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CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010

CONSOLIDATED INCOME STATEMENT

for the year ended December 31, 2010

IN MILLIONS OF CHF	NOTE	2010	2009
Net sales	7	2,533.5	2,307.1
Advertising income		76.7	71.6
TURNOVER		**2,610.2**	**2,378.7**
Cost of sales	8	(1,108.3)	(1,049.3)
GROSS PROFIT		**1,501.9**	**1,329.4**
Selling expenses	9	(584.8)	(510.9)
Personnel expenses	11	(398.9)	(361.3)
General expenses	12	(175.1)	(156.1)
EBITDA before other operational result		**343.1**	**301.1**
Depreciation, amortization and impairment	13	(129.5)	(123.0)
Other operational result	14	(15.7)	(14.7)
Earnings before interest and taxes (EBIT)		**197.9**	**163.4**
Interest expenses	15	(37.0)	(46.2)
Interest income	16	4.8	5.7
Foreign exchange gain/(loss)	17	–	(2.9)
Earnings before taxes (EBT)		**165.7**	**120.0**
Income taxes	17	(20.9)	(22.7)
NET EARNINGS		**144.8**	**97.3**
ATTRIBUTABLE TO:			
Equity holders of the parent		116.6	38.5
Non-controlling interests		28.2	58.8
EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT	18		
Basic earnings per share in CHF		4.63	2.01
Diluted earnings per share in CHF		4.58	1.98
EPS adjusted for amortization (cash EPS) in CHF		6.54	3.94
Weighted average number of outstanding shares in million		25.2	19.2

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the year ended December 31, 2010

IN MILLIONS OF CHF	NOTE	2010	2009
NET EARNINGS		**144.8**	**97.3**
Other comprehensive income:			
Net gain/(loss) on hedge of net investment in foreign operation		20.9	16.5
Changes in the fair value of interest rate swaps held as cash flow hedges		(2.2)	–
Exchange differences on translating foreign operations		(105.9)	(31.4)
Other comprehensive income before taxes		**(87.2)**	**(14.9)**
Income tax relating to net gain/(loss) on hedge of net investment		(6.3)	(1.6)
Income tax on cash flow hedges		0.3	–
Income tax relating to components of other comprehensive income		**(6.0)**	**(1.6)**
TOTAL OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX		**(93.2)**	**(16.5)**
TOTAL COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX		**51.6**	**80.8**
ATTRIBUTABLE TO:			
Equity holders of the parent		2.9	28.3
Non-controlling interests		48.7	52.5

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

at December 31, 2010

IN MILLIONS OF CHF	NOTE	31.12.2010	31.12.2009
ASSETS			
Property, plant and equipment	19	225.9	241.6
Intangible assets	21	1,188.6	1,350.5
Deferred tax assets	23	137.8	140.9
Other non-current assets	24	38.4	34.7
Non-current assets		**1,590.7**	**1,767.7**
Inventories	25	306.1	306.5
Trade and credit card receivables	26	50.8	48.2
Other accounts receivable	27	104.9	107.6
Income tax receivables		6.1	14.8
Cash and cash equivalents	28	80.6	405.3
Current assets		**548.5**	**882.4**
TOTAL ASSETS		**2,139.2**	**2,650.1**
LIABILITIES AND SHAREHOLDERS' EQUITY			
Equity attributable to equity holders of the parent		733.7	674.5
Non-controlling interests		81.1	323.1
Total equity		**814.8**	**997.6**
Financial debt	32	683.1	798.6
Deferred tax liabilities	23	146.3	163.5
Provisions	33	3.1	3.3
Post-employment benefit obligations	34	6.4	7.9
Other non-current liabilities	35	9.6	5.1
Non-current liabilities		**848.5**	**978.4**
Trade payables		203.9	202.0
Financial debt	32	35.3	216.4
Income tax payables		11.7	17.0
Provisions	33	2.4	2.4
Other liabilities	35	222.6	236.3
Current liabilities		**475.9**	**674.1**
Total liabilities		**1,324.4**	**1,652.5**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**2,139.2**	**2,650.1**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended December 31, 2010

IN MILLIONS OF CHF	Note	Share capital	Share premium	Treasury shares	Hedging and revaluation reserves	Translation reserves	Retained earnings	TOTAL	NON-CONTROLLING INTERESTS	TOTAL EQUITY
		ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT								
Balance at January 1, 2010		**96.1**	**391.4**	**(18.2)**	**–**	**(87.2)**	**292.4**	**674.5**	**323.1**	**997.6**
Net earnings		–	–	–	–	–	116.6	116.6	28.2	144.8
Other comprehensive income (loss)	29.2	–	–	–	(1.9)	(111.8)	–	(113.7)	20.5	(93.2)
Total comprehensive income for the year		**–**	**–**	**–**	**(1.9)**	**(111.8)**	**116.6**	**2.9**	**48.7**	**51.6**
Contributions by and distributions to owners:										
Issue of share capital	29	38.8	565.2	–	–	–	–	604.0	–	604.0
Dividends to non-controlling interests[1]	6.1	–	–	–	–	–	–	–	(175.2)	(175.2)
Transaction costs of share issuance	6.1	–	(22.4)	–	–	–	–	(22.4)	–	(22.4)
Purchase of treasury shares	30.2	–	–	(28.5)	–	–	–	(28.5)	–	(28.5)
Tax effect on equity transactions	17	–	–	–	–	–	4.4	4.4	–	4.4
Distribution of treasury shares	30.2	–	–	18.0	–	–	(18.0)	–	–	–
Share-based payment	30	–	–	–	–	–	12.0	12.0	–	12.0
Total contributions by and distributions to owners		**38.8**	**542.8**	**(10.5)**	**–**	**–**	**(1.6)**	**569.5**	**(175.2)**	**394.3**
Changes in ownership interests in subsidiaries:										
Changes in participation of non-controlling interests	31	–	–	–	–	–	(513.2)	(513.2)	(115.5)	(628.7)
Balance at December 31, 2010		**134.9**	**934.2**	**(28.7)**	**(1.9)**	**(199.0)**	**(105.8)**	**733.7**	**81.1**	**814.8**

[1] Dividends to non-controlling interests for the year ended December 31, 2010 include CHF 158.0 million in respect of the Dufry South America Ltd Merger (see note 6.1)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended December 31, 2010

		ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT								
IN MILLIONS OF CHF	Note	Share capital	Share premium	Treasury shares	Hedging and revaluation reserves	Translation reserves	Retained earnings	TOTAL	NON-CONTROLLING INTERESTS	TOTAL EQUITY
Balance at January 1, 2009		**96.1**	**391.4**	**(9.1)**	**–**	**(77.0)**	**258.6**	**660.0**	**293.6**	**953.6**
Net earnings		–	–	–	–	–	38.5	38.5	58.8	97.3
Other comprehensive income (loss)	29.2	–	–	–	–	(10.2)	–	(10.2)	(6.3)	(16.5)
Total comprehensive income for the year		**–**	**–**	**–**	**–**	**(10.2)**	**38.5**	**28.3**	**52.5**	**80.8**
Contributions by and distributions to owners:										
Dividends to non-controlling interests	6.1	–	–	–	–	–	–	–	(27.9)	(27.9)
Purchase of treasury shares	30.2	–	–	(18.2)	–	–	–	(18.2)		(18.2)
Tax effect on equity transactions	18	–	–	–	–	–	0.1	0.1	–	0.1
Distribution of treasury shares	30.2	–	–	9.1	–	–	(9.1)	–	–	–
Share-based payment	30	–	–	–	–	–	4.3	4.3	–	4.3
Total contributions by and distributions to owners		**–**	**–**	**(9. 1)**	**–**	**–**	**(4.7)**	**(13.8)**	**(27.9)**	**(41.7)**
Changes in ownership interests in subsidiaries:										
Changes in participation of non-controlling interests	31	–	–	–	–	–	–	–	4.9	4.9
Balance at December 31, 2009		**96.1**	**391.4**	**(18.2)**	**–**	**(87.2)**	**292.4**	**674.5**	**323.1**	**997.6**

CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended December 31, 2010

IN MILLIONS OF CHF	NOTE	2010	2009
Earnings before taxes (EBT)		165.7	120.0
ADJUSTMENTS FOR			
Depreciation, amortization and impairment	13	129.5	123.0
Increase / (decrease) in allowances and provisions		3.6	1.4
Loss / (gain) on unrealized foreign exchange differences		28.7	22.9
Other non-cash items		13.1	6.1
Interest expenses	15	37.0	46.2
Interest income	16	(4.8)	(5.7)
Cash flow before working capital changes		**372.8**	**313.9**
Decrease / (increase) in trade and other accounts receivable		(23.6)	5.6
Decrease / (increase) in inventories	25	(32.7)	41.7
Increase / (decrease) in trade and other accounts payable		46.0	58.2
Cash flow generated from operations		**362.5**	**419.4**
Income tax paid		(35.5)	(30.0)
Net cash flows from operating activities		**327.0**	**389.4**
CASH FLOW FROM INVESTING ACTIVITIES			
Business combinations, net of cash	6	(24.9)	(17.7)
Sale of interest in subsidiaries, net of cash		0.7	1.2
Purchase of intangible assets	22	(22.4)	(10.7)
Purchase of property, plant and equipment	20	(76.4)	(58.3)
Projects development in progress		(1.7)	(0.8)
Proceeds from sale of property, plant and equipment		2.6	1.8
Interest received		4.7	6.5
Net cash flows used in investing activities		**(117.4)**	**(78.0)**
CASH FLOW FROM FINANCING ACTIVITIES			
Proceeds from borrowings		115.2	40.4
Repayment of borrowings [1]		(344.8)	(92.6)
Proceeds from / (repayment of) loans		3.5	(8.2)
Dividends paid to non-controlling interest		(175.2)	(28.1)
Purchase of treasury shares		(28.5)	(18.2)
Share issuance costs paid		(18.8)	–
Bank arrangement fees paid		(3.0)	–
Interest paid		(37.7)	(35.7)
Net cash flows (used in) / from financing activities		**(489.3)**	**(142.4)**
Currency translation in cash		(45.0)	(27.4)
(Decrease) / Increase in cash and cash equivalents		**(324.7)**	**141.6**
CASH AND CASH EQUIVALENTS AT THE			
– beginning of the period		405.3	263.7
– end of the period		80.6	405.3

[1] Thereof: Global cash pool effect – CHF 310.0 million (see note 28)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended December 31, 2010

1. CORPORATE INFORMATION

Dufry AG ("Dufry" or "the Company") is a publicly listed company with headquarters in Basel, Switzerland. The Company is one of the world's leading travel retail companies. It operates over 1,100 shops worldwide. The shares of the Company are listed on the Swiss Stock Exchange (SIX) and it's Brazilian Depository Receipts on the BM&FBOVESPA in São Paulo. Dufry's main shareholder is a group of two companies, namely Global Retail Group S.à. r.l. and Travel Retail Investment SCA, which holds jointly 22.6% of the share capital. Travel Retail Investment SCA as well as Global Retail Group S.à r.l. is controlled by funds managed by Advent International Corporation.

The consolidated financial statements of Dufry AG and its subsidiaries ("the Group") for the year ended December 31, 2010 were authorized for public disclosure in accordance with a resolution of the Board of Directors of the Company dated March 9, 2011.

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 STATEMENT OF COMPLIANCE

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

2.2 BASIS OF PREPARATION

Dufry AG's consolidated financial statements have been prepared on the historical cost basis except for financial instruments that are measured at fair values, as explained in the accounting policies below. Historical cost is generally based on the fair value of the consideration given in exchange for assets. The carrying values of recognized assets and liabilities that are hedged items in fair value hedges, and are otherwise carried at amortized cost, are adjusted to record changes in the fair values attributable to the risks that are being hedged.

The consolidated financial statements are presented in Swiss francs and all values are rounded to the nearest one hundred thousand except when otherwise indicated.

2.3 BASIS OF CONSOLIDATION

2.3.1 BASIS OF CONSOLIDATION FROM JANUARY 1, 2010

The consolidated financial statements incorporate the financial statements of Dufry AG and entities controlled by Dufry (its subsidiaries) as at December 31, 2010 and the respective comparative information. Control is achieved where Dufry has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

Income and expenses of subsidiaries acquired or disposed of during the year are included in the consolidated income statement and the consolidated statement of comprehensive income from the effective date of acquisition and up to the effective date of disposal, as appropriate. Total comprehensive income of subsidiaries is attributed to the owners of Dufry if this results in the non-controlling interests having a deficit balance.

