA (before other operational result) grew by 18.7%. When translated into Swiss Francs, EBITDA (before other operational result) reached CHF 343.1 million, a growth of 13.9% compared to CHF 301.1 million in 2009. EBITDA (before other operational result) margin improved by 0.4 percentage points to 13.1% compared to 12.7% in 2009.

Depreciation and Amortization

Depreciation, amortization and impairment increased to CHF 129.5 million in 2010 from CHF 123.0 million in 2009. Depreciation and impairment remained flat at CHF 63.7 million in 2010 compared to CHF 63.9 million for the prior year period. When measured as percentage of turnover, depreciation decreased to 2.4% in 2010 from 2.7% in 2009. Amortization and impairment increased by CHF 6.7 million to CHF 65.8 million in 2010 from CHF 59.1 million in 2009. We reassessed the useful life of our intangible assets in Mexico and Italy which led to an increase in amortization of CHF 3.9 million in 2010.

Other Operational Result

Other operational result increased 6.8% in 2010, compared to the prior year, from CHF 15.7 million to CHF 14.7 million, respectively. Of this amount, losses of closing shops represented CHF 4.1 million. The increase was primarily due to expansion projects and acquisitions pursued in the period.

Financial Results, Net

Net financial expenses decreased by CHF 11.2 million to CHF 32.2 million in 2010 compared to CHF 43.4 million in 2009. The lower interest rates in 2010 compared to 2009, partially due to deleveraging, was the main factor for the decrease.

Income Tax Expense

In 2010, the effective consolidated tax rate across our operations was 12.6%, compared to 18.9% in 2009. Income tax expense decreased to CHF 20.9 million in 2010, compared to CHF 22.7 million in 2009. This reduction in the relative and absolute level of expense is partially due to one-off adjustments related to certain initiatives, including measures like a royalty concept implemented as part of the One Dufry initiative, but partially offset by higher tax expenses generated in fast growing countries with above average tax rates.

Net Earnings

We recorded net earnings of CHF 144.8 million in 2010, compared to net earnings of CHF 97.3 million in 2009.

Liquidity and Capital Resources

General

Our principal source of liquidity has been and is expected to continue to be cash generated from operations together with our short- and long-term debt financing. Our principal liquidity requirements have been and are expected to be for acquisitions, capital expenditures, in particular the fitting out of new shops and the renovation of existing shops, and working capital for inventories. Management aims to maintain our leverage at levels that will permit us to access the same levels of debt financing that we may access currently.

Cash Flows

Comparison between the Six Months Ended June 30, 2012 and June 30, 2011

Net cash flows from operating activities were CHF 163.6 million for the six months ended June 30, 2012, an increase of CHF 45.9 million compared to the prior year period. The increase in net cash flows provided from operating activities mainly resulted from an increase in net earnings and an increase in depreciation and amortization due to the acquisitions completed in August 2011.

Net cash used in investing activities increased to CHF 96.4 million for the six months ended June 30, 2012, as compared to CHF 38.1 million for the prior year period. Of the CHF 96.4 million net cash utilized in the current period, capital expenditure represented CHF 52.6 million while CHF 43.9 million represented the purchase of operations in Russia. Other items were positive in CHF 3.3 million.

Net cash used in financing activities increased to CHF 97.5 million for the six months ended June 30, 2012, an increase of CHF 61.2 million compared to the prior year period, a direct result of the acquisition of operations in Russia in January 2012. Cash used in financing activities for this period includes CHF 64.3 million for repayment of borrowings under our credit facilities, CHF 16.8 million for dividends paid to non-controlling interest and CHF 25.9 million in interest payments.

Comparison between the Fiscal Years Ended December 31, 2011 and December 31, 2010

Net cash flows from operating activities were CHF 336.8 million for the year ended December 31, 2011, an increase of CHF 9.8 million compared to the prior year period. The increase in net cash flows provided from operating activities mainly resulted from an improvement in net working capital.

Net cash used in investing activities increased to CHF 830.5 million for the year ended December 31, 2011 as compared to CHF 117.4 million for the prior year period. Of the CHF 830.5 million net cash utilized in the current period, capital expenditure represented CHF 91.8 million, while CHF 743.2 million was invested to acquire businesses in Argentina, Uruguay, Ecuador, Armenia and Martinique. Other items generated CHF 4.5 million of cash from investing activities.

Net cash from financing activities reached CHF 595.5 million for the year ended December 31, 2011, compared to CHF 489.3 million used in financing activities for the prior year period. Cash from financing activities for 2011 primarily related to CHF 773.4 million in borrowings used to purchase the operations in Argentina, Uruguay, Ecuador, Armenia and Martinique.

Comparison between the Fiscal Years Ended December 31, 2010 and December 31, 2009

Net cash flows from operating activities were CHF 327.0 million for the year ended December 31, 2010, a decrease of CHF 62.4 million compared to the prior year period. The decrease in net cash flows from operating activities in 2010 mainly resulted from a strong improvement in net working capital during the prior year.

Net cash used in investing activities increased to CHF 117.4 million for the year ended December 31, 2010 as compared to CHF 78.0 million for the prior year period. Of the CHF 117.4 million net cash utilized in the current period, capital expenditure represented CHF 97.9 million. In particular, we invested CHF 24.9 million in business combinations, mainly due to the acquisition of a competitor in Mexico.

Net cash used in financing activities reached CHF 489.3 million for the year ended December 31, 2010, compared to CHF 142.4 million for the prior year period. Cash from financing activities primarily related to repayments under our credit facilities of CHF 344.8 million, CHF 175.2 million in dividends to non-controlling interest, of which CHF 158 million was paid as an extraordinary dividend to Dufry South America Ltd. (DSA) shareholders in the context of the merger of DSA and Dufry AG.

Capital Resources

Our principal source of liquidity has been and is expected to continue to be cash generated from operations together with our short- and long-term credit facilities. In addition, we have financed, and we may continue to finance, acquisitions with new equity issuances. Our ability to generate cash from our operations depends on future operating performance, which is in turn dependent on general economic, financial, competitive, market, legislative, regulatory and other factors, many of which are beyond our control, as well as the other factors discussed in this Company Report. See "Risk Factors."

As of June 30, 2012, we had total borrowings of CHF 1,523.1 million (compared with CHF 1,560.4 million and CHF 718.4 million as of December 31, 2011 and December 31, 2010, respectively). On October 8, 2012, we entered into a new revolving credit facility agreement for an amount of CHF 650 million to replace our existing revolving credit facility under our 2008 Senior Credit Facilities. As of the date of this Company Report, no amounts are outstanding under the new revolving credit facility. We intend to draw down funds from the new credit facility to repay amounts outstanding under our existing credit facilities, and we may draw on the revolving credit facility again in the future. In addition, in connection with the acquisition of the Folli Follie Group travel retail operations, the new syndicated facility as described in "-Recent Developments" will be reflected in our consolidated financial statements upon closing of the acquisition.

As of June 30, 2012, the amount outstanding under these term loans was CHF 550.7 million.

Contractual Obligations

We have long-term obligations related to concessions, leases and credit facilities that resulted during the course of normal business operations and acquisitions. For further description of these long-term obligations, see notes 32 and 37 to our consolidated financial statements included in our 2011 Annual Report.

Off-Balance Sheet Arrangements

We have no material off-balance sheet arrangements.

BUSINESS

Our Company

We are a leading global travel retailer with operations in 45 countries on four continents combining strong positions in emerging markets with prime operations in developed markets.

Our outlets are located in a variety of travel retail settings. As of December 31, 2011, we operated more than 1,200 stores, with a total sales area of approximately 176,000 square meters, including approximately 970 stores located in airports, approximately 70 stores operating on cruise lines, ferries and seaports, approximately 70 stores at downtown tourist, hotel and resort locations and approximately 90 stores in railway stations, among others. Our travel retail operations consist of a variety of retail concepts focusing on the specific needs of travelers, including general travel retail outlets offering a wide range of products such as perfumes and cosmetics, confectionary and other foods, wines, spirits and tobacco, brand boutiques, specialized shops, convenience stores and theme shops.

Our corporate strategy is to focus on profitable growth with an emphasis on emerging markets and tourist destinations. Emerging markets are expected to be a significant driver of global growth in air traffic over the next decade, and since 2004, we have increased our exposure to those growth markets. In 2011, we generated approximately 60% of our sales from emerging markets.

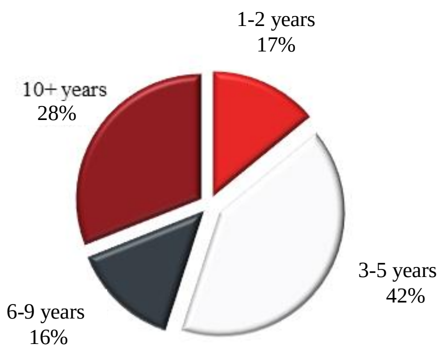
We generated turnover of CHF 2,637.7 million for the year ended December 31, 2011 and CHF 1,517.4 million for the six months ended June 30, 2012. As of December 31, 2011, we had approximately 13,900 employees.

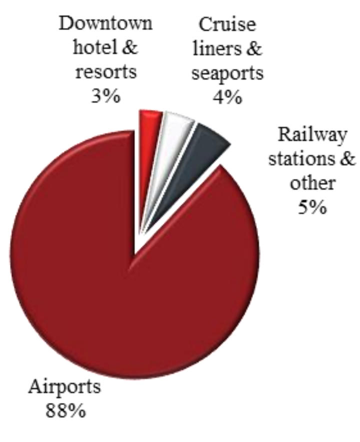
Our Strengths

We believe we have a number of strengths that give us a competitive advantage in the global travel retail industry, including:

High-quality, diversified concession portfolio. We have assembled a high-quality and diversified portfolio of travel retail concessions with, in our view, relatively long contract terms, comparatively low concession fees and attractive locations. For the twelve months ended December 31, 2011, approximately 25% of the sales were generated from concessions with a remaining term of ten or more years, and a further 16% of our sales were generated from concessions with a remaining term of between six and nine years. The long average residual duration of our concession portfolio provides us with a high degree of revenue visibility.

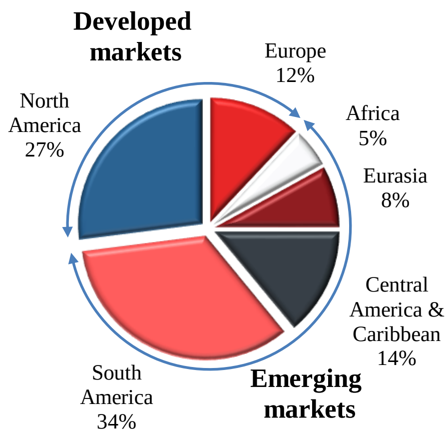
The following charts set forth our sales as of December 31, 2011, divided by the remaining term of the concession agreements and by sales channel:

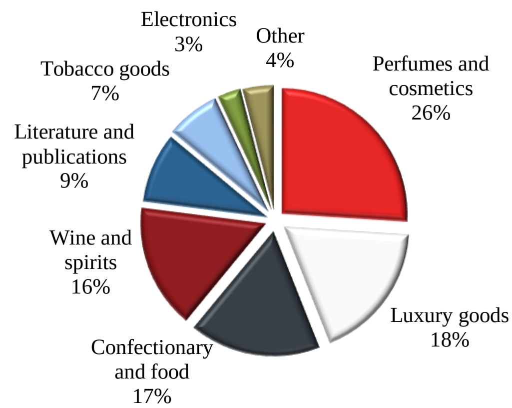




Leading travel retailer with diverse operations. We operate more than 1,200 stores in 45 countries. According to Verdict Research, we rank as one of the top airport retailers in the world with an estimated market share of 8%. We are a truly global business with geographically diverse operations across Europe, Africa, Asia, Central America & Caribbean, South America and North America, combining high-growth emerging markets and prime operations in developed markets. Our operations are also diversified in terms of the products we sell. Our core product category is Perfumes and Cosmetics representing 26% of our sales in 2011. Further, we operate both duty-free and duty-paid shops, catering to different segments of the travel retail market.

The following charts set forth our sales as of December 31, 2011, divided by geography and product categories:





Large operations provide benefits of scale. We have extensive knowhow in successfully operating global travel retail businesses. Moreover, we procure on a global basis, and our integrated procurement and logistic platform is a key competitive advantage for us as it allows us to extract the full benefits of our global scale and competitive position. Further, our global platform and experience in developing new retail facilities in diverse markets as well as the ability to introduce high-quality suppliers to new outlets is a competitive advantage for obtaining new concessions.

Strong reputation as a quality operator. We are held in high regard in the travel retail sector as a result of our long-standing relationships with facility owners and suppliers. Our track record as a successful high-quality operator is important to our long-term relationships with facility owners. Given a large portion of the concession payment is turnover driven, our facility owners benefit from having a successful operator. We enjoy high renewal rates of existing concessions and high success rates of winning new concessions. For example, we have operated travel retail facilities in Milan - Linate Airport, since 1979. Our Hudson News retail format continuously sets the benchmark in convenience retailing in the travel sector throughout North America.

Experienced executive management team and a multinational workforce. We have assembled an experienced executive management team with an average 20 years of relevant experience and significant industry and technical knowledge. In June 2012, we announced a new organizational structure centered around a lean senior management team handing increased responsibilities to regional managers to focus on their specific market challenges. In addition, our approximately 13,900 strong workforce includes over 70 nationalities, providing us with excellent local knowledge at all of our retail locations.

Our Strategy

Our strategy is to be the leading global travel retailer. Key elements of this strategy are:

Focus on profitable growth. We aim to drive profitable growth by focusing on measures to (i) expand passenger spend at existing locations, including through improved product mix, marketing and the introduction of new concepts, (ii) win new concessions by leveraging the scale of our global operations and applying our local market knowledge and (iii) continue to consolidate a fragmented industry with a particular focus on emerging markets and tourist destinations. New concessions or potential acquisitions need to meet our financial goals, provide us with long concession duration and cover attractive locations. We believe our long-standing track record as an active consolidator in the industry combined with our knowledgeable local and regional teams allow us to identify, structure, execute and integrate acquisitions quickly. Historically, we have typically been able to capture synergies within 12 to 24 months from the completion of an acquisition.

Operate as a "true" retailer focused on customer needs. We focus on the specific needs of the traveler to best serve two customer constituencies: the airport operators and other travel landlords of facilities, and the travelers that use these facilities. We operate a "true retail" model, which means that we manage our operations directly and staff all of our stores with our employees. We have in-depth understanding of our customers, and we intend to use this understanding in our marketing efforts to increase customer spend and improve profitability. Our marketing strategy is focused on a number of factors, including product mix, pricing strategy, store layout and service while at all times taking into account the changing needs of our customers in that particular location. For example, our stores at terminals with a high proportion of business travelers have a very different product offering, store layout and services level to stores located at terminals predominantly served by low cost carriers. To drive organic growth, we continuously evolve the range of products that we offer to our customers and focus on key product areas that demonstrate higher growth and margin potential, such as perfumes, cosmetics and foods. We also periodically reassess our various retail concepts and the opportunity to introduce leading edge concepts to drive organic growth. For example, with our acquisition of the Hudson Group in 2008, we expanded our business in duty-paid concepts. We are now expanding the Hudson News concept on a global basis, as demonstrated by opening of several Hudson News Cafes in India and several Hudson News stores in Morocco to date in 2012.

Combine global reach with extensive local market knowledge. We aim to use the global reach of our operations as a means to diversify our business, thus optimizing our risk profile, and to extract scale benefits that arise from our large global presence. We have knowledgeable local and regional teams across our global operations that understand the local markets in which they operate. When we tender for new concessions and develop our existing portfolio, we apply our standardized approach augmented with a product listing attuned to the specific needs of our local operations. We believe this unique combination makes our business attractive to customers and facility owners alike.

Capitalize on scale benefits of our global operations. We aim to capitalize on the efficiencies created by standardization of processes within our operations, take better advantage of our economies of scale by improving our purchasing power, thereby improving our margins, and reduce our response time as a result of improved central monitoring of operations. Our integrated global procurement and logistics operations allow us to extract scale benefits from our large operations. We have developed a global logistics platform, which allows us to centralize the purchasing of merchandise for all of our locations and distribute the goods, supported by our logistics partners, from our four major warehouses to our global locations.