The financial statements of the subsidiaries are prepared for the same reporting period as their parent companies, using consistent accounting policies. All intra-group balances, income and expenses including unrealized gains and losses resulting from intra-group transactions are eliminated in full.

Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to owners of Dufry.

When the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill) and liabilities of the subsidiary and any non-controlling interests. When assets of the subsidiary are carried at revalued amounts or fair values and the related cumulative gain or loss has been recognized in other comprehensive income and accumulated in equity, the amounts previously recognized in other comprehensive income and accumulated in equity are accounted for as if Dufry had directly disposed of the relevant assets (i.e. reclassified to profit or loss or transferred directly to retained earnings as specified by applicable IFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IAS 39 Financial Instruments: Recognition and Measurement or, when applicable, the cost on initial recognition of an investment in an associate or a jointly controlled entity.

2.3.2 BASIS OF CONSOLIDATION PRIOR TO JANUARY 1, 2010

Certain of the above-mentioned requirements were applied on a prospective basis. The following difference, however, is carried forward in certain instances from the previous basis of consolidation: Acquisition of non-controlling interests, prior to January 1, 2010 were accounted for using the parent entity extension method, whereby, the difference between the consideration and the book value of the share of the net assets acquired were recognized in goodwill.

2.4 BUSINESS COMBINATIONS

2.4.1 BUSINESS COMBINATIONS FROM JANUARY 1, 2010

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognized in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognized at their fair value at the acquisition date, except that:

- deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognized and measured in accordance with IAS 12 Income Taxes and IAS 19 Employee Benefits respectively;
- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with IFRS 2 Share-based Payment at the acquisition date (see 2.16); and
- assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations are measured in accordance with that Standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognized immediately in profit or loss as a bargain purchase gain.

For each business combination the acquirer measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets.

When the consideration transferred by the Group in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the "measurement period" (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates in accordance with IAS 39 Financial Instruments, Recognition and Measurement, or IAS 37 Provisions, Contingent Liabilities and Contingent Assets, as appropriate, with the corresponding gain or loss being recognized in profit or loss.

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date (i.e. the date when the Group obtains control) and the resulting gain or loss, if any, is recognized in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognized in other comprehensive income are reclassified to profit or loss where such treatment would be appropriate if that interest were disposed of.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see above), or additional assets or liabilities are recognized, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognized at that date.

2.4.2 BUSINESS COMBINATIONS PRIOR TO JANUARY 1, 2010

In comparison to the above-mentioned requirements, the following differences were applied:

- Business combinations were accounted for using the purchase method. Transaction costs directly attributable to the acquisition formed part of the acquisition costs. The non-controlling interest (formerly known as minority interest) was measured at the proportionate share of the acquiree's identifiable net assets.
- Business combinations achieved in stages were accounted for as separate steps. Any additional acquired share of interest did not affect previously recognized goodwill.
- Contingent consideration was recognized if, and only if, the Group had a present obligation, the economic outflow was more likely than not and a reliable estimate was determinable. Subsequent adjustments to the contingent consideration were recognized as part of goodwill.

2.5 INVESTMENTS IN ASSOCIATES AND JOINTLY CONTROLLED ENTITIES (EQUITY-ACCOUNTED INVESTEES)

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

A joint venture is a contractual arrangement whereby the Group and other parties undertake an economic activity that is subject to joint control (i.e. when the strategic financial and operating policy decisions relating to the activities of the joint venture require the unanimous consent of the parties sharing control).

The results and assets and liabilities of equity-accounted investees are incorporated in these consolidated financial statements using the equity method of accounting, except when the investment is classified as held for sale, in which case it is accounted for in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations. Under the equity method, an investment in an equity-accounted investee is initially recognized in the consolidated statement of financial position at cost and adjusted thereafter to recognize the Group's share of the profit or loss and other comprehensive income of the equity-accounted investee. When the Group's share of losses of an equity-accounted investee exceeds the Group's interest in that equity-accounted investee (which includes any long-term interests that, in substance, form part of the Group's net investment in the equity-accounted investee), the Group discontinues recognizing its share of further losses. Additional losses are recognized only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the equity-accounted investee.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of an equity-accounted investee is recognized at the date of acquisition as goodwill, which is included within the carrying amount of the investment. Any change in the Group's share of the equity-accounted investee, after reassessment, is recognized immediately through profit and loss.

The requirements of IAS 39 are applied to determine whether it is necessary to recognize any impairment loss with respect to the Group's investment in an equity-accounted investee. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with IAS 36 Impairment of Assets as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount, Any impairment loss recognized forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognized in accordance with IAS 36 to the extent that the recoverable amount of the investment subsequently increases.

Adjustments are made in the Group's consolidated financial statements to eliminate the Group's share of intergroup balances, transactions and unrealized gains and losses on such transactions between the Group and its associates or jointly controlled entities.

During the year ended December 31, 2010 and December 31, 2009 the Company did not hold any equity accounted investees.

2.6 JOINTLY CONTROLLED OPERATIONS

A jointly controlled operation is joint venture carried on by each venture using its own assets in pursuit of the joint operations. The consolidated financial statements include the assets that the group controls and the liabilities that it incurs in the course of pursuing the joint operation and the expenses that the Group incurs and its share of the income that it earns from the joint operation.

2.7 FINANCIAL INVESTMENTS

Financial investments comprise of "available for sale" financial assets (AFS) and "at fair value through profit or loss", classified as held for trading (HFT). The financial investments are recognized initially at fair value including directly attributable transaction costs for available-for sale assets.

AVAILABLE-FOR-SALE ASSETS (AFS)

Gains and losses arising from changes in fair value are recognized in the statement of comprehensive income and accumulated in the investments revaluation reserve, with the exception of impairment losses, interest calculated using the effective interest method, and foreign exchange gains and losses on monetary assets, which are recognized in the consolidated income statement. Where the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the investments revaluation reserve is reclassified to the income statement. Dividends on AFS equity instruments are recognized in the consolidated income statement when the Group's right to receive the dividends is established.

FINANCIAL ASSETS HELD FOR TRADING (HFT)

Financial assets held for trading are stated at fair value, with any gains or losses arising on remeasurement recognized in the consolidated income statement. The net gain or loss recognized incorporates any dividend or interest earned on the financial asset and is included in the line interest income or interest expenses.

2.8 GOODWILL

Goodwill arising on an acquisition of a business is carried at cost as established at such date (see 2.4 above) less accumulated impairment losses, if any recognized thereafter. For the purposes of impairment testing, goodwill is allocated to those cash-generating units (or groups of cash-generating units) that are expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently when there is indication that the unit may be impaired. If the recoverable amount of the cash-generating unit, less its carrying amount, is less than the carrying amount of the allocated part of the goodwill, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognized directly in profit or loss in the consolidated income statement. An impairment loss recognized for goodwill is not reversed in subsequent periods.

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

The Group's policy for goodwill arising on the acquisition of an associate is described at 2.5 above.

2.9 NON-CURRENT ASSETS HELD FOR SALE

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the non-current asset (or disposal group) is available for immediate sale in its present condition. Management will be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

When the Group is committed to a sale plan involving loss of control of a subsidiary, all of the assets and liabilities of that subsidiary are classified as held for sale when the criteria described above are met, regardless of whether the Group will retain a non-controlling interest in its former subsidiary after the sale.

Non-current assets (and disposal groups) classified as held for sale are measured at the lower of their previous carrying amount and fair value less costs to sell.

At the end of the reporting period Dufry did not classify any assets as non-current assets held for sale.

2.10 REVENUE RECOGNITION

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received, excluding discounts, rebates, sales taxes or duties.

NET SALES

Sales are recognized when significant risks and rewards of ownership of the products have been transferred to the customer. Retail sales are settled in cash or by credit card.

ADVERTISING INCOME
Advertising income is recognized when the services have been rendered.

2.11 LEASING

The Group has finance and operational leases. Financial leases are recognized when the terms of the lease transfer substantially all risks and rewards of ownership to the lessee. All other leases are accounted as operating leases.

2.11.1 THE GROUP AS LESSEE
Assets held under finance leases are initially recognized as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the consolidated statement of financial position as other payables.

Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognized immediately in profit or loss. Contingent rentals are recognized as expenses in the periods in which they are incurred.

Depreciation of lease assets is computed on a straight-line basis over the shorter of the estimated useful life of the asset and the lease term.

Operating lease payments are recognized as an expense in accordance with the lease terms, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognized as an expense in the period in which they are incurred.

2.11.2 THE GROUP AS LESSOR
Leases in which the Group does not transfer substantially all the risks and benefits of ownership of the assets are classified as operating leases. Rental income from operating leases is recognized on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognized on a straight-line basis over the lease term.

2.12 FOREIGN CURRENCY TRANSLATION

The consolidated financial statements are expressed in Swiss francs (CHF). Each company in the Group uses its corresponding functional currency and items included in the financial statements of each entity are measured using that functional currency. Transactions in foreign currencies are initially recorded in the functional currency using the exchange rate at the date of the transaction. Financial assets and liabilities denominated in foreign currencies are translated in the functional currency using the exchange rate at the reporting date.

Exchange differences arising on the settlement or on the translation of derivative financial instruments are recognized through profit and loss, except where the hedges on net investments allow the recognition in the statement of comprehensive income, until the respective investments are disposed of. In this case the related deferred taxes are also accounted for in the statement of comprehensive income. Non-monetary items that are measured at historical cost in respective functional currency are translated using the exchange rates as at the dates of the initial transactions.

Non-monetary items (held for sale or discontinued operations) measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

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

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

PRINCIPAL FOREIGN EXCHANGE RATES APPLIED FOR VALUATION AND TRANSLATION

	1.1. – 31.12.2010	1.1. – 31.12.2009	31.12.2010	31.12.2009
IN CHF	AVERAGE RATES	AVERAGE RATES	CLOSING RATES	CLOSING RATES
1 USD – US Dollar	1.0427	1.0852	0.9352	1.0352
1 EUR – Euros	1.3821	1.5099	1.2518	1.4835

2.13 BORROWING COSTS

Borrowing costs are recognized as an expense when incurred, except for the initial arrangement fees, which are set-off from the bank loans and amortized over the period of the credit facility.

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. The Group did not hold any qualifying assets during the periods disclosed.

2.14 GOVERNMENT GRANTS

Government Grants are recognized at fair value where there is reasonable assurance that the grant will be received and all related conditions will be complied with. The Group has not received any government grants.

2.15 PENSION AND OTHER POST-EMPLOYMENT BENEFIT OBLIGATIONS

PENSION OBLIGATIONS

The employees of the subsidiaries are eligible for retirement, invalidity and death benefits under local social security schemes prevailing in the countries concerned and defined benefit and defined contribution plans provided through separate funds, insurance plans, or unfunded arrangements. The pension plans are generally funded through regular contributions made by the employer and the employee and through the income generated by their capital investments. Where, due to local conditions, a plan is not funded, a liability is recorded in the financial statements.

In the case of defined contribution plans, the net periodic pension cost to be recognized in the income statement equals the contributions made by the employer.

In the case of defined benefit plans, the net periodic pension cost is assessed using the projected unit credit method. The defined benefit obligation is measured as the present value of expected future payments required to settle the obligation resulting from employee service in the current and prior periods. The net periodic pension cost less employee contributions is included in the personnel expenses where the employees are located. Plan assets are recorded at their fair value. Actuarial gains or losses beyond a corridor of 10% of the greater of the present value of the defined benefit obligation and the fair value of plan assets arising from adjustments posted and changes in actuarial assumptions are recognized over the average remaining service lives of the related employees.

TERMINATION BENEFITS
Termination benefits are payable when employment is terminated before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for the benefits. The Group recognizes termination benefits when it is demonstrably committed to either, terminating the employment of current employees according to a detailed formal plan without the possibility of withdrawal; or providing termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after reporting date are discounted to present value.

2.16 SHARE-BASED PAYMENTS

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest. At the end of each reporting period, the Group revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognized in the consolidated income statement such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to retained earnings.

Equity-settled share-based payment transactions with parties other than employees are measured at the fair value of the goods or services received, except where that fair value cannot be estimated reliably, in which case they are measured at the fair value of the equity instruments granted, measured at the date the entity obtains the goods or the counterparty renders the service.

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

For cash-settled share-based payments, a liability is recognized for the goods or services acquired, measured initially at the fair value of the liability. At the end of each reporting period until the liability is settled, and at the date of settlement, the fair value of the liability is re-measured, with any changes in fair value recognized in the consolidated income statement for the year.

2.17 TAXATION

Income tax expense represents the sum of the tax currently payable and deferred tax.

CURRENT TAX
Current income tax is recognized in the consolidated income statement for results presented through profit and loss. The tax effects of results presented through other comprehensive income or equity are presented in the respective schedules.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the income statement because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted for the respective reporting period.

DEFERRED TAX
Deferred taxes are provided using the liability method on temporary differences at the reporting date between the tax bases of assets or liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognized for all taxable temporary differences, except in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available in the future against which the deductible temporary differences, the carry forward of unused tax credits or unused tax losses can be utilized, except in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures.

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

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year the asset will be realized or the liability settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax assets and deferred tax liabilities of the same entity are offset. In those countries where the tax law contemplates that several operations can be consolidated into one tax filing the deferred tax position is shown as asset or liability.

Deferred tax expense is recognized in the consolidated income statement for temporary differences arising on assets or liabilities. The tax effects of items recognized directly in equity are presented through other comprehensive income or equity.

2.18 PROPERTY, PLANT AND EQUIPMENT

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

The useful lives applied are as follows:
- Buildings 15 to 20 years
- Leasehold improvements 5 to 10 years
- Furniture, fixture and vehicles 4 to 10 years
- Computer hardware 5 years

The asset's residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date.

Land is recognized at acquisition cost and not depreciated as it is deemed to have an indefinite life. Additional costs, which extend the useful life of tangible assets, are capitalized. There are no borrowing costs recognized that are associated with the construction of tangible assets.

The carrying amount of tangible assets is reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of the asset may not be recoverable. The recoverable amount is the higher of an asset's fair value less cost to sell and value in use.

2.19 INTANGIBLE ASSETS

INTANGIBLE ASSETS ACQUIRED (SEPARATELY OR FROM A BUSINESS COMBINATION)

These assets mainly comprise of concession rights and brands. Intangible assets acquired separately are capitalized at cost and those from a business acquisition are capitalized at fair value as at the date of acquisition. Following initial recognition, the cost model is applied to intangible assets. The useful lives of these intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. Intangible assets with indefinite useful lives are not amortized but are tested for impairment annually at the asset or cash generating unit level. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether indefinite life assessment continues to be supportable. If not, any changes are made on a prospective basis. Brands have been assessed to have indefinite useful lives and are therefore not amortized.

Certain concession rights are granted for periods ranging from 10 to 30 years by the relevant airport authorities. Based on Dufry's experience, these concession rights have been renewed in the past at little or no cost for the Group. As a result these concession rights are assessed as having an indefinite useful life.

2.20 IMPAIRMENT OF NON-FINANCIAL ASSETS

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

2.21 INVENTORIES

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

2.22 PROVISIONS

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

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

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

ONEROUS CONTRACTS

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

RESTRUCTURINGS

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

CONTINGENT LIABILITIES ACQUIRED IN A BUSINESS COMBINATION

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

2.23 FINANCIAL INSTRUMENTS

Financial assets and financial liabilities are recognized when the Group becomes a party to the contractual provisions of the instrument.

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

2.23.1 EFFECTIVE INTEREST METHOD

The effective interest method is a method of calculating the amortized cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Income is recognized on an effective interest basis for debt instruments other than those financial assets classified as at FVTPL and AFS.

2.24 FINANCIAL ASSETS

Financial assets are classified into the following specified categories: financial assets "at fair value through profit or loss" (FVTPL), "held-to-maturity" investments, "available-for-sale" (AFS) financial assets and "loans and receivables". The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

2.24.1 FINANCIAL ASSETS AT FVTPL (FAIR VALUE THOUGHT PROFIT & LOSS)

Financial assets are classified as at FVTPL when the financial asset is either held for trading or it is designated as at FVTPL.

A financial asset is classified as held for trading if:
- it has been acquired principally for the purpose of selling it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

A financial asset other than a financial asset held for trading may be designated as at FVTPL upon initial recognition if:
- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and IAS 39 Financial Instruments: Recognition and Measurement permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognized in profit or loss. The net gain or loss recognized in profit or loss incorporates any dividend or interest earned on the financial asset and is included in the "other operating result" line item in the consolidated income statement. Fair value is determined in the manner described in note 38.

2.24.2 HELD-TO-MATURITY INVESTMENTS

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity dates that the Group has the positive intent and ability to hold to maturity. Subsequent to initial recognition, held-to-maturity investments are measured at amortized cost using the effective interest method less any impairment.

2.24.3 AVAILABLE-FOR-SALE FINANCIAL ASSETS (AFS FINANCIAL ASSETS)

AFS financial assets are non-derivatives that are either designated as AFS or are not classified as (a) loans and receivables, (b) held-to-maturity investments or (c) financial assets at fair value through profit or loss.

AFS financial assets are stated at fair value at the end of each reporting period. Fair value is determined in the manner described in note 38. Changes in the carrying amount of AFS monetary financial assets relating to changes in foreign currency rates (see below), interest income calculated using the effective interest method and dividends on AFS equity investments are recognized in profit or loss. Other changes in the carrying amount of available-for-sale financial assets are recognized in other comprehensive income and accumulated in the hedging and revaluation reserves. Where the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the hedging and revaluation reserves is reclassified to profit or loss.

Dividends on AFS equity instruments are recognized in profit or loss when the Group's right to receive the dividends is established.

2.24.4 LOANS AND RECEIVABLES

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables (including [trade and other receivables, bank balances and cash) are measured at amortized cost using the effective interest method, less any impairment.

Interest income is recognized by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

2.24.5 IMPAIRMENT OF FINANCIAL ASSETS

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

For AFS equity investments, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment.

For all other financial assets, objective evidence of impairment could include:
- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as a default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organization; or
- the disappearance of an active market for that financial asset because of financial difficulties.

For certain categories of financial assets, such as trade receivables, are assessed to be impaired individually. For financial assets carried at amortized cost, the amount of the impairment loss recognized is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, loans and other receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss. When an AFS financial asset is considered to be impaired, cumulative gains or losses previously recognized in other comprehensive income are reclassified to profit or loss in the period.

For financial assets measured at amortized cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

In respect of AFS equity securities, impairment losses previously recognized in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognized in other comprehensive income and accumulated in the hedging and revaluation reserves. In respect of AFS debt securities, impairment losses are subsequently reversed through profit or loss if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

2.24.6 DERECOGNITION OF FINANCIAL ASSETS

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

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognized in other comprehensive income and accumulated in equity is recognized in profit or loss.

On derecognition of a financial asset other than in its entirety (e.g. when the Group retains an option to repurchase part of a transferred asset or retains a residual interest that does not result in the retention of substantially all the risks and rewards of ownership and the Group retains control), the Group allocates the previous carrying amount of the financial asset between the part it continues to recognize under continuing involvement, and the part it no longer recognizes on the basis of the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part that is no longer recognized and the sum of the consideration received for the part no longer recognized and any cumulative gain or loss allocated to it that had been recognized in other comprehensive income is recognized in profit or loss. A cumulative gain or loss that had been recognized in other comprehensive income is allocated between the part that continues to be recognized and the part that is no longer recognized on the basis of the relative fair values of those parts.

2.25 FINANCIAL LIABILITIES AND EQUITY INSTRUMENTS

2.25.1 CLASSIFICATION AS DEBT OR EQUITY
Debt and equity instruments issued by the Group are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

2.25.2 EQUITY INSTRUMENTS
An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group are recognized at the proceeds received, net of direct issue costs.

Repurchase of the Company's own equity instruments is recognized and deducted directly in equity. No gain or loss is recognized in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

2.25.3 FINANCIAL LIABILITIES
Financial liabilities are classified as either financial liabilities "at FVTPL" or "other financial liabilities".

2.25.3.1 Financial liabilities at FVTPL
Financial liabilities are classified as at FVTPL when the financial liability is either held for trading or it is designated as at FVTPL.

A financial liability is classified as held for trading if:
- it has been acquired principally for the purpose of repurchasing it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

A financial liability other than a financial liability held for trading may be designated as at FVTPL upon initial recognition if:
- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and IAS 39 Financial Instruments: Recognition and Measurement permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial liabilities at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognized in profit or loss. The net gain or loss recognized in profit or loss incorporates any interest paid on the financial liability and is included in the "other operational result" line item in the consolidated income statement. Fair value is determined in the manner described in note 38.

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

The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

2.25.3.3 Financial guarantee contracts
A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due in accordance with the terms of a debt instrument.

Financial guarantee contracts issued by the Group are initially measured at their fair values and, if not designated as at FVTPL, are subsequently measured at the higher of:
- the amount of the obligation under the contract, as determined in accordance with IAS 37 Provisions, Contingent Liabilities and Contingent Assets; and
- the amount initially recognized less, where appropriate, cumulative amortization recognized in accordance with the revenue recognition policies.

2.25.3.4 Derecognition of financial liabilities
The Group derecognizes financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in profit or loss.

2.26 DERIVATIVE FINANCIAL INSTRUMENTS

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

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

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

2.27 HEDGE ACCOUNTING

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

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

Note 38 sets out details of the fair values of the derivative instruments used for hedging purposes.

2.27.1 FAIR VALUE HEDGES

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recognized in profit or loss immediately, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk. The change in the fair value of the hedging instrument and the change in the hedged item attributable to the hedged risk are recognized in the line of the consolidated income statement relating to the hedged item.

Hedge accounting is discontinued when the Group revokes the hedging relationship, when the hedging instrument expires or is sold, terminated, or exercised, or when it no longer qualifies for hedge accounting. The fair value adjustment to the carrying amount of the hedged item arising from the hedged risk is amortized to profit or loss from that date.

2.27.2 CASH FLOW HEDGES

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

Amounts previously recognized in other comprehensive income and accumulated in equity are reclassified to profit or loss in the periods when the hedged item is recognized in profit or loss, in the same line of the consolidated income statement as the recognized hedged item. However, when the hedged forecast transaction results in the recognition of a non-financial asset or a non-financial liability, the gains and losses previously recognized in other comprehensive income and accumulated in equity are transferred from equity and included in the initial measurement of the cost of the non-financial asset or non-financial liability.

Hedge accounting is discontinued when the Group revokes the hedging relationship, when the hedging instrument expires or is sold, terminated, or exercised, or when it no longer qualifies for hedge accounting. Any gain or loss recognized in other comprehensive income and accumulated in equity at that time remains in equity and is recognized when the forecast transaction is ultimately recognized in profit or loss. When a forecast transaction is no longer expected to occur, the gain or loss accumulated in equity is recognized immediately in profit or loss.

2.27.3 HEDGES OF NET INVESTMENTS IN FOREIGN OPERATIONS

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

3. ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRSs)

3.1 STANDARDS AND INTERPRETATIONS AFFECTING AMOUNTS REPORTED IN THE CURRENT PERIOD (AND/OR PRIOR PERIODS)

The following new and revised Standards and Interpretations have been adopted in the current period and have affected the amounts reported in these financial statements. Details of other Standards and Interpretations adopted in these financial statements but that have had no effect on the amounts reported are set out in section 3.2.