Position ourselves as a preferred partner for long-term business relationships. We seek to structure our relationships with facility owners as long-term partnerships. In this partnership model, we may provide expertise in the development of all or a significant part of the amenities offered at a facility, or may offer the facility owner an equity stake in the retail operation. Our goal is to offer the airport authority or the landlord a comprehensive package, which allows us to develop the full potential of any location. This approach is designed to create incentives for better long-term development of the facility for us as well as our partners, thereby resulting in longer concession terms and higher renewal rates.

Our History

We trace our origins back to 1865, when the Weitnauer family opened its first tobacco shop in Basel, Switzerland. In 1948, Weitnauer became a duty-free distributor and four years later opened its first duty-free shop with direct sales to continental European customers at Le Bourget Airport in Paris. Subsequent tax free operations were launched at Basel-Mulhouse Airport in 1962 and at Linate Airport in Milan in 1979. The Dufry brand was adopted in 2003.

In March 2004, a consortium of investors led by funds managed by private equity firm Advent International Corporation acquired a 75% interest in our travel retail business. In July 2005, the consortium acquired the remaining 25% of our travel retail business. On December 5, 2005 we became a public company and listed our shares on the SIX Swiss Exchange.

In 2010, we listed our shares through a Level III BDR program on the BM&FBOVESPA in Brazil.

In recent years we have increased our concession portfolio and expanded into new markets through a series of strategic acquisitions:

- In March 2006, we completed the acquisition of Brasif Duty Free Shop and its logistics platform Eurotrade for a total consideration of USD 503 million paid by us and Advent International Corporation;

- In October 2008, we completed the acquisition of the Hudson Group Holdings, Inc. (the "Hudson Group") in an exchange of shares of the Hudson Group for our shares and mandatory convertible notes. The Hudson Group is one of the premier travel retailers in North America with duty-paid shops in 61 airports and 11 transportation terminals throughout the United States and Canada;

- In 2011, we acquired 100% of the shares of several companies in South America, Armenia and Martinique for a total consideration of USD 987.2 million. As a result of the acquisitions, we achieved a leading position in the duty-free market in South America. The main companies we acquired are:

  Interbaires SA, the exclusive retailer operating duty-free shops at both international airports of Buenos Aires plus the airports of Cordoba, Mendoza and other smaller destinations in Argentina;

  Navinten SA and Blaicor SA, two Uruguayan retailers operating duty-free shops at the international airports of Montevideo and Punta del Este, respectively;

  ADF Shops CJSC, an Armenian retailer exclusively operating the duty-free shops at the international airport of Yerevan;

  Ecuador Duty Free SA, a retailer in Ecuador operating duty-free shops at the international airport of Guayaquil;

  International Operation & Services Corp, an Uruguayan distribution platform delivering duty-free products to the above mentioned retailers; and

  Société de Vente à L'Exportation (Sovenex), a retailer at the international airport in Martinique selling a full range of duty-free products;

- In January 2012, we acquired 51% of the shares and obtained control of Dufry Staer Holding Group for a total consideration of CHF 44.7 million. Dufry Staer Holding Group's main subsidiary, Regstaer Ltd, is a travel retailer operating duty-free shops at the airport of Sheremetyevo in Moscow, Russia. As a result of the acquisition, we consolidated our leading position in the Russian travel retail market; and

- In October 2012, we signed an agreement to acquire 51% of the travel retail operations of Folli Follie Group, a leading travel retailer in Greece. For the 51% stake, we expect to pay total consideration of EUR 228 million (approximately CHF 275 million). Subject to certain closing conditions, in particular, without limitation, receipt of certain shareholder and governmental approvals and change of control consents required in connection with the transfer of the travel retail operations of the Folli Follie Group, the acquisition is expected to close in the first quarter of 2013.

Our New Organizational Structure

On June 7, 2012, we announced changes to our organization structure. The organizational changes went effective on July 1, 2012 and were fully implemented on September 1, 2012. Such changes principally include the re-shaping of our regional structure with greater responsibilities allocated to the regional level. In particular, our new organization structure will be consolidated from six into the following four regions: Region Europe, Africa and Asia; Region Latin America; Region Brazil and Region North America.

The role and functions of the regions have been redefined, enabling the regional chief operating officers to assume greater financial accountability for their regions. Each of the regions is structured into business units, which monitor the day-to-day management of the respective operations. In total there are 15 business units.

Operations

General

We operate all of our retail outlets directly and are responsible for ownership and management of inventory and employees within each store. Our retail activities reach across all areas of the travel retail market with operations at airports, on board airlines, cruise lines and seaports, railway stations, downtown tourist locations and border crossings. Developed in collaboration with airport authorities and other landlords, our stores are designed to meet the specific requirements of the traveler.

Our Retail Concepts

We operate a number of retail concepts across our locations, including:

- *General Travel Retail*. We offer a wide range of traditional travel retail products, including perfumes and cosmetics, food, jewelry and watches, accessories, wines and spirits and tobacco for international travelers on a duty-free or duty-paid basis. These stores provide our customers the possibility of a one-stop shopping and are attractive alike to travelers who want a broad variety of products as well as customers looking for specific products. One of our innovations in this segment is the so-called "walk-through" shop, which is designed in such a way that the entire passenger flow is directed through the shop. This allows the travelers to explore the offers without needing to deviate from their way to the boarding gate.

- *Convenience Stores*. Under the Hudson News brand, our duty-paid travel retail shops offer a wide assortment of convenience products ranging from soft drinks, confectionary, magazines and newspapers, electronics and personal care, to souvenirs. The Hudson Booksellers stores offer a broad representation of bestsellers and new releases as well as a large selection of hard cover, paperback, trade and children's books. These shops are operated as stand-alone shops, in combination with each other or together with a "Euro Café," a coffee take-out concept.

- *Brand Boutiques*. We offer a range of products from a single well known, global brand in each shop. We operate brand boutiques including Dolce & Gabbana, Emporio Armani, Etro, Ferragamo, Hermès, Hugo Boss and Zegna. These shops, which are fully operated by our staff, mirror the traditional Main Street boutiques of the respective brands and are interesting for customers and suppliers alike: customers can use their waiting time to shop for their favorite brands and suppliers get a highly visible showcase to display their products. We operate our brand boutiques directly, although the brand owner or supplier may provide financial support.

- *Specialized Stores*. We offer a variety of different brands of one specific product category, such as jewelry and watches, sunglasses, food, travel and other accessories. For example, the Canestro store in Rome, Italy, offers traditional Italian food specialties and we operate watches and jewelry shops under the proprietary Colombian Emeralds International brand. These shops are highly attractive to customers who are looking for a specific product and want to have the choice of different brands. We operate our specialty stores directly.

- *Theme Stores*. These stores carry or offer, on a duty-paid basis, a broad product range relating to a special theme and not to a specific product category. Examples are "Kids Works" shops offering a wide selection of toys, dolls, games, books and apparel for children, the "Kitchen" stores offering regional food and food-related items, or the "$10/$15 boutique" store concept offering fashion accessories at value prices. "Discover" theme shops showcase local gifts and artwork to promote the local indigenous market.

Within our general travel retail stores, we allocate space to different products and suppliers in order to optimize sales. Space allocation as well as general layout decisions are guided by allocation of promotional opportunities to certain products or brands under the terms of a supply or other agreement with a supplier or manufacturer.

Our Sales Channels

The following table sets forth the distribution of our shops by sales channel and the percentage of sales attributable to each sales channel on December 31, 2011, 2010 and 2009:

Sales channel	Number of shops	Net Sales For the year ended December 31, 2011	2010	2009
			(percentage)	
Airport	973	88	87	85
Cruise lines, ferries and seaports	73	4	4	6
Downtown, hotels and resorts	71	3	4	4
Railway stations and other	88	5	5	5
Total	**1,205**	**100**	**100**	**100**

Airport Shops

Our principal airport location typically includes at least one general travel retail shop (duty-free or duty-paid) or one convenience store. Depending on the nature of the specific location, we may also operate one or more brand boutiques, specialty stores or theme stores at the same location.

We operate our duty-free and duty-paid shops mainly through concession agreements with the relevant airport operators. The amounts payable generally combine a variable component which is calculated based upon the revenues of the shops, with a fixed payment which may be a minimum guaranteed amount.

As part of operating a concession, we may also provide development services to airport authorities whereby we assist in the decision on the commercial unit, advise on allocation of space within the facility or design an entire commercial area. For example, we designed the entire commercial area of the shopping center at Sharjah International Airport.

Cruise Line, Ferries and Seaport Stores

We operate stores on board the cruise ships of the Norwegian Cruise Lines ("NCL") as well as on ferries in the Aegean Sea. We also operate shops at terminals of major cruise lines at destinations such as Grand Turk Island, Bridgetown, in Barbados and Cozumel, Mexico. Our cruise terminal and cruise line shops offer a full range of traditional duty-free products as well as brand boutiques and specialized shops that are similar to our airport shop, such as the Colombian Emeralds International jewelry stores on the NCL vessels.

The NCL has routes in the Caribbean, the Mexican Riviera, South America, Bermuda, Hawaii and Europe. The cruise ship operations span a broad spectrum of sizes and scopes with various passenger capacities, crew sizes and retail spaces, and the retail opportunities on the ships vary significantly. Americans constitute the majority of passengers with other nationalities, such as Canadian, British and other European passengers, making up for the remainder. Accordingly, we maintain a commercial strategy that is flexible enough to account for varied customer preferences in order to maximize our business potential.

Railway Station, Downtown Tourist Location, Border Shops and In-flight Retailing

Our operations at railway stations and at downtown tourist locations involve both general travel retail operations and specialized shops, such as convenience stores in Italy's main railway stations and in New York Grand Central Station, Penn Station and Washington Union Station under the Hudson News brand. The downtown tourist shops are located on the Caribbean cruise line circuit and in prime downtown areas such as São Paulo or Rio de Janeiro.

We also operate border stores, such as those located at borders in Mexico and Nicaragua which focus on sales of traditional duty-free products such as spirits and tobacco products.

In addition, we operate in-flight retailing on airlines, assist them in the selection and supply of products and train the airlines' cabin crews.

Concessions

We operated more than 1,200 retail stores in about 45 countries as of December 31, 2011. We enter into concession arrangements with operators of airports, seaports, railway stations and other areas to lease and operate these shops. The concession providers granted our operations the right to sell a pre-defined assortment of products to travelers during the concession period as defined in the respective arrangements.

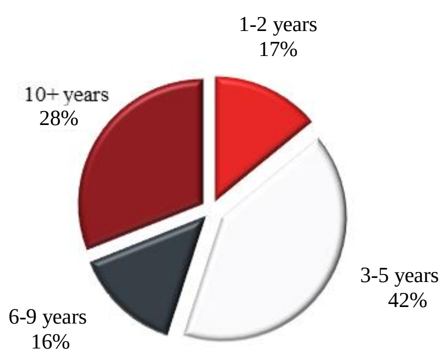
The arrangements typically define:

- Duration;
- Nature of remuneration;
- Product categories to be sold; and
- Location and exterior appearance.

They may comprise one or more shops and are awarded in a public or private bid or in a negotiated transaction. The leasehold improvements and installations of these operations are depreciated over the shorter useful life of the assets or the duration of the arrangements.

In return for granting us the right to operate our concession, airport authorities or other landlords typically receives a fixed or variable fee that is based on our sales at the concession. Where the concession fees are variable, most concession agreements provide for a minimum guaranteed payment that is either a fixed amount or variable based upon the number of passengers using an airport or other travel channel, based on retail space used or based upon current budgets or past results. A limited number of our contracts are based on fixed concession fees or rents.

We believe our travel retail concessions provide relatively long contract terms for the industry. The following chart sets forth our sales for the twelve months ended December 31, 2011, divided among the remaining terms of the concession agreements from which such sales were generated:



Our Products and Suppliers

Our general stores offer a wide range of products, from traditional duty-free products such as perfumes and cosmetics, spirits and tobacco to fine confectionary and other foods and luxury items offered on a duty-free or duty-paid basis.

In 2011, the duty-free sales accounted for 66% of our net sales, while the duty-paid sales represented 34%.

The mix of products in any store or specific location is customized for that region or store, as determined by the customers' purchasing habits. Therefore, there is an important link between the variety of products and the retail concept employed by us at any of our given sites and the travelers profile in that location.

The following table sets forth the percentage distribution of our net sales by product category and our net sales by product category in 2011, 2010 and 2009:

	Year ended December 31,			Year ended December 31,		
	2011	2010	2009	2011	2010	2009
	(as percentages)			(Millions of CHF)		
Perfumes and Cosmetics	25.6	23.2	22.2	656.6	588.9	511.5
Confectionary Goods and Foods	16.7	17.4	17.4	426.7	441.2	401.9
Wines and Spirits	16.3	15.1	14.1	416.3	383.4	325.4
Watches, Jewelry and Accessories	9.5	9.8	10.5	242.9	249.4	242.1
Literature and Publications	9.2	11.5	12.4	236.0	291.2	286.2
Fashion, Leather and Baggage	8.3	7.9	7.5	213.2	199.0	172.1
Tobacco	7.0	7.6	8.3	180.4	192.1	192.6
Electronics	3.2	3.4	3.2	81.7	85.4	73.1
Toys, Souvenirs and Others	4.2	4.1	4.4	107.1	102.9	102.2
Total	**100.0**	**100.0**	**100.0**	**2,560.9**	**2,533.5**	**2,307.1**

We work with approximately 1,000 suppliers around the world. Within each main product category, we maintain key relationships with main international suppliers. The following table sets forth our most important suppliers in 2011, by primary product category:

Product Category	Important suppliers
Perfumes and Cosmetics	Produits Luxe International (L'Oreal) Estee Lauder Travel Retailing Antonio Puig Perfumes Procter & Gamble (Prestige Beauté) Chanel Parfums, France
Wines and Alcoholic Beverages	Diageo Pernod Ricard World Trade LVMH Moet-Hennessy Bacardi Martini Brown-Forman Beverage
Tobacco	Phillip Morris BAT, British American Tobacco Imperial Tobacco / Reemtsma Japan Tobacco International Habanos/Cubatabacos (Altadis)
Watches and Jewelry	Luxottica Colombian Emeralds Safilo Group LVMH Group Fossil
Foodstuffs	Lindt & Sprüngli Kraft Foods Nestlé Mars Inc US Food Services
Electronic Products	Sony Olympus Optical Nikon Apple Zinoki Ltd
Literature and Publications	Hudson Manufacturers

Product Category	Important suppliers
	Anderson News Source Interlink Bookazine News Group

We are in the process of implementing a centralized procurement strategy, which includes the segmentation of suppliers by volume and active central management of these relationships. Our purchasing strategies and standards are determined centrally by our central "buying pool." Regional category managers implement these strategies on a regional and local level by determining the products to be offered in that region or locality.

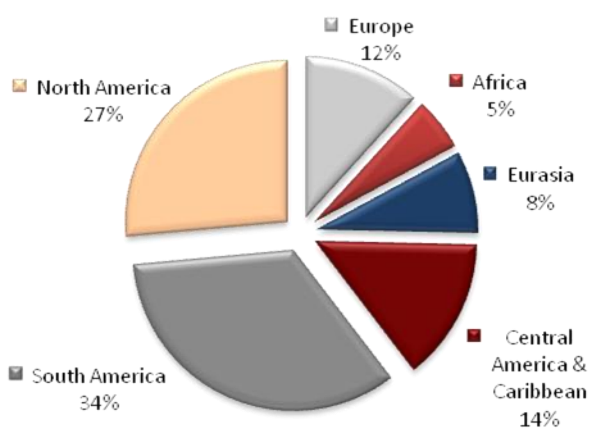
The Europe, Africa and Eurasia regions are serviced by a central warehouse in Switzerland, the operation of which has been outsourced, while the Central America & Caribbean, South America and North America regions are serviced by our own central warehousing facility in Miami. Additionally, we make direct shipments to suppliers.