STANDARDS AFFECTING THE REPORTED RESULTS OR FINANCIAL POSITION

IAS 27 (as revised in 2008) Consolidated and Separate Financial Statements
(effective for annual periods beginning on or after July 1, 2009)
The revisions to IAS 27 principally affect the accounting for transactions or events that result in a change in the Group's interests in its subsidiaries. The adoption of the revised Standard has affected the accounting for the Group's acquisition of the remaining 49% interest in Dufry South America Limited in the first quarter (see note 6.1). IAS 27 (2008) has been adopted for periods beginning on or after July 1, 2009 and has been applied prospectively (subject to specified exceptions) in accordance with the relevant transitional provisions. The revised Standard has affected the Group's accounting policies regarding changes in ownership interests in its subsidiaries that do not result in a change in control. In prior years, in the absence of specific requirements in IFRSs, increases in interests in existing subsidiaries were treated in the same manner as the acquisition of subsidiaries, with goodwill or a bargain purchase gain being recognized where appropriate; for decreases in interests in existing subsidiaries that did not involve a loss of control, the difference between the consideration received and the carrying amount of the share of net assets disposed of was recognized in profit or loss. Under IAS 27 (2008), all such increases or decreases are dealt within equity, with no impact on goodwill or profit or loss. When control of a subsidiary is lost as a result of a transaction, event or other circumstance, the revised Standard requires that the Group derecognize all assets, liabilities and non-controlling interests at their carrying amount. Any retained interest in the former subsidiary is recognized at its fair value at the date control is lost, with the gain or loss arising recognized in profit or loss. In respect of the increase during the period of the Group's interest in subsidiaries with non-controlling interest holders, the change in policy has resulted, inter alia, in the difference of CHF 511.8 million between the fair value of the consideration in the form of a share exchange and the non-controlling interests recognized being recognized directly in equity, instead of goodwill. The consequence of the change of the accounting policy in respect of this and other transactions with non-controlling interests has resulted in a decrease in the equity for the year of CHF 513.2 million (see note 31.2).

IFRS 3 (as revised in 2008) Business Combinations
(effective for annual periods beginning on or after July 1, 2009)
The adoption of IFRS 3 (2008) in the current year has affected the accounting for business combinations in the current period as analyzed below. In accordance with the relevant transitional provisions, IFRS 3 (2008) has to be applied prospectively to business combinations for which the acquisition date is on or after January 1, 2010.

The impact of the adoption of IFRS 3 (2008) Business Combinations is:

- to allow a choice on a transaction-by-transaction basis for the measurement of non-controlling interests (previously referred to as "minority" interests) either at fair value or at the non-controlling interests' share of the fair value of the identifiable net assets of the acquiree. If the Group decides to measure at fair value then consequently, the goodwill recognized in respect of that acquisition reflects the impact of the difference between the fair value of the non-controlling interests and their share of the fair value of the identifiable net assets of the acquiree;
- to change the recognition and subsequent accounting requirements for contingent consideration. Under the previous version of the Standard, contingent consideration was recognized at the acquisition date only if payment of the contingent consideration was probable and it could be measured reliably; any subsequent adjustments to the contingent consideration were recognized against goodwill. Under the revised Standard,

contingent consideration is measured at fair value at the acquisition date; subsequent adjustments to the consideration are recognized against goodwill only to the extent that they arise from better information about the fair value at the acquisition date, and they occur within the "measurement period" (a maximum of 12 months from the acquisition date). All other subsequent adjustments are recognized in profit or loss;
- where the business combination in effect settles a pre-existing relationship between the Group and the acquiree, to require the recognition of a settlement gain or loss; and
- to require that acquisition-related costs be accounted for separately from the business combination, generally leading to those costs being recognized as an expense in profit or loss as incurred, whereas previously they were accounted for as part of the cost of the acquisition. In the current year Dufry has not accounted for new business combinations.
- IFRS 3 (2008) has also additional disclosure requirements in respect of the business combinations in the period. Results in future periods may be affected by future impairment losses relating to increased goodwill, and by changes in the fair value of contingent consideration recognized as a liability.

NEW AND REVISED STANDARDS AFFECTING PRESENTATION AND DISCLOSURE ONLY

IFRS 8 Operating segments
(effective for annual periods beginning on or after January 1, 2010)
An amendment made to the disclosures of information about the reported segment profit or loss, including certain specified revenues and expenses included in segment profit or loss, segment assets and segment liabilities, and the basis of measurement (see note 5).

3.2 STANDARDS AND INTERPRETATIONS ADOPTED WITH NO EFFECT ON FINANCIAL STATEMENTS

The amendments to the following Standards below did not have any impact on the accounting policies, financial position or performance of the Group.

IFRS 2 Share-based payment
(effective for annual periods beginning on or after January 1, 2010)
An entity that receives goods or services in a share-based payment arrangement must account for those goods or services no matter which entity in the Group settles the transaction, and no matter whether the transaction is settled in shares or cash.

IFRS 5 Non-current assets held for sale and discontinued operations
(effective for annual periods beginning on or after January 1, 2010)
Providing guidance in respect of disclosures of non-current assets held for sale (or disposal groups) and discontinued operations required by IFRS 5. The disclosure requirements in Standards other than IFRS 5 do not generally apply to non-current assets classified as held for sale and discontinued operations.

IAS 1 Presentation of financial statements
(effective for annual periods beginning on or after January 1, 2010)
The classification of convertible instruments as either non-current or current is clarified.

IAS 17 Leases
(effective for annual periods beginning on or after January 1, 2010)
Leases of land and building need to be considered separately for all transactions. In establishing whether the land component is an operating or finance lease the entity should take into account that the land has an indefinite economic life.

IAS 39 Financial instruments: Recognition and measurement
(effective for annual periods beginning on or after January 1, 2010)
The amendments relate to: the scope of exemption for business combination contracts; treating loan prepayment penalties as closely related embedded derivatives; cash flow hedge accounting.

IFRIC 9 Reassessment of Embedded Derivatives
(effective for annual periods beginning on or after July 1, 2009)
Scope of IFRIC 9 and IFRS 3: IFRIC 9 does not apply to possible reassessment at the date of acquisition to embedded derivatives in contracts acquired in a combination between entities or businesses under common control or the formation or a joint venture.

IFRIC 17 Distribution of non-cash assets to owners
(effective for annual periods beginning on or after July 1, 2009)
This interpretation provides guidance on accounting for arrangements whereby an entity distributes non-cash assets to shareholders either as a distribution of reserves or as dividends. The interpretation has no effect on the financial position or performance of the Group.

3.3 NEW AND REVISED STANDARDS AND INTERPRETATIONS IN ISSUE BUT NOT YET ADOPTED / EFFECTIVE

The Group will apply the following rules for the first time as of the dates stated in the respective standard.

STANDARDS AND INTERPRETATIONS WHICH MIGHT HAVE A SIGNIFICANT IMPACT ON THE PRESENTATION, DISCLOSURE, FINANCIAL POSITION AND PERFORMANCE OF THE GROUP

The Group has not identified any issued standards, but not yet adopted, which will have a significant impact on the future financial statements.

OTHER STANDARDS AND INTERPRETATIONS THAT ARE RELEVANT FOR THE GROUP AND WHOSE EFFECTS ARE CURRENTLY BEING EVALUATED

IFRS 7 Financial Instruments: Disclosures – New disclosures for derecognition of financial instruments
(effective for annual periods beginning on or after July 1, 2011).
Additional disclosure requirements for assets that have been "transferred" as defined in IAS 39:

- If the transfer results in the derecognition of the transferred assets in their entirety and the entity has continuing involvement; information must be disclosed regarding the nature and risks of the continuing involvement in these assets.
- If the assets are not transferred in their entirety then information must be disclosed regarding the relationship between assets not derecognized and their associated liabilities.

IFRS 9 Financial instruments
(effective for annual periods beginning on or after January 1, 2013)
The standard, IFRS 9, Financial Instruments, focuses on Classification and Measurement of Financial Assets. IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the many different rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments (its business model) and the contractual cash flow characteristics of the financial assets. The new standard also requires a single impairment method to be used, replacing the many different impairment methods in IAS 39. Thus IFRS 9 improves comparability and makes financial statements easier to understand for investors and other users.

IFRIC 14 IAS 19 The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction
(effective for annual periods beginning on or after January 1, 2011)
In many countries, laws or contractual terms require employers to make minimum funding payments for their pension or other employee benefit plans. This enhances the security of the retirement benefit promise made to members of an employee benefit plan. Normally, such statutory or contractual funding requirements would not affect the measurement of the defined benefit asset or liability. This is because the contributions, once paid, become plan assets and the additional net liability would be nil. However, paragraph 58 of IAS 19 Employee Benefits limits the measurement of the defined benefit asset to the "present value of economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan". IFRIC 14 addresses the interaction between a minimum funding requirement and the limit placed by paragraph 58 of IAS 19 on the measurement of the defined benefit asset or liability.

FURTHER NEW AND REVISED STANDARDS AND INTERPRETATIONS OF NO PRACTICAL RELEVANCE

IFRS 7 Financial Instruments: Disclosures – Improvements to IFRSs 2010: Clarification of disclosures
(effective for annual periods beginning on or after January 1, 2011).
Emphasis the interaction between quantitative and qualitative disclosures and the nature and extent of risks associated with financial instruments. Amendments and qualitative and credit risk disclosures are as follows:
- Clarify that only financial assets whose carrying amount does not reflect the maximum exposure to credit risk need to provide further disclosure of the amount that represents the maximum exposure to such risk.
- Requires, for all financial assets, disclosure of the financial effect of collateral held as security and other credit enhancements regarding the amount that best represents the maximum exposure to credit risk (e.g., a description of the extent to which collateral mitigates credit risk).
- Remove disclosure of the collateral held as security, other credit enhancements and an estimate of their fair value for financial assets that are past due but not impaired, and financial assets that are individually determined to be impaired.
- Remove the requirement to specifically disclose financial assets renegotiated to avoid becoming past due or impaired.
- Clarify that the additional disclosure required for financial assets obtained by taking possession of collateral or other credit enhancements are only applicable to assets still held at the reporting date.

IAS 12 Deferred tax: Recovery of underlying assets amendments to IAS 12
(effective for annual periods beginning on or after January 1, 2012)
IAS 12 has been updated to include a presumption that deferred tax on investment property measured using the fair value model in IAS 40 and that on non-depreciable assets measured using the revaluation model in IAS 16, should always be measured on a sale basis.

IAS 24 Related Parties
(effective for annual periods beginning on or after January 1, 2011)
The amendments provide an exemption from disclosure requirements for transactions between entities controlled, jointly controlled or significantly influenced by the same state ("state-controlled entities") and changes the definitions of a related party and of a related party transaction to clarify the intended meaning and remove some inconsistencies.

IAS 32 Financial Instruments: Presentation – Amendment on the classification of rights issues, options or warranties denominated in a foreign currency
(effective for annual periods beginning on or after February 1, 2010)
The amendment alters the definition of a financial liability to classify rights issues and certain options or warrants as equity instruments if the rights are given pro rata to all of the existing owners of the same class of equity instruments. By changing the definition of a liability, these rights are no longer considered derivative instruments. Therefore, their fair value will no longer impact profit and loss.

IFRIC 13 Customer Loyalty Programs
(effective for annual periods beginning on or after January 1, 2011)
Fair value of award credits: The amendment clarifies that when the fair value of award credits is measured based on the value of the awards for which they could be redeemed, the amount of discounts or incentives otherwise granted to customers not participating in the award credits scheme, is to be taken into account.

IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments
(effective for annual periods beginning on or after July 1, 2010)
In some circumstances, a creditor might agree to accept an entity's shares or other equity instruments to settle the financial liability fully or partially (sometimes referred to as a "debt for equity swap"). IFRIC 19 provides guidance on how an entity should account for such transactions in accordance with IAS 39 Financial Instruments: Recognition and Measurement and IAS 32 Financial Instruments: Presentation.

4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

The preparation of the Group's financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of income, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability in the future.

KEY SOURCES OF ESTIMATION UNCERTAINTY

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

CONCESSION RIGHTS

Concession rights acquired in a business combination are valued at fair value as at the date of acquisition. The useful lives of operating concessions are assessed to be either finite or indefinite based on individual circumstances. The useful lives of operating concessions are reviewed annually to determine whether the indefinite useful life assessment for those concessions continues to be sustainable. The Group tests the operating concessions with indefinite useful lives for impairment. The underlying calculation requires the use of estimates. The comments and assumptions used are disclosed in note 21.

BRANDS AND GOODWILL

The Group tests these items annually for impairment in accordance with IAS 36. The underlying calculation requires the use of estimates. The comments and assumptions used are disclosed in note 21.

INCOME TAXES

The Group is subject to income taxes in numerous jurisdictions. Significant judgment is required in determining the worldwide provision for income taxes. There are many transactions and calculations for which the ultimate tax assessment is uncertain. The Group recognizes liabilities for tax audit issues based on estimates of whether additional taxes will be payable. Where the final tax outcome is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such assessment is made. Further details are given in note 17.

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. Further details are given in note 23.

PROVISIONS

Management makes assumptions in relation to the expected outcome and cash outflows based on the development of each individual legal or regulatory case. Further details are given in note 33.