Description of Operations by Segment

As of December 31, 2011 and June 30, 2012, our global operations were segmented into six regions: Europe, Africa, Eurasia, Central America & Caribbean, South America and North America. On June 7, 2012, we announced changes to our organization structure. The organizational changes went effective on July 1, 2012 and were fully implemented on September 1, 2012. Such changes principally include the re-shaping of our regional structure with greater responsibilities allocated to the regional level. In particular, our new organization structure will be consolidated from six into the following four regions: Region Europe, Africa and Asia; Region Latin America; Region Brazil and Region North America. We describe our operations in this section using the segments in effect as of December 30, 2011 and June 30, 2012.

Our operations are conducted mainly through local subsidiaries that are (i) directly or indirectly wholly owned by us, or (ii) in which we have a direct or indirect majority holding and that rely on a local partner having a minority interest, and upon which we exercise management control. In this latter case our local partner is usually a business partner or the landlord of the facility, for example, an airport authority.

The following diagram shows the regional distribution of our net sales for the year ended December 31, 2011:



The following table shows certain statistical data on a regional basis as of December 31, 2011:

	Europe	Africa	Eurasia	C. America & Caribbean	South America	North America	Total
Total sales area (in square-meters)	**21,132**	**10,035**	**14,064**	**49,941**	**26,696**	**54,595**	**176,462**
Total number of stores	**122**	**47**	**75**	**232**	**79**	**650**	**1,205**
Airport	78	45	74	107	70	599	973
Cruise lines, ferries and seaports	14	—	—	59	—	—	73
Downtown, hotels and resorts	—	—	—	57	9	5	71
Railway stations and others	30	2	1	9	—	46	88

Europe

This region includes our operations in the Czech Republic, France, Greece, Italy, The Netherlands, Spain and Switzerland.

The following table sets forth the locations of our stores in Europe as of December 31, 2011:

Country	Store location
Czech Republic	Prague-Praha Ruzyne Airport
France	Nice Côte d'Azur Airport
	Pointe-à-Pitre Guadeloupe
	International Airport Martinique
Greece	Patras Ferry-Blue Star (Kefalonia)
	Patras Ferry-Superfast I
	Patras Ferry-Superfast VI
	Patras Ferry-Superfast XI
	Patras Ferry-Superfast XII
	Patras Ferry-Superfast II
	Piraeus Ferry-Blue Star (Blue Star Ithake)
	Piraeus Ferry-Blue Star (Naxos)
	Piraeus Ferry-Blue Star (Paros)
	Piraeus Ferry-Blue Star I
	Piraeus Ferry-Blue Star II
	Blue Star Delos
	Piraeus Ferry-Blue Star (Diagoras)
	Eptanisos
Italy	Bergamo Airport
	Genoa Airport
	Milan – Malpensa Airport
	Milan – Linate Airport
	Milan Central Railway Station
	Rome – Fiumicino Airport
	Rome Termini Railway Station
	Turin Central Railway Station
	Verona Airport
	Verona Railway Station
	Venezia Railway Station
	Genova Railway Station
	Napoli Railway Station
The Netherlands	Amsterdam – Schiphol Airport
Spain	Tenerife Sur Airport
Switzerland	EuroAirport Basel Mulhouse Freiburg
	Samnaun (tax free zone)

Our largest operation by turnover in this region, by country, is Italy, where our 60% majority owned subsidiary, Dufrital, is the main operator of both duty-free and duty-paid shops in Milan's Malpensa and Linate airports. These shops are operated under agreements with Milan's airport authority, the Società Esercizi Aeroportuali SpA, which holds a 40% interest in Dufrital. We also operate at seven railway stations in Italy.

We operate eight shops in Nice's airport as well as duty-free and duty-paid shops in Guadeloupe and Martinique that we acquired in August 2011.

In Switzerland, we are the main operator at EuroAirport Basel Mulhouse Freiburg and operate a store in the tax-free zone of Samnaun.

Africa

This region includes our operations in Algeria, Egypt, Ghana, Ivory Coast, Morocco and Tunisia.

The following table sets forth the locations of our shops in Africa on December 31, 2011:

Country	Shop location
Algeria	Algiers Houari Boumediene International Airport
Egypt	Sharm-el-Sheikh Airport Borj El Arab Airport Assyut Airport
Ghana	Accra KotoKa Airport Accra Diplomatic Store (Downtown)
Ivory Coast	Abidjan Félix Houphouet-Boigny Airport Abidjan Diplomatic Store (Downtown)
Morocco	Agadir Al Massira Airport Casablanca Mohammed V Airport Marrakech Menera Airport Rabat Salé Airport Tanger Ibn Battouta Boukhalef Airport Dakhla Airport Essaouira Mogador Airport Fes-Saïss Airport Oujda Angads Airport
Tunisia	Djerba Zarzis International Airport Monastir Habib Bourguiba International Airport Sfax Thyna International Airport Tabarka 7 Novembre International Airport Tozeur Nefta International Airport Tunis Carthage International Airport

Our largest operation in this region, by country, is in Tunisia where our wholly-owned subsidiary, Dufry Tunisie SA, is the primary operator of duty-free travel retail stores in six airports in Tunisia under agreements with the Tunisian government’s Office de l’Aviation Civile et des Aéroports.

Our operations in Morocco include operations at nine airports in the country with different retail formats. These concessions are operated pursuant to agreements with the Office National des Aéroports by Dufry Maroc SARL.

Eurasia

This region includes our operations in Armenia, Cambodia, China, the Russian Federation, Serbia, Singapore and the United Arab Emirates.

The following table sets forth the locations of our stores in Eurasia on December 31, 2011:

Country	Store location
Armenia	Yerevan Airport
Cambodia	Phnom Penh Airport Siam Reap Angkor Airport

Country	Store location
China	Shanghai Hongqiao International Airport
Russian Federation	Moscow Domodedovo Airport Moscow Sheremetyevo Airport
Serbia	Belgrade Nikola Tesla International Airport
Singapore	Changi Airport
United Arab Emirates	Sharjah Airport

Our largest operation in this region, by country, is in the Russian Federation, where we operate travel retail shops at two airports in Moscow.

At Sheremetyevo Airport in Moscow, we were selected as the only operator for the duty-free area of Terminal C where we also sublease some of the spaces to sub-tenants who mainly provide food and beverage services. In January 2012, we further expanded our position and acquired 51% of a local travel retail operator at Sheremetyevo Airport.

Another significant market for our operations in this region is the United Arab Emirates, where our subsidiary Dufry Sharjah FZC is the operator of the duty-free shops at Sharjah Airport. These stores are operated under an agreement with the Sharjah Civil Aviation Authority.

Central America & Caribbean

This region includes our operations in Honduras, Mexico, Nicaragua and a number of Caribbean Islands and onboard NCL vessels.

The following table sets forth the locations of our shops in Central America & Caribbean on December 31, 2011:

Country	Shop location
Antigua	Antigua Downtown
Aruba	Oranjestad Downtown and Airport
Barbados	Bridgetown Downtown, Port and Airport
Bahamas	Grand Bahamas Island Airport Freeport Downtown and Airport
Bonaire	Bonaire Downtown
Dominican Republic	Puerto Plata Airport La Romana Airport and Sea Port Samana Airport Santiago Airport Santo Domingo Airport and Sea Port
Grand Turk	Grand Turk Port
Grenada	St. Georges Downtown, Port and Airport
Honduras	Roatan Port

Country	Shop location
Jamaica	Westmoreland Downtown and Falmouth Port
Mexico	Cancun Downtown Cozumel (Punta Langosta Port) Guadalajara International Airport Laredo Border San Jose de Los Cabos International Airport Mexico City Airport Monterrey International Airport Progreso Border Puerto Vallarta International Airport Reynosa Border Algodones Border Nogales Border Mahahual Acapulco Ixtapa Leon Mazatlan
Nicaragua	El Espino Border Guasaule Border Las Manos Border Managua Airport Peñas Blancas Border
Puerto Rico	Luis Marin Muñoz Airport Ponce Airport
St. Lucía	Castries Downtown, Port and Airport
St. Maarten	St. Maarten Downtown and Airport
St. Kitts	Basseterre
Trinidad	Port of Spain Airport
NCL	Norwegian Dawn Norwegian Gem Norwegian Jade Norwegian Jewel Norwegian Pearl Norwegian Sky Norwegian Spirit Norwegian Star Norwegian Sun

Our largest operation in this region, by country, is in Mexico where Dufry Mexico SA de CV, operates duty-free shops and international boutiques at nine airports and two seaports. These shops are operated under agreements of varying duration and varying fee structures. Eighteen stores are located in Mexico City's Benito Juárez Airport. These shops are operated under agreements with Fumisa and Aeropuerto Internacional de la Ciudad de Mexico.