SHARE-BASED PAYMENTS

The Group measures 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. The assumptions and models used are disclosed in note 30.

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. Further details are given in note 34.

5. SEGMENT INFORMATION

An operating segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns different from those of other operating segments. Transfer prices between operations and segments are set on an arm's length basis. Where segment sales, segment expenses or segment result include transfers between segments, those transfers are eliminated in the consolidation.

The Group's risks and returns are predominantly affected by the fact that it operates in different countries. Therefore, the Group reports segmental information in its financial statements in the same way as it does internally to senior management, using geographical segments. The distribution centers are reported as a separate segment. The geographical segments of Dufry are: Europe, Africa, Eurasia, Central America & Caribbean, South America and North America.

After the merger of early 2010, the Group adapted its Group structure. These companies have been reassigned to the following segments in 2010:

COMPANY	PREVIOUS SEGMENT	CURRENT SEGMENT
Dufry Travel Retail AG	Europe	Distribution Centers
Flagship Retail Services Inc.	South America	Central America & Caribbean
Eurotrade Corporation Ltd.	South America	Distribution Centers
Dufry Houston DF & Retail Partnership	Central America & Caribbean	North America
Dufry Newark Inc.	Central America & Caribbean	North America
Dufry New York Retail Partnership	Central America & Caribbean	North America
Dufry America Services, Inc.	Central America & Caribbean	Distribution Centers

The comparative figures for 2009 are presented as to reflect the above mentioned changes.

IN MILLIONS OF CHF	NET SALES THIRD PARTY	ADVERTISING INCOME	NET SALES – INTERCOMPANY	TURNOVER	EBITDA[1]
2010					
Europe	306.0	4.8	–	310.8	7.4
Africa	182.3	1.8	–	184.1	29.3
Eurasia	225.1	4.0	–	229.1	11.2
Central America & Caribbean	395.5	4.5	–	400.0	23.6
South America	693.3	20.0	–	713.3	136.5
North America	730.7	25.1	–	755.8	78.9
Distribution Centers	0.6	16.5	515.1	532.2	56.2
Eliminations	–	–	(515.1)	(515.1)	–
DUFRY GROUP	**2,533.5**	**76.7**	**–**	**2,610.2**	**343.1**

[1] EBITDA before other operational result.

IN MILLIONS OF CHF	NET SALES THIRD PARTY	ADVERTISING INCOME	NET SALES – INTERCOMPANY	TURNOVER	EBITDA[1]
2009					
Europe	312.1	4.7	–	316.8	9.2
Africa	190.1	0.1	–	190.2	29.7
Eurasia	228.5	3.6	–	232.1	23.6
Central America & Caribbean	388.6	3.5	–	392.1	14.9
South America	512.8	17.2	–	530.0	92.2
North America	674.5	25.1	–	699.6	80.9
Distribution Centers	0.5	17.4	435.3	453.2	50.6
Eliminations	–	–	(435.3)	(435.3)	–
DUFRY GROUP	**2,307.1**	**71.6**	**–**	**2,378.7**	**301.1**

[1] EBITDA before other operational result.

The share in net sales to third parties of the Group generated in Switzerland (domicile) represents about 1.3% (2009: 1.5%) of the total.

IN MILLIONS OF CHF	TOTAL ASSETS	TOTAL LIABILITIES	INCOME TAX EXPENSE	CAPITAL EXPENDITURE PAID	DEPRECIATION AND AMORTI-ZATION [1/2]	OTHER NON-CASH ITEMS
2010						
Europe	213.4	104.8	(1.0)	(21.3)	12.7	2.1
Africa	72.1	49.1	(1.8)	(2.3)	6.0	0.8
Eurasia	86.6	40.5	0.2	(9.4)	10.0	2.3
Central America & Caribbean	402.9	72.4	(3.1)	(14.4)	28.3	1.2
South America	535.6	229.4	(19.4)	(11.5)	20.1	3.0
North America	545.0	93.3	8.3	(36.4)	46.8	0.4
Distribution Centers	194.0	118.3	(1.7)	(1.0)	1.8	(0.9)
Unallocated Liabilities	89.6	616.6	(2.4)	(2.5)	3.8	36.6
DUFRY GROUP	**2,139.2**	**1,324.4**	**(20.9)**	**(98.8)**	**129.5**	**45.5**
2009						
Europe	212.3	108.7	(3.0)	(9.9)	10.9	1.8
Africa	64.9	43.1	(1.1)	(2.3)	6.8	1.1
Eurasia	86.8	37.1	(0.3)	9.7	7.8	3.4
Central America & Caribbean	424.0	90.5	1.0	(13.2)	23.2	1.9
South America	620.7	159.6	(10.4)	(2.1)	21.5	(0.2)
North America	740.7	93.3	(2.8)	(36.7)	47.4	(0.4)
Distribution Centers	190.9	115.0	(3.8)	(0.6)	1.9	(3.5)
Unallocated Liabilities	309.8	1,005.2	(2.3)	(13.9)	3.5	27.7
DUFRY GROUP	**2,650.1**	**1,652.5**	**(22.7)**	**(69.0)**	**123.0**	**31.8**

[1] 2010 includes impairments of CHF 0.1m in Region Europe.
[2] 2009 includes impairments of CHF 0.3m in Region Europe and CHF 0.5m in Region Central America & Caribbean.

The unallocated liabilities correspond mainly to long-term financial debt and the unallocated assets comprise of the assets of Headquarter companies.

6. CHANGES IN OPERATIONS

2010 TRANSACTIONS

6.1 MERGER WITH DUFRY SOUTH AMERICA LTD

On December 31, 2009 Dufry AG owned 51% of the shares of Dufry South America Ltd. ("DSA") which operates duty free shops in South America. On February 11, 2010, Dufry South America Ltd., Bermuda; Dufry AG ("DAG") and Dufry Holdings & Investments AG, Basel ("DHI"), a wholly-owned Swiss subsidiary of DAG, entered into a Merger and Amalgamation Agreement, providing for an amalgamation under the Bermuda Companies Act 1981 and a merger under applicable Swiss law. Simultaneously with the completion of the Merger, the capital of DHI has increased by a contribution in kind consisting of 49% of the net assets of DSA.

Pursuant to the Merger Agreement negotiated between the Special Committee of Board Members of DSA ("SCBM") and the Board of Directors of DAG, DSA shareholders and DSA Brazilian Depositary Receipt holders ("BDR") received one DAG share (or DAG BDR) in exchange for 4.10 DSA shares / BDRs ("Exchange Ratio"). Furthermore, DSA shareholders and BDR holders received an extraordinary dividend of USD 4.71 per DSA share / BDR on April 12, 2010.

The new shares of DHI created in course of the Merger were contributed into DAG in exchange for 7,762,249 shares newly issued and BDRs of DAG ("Merger Shares"). Such Merger shares were then allocated and given to the shareholders of DSA and to the holders of DSA BDRs, respectively. DAG listed its shares through a BDR program in Brazil with the BDRs being traded on BM&FBOVESPA.

The Special General Meeting of the members of DSA ("SGM") held on March 19, 2010 and an Extraordinary Shareholders Meeting of Dufry AG ("EGM") held on March 22, 2010, discussed, evaluated and approved the relevant aspects of the Merger Agreement.

OVERVIEW OF MERGER TRANSACTIONS	IN THOUSANDS OF USD	IN THOUSANDS OF CHF
Equity DSA as of March 22, 2010	792,187	
less dividend approved in relation with the merger	(306,150)	
Equity of DSA as per March 22, 2010	486,037	
Portion acquired (48.96%)	237,964	
Book value of non-controlling interests at historical cost		117,615
Currency translation adjustments		(25,419)
Carrying amount of these non-controlling interests	87,481	92,196
Goodwill attributable to the non-controlling interests not recognized in the books of the parent	150,482	
Contribution in kind		603,981
Recognized directly in reserves for transactions with non-controlling interests		**511,785**

6.2 DUFRY (SHANGHAI) COMMERCIAL CO. LTD., CHINA

Dufry founded in February 2010 Dufry (Shanghai) Commercial Co. Ltd. Thereafter Dufry signed a 7-year contract with Shanghai Hongqiao International Airport to operate 20 duty paid stores, distributed over an area of 1,500 m², in the new West Terminal. Serving mainly domestic destinations, Hongqiao International Airport handles more than 23 million passengers per year and is considered one of the two main gates for travelers arriving to and departing from Shanghai. The West Terminal, and thus our 20 shops, became operational end of March 2010, just ahead of the opening of the Shanghai 2010 World Expo.

Since the start of operations Dufry (Shanghai) Commercial Co. Ltd contributed in 2010 CHF 16.1 million to the net sales, and reduced CHF 2.0 million the earnings before interest and taxes, of the Group.

6.3 GLOBAL SERVICE RETAIL GROUP

As of May 19, 2010, Dufry acquired the remaining 49% of the voting shares of Global Service Retail Group (GSRL) for a price of CHF 2.8 million from the minority shareholder. The difference of CHF 1.2 million between the book value of the additional interest acquired and the respective consideration has been recognized in the reserve for transactions with non-controlling interests.

6.4 RECONCILIATION OF CASH FLOWS (USED FOR) / FROM BUSINESS COMBINATIONS (BC), NET OF CASH

2010 IN MILLIONS OF CHF	COST OF THE ACQUISITION	NET CASH ACQUIRED	SUBTOTAL	CHANGES IN ACCOUNTS PAYABLES	NET CASH FLOW
Global Retail Services	(2.8)	–	(2.8)	–	(2.8)
Operadora Aero-Boutiques (LDF)	–	–	–	(18.2)	(18.2)
Network Italia Edicole	–	–	–	(2.6)	(2.6)
Puerto Rico	–	–	–	(1.1)	(1.1)
Other	–	–	–	(0.2)	(0.2)
TOTAL	**(2.8)**	**–**	**(2.8)**	**(22.1)**	**(24.9)**

2009 TRANSACTIONS

6.5 ACQUISITION OF THE DUTY FREE OPERATIONS OF OPERADORA AERO-BOUTIQUES, S.A. DE C.V (LDF)

On November 1, 2009, the Group acquired through an asset deal all the assets and concession rights of LDF, located in various Mexican airports at its fair value, i.e. at USD 19.1 million. The acquisition has been accounted for using the purchase method of accounting. The consolidated financial statements include the results of LDF as from November 2009.

The fair value of the acquired identifiable assets at the date of acquisition was determined as follows:

IN THOUSANDS OF CHF	FAIR VALUE RECOGNIZED ON ACQUISITION	PREVIOUS CARRYING VALUE IN ACCORDANCE WITH IFRS
Inventories	6,980	9,344
Concession rights	7,683	8,746
Fixed assets (incl. software)	4,663	4,214
NET ASSETS	**19,326**	**22,303**
Dufry's share in the net assets	19,326	
Goodwill arising on acquisition	–	
TOTAL ACQUISITION COSTS	**19,326**	

Since the date of the asset deal, LDF contributed in 2009 CHF 5.5 million to the net sales of the Group, and generated a net loss before interest and taxes of CHF 0.3 million.

6.6 ACQUISITION OF NETWORK ITALIA EDICOLE S.R.L.

On September 14, 2009, Dufry acquired all shares of Network Italia Edicole S.r.l. for a total consideration of EUR 12 million (CHF 18.1 million). At this moment this company operated 646 sqm of retail shops at the 13 largest train stations in Italy selling books, magazines and convenience products. Dufry introduced the Hudson business model in these shops. Network Italia Edicole has an 18-year contract with Italian train station operator Grandi Stazioni SpA to operate up to 1,632 sqm. In October 2009, Dufry made the first payment of EUR 4.0 million (CHF 5.9 million) for the commercial area operation. Subsequent payments of CHF 3.8 million were made in 2009, whereas the rest is paid according to the future expansions of the retail space.

The value of the identifiable assets and liabilities of the acquired company are considered to be fair at the date of the acquisition and to be final.

The fair value of the identifiable assets and liabilities of the acquired business at the date of acquisition was determined as follows:

IN MILLIONS OF EUR	FAIR VALUE RECOGNIZED ON ACQUISITION
Concession rights	17.5
Deferred tax liabilities	(5.5)
NET ASSETS	**12.0**
Dufry's share in the net assets (100%)	12.0
Goodwill arising on acquisition	–
TOTAL ACQUISITION COSTS	**12.0**

Since the date of acquisition, Network Italia Edicole contributed in 2009 CHF 2.2 million to the net sales, and CHF 0.4 million to the earnings before interest and taxes, of the Group.

6.7 ACQUISITION OF REMAINING INTERESTS IN FOOD VILLAGE (SCHIPHOL) B.V.

On May 15, 2009, Dufry acquired the remaining 40% in Food Village B.V. for a total consideration of EUR 0.9 million (CHF 1.4 million). The total net assets at this date amounted to EUR 0.3 million (CHF 0.5 million), this resulted in the recognition of a goodwill of EUR 0.8 million (CHF 1.3 million). This operation was already fully consolidated.

6.8 RECONCILIATION OF CASH FLOWS (USED FOR) / FROM BUSINESS COMBINATIONS (BC), NET OF CASH

2009 IN MILLIONS OF CHF	COST OF THE ACQUISITION	NET CASH ACQUIRED	SUBTOTAL	CHANGES IN ACCOUNTS PAYABLES	NET CASH FLOW
Operadora Aero-Boutiques (LDF)	(19.3)	–	(19.3)	18.6	(0.7)
Network Edicole	(18.1)	–	(18.1)	8.4	(9.7)
Food village	(1.4)	–	(1.4)	–	(1.4)
BC in prior years [1]	–	–	–	(5.9)	(5.9)
TOTAL	**(38.8)**	**–**	**(38.8)**	**21.1**	**(17.7)**

[1] BC in prior years (Business Combinations) includes the settlement during 2009 of acquisition payables related to Hudson (USA) and Alliance Duty Free, Inc. (Puerto Rico).

6.9 SALE OF CARIBWORLD (BARBADOS) LIMITED

Caribworld (Barbados) Limited, a former subsidiary operating teleshopping on Barbados, was sold with effect of January 1, 2009 for a notional minimal consideration.

The book values of the identifiable assets and liabilities of the company as at the date of sale and the resulting loss on the sale were determined as follows:

IN THOUSANDS OF CHF	CARRYING AMOUNT AT JANUARY 1, 2009
Property, plant and equipment	1
Current assets	42
Current liabilities	(34)
NET ASSETS	**9**
Sales price	–
Loss on sale of subsidiary	**9**

The 2009 income statement of Dufry does not include the results of Caribworld (Barbados) Limited.

7. NET SALES

Different breakdowns of net sales are as follows:

IN MILLIONS OF CHF	2010	2009
NET SALES BY PRODUCT CATEGORIES		
Perfumes and Cosmetics	588.9	511.5
Confectionery, Food and Catering	441.2	401.9
Wine and Spirits	383.4	325.4
Literature and Publications	291.2	286.2
Watches, Jewelry and Accessories	249.4	242.1
Fashion, Leather and Baggage	199.0	172.1
Tobacco goods	192.1	192.6
Electronics	85.4	73.1
Toys, Souvenirs and other goods	102.9	102.2
TOTAL	**2,533.5**	**2,307.1**
NET SALES BY MARKET SECTOR		
Duty free	1,604.5	1,444.5
Duty paid	929.0	862.6
TOTAL	**2,533.5**	**2,307.1**
NET SALES BY CHANNEL		
Airports	2,213.5	1,969.4
Cruise liners and seaports	113.0	129.6
Railway stations and other	118.4	116.5
Downtown, hotels and resorts	88.6	91.6
TOTAL	**2,533.5**	**2,307.1**

8. COST OF SALES

Cost of sales are recognized when the Company sells a product and comprise the purchase price and the cost incurred until the product arrives at the warehouse, including import duties, transport and handling cost as well as inventory valuation adjustments and inventory differences.

9. SELLING EXPENSES

IN MILLIONS OF CHF	2010	2009
Concession fees and rents	(572.8)	(502.3)
Credit card commissions	(29.5)	(25.6)
Advertising and commission expenses	(12.9)	(11.1)
Packaging materials	(8.4)	(6.9)
Other selling expenses	(6.4)	(5.9)
Selling expenses	**(630.0)**	**(551.8)**
Concession and rental income	19.7	22.2
Commission income	2.5	2.4
Commercial services and other selling income	23.0	16.3
Selling income	**45.2**	**40.9**
TOTAL	**(584.8)**	**(510.9)**

10. NUMBER OF RETAIL SHOP CONCESSIONS

Dufry Group operates over 1.100 retail shops in 41 countries at the reporting date. Therefore Dufry has entered into concession arrangements with operators of airports, seaports, railway stations etc. to operate these retail shops.

The concession providers grant 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 among other aspects:
- duration
- nature of remuneration
- assortment of products to be sold
- location

They may comprise one or several shops and are awarded in a public or private tender or in a negotiated transaction.

The leasehold improvements and installations of these operations are depreciated over the shorter of the useful life of the assets or the duration of the arrangements.

The table below shows the number of shops operating under different concession schemes at present and in the following five years (including granted extensions):

SHOPS WITH CONCESSION AGREEMENTS EXISTING AT DECEMBER 31	2010	2011	2012	2013	2014	2015
with fixed fees and proportional fees	927	824	729	638	518	450
with proportional fees to sales	134	126	125	115	103	96
with fixed fees	79	76	67	62	61	60
TOTAL	**1140**	**1026**	**921**	**815**	**682**	**606**

11. PERSONNEL EXPENSES

IN MILLIONS OF CHF	2010	2009
Salaries and wages	(303.2)	(273.3)
Social security expenses	(54.4)	(49.0)
Retirement benefits (defined contribution plans)	(3.4)	(3.9)
Retirement benefits (defined benefit plans)	(1.3)	(1.6)
Other personnel expenses	(36.6)	(33.5)
TOTAL	**(398.9)**	**(361.3)**
Number of full time equivalents at year-end	**11,892**	**11,209**

12. GENERAL EXPENSES

IN MILLIONS OF CHF	2010	2009
Repairs, maintenance and utilities	(32.9)	(29.6)
Legal, consulting and audit fees	(31.2)	(24.3)
Premises	(22.2)	(21.6)
Office and administration	(17.1)	(15.5)
Travel, car, entertainment and representation	(16.1)	(13.1)
EDP and IT expenses	(14.9)	(12.9)
Franchise fees and commercial services	(11.3)	(12.7)
Taxes, other than income taxes	(9.3)	(8.2)
PR and advertising	(9.7)	(8.1)
Insurances	(6.6)	(6.5)
Bank expenses	(3.8)	(3.6)
TOTAL	**(175.1)**	**(156.1)**

13. DEPRECIATION, AMORTIZATION AND IMPAIRMENT

IN MILLIONS OF CHF	NOTE	2010	2009
Depreciation		(63.6)	(63.7)
Impairment		(0.1)	(0.2)
Subtotal	**19**	**(63.7)**	**(63.9)**
Amortization		(65.8)	(58.6)
Impairment		–	(0.5)
Subtotal	**21**	**(65.8)**	**(59.1)**
TOTAL		**(129.5)**	**(123.0)**

14. OTHER OPERATIONAL RESULT

IN MILLIONS OF CHF	2010	2009
Other operational expenses	(18.2)	(24.5)
Other operational income	2.5	9.8
OTHER OPERATIONAL RESULT	**(15.7)**	**(14.7)**

Other operational expenses and other operational income include non-recurring transactions, impairments of financial assets and provisions.

14.1 OTHER OPERATIONAL EXPENSES

IN MILLIONS OF CHF	2010	2009
Losses of closing shops [1]	(4.1)	(7.8)
Consulting fees and expenses related to projects, as well as start-up expenses	(7.3)	(6.2)
Impairment of financial assets	(1.1)	(4.1)
Expenses for provisions	(0.8)	(0.5)
Losses on disposal of non-current assets	(0.6)	(1.7)
Other	(4.3)	(4.2)
TOTAL	**(18.2)**	**(24.5)**

[1] In 2010, the losses were related to closing of shops includes Dufrital CHF 1.1 million, Duty Free Caribbean CHF 1.0 million and Singapore CHF 0.8 million.

14.2 OTHER OPERATIONAL INCOME

IN MILLIONS OF CHF	2010	2009
Gain on sale of non-current assets	0.6	–
Recovery of write offs / release of allowances	0.5	4.8
Release of project costs	0.1	1.4
Release of provisions	–	0.7
Other	1.3	2.9
TOTAL	**2.5**	**9.8**

15. INTEREST EXPENSES

IN MILLIONS OF CHF	2010	2009
Interest on bank debt	(36.1)	(44.6)
Discounted interest on financial liabilities	(0.3)	(0.7)
Other finance expenses	(0.5)	(0.9)
Finance expenses related to financial liabilities [1]	**(36.9)**	**(46.2)**
Interest on non-financial liabilities	(0.1)	–
TOTAL	**(37.0)**	**(46.2)**

[1] See note 38.3.1

16. INTEREST INCOME

IN MILLIONS OF CHF	2010	2009
Interest income on short-term deposits	4.3	5.7
Other interest and finance income	0.5	–
TOTAL[1]	**4.8**	**5.7**

[1] See note 38.3.1

17. INCOME TAXES

IN MILLIONS OF CHF	2010	2009
CONSOLIDATED INCOME STATEMENT		
Current income taxes	(41.9)	(26.3)
of which corresponding to the current period	(41.3)	(26.5)
of which adjustments recognized in relation to prior years	(0.6)	0.2
Deferred income taxes	21.0	3.6
of which related to the origination or reversal of temporary differences	16.0	3.6
of which adjustments recognized in relation to prior years	5.2	–
of which adjustments due to change in tax rates	(0.2)	–
TOTAL	**(20.9)**	**(22.7)**
CONSOLIDATED EARNINGS BEFORE INCOME TAX (EBT)	165.7	120.0
Expected tax rate in %	28.0%	25.0%
Tax at the expected rate	(46.4)	(30.0)
Effect of:		
Income not subject to income tax	14.9	23.8
Different tax rates of subsidiaries in other jurisdictions	26.5	21.4
Different tax regime for sale of subsidiaries	0.2	(0.4)
Non deductible expenses	(6.1)	(16.7)
Unused tax loss carry-forwards not recognized	(8.3)	(10.7)
Non recoverable withholding taxes	(1.9)	(5.8)
Adjustments recognized in relation to prior year	4.6	0.2
Other items	(4.4)	(4.5)
TOTAL	**(20.9)**	**(22.7)**

The expected tax rate used for 2010 is 28.0% (2009: 25.0%). The tax rate approximates the weighted average of the countries where Dufry is active. The increase in the expected tax rate is mainly attributable to the effect of the relative weight caused by the new acquisitions since 2008.

CURRENT TAX ASSETS AND LIABILITIES

IN MILLIONS OF CHF	31.12.2010	31.12.2009
Income tax refunds receivable	6.1	14.8
Income tax payable	11.7	17.0
TOTAL	**(5.6)**	**(2.2)**

Income tax receivables or payables for the current and prior period are measured at the amount expected to be recovered from or paid to the tax authorities. The tax rates and tax laws used to compute the amounts are those that are enacted at the reporting date.

INCOME TAX RECOGNIZED DIRECTLY IN EQUITY

IN MILLIONS OF CHF	31.12.2010	31.12.2009
CURRENT TAX		
Tax effect on share based payments	2.4	–
Subtotal	**2.4**	**–**
DEFERRED TAX		
Tax effect on share based payments	1.4	–
Arising on transactions with shares:		
Treasury shares	0.6	(0.4)
Share issue expenses deductible over 5 years	–	0.5
Subtotal	**0.6**	**0.1**
TOTAL	**4.4**	**0.1**

DEFERRED INCOME TAX RECOGNIZED IN OTHER COMPREHENSIVE INCOME

IN MILLIONS OF CHF	31.12.2010	31.12.2009
Arising on income and expenses recognized in other comprehensive income:		
Net gain/(loss) on hedge of net investment	(6.3)	(1.6)
Cash flow hedges	0.3	–
TOTAL	**(6.0)**	**(1.6)**

18. EARNINGS PER SHARE

BASIC

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

IN MILLIONS OF CHF / QUANTITY	2010	2009
Net earnings attributable to equity holders of the parent	116.6	38.5
Weighted average number of ordinary shares outstanding	25.2	19.2
Basic earnings per share in CHF	**4.63**	**2.01**

DILUTED

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

IN MILLIONS OF CHF / QUANTITY	2010	2009
Net earnings attributable to equity holders of the parent	116.6	38.5
Weighted average number of ordinary shares outstanding adjusted for the effect of dilution	25.4	19.5
Diluted earnings per share in CHF	**4.58**	**1.98**

EARNINGS PER SHARE ADJUSTED FOR AMORTIZATION (CASH EPS)

Dufry is presenting an adjusted EPS, so called Cash EPS, where the net earnings attributable to equity holders of the parent are adjusted by the amortization effect generated by the intangible assets identified during the purchase price allocations of past acquisitions. With this Cash EPS, Dufry aims to facilitate the comparison at EPS level with other companies not having performed such acquisition activities.