Duty Free Caribbean is another important component of our operations in this region. Duty Free Caribbean operates "Colombian Emeralds International" stores and duty-free and general merchandise stores in the islands of Barbados, St. Lucía, Bahamas, Grenada and St. Maarten, Aruba and Antigua.

Our operations in the Caribbean region are subject to the extreme weather conditions that may occur periodically, normally during the period from July to October. For example, in 2005, Hurricane Wilma destroyed the port shops at the Cozumel cruise line terminal and damaged some of our Cancun shops. In September 2008, Hurricane Ike produced major damages to the harbor infrastructure of Turks and Caicos Islands.

South America

This region includes our operations in Argentina, Bolivia, Brazil, Ecuador and Uruguay.

The following table sets forth the locations of our stores in South America on December 31, 2011:

Country	Shop location
Argentina	Buenos Aires, Ministro Pistarini International Airport Ezeiza
	Buenos Aires, Aeroparque Jorge Newbery International Airport
	Mendoza, El Plumerillo International Airport
	Cordoba, Pajas Blancas International Airport
Bolivia	La Paz, El Alto International Airport
	Santa Cruz de La Sierra, Viru Viru International Airport
Brazil	Belo Horizonte, Tancredo Neves International Airport and Downtown
	Belém, Val de Cães International Airport
	Brasília, Juscelino Kubitschek International Airport
	Fortaleza, Pinto Martins International Airport
	Salvador, Deputado Luis Eduardo Magalhães International Airport
	Natal, Augusto Severo International Airport
	Porto Alegre, Salgado Filho International Airport
	Recife, Guararapes International Airport
	Rio de Janeiro, Galeão International Airport, Santos Dumont Domestic Airport and Downtown
	São Paulo, Congonhas Local Airport, Guarulhos International Airport and Downtown
	Curitiba, Afonso Pena Airport
	Campinas, Viracopos Airport
Ecuador	Guayaquil, Jose Joaquin de Olmedo International Airport
Uruguay	Montevideo, International Airport
	Punta del Este International Airport

We are the leading duty-free operator in Brazil, the largest travel retail market in South America. We also operate duty-paid shops in airports and other selected locations in Brazil. We have operations in 14 airports across the country including the international airports in São Paulo (Guarulhos) and Rio de Janeiro (Galeão). In June 2012, the Guarulhos International Airport in São Paulo, Juscelino Kubitschek International Airport in Brasilia and Viracopos Airport in Campinas were partially privatized and will be operated by the respective concessionaire from the fourth quarter 2012 onwards. The other airport concessions will remain operated by the Empresa Brasileira de Infraestrutura Aeroportuária, a Brazilian government corporation.

In August 2011, we acquired several airport duty-free operations in emerging markets in South America. They are comprised of the leading airport duty-free retailer in Argentina, with shops at four of the most important airports in the country, airport retail operations in Uruguay and Ecuador, as well as a logistics platform in South America. Overall, these businesses add more than 11,000 square-meters to our operations. All of them have long-term concession contracts, complement our existing business in Latin America and strengthen our leading position in this region.

North America

The following table sets forth the locations in the United States and Canada on December 31, 2011:

Country	Store location
United States	Albuquerque Airport
	Anchorage Airport
	Atlantic City International Airport
	Birmingham Airport
	Boston Logan International Airport
	Burlington Airport
	Baltimore-Washington International Airport
	Charleston International Airport
	Chicago Midway International Airport
	Chicago O’Hare Airport
	Chicago Citigroup Center
	Cincinnati/Northern Kentucky International Airport
	Cleveland Hopkins International Airport
	Dallas, Texas Love Field Airport
	Dallas/Fort Worth International Airport
	Denver International Airport
	Fort Lauderdale-Hollywood International Airport
	Fresno Yosemite International Airport
	New York City Grand Central Station
	Greenville-Spartanburg International Airport
	Gulfport-Biloxi International Airport
	Harrisburg, PA Airport
	Hoboken, NJ Commuter Rail Station
	Jackson-Evers International Airport
	New York City Jacob Javits Convention Center
	John F. Kennedy International Airport
	John Wayne Airport (SNA)
	Journal Square, NJ Commuter Rail Station
	LaGuardia Airport
	Lehigh Valley Regional Airport
	Los Angeles International Airport
	Manchester Airport
	McCarran International Airport
	Memphis International Airport
	Miami International Airport
	Mobile Regional Airport
	Myrtle Beach International Airport
	Nashville International Airport
	New Orleans International Airport
	Newark Liberty International Airport
	Newport News Williamsburg International Airport
	Norfolk International Airport
	Okaloosa, FL Regional Airport
	Omaha Eppley Field Airport
	Orlando Commuter Rail Station
	Orlando Sanford International Airport
	New York City Penn Station
	Newark, NJ Penn Station
	Philadelphia International Airport
	Phoenix Sky Harbor International Airport
	Pittsburgh International Airport
	New York City Port Authority Bus Terminal
	Portland International Airport
	Raleigh-Durham International Airport
	Richmond International Airport
	Roanoke Regional Airport

Country	Store location
	Rochester International Airport Ronald Reagan Washington National Airport San Diego International Airport San Francisco International Airport San Jose International Airport Seattle-Tacoma International Airport Stewart International Airport New York City United Nations Gift Centre Washington, DC Union Station Washington Dulles International Airport William P. Hobby Airport
Canada	Calgary International Airport, AL Edmonton International Airport, AL Halifax International Airport, NS Vancouver International Airport, BC

We operate over 622 news stores, convenience stores, bookshops, cafes and special retail concessions in over 63 airports and other transport terminals across the United States and Canada. Major concessions won since the beginning of 2011, subject to ongoing negotiation of concession agreements in certain cases, include concessions at Seattle-Tacoma International Airport, Chicago O'Hare Airport, San Diego International Airport, Dallas/Fort Worth International Airport, and John Wayne Airport (SNA).

Several significant agreements, including with JFK International Airport, Boston Logan International Airport, Dallas Love Field Airport, Norfolk International Airport, Myrtle Beach International Airport, and Chicago Citigroup Center were renewed in 2011.

Competition

We face two quite different forms of competition in the travel retail market.

Firstly, we compete with a limited number of other major global travel retailers as well as with regional travel retailers for concessions at airports, seaports and other travel related channels. Travel retailers compete primarily on the basis of their experience and reputation in travel retailing, including their relationships with suppliers and airport or other authorities, their experience in a particular region, their ability to respond to the needs of an airport authority or other landlords for planning and design advice as well as operational ability, and price, as a concession may be awarded in a tender based upon the highest concession fee offered. In addition, certain travel retailers have a competitive advantage based upon specific local circumstances.

The global travel retail market is highly fragmented with the top ten global retailers accounting for 49% of the worldwide market for sales to travelers in 2011 with us having approximately 8% share of the market. Furthermore, there are a number of regional and local market participants, which may have a significant share of their respective markets according to Generation Data Bank.

In airport retailing, our main competitors in Europe are the major travel retailers Autogrill, the Nuance Group, as well as Gebrüder Heinemann. In Eurasia main operators are DFS, a subsidiary of LVMH, and Ireland based Aer Rianta International, the Nuance Group, and Lotte Group, the Korean retail conglomerate, as well as Dubai Duty Free. In the Americas and Caribbean, Autogrill, DFS and Lagardère Services as well as regional retailers such as Duty Free America and Parades Group are our main competitors for airport retail concessions.

We also compete for customers directly with other travel retailers in some locations where we operate. As our range of products increases, we become an indirect competitor against traditional Main Street retailers. The level of competition varies greatly among the different locations where we operate. For example, in a number of airport terminals, we are the sole duty-free operator, while in some locations we compete with other retailers.

Regulation

Governmental Authorizations

Our operations are subject to a range of laws and regulations adopted by national, regional and local authorities from the various jurisdictions in which we operate.

In general, the countries in which we operate consider the duty-free stores as being "bonded warehouses," which avoids our clients from having to pay special taxes, such as value-added and duty, when they purchase goods while in international transit. This special status subjects us to bonded warehouse regulations that require, for example, that any bonded merchandise shall not be commingled with local merchandise or other non-bonded merchandise.

We are also subject to certain truth-in-advertising, general customs, consumer and data protection, product safety, workers' health and safety and public health rules that govern retailers in general as well the merchandise sold within the various jurisdictions in which we operate.

Furthermore, the airport authorities in the United States frequently require that our subsidiaries associate themselves with a Disadvantaged Business Enterprise ("DBE"). The most common partnership model is co-ownership of the retail location between DBE and the Hudson Group through a joint venture. These agreements are subject to regulation and supervision.

Intellectual property

In our key markets, we hold one or both of the trademarks Dufry and Hudson News, or the respective applications for trademark registration are underway. We do not hold any other additional patents, trademarks or licenses, that, if absent, would have had a material adverse effect on the Group's business operations.

Properties

Our head office is located in Basel, Switzerland, where we lease a 1,914 square-meter commercial building. We also lease properties for our six regional operations centers: a 611 square-meter property in Milan; a 1,396 square-meter property in Tunisia; a 343 square-meter property in Sharjah; a 2,630 square-meter property in Miami; a 2,750 square-meter property in Rio de Janeiro; and a 5,760 square-meter property in East Rutherford, New Jersey. Management believes that such facilities are adequate for our current needs in all significant aspects.

Employees

As of December 31, 2011, we had 13,874 employees, with 1,045 in Europe, 2,465 in Central America & Caribbean, 3,427 in South America, 1,115 in Eurasia, 4,800 in North America and 1,022 in Africa. We believe that our employee relationships are good.

Legal Proceedings

We have extensive global operations, and we are both a defendant and a plaintiff in a number of court, arbitration and administrative proceedings. The nature of our business results in us being involved, from time to time, in contentious matters with customs and tax authorities in the various jurisdictions in which we operate. In addition, we are involved, from time to time, in disputes with airport authorities or other facility landlords in connection with the amount of concession fees payable by us. Certain items are provisioned for as necessary in the ordinary course of business and Management believes current provisions are adequate. However, we are not aware of any currently pending or threatening legal proceedings that, individually or in aggregate, are likely to have a material adverse effect on our business, financial condition or results of operation.

The Issuer has not, during the previous 12 months been involved in any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which it is aware), which have had in the recent past, may have, a significant effect on the Issuer's financial position or profitability.

RISK FACTORS

Risks Relating to our Business

Events outside our control that cause a reduction in airline and cruise line passenger traffic, including but not limited to terrorist attacks and natural disasters, could adversely affect our business.

Our business is mainly dependent upon sales to air travelers. The occurrence of any one of a number of events outside our control such as terrorist attacks, hurricanes, ash clouds, pandemics, natural disasters and accidents may lead to a reduction in the number of air travelers on a global, regional or local level. Furthermore, the high or eventually rising oil price may inhibit growth due to higher ticket prices caused by fuel surcharges and due to increased cost of living in general restricting the budget of the customers. Any future event of a similar nature, even if not directly affecting the airline industry may lead to a significant reduction in the number of air travelers. Further, any disruption to or suspension of services provided by airlines, as a result of financial difficulties, labor disputes, construction work, increased security or otherwise, could negatively affect the number of air passengers. Such a reduction in airline passenger numbers will result in a decrease in our sales and may have a materially adverse impact on our business, financial condition and results of operations.

These events that could cause a reduction in airline passenger traffic could also have a material negative impact on our operations that serve passengers using other forms of travel, such as shops on cruise lines, ferries, at seaports, train stations, downtown tourist locations and others.

General economic and market conditions may adversely affect our results.

We operate in, and our customers come from, a large number of economies around the world, such as Brazil, Italy, Mexico, Morocco, Russia, Singapore, Switzerland, Tunisia, United Arab Emirates and the United States. Since our success is dependent on consumer spending, our business may be adversely affected by factors such as an economic downturn that could cause a high rise in unemployment and affect consumer confidence in such economies, a decline in consumer confidence, an increase in interest rates, inflation or deflation and consumer debt levels. Therefore, economic downturns may have a material adverse effect on our business, financial condition and result of operations.

The market to obtain concessions is highly competitive.

We compete with other travel retailers at global, regional and local levels in obtaining and maintaining concessions at airports and for other travel facilities such as on board cruise lines and airlines and at railway stations. Some of our competitors have strong financial support or solid relationships with airport authorities which benefit those competitors in competing for concessions. There is no guarantee that we will be able to renew our existing concessions or that, if we do renew a concession, it will be on similar payment terms. In addition, the failure to obtain or renew a concession necessarily means for us that we will not be able to enter or continue operating in the market represented by such concession. If we were to fail to renew major concessions or fail to obtain further concessions, our business, financial condition and results of operations could be materially adversely affected.

In addition, as a result of this competition, airport authorities and other landlords have increasingly been able to demand more favorable concession terms. Concession agreements increasingly provide for minimum annual guaranteed amounts. Currently, the majority of our concessions provide for a minimum annual guaranteed amount that is either fixed, based upon the number of passengers using an airport or other travel channel, or based upon current budgets or past results or other. If passenger numbers are lower than expected or if there is a decline in the sales per passenger at these facilities, our results of operations may be materially adversely affected.

Our shops are operated under concession agreements that are subject to revocation and the loss of concessions could negatively affect our revenues and our business.

Our travel retail activities are mainly operated pursuant to concessions granted by airport authorities or landlords. The concessions may be terminated prior to the end of the original expiration date upon expropriation or annulment by the respective authorities or forfeiture by us. Annulment may be declared by the authorities or by courts in case the act granting the concession or its terms do not comply with the appropriate legal requirements, such as procurement, antitrust or similar regulations.

The concessions may also be terminated early by airport authorities or landlords in certain circumstances including, among others:

- assignment, transfer or sub-lease to third parties, in whole or in part, of the rights or obligations provided for in the relevant agreement;
- failure to comply with any of the provisions of the concession agreement;
- use of the concession area for any purpose other than the object of the agreement;
- entering into an agreement with a third party with respect to the concession area or services to be explored without applicable airport authorities' prior approval;
- making of any modification on the facilities without applicable airport authorities' prior approval;
- default on the payment of the fees for a period provided for in the relevant agreement;
- not providing the services in an adequate quality level or the failure to obtain the necessary equipment for the satisfactory rendering of such services; or
- reasons of public interest.

We may not be able to execute our growth strategy effectively or to integrate successfully any new concessions or future acquisitions into our business.

Our principal strategy is to continue to grow by enhancing and expanding our existing facilities and by seeking new concessions through tenders or private negotiations or through acquisition opportunities. In this regard, our future growth will depend upon a number of factors, some of which may not be within our control, such as the timing of any concession or acquisition opportunity, our ability to identify any such opportunities, structure a competitive proposal, obtain required financing or consummate an offer. As a result, there can be no assurance that this strategy will be successful. For example, in October 2012, we signed an agreement to acquire 51% of the travel retail operations of the Folli Follie Group. If we are unable to successfully close the transaction, we will not be able to realize the growth opportunities expected from the acquisition. In addition, while we have an option to acquire the remaining 49% of the travel retail operations of the Folli Follie Group in four years, the availability of this option is subject to our reaching an agreement with the Folli Follie Group on the fair market value of the retail operations. There is no guarantee that we will reach such an agreement.

In addition, we may encounter difficulties integrating expanded or new concessions or any acquisitions, such as the acquisition of the travel retail operations of the Folli Follie Group, into our existing operations. Such expansions, new concessions or acquisitions may not achieve anticipated revenue and earnings growth or synergies and cost savings. Delays in the start up of new projects and the refurbishment of shops affect our business. A failure to grow successfully may materially adversely affect our business, financial condition and results of operations.