IN MILLIONS OF CHF / QUANTITY	2010	2009
Net earnings attributable to equity holders of the parent	116.6	38.5
Adjusted for:		
Dufry's share of the amortization in respect of acquisitions	47.9	37.1
Adjusted net earnings	**164.5**	**75.6**
Weighted average number of ordinary shares outstanding	25.2	19.2
EPS adjusted for amortization (cash EPS) in CHF	**6.54**	**3.94**

WEIGHTED AVERAGE NUMBER OF ORDINARY SHARES

IN THOUSANDS	2010	2009
Outstanding shares	25,253.6	19,213.9
Less treasury shares	(88.0)	(28.9)
Used for calculation of basic earnings per share	25,165.6	19,185.0
Effect of dilution:		
Share options	281.4	266.8
Used for calculation of earning per share adjusted for the effect of dilution	**25,447.0**	**19,451.8**

For movements in shares see note 29.1 Equity, 30.1 Share-based payment and 30.2 Treasury shares.

19. PROPERTY, PLANT AND EQUIPMENT

IN MILLIONS OF CHF	LEASEHOLD IMPROVEMENTS	FURNITURE FIXTURE	COMPUTER HARDWARE	VEHICLES	WORK IN PROGRESS	TOTAL
AT COST						
Balance at January 1, 2010	199.1	174.1	43.1	7.9	8.9	433.1
Additions (note 20)	22.7	11.0	7.0	0.8	35.2	76.7
Disposals	(10.1)	(16.7)	(3.0)	(0.8)	(0.1)	(30.7)
Reclassification within classes	12.8	11.7	0.8	–	(25.3)	–
Reclassification to intangible assets	–	–	–	–	(0.3)	(0.3)
Currency translation adjustment	(19.3)	(23.2)	(4.5)	(0.9)	(2.4)	(50.3)
Balance at December 31, 2010	**205.2**	**156.9**	**43.4**	**7.0**	**16.0**	**428.5**
ACCUMULATED DEPRECIATION						
Balance at January 1, 2010	(68.5)	(86.9)	(29.7)	(4.9)	–	(190.0)
Additions (note 13)	(28.6)	(27.9)	(5.9)	(1.2)	–	(63.6)
Disposals	8.7	16.0	2.9	0.7	–	28.3
Currency translation adjustment	4.7	15.3	3.4	0.7	–	24.1
Balance at December 31, 2010	**(83.7)**	**(83.5)**	**(29.3)**	**(4.7)**	**–**	**(201.2)**
IMPAIRMENT						
Balance at January 1, 2010	(1.2)	(0.1)	(0.2)	–	–	(1.5)
Impairment (note 13)	(0.1)	–	–	–	–	(0.1)
Currency translation adjustment	0.2	–	–	–	–	0.2
Balance at December 31, 2010	**(1.1)**	**(0.1)**	**(0.2)**	**–**	**–**	**(1.4)**
AT COST						
Balance at January 1, 2009	175.9	159.6	42.4	8.0	10.6	396.5
Business combinations	2.2	1.8	0.6	0.1	–	4.7
Additions (note 20)	24.4	22.1	3.1	0.6	9.0	59.2
Disposals	(7.6)	(7.9)	(2.2)	(0.5)	(0.3)	(18.5)
Reclassification within classes	6.2	2.9	0.3	(0.1)	(9.3)	–
Reclassification to intangible assets	–	–	(0.4)	–	(1.1)	(1.5)
Currency translation adjustment	(2.0)	(4.4)	(0.7)	(0.2)	–	(7.3)
Balance at December 31, 2009	**199.1**	**174.1**	**43.1**	**7.9**	**8.9**	**433.1**
ACCUMULATED DEPRECIATION						
Balance at January 1, 2009	(46.3)	(68.6)	(26.1)	(4.2)	–	(145.2)
Additions (note 13)	(27.8)	(28.0)	(6.5)	(1.4)	–	(63.7)
Disposals	6.1	6.7	2.0	0.4	–	15.2
Reclassification to intangible assets	–	–	0.1	–	–	0.1
Currency translation adjustment	(0.5)	3.0	0.8	0.3	–	3.6
Balance at December 31, 2009	**(68.5)**	**(86.9)**	**(29.7)**	**(4.9)**	**–**	**(190.0)**
IMPAIRMENT						
Balance at January 1, 2009	(1.2)	(0.1)	(0.2)	–	–	(1.5)
Impairment (note 13)	(0.1)	(0.1)	–	–	–	(0.2)
Currency translation adjustment	0.1	0.1	–	–	–	0.2
Balance at December 31, 2009	**(1.2)**	**(0.1)**	**(0.2)**	**–**	**–**	**(1.5)**
CARRYING AMOUNT						
At December 31, 2010	**120.4**	**73.3**	**13.9**	**2.3**	**16.0**	**225.9**
At December 31, 2009	**129.4**	**87.1**	**13.2**	**3.0**	**8.9**	**241.6**

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

IN MILLIONS OF CHF	2010	2009
Payables for capital expenditure at the beginning of the period	(15.8)	(14.6)
Additions of property, plant and equipment (note 19)	(76.7)	(59.2)
Payables for capital expenditure at the end of the period	14.0	15.8
Currency translation adjustment	2.1	(0.3)
TOTAL CASH FLOW	**(76.4)**	**(58.3)**

21. INTANGIBLE ASSETS

	CONCESSION RIGHTS					
IN MILLIONS OF CHF	Indefinite lives	Finite lives	BRANDS	GOODWILL	OTHER	TOTAL
AT COST						
Balance at January 1, 2010	132.1	787.5	149.9	389.8	52.7	1,512.0
Additions (see note 22)	–	17.2	6.6	–	11.6	35.4
Disposals	–	0.4	–	–	(1.9)	(1.5)
Reclassifications	(54.7)	54.7	–	–	0.3	0.3
Currency translation adjustment	(14.9)	(90.6)	2.4	(51.3)	(4.6)	(159.0)
Balance at December 31, 2010	**62.5**	**769.2**	**158.9**	**338.5**	**58.1**	**1,387.2**
ACCUMULATED AMORTIZATION						
Balance at January 1, 2010	–	(139.2)	–	–	(21.1)	(160.3)
Additions (note 13)	–	(54.1)	–	–	(11.7)	(65.8)
Disposals	–	(0.4)	–	–	1.6	1.2
Currency translation adjustment	–	25.3	–	–	2.1	27.4
Balance at December 31, 2010	**–**	**(168.4)**	**–**	**–**	**(29.1)**	**(197.5)**
IMPAIRMENT						
Balance at January 1, 2010	(0.2)	(0.1)	–	(0.9)	–	(1.2)
Reclassifications	0.2	(0.2)	–	–	–	–
Currency translation adjustment	–	–	–	0.1	–	0.1
Balance at December 31, 2010	**–**	**(0.3)**	**–**	**(0.8)**	**–**	**(1.1)**

IN MILLIONS OF CHF	CONCESSION RIGHTS Indefinite lives	CONCESSION RIGHTS Finite lives	BRANDS	GOODWILL	OTHER	TOTAL
AT COST						
Balance at January 1, 2009	132.6	785.1	153.5	401.5	46.4	1,519.1
Business combinations	–	25.8	–	1.4	–	27.2
Additions (see note 22)	–	0.1	–	–	5.9	6.0
Disposals	–	(1.1)	–	(4.5)	(0.2)	(5.8)
Reclassification from PP&E	–	–	–	–	1.5	1.5
Currency translation adjustment	(0.5)	(22.4)	(3.6)	(8.6)	(0.9)	(36.0)
Balance at December 31, 2009	**132.1**	**787.5**	**149.9**	**389.8**	**52.7**	**1,512.0**
ACCUMULATED AMORTIZATION						
Balance at January 1, 2009	–	(94.5)	–	–	(12.3)	(106.8)
Additions (note 13)	–	(49.3)	–	–	(9.3)	(58.6)
Disposals	–	0.2	–	–	0.1	0.3
Reclassification from PP&E	–	–	–	–	(0.1)	(0.1)
Currency translation adjustment	–	4.4	–	–	0.5	4.9
Balance at December 31, 2009	**–**	**(139.2)**	**–**	**–**	**(21.1)**	**(160.3)**
IMPAIRMENT						
Balance at January 1, 2009	(0.2)	(0.8)	–	(0.4)	–	(1.4)
Additions (note 13)	–	–	–	(0.5)	–	(0.5)
Disposals	–	0.7	–	–	–	0.7
Balance at December 31, 2009	**(0.2)**	**(0.1)**	**–**	**(0.9)**	**–**	**(1.2)**
CARRYING AMOUNT:						
At December 31, 2010	**62.5**	**600.5**	**158.9**	**337.7**	**29.0**	**1,188.6**
At December 31, 2009	**131.9**	**648.2**	**149.9**	**388.9**	**31.6**	**1,350.5**

21.1 GOODWILL CHANGES IN 2010

NETWORK ITALIA EDICOLE

On September 14, 2009, the Group acquired all shares of Network Italia Edicole S.r.l. for a total consideration of EUR 12 million. The fair value of the identifiable assets and liabilities of the acquired company has been determined during 2010. Dufry recognized in 2009 additional concession rights of CHF 25.9 million, which will be amortized along the 18 years contract duration and an associated deferred tax liability of CHF 8.1 million. No goodwill was recognized in relation with this transaction.

21.2 GOODWILL RECOGNIZED FROM BUSINESS COMBINATIONS IN 2009

GLOBAL RETAIL SERVICES LTD

During 2009 the goodwill was reduced by CHF 4.5 million to CHF 8.8 million as a result of the final determination of the acquisition price (previously CHF 16.1 million, final CHF 11.6 million).

FOOD VILLAGE

On May 15, 2009, Dufry acquired the remaining 40% participation in Food Village B.V. for EUR 0.9 million. The net assets at this date amounted to EUR 0.3 million, this resulted in the recognition of a goodwill of EUR 0.8 million (CHF 1.3 million).

21.3 IMPAIRMENT TEST

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

21.3.1 IMPAIRMENT TEST OF GOODWILL

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

IN MILLIONS OF CHF	31.12.2010	31.12.2009
Europe	13.8	17.8
Africa	23.5	31.0
Eurasia	26.3	33.7
Central America & Caribbean	56.6	69.6
South America	141.1	156.7
North America	76.4	80.1
Total carrying amount of goodwill	**337.7**	**388.9**

The recoverable amounts of goodwill for each of the above group of CGU's have been determined based on value-in-use calculations. Such calculations are based on business plans approved by senior management and use cash flow projections covering a five-year period as well as a discount rate, which represents the weighted average cost of capital (WACC) adjusted for regional specific risks.

Cash flows beyond that five-year period have been extrapolated using a steady growth rate that does not exceed the long-term average growth rate for the respective markets in which these CGU's operate. The discounted cash flow model uses net sales as a basis to determine the free cash flow and subsequently the value assigned. Net sales projections are based on actual net sales achieved in the year 2010 and latest estimations for the projected years.

	POST TAX DISCOUNT RATES		PRE-TAX DISCOUNT RATES		GROWTH RATES FOR NET SALES	
GOODWILL IN %	2010	2009	2010	2009	2010	2009
Europe	6.34%	6.44%	8.80%	8.45%	5.2–9.0%	5.6–25.2%
Africa	8.63%	8.79%	9.00%	9.14%	6.3–7.0%	3.2–11.9%
Eurasia	7.65%	7.94%	8.85%	9.06%	7.9–9.0%	8.7–13.3%
Central America & Caribbean	7.78%	8.55%	8.70%	9.58%	5.0–11.4%	7.0–15.4%
South America	8.31%	8.18%	12.68%	11.44%	5.9–11.1%	4.1–14.5%
North America	6.00%	6.23%	7.67%	8.52%	2.9–5.0%	4.1–8.0%

As basis for the calculation of these discount rates, the following risk free interest rates have been used (derived from prime 10-year bonds rates): CHF 1.72%, EUR 2.96%, USD 3.30% (2009: CHF 1.99%, EUR 3.18%, USD 3.64%).