We are dependent on our local partners.

Our global retail operations are carried on through approximately 121 operating companies in about 45 countries. Our local partners maintain ownership interests in several of these companies, some of which operate major concessions.

Our participation in each of these operating companies differs from market to market. Our ability to withdraw funds, including dividends, from our participation in, and to exercise management control over, such subsidiaries may depend upon the consent of our local partners. While the precise terms of each relationship vary, disagreements with our local partners may affect our business, financial condition and results of operations.

Taxation of goods policies in countries where we operate may change.

A substantial part of our revenues is derived from our sale of duty-free products, such as perfumes, luxury products, spirits and tobacco. Governmental authorities in various countries in which we operate may alter or eliminate the duty-free status of certain products or otherwise change importation or tax laws. For example, in 1999 the structure of the duty-free market in the European Union was significantly altered and the sale of duty-free products to passengers traveling between member states of the European Union was no longer possible, except for certain exempt zones. Further, sales and excise taxes on products sold at traditional retail locations situated outside airports and passenger terminals ("Main Street") may be lowered in the future, partly removing our competitive advantage with respect to duty-free product pricing. If we lose the ability to sell duty-free products generally or in any of our major duty-free markets or if we lose market share to traditional Main Street retailers as a result of a reduction in sales and excise taxes, our revenues may decrease significantly and our business, financial condition and results of operations may be materially adversely affected.

Restrictions on the duty-free sale of tobacco products and on smoking in general may affect our tobacco product sales.

The duty-free sale of tobacco products represented approximately 7% of our net sales and constituted our seventh largest product category for the year ended December 31, 2011. As part of the campaign to highlight the negative effects of smoking, international health organizations and the anti-smoking lobby continue to seek restrictions on the duty-free sale of tobacco products. More generally, an increasing number of national and local governments have prohibited, or are proposing to prohibit, smoking in public places. If we were to lose our ability to sell duty-free tobacco products in our major markets or the increasing number of smoking prohibitions caused a reduction in our sales of tobacco products, our business, financial condition and results of operations could be materially adversely affected.

The retail business is highly competitive.

We also compete to attract retail customers and compete with other, non-airport retailers, such as traditional Main Street retailers. Some of our retail competitors may have greater financial resources, greater purchasing economies of scale or lower cost bases, any of which may give them a competitive advantage over us. If we were to lose market share to competitors, our revenues would be reduced and our business, financial condition and results of operations adversely affected.

We may not be able to predict accurately or fulfill customer preferences or demands.

We derive an important amount of our revenue from the sale of fashion-related, cosmetic and luxury products, which are subject to rapidly changing customer tastes. The availability of new products and changes in customer preferences has made it more difficult to predict sales demand for these types of products accurately. Our success depends in part on our ability to effectively predict and respond to quickly changing consumer demands and preferences, and to translate market trends into appropriate merchandise listings. Additionally, due to our limited sales space relative to other retailers, the selection of salable merchandise is an important factor in revenue generation. There can be no assurance that our product orders will match actual demand. If we are unable to successfully predict or respond to sales demand or to changing styles or trends or experience inventory shortfalls on popular merchandise, our revenue will be lower, which could have a material adverse effect on our business, financial condition and results of operations.

We rely on a limited number of suppliers and events outside our control may disrupt our supply chain.

We rely on a small number of suppliers for the majority of our purchases in each major product category. Future consolidation may reduce our number of suppliers even further. As a result, our suppliers may have increased bargaining power and we may be required to accept less favorable purchasing terms. In addition, in the event of a dispute with any supplier, the delivery of a significant amount of merchandise may be delayed or cancelled, or we may be forced to purchase merchandise from other suppliers on less favorable terms. Such events could cause revenues to fall and costs to increase, adversely affecting our business, financial condition and results of operations.

In addition, damage or disruption to our supply chain due to any of the following could impair our ability to sell our products: adverse weather conditions or natural disaster, such as a hurricane, earthquake or flooding; government action; fire; terrorism; the outbreak or escalation of armed hostilities; pandemic; industrial accidents or other occupational health and safety issues; strikes and other labor disputes; customs or import restrictions or other reasons beyond our control or the control of our suppliers and business partners. Failure to take adequate steps to mitigate the likelihood or potential impact of such events, or to effectively manage such events if they occur, could adversely affect our business, financial condition and results of operations, as well as require additional resources to restore our supply chain.

We have operations in emerging markets which exposes us to risks inherent to such less developed markets.

We have operations in a number of emerging markets. Business climates in these countries expose us to a variety of greater political, economic, legal and social uncertainties than countries with more developed institutional structures, and the risk of loss resulting from changes in law, economic and social upheaval and other factors may be substantial. Among the more significant risks of operating and investing in emerging market countries are those arising from interruption of operations due to political or social instability, e.g., Tunisia and Egypt, and the establishment or enforcement of foreign exchange restrictions, which could effectively prevent us from repatriating profits, liquidating assets or withdrawing from one or more of these countries. Furthermore, changes in tax regulations or enforcement mechanisms could substantially reduce or eliminate any revenues and profits derived from operations in these countries and reduce significantly the value of assets related to such operations. Another aspect of certain emerging markets is the potential inadequacy of the legal system and law enforcement mechanism, which leaves us exposed to the possibility of considerable loss as a result of abusive practices by competitors, parties with which we contract or others.

Our success depends on our ability to attract and retain qualified personnel.

Our success depends, to a significant extent, on the performance and expertise of top management and other key employees. There is competition for skilled, experienced personnel in the fields in which we operate and, as a result, the retention of such personnel cannot be guaranteed. Our continuing ability to recruit and retain skilled personnel, especially in management functions both in Switzerland and internationally, will be an important element of our future success. The loss of senior management or any other key employees or the failure to attract new highly qualified employees could have a material adverse effect on our business, financial condition and results of operations.

Our ability to borrow from banks or raise funds in the capital markets may be materially adversely affected by a financial crisis in a particular geographic region, industry or economic sector.

Our ability to borrow from banks or raise funds in the capital markets to meet our financial requirements is dependent on favorable market conditions. Financial crises in particular geographic regions, industries or economic sectors have led, in the recent past, and could lead in the future to sharp declines in the currencies, stock markets and other asset prices, in turn threatening affected financial systems and economies.

For instance, during recent years, global credit markets have tightened significantly, initially prompted by concerns over the United States sub-prime mortgage crisis and the valuation and liquidity of mortgage-backed securities and other financial instruments, such as asset-backed commercial paper, and later spreading to various other areas. In addition, the persistent doubts of the financial community on the capacity of European countries, such as Greece, Portugal or Spain, to refinance their public debts and on the increasing public deficit of the United States might trigger a general market slowdown that may adversely impact our ability to borrow from banks or raise funds in the capital markets and may significantly increase the costs of such borrowing. If sufficient sources of financing are not available in the future for these or other reasons, we may be unable to meet our financial requirements, which could materially and adversely affect our business, results of operations and financial condition.

If we successfully acquire the travel retail operations of the Folli Follie Group, we will have significant operations in Greece that may be adversely impacted by the Greek sovereign debt crisis.

If we successfully acquire the travel retail operations of the Folli Follie Group, we will significantly increase the size of our travel retail operations in Greece. The 2009 Greek sovereign debt crisis has caused disruptions and economic and political volatility in Greece. While the Eurozone countries and the International Monetary Fund have agreed on a bailout loan for Greece, fiscal and political concerns continue to threaten Greece’s economic recovery. If the Greek economy and political climate continue to deteriorate, it may adversely affect Greece’s popularity as a tourist destination or the general economic health of the Greek airline industry, which may lead to a significant reduction in the number of air travelers in the country. Such a reduction in airline passenger numbers may result in a decrease in our sales. In addition, despite measures taken by the European community and by Greece to stabilize the Greek fiscal condition, Greece may decide to abandon the Euro as its currency. The resulting macroeconomic impact of this remains uncertain. Any of these effects could result in our failure to realize the benefits, growth opportunities and synergies expected from the Folli Follie Group acquisition and could have a material adverse impact on our business, financial condition and results of operations.