Sensitivity to changes in assumptions

Management believes that any reasonably possible change in the key assumptions, on which the recoverable amounts are based, would not cause the respective carrying amount to exceed its recoverable amount, except for the goodwill allocated to region Europe, where a increase of the risk-free interest rate by 1%, would result in the carrying amount exceeding the recoverable amount by CHF 24.5 million. The key assumptions used for the determination of the value-in-use are the same as the ones described below for concession rights.

21.3.2 IMPAIRMENT TEST OF CONCESSION RIGHTS WITH INDEFINITE USEFUL LIVES

For the purpose of impairment testing, concession rights with indefinite useful lives are allocated to the respective CGU's to which they relate. The following table indicates the allocation of the concession rights with indefinite useful lives to the group of CGU's that are also the Company's applicable reportable segments:

IN MILLIONS OF CHF	31.12.2010	31.12.2009
Europe	50.2	72.8
Africa	0.1	0.7
Eurasia	12.2	15.9
Central America & Caribbean	–	42.5
Total carrying amount of concession rights	**62.5**	**131.9**

Each of the above reportable segments represents a group of CGU's, for example, region Europe includes operating concessions in the European region, which have been allocated and valued for the purpose of testing the concession rights with indefinite lives. For impairment purposes, each company represents a cash generating unit.

From the reassessment performed in 2010 of the useful lives of the concession rights estimated as indefinite in past periods, the management concluded that due to changes in the organization of the commercial area and relationships with the landlords, the ones assigned to Dufry Mexico SA de CV and Dufry Free Shop SpA, Italia should be considered as of 2010 as concession rights with a definite useful life. Consequently the management has estimated based on actual lease agreements and agreed extensions that the concession rights regarding Dufry Mexico SA de CV has a remaining useful life of 10 years and the concession rights regarding Dufry Free Shop SpA, Italia has a remaining useful life of 17 years. The yearly amortization of concession rights has increased by CHF 3.9 million due to this change. In both cases the impairment test showed that the carrying amount at reporting date was lower as their fair value.

The recoverable amounts for each of the CGU's have been determined based on value-in-use calculations. Such calculations are based on business plans approved by senior management and use cash flow projections covering a five-year period as well as a discount rate, which represents the weighted average cost of capital (WACC) adjusted for local specific risks.

Cash flows beyond that five-year period have been extrapolated using a steady growth rate that does not exceed the long-term average growth rate for the respective markets in which these CGU's operate. The discounted cash flow model uses net sales as a basis to determine the free cash flow and subsequently the value assigned. Net sales projections are based on actual net sales achieved in year 2010 and latest estimations for the years thereafter.

The following are the key assumptions used for determining the recoverable amounts for each of the above group of CGU's:

	POST TAX DISCOUNT RATES		PRE-TAX DISCOUNT RATES		GROWTH RATES FOR NET SALES	
CONCESSION RIGHTS IN %	2010	2009	2010	2009	2010	2009
Europe	6.34%	6.56%	7.59%	7.86%	4.2–5.8%	5.7–12.3%
Africa	8.82%	9.00%	9.75%	9.96%	9.0–14.5%	9.0–13.8%
Eurasia	7.10%	7.47%	7.10%	7.47%	9.3–13.8%	9.3–13.9%
Central America & Caribbean	–	8.16%	–	9.51%	–	2.1–7.8%

[1] Depending on the country in which the concession is operated.

Sensitivity to changes in assumptions

The actual recoverable amount for the CGU's subjected to impairment testing exceeds its carrying amount by CHF 458.3 million (2009: CHF 493.2 million). With regard to the assessment of value-in-use of these CGU's, management believes that no reasonably possible change in any of the above key assumptions would cause the carrying value of the concession rights to materially exceed its recoverable amount.

21.3.3 KEY ASSUMPTIONS USED FOR VALUE-IN-USE CALCULATIONS

The calculation of value-in-use is most sensitive to the following assumptions:
- Sales growth
- Gross margin and suppliers prices
- Concession fee levels
- Discount rates

Sales growth

Sales growth is estimated based on several factors. First Management takes into consideration statistics published by Airforecast or ACI (Airports Council International) to estimate the development of international passenger transit per airport or country where Dufry is active. Then Management takes into consideration specific price inflation factors of the country, cross currency effect from origin of main passenger groups and the expected increase in attractively to capture clients (penetration) per business segment.

Gross margins

The expected gross margins are based on average product assortment values estimated by the management for the budget 2011 period. These values are maintained over the planning period or where specific actions are planned, these values have been increase or decrease by up to 3% over the 5 planned years compared to the historical precedents. The gross margin is also affected by supplier's prices. Estimates are obtained from global negotiations held with the main suppliers for the products and countries for which products are sourced, as well as data relating to specific commodities during the months before the reporting date.

Concession fee levels

These assumptions are important because, as well as using specific economic sector data for growth rates (as noted below), management assesses how the position of the CGU, relative to its competitors, might change over the projected period. For the CGU's subjected to value-in-use calculation, management expects the competitive position to remain stable over the budget period.

Discount rates

Several factors affects the discount rates.
- For the financial debt part the rate is based on the yield of the respective currency for a ten-year government bond increased by the company's effective bank margin and adjusted by the effective blended tax rate of the respective CGU.
- For the equity part, a 5% equity risk premium was added to the rate commented above and adjusted by the Beta of Dufry's peer group.

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

21.3.4 BRANDS

The brand name Dufry is not allocated to any specific CGU for impairment testing purpose, but to a group of CGU's. The brand name Hudson is allocated only to the CGU's of Hudson. Management believes that the synergies from the brands reflecting the economic reality are in accordance with these two groupings.

The recoverable amount is determined based on the Relief from the Royalty method that considers a steady royalty stream of 0.3% post tax of the net sales projected of Dufry (without Hudson) and a steady royalty stream of 0.9% post tax of the net sales projected of Hudson. The net sales projections cover a period of five years (2011-2015) with a year on year growth rate between 5.1% and 8.6%. This growth rate does not exceed the long-term average growth rate for Dufry Group. The discount rate of 6.0% (2009: 6.1%) represents the weighted average cost of capital (WACC) at Group level. The recoverable amount exceeds the carrying amount by CHF 202.1 million (2009: CHF 208.5 million).

22. CASH FLOWS USED FOR PURCHASE OF INTANGIBLE ASSETS

IN MILLIONS OF CHF	2010	2009
Payables for capital expenditure at January 1	(0.8)	(6.5)
Additions of intangible assets (note 21)[1]	(35.4)	(6.0)
Payables for capital expenditure at December 31	12.8	0.8
Currency translation adjustment	1.0	1.0
Total Cash Flow	**(22.4)**	**(10.7)**

[1] The additions in 2010 mainly comprise of CHF 7.5 million for Flagship's (USA) concession rights, CHF 6.6 million for the brand name Colombian Emeralds International (Barbados) and CHF 3.5 million for a non-compete clause, CHF 6.2 million concession rights for Shop Finance (Italy), and CHF 3.4 million for concession rights related to Shanghai.

23. DEFERRED TAX ASSETS AND LIABILITIES

Temporary differences arise from the following positions:

IN MILLIONS OF CHF	31.12.2010	31.12.2009
DEFERRED TAX ASSETS		
Property, plant and equipment	8.5	40.1
Intangible assets	81.2	130.9
Provisions and other payables	15.8	7.2
Tax loss carryforward	24.3	19.0
Other	20.7	23.0
TOTAL	**150.5**	**220.2**
DEFERRED TAX LIABILITIES		
Property, plant and equipment	(0.5)	(36.1)
Intangible assets	(127.8)	(183.4)
Provisions and other payables	(26.0)	(20.5)
Other	(4.7)	(2.8)
TOTAL	**(159.0)**	**(242.8)**
Deferred tax liabilities, net	**(8.5)**	**(22.6)**

There are no temporary differences associated with investments in subsidiaries, for which deferred tax liabilities need to be recognized.

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

IN MILLIONS OF CHF	31.12.2010	31.12.2009
Deferred tax assets	137.8	140.9
Deferred tax liabilities	(146.3)	(163.5)
Balance at the end of the period	**(8.5)**	**(22.6)**

Reconciliation of movements to the deferred taxes:

IN MILLIONS OF CHF	31.12.2010	31.12.2009
Changes in deferred tax assets	(3.1)	(1.9)
Changes in deferred tax liabilities	17.2	0.3
Currency translation adjustment	6.9	5.2
Deferred tax income (expense) at the end of the period	**21.0**	**3.6**

TAX LOSS CARRY-FORWARDS

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

Deferred tax assets relating to tax loss carry-forwards or temporary differences are recognized when it is probable that such tax credits can be utilized in the future in accordance with the budget 2011 approved by the Board of Directors and the projections prepared by management for these entities.

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

IN MILLIONS OF CHF	2010	2009
Expiring within 1 to 3 years	2.9	0.7
Expiring within 4 to 7 years	32.2	16.3
Expiring after 7 years	77.9	68.7
With no expiration limit	27.2	32.1
TOTAL	**140.2**	**117.8**

24. OTHER NON-CURRENT ASSETS

IN MILLIONS OF CHF	31.12.2010	31.12.2009
Guarantee deposits	12.9	12.0
Loans and contractual receivables	20.3	22.9
Other	7.2	1.2
Subtotal	**40.4**	**36.1**
Allowances	(2.0)	(1.4)
TOTAL	**38.4**	**34.7**

Other non-current assets have maturities exceeding 12 months at the initial date of recording.

MOVEMENT IN ALLOWANCES:

IN MILLIONS OF CHF	2010	2009
Balance at the beginning of the period	(1.4)	(6.0)
Creation	(0.7)	–
Utilization	–	–
Unused amounts reversed	–	4.4
Currency translation adjustment	0.1	0.2
Balance at the end of the period	**(2.0)**	**(1.4)**

25. INVENTORIES

IN MILLIONS OF CHF	31.12.2010	31.12.2009
Purchased inventories at cost	314.9	315.7
Inventory allowances	(8.8)	(9.2)
TOTAL	**306.1**	**306.5**

CASH FLOW USED FOR / FROM INCREASE / DECREASE IN INVENTORIES:

IN MILLIONS OF CHF	2010	2009
Balance at the beginning of the period	(315.7)	(353.4)
Balance at the end of the period	(314.9)	(315.7)
Gross change	**0.8**	**37.7**
Business combinations	–	7.0
Currency translation adjustment	(33.5)	(3.0)
Cash Flow – (Increase) / decrease in inventories	**(32.7)**	**41.7**

Cost of sales includes inventories written down to net realizable value and inventory differences of CHF 13.6 million (2009: CHF 13.9 million).

26. TRADE AND CREDIT CARD RECEIVABLES

IN MILLIONS OF CHF	31.12.2010	31.12.2009
Trade receivables	12.7	9.9
Credit card receivables	38.5	38.7
Gross	**51.2**	**48.6**
Allowances	(0.4)	(0.4)
Net	**50.8**	**48.2**

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

AGING ANALYSIS OF TRADE RECEIVABLES:

IN MILLIONS OF CHF	31.12.2010	31.12.2009
Not due	6.5	6.6
Overdue:		
Up to 30 days	5.5	2.5
31 to 60 days	0.1	0.3
61 to 90 days	0.1	0.3
More than 90 days	0.5	0.2
Total overdue	**6.2**	**3.3**
Trade receivables, gross	**12.7**	**9.9**

MOVEMENT IN ALLOWANCES

IN MILLIONS OF CHF	2010	2009
Balance at the beginning of the period	(0.4)	(0.5)
Unused amounts reversed	–	0.2
Currency translation adjustment	–	(0.1)
Balance at the end of the period	**(0.4)**	**(0.4)**

27. OTHER ACCOUNTS RECEIVABLE

IN MILLIONS OF CHF	31.12.2010	31.12.2009
Sales tax and other taxes	41.6	46.8
Refund from suppliers and concessionaires	24.6	22.3
Prepayments	10.4	11.3
Accrued concession fees and rents	9.4	8.3
Receivables from subtenants and local business partners	7.6	5.8
Personnel receivables	2.8	3.3
Loans receivable	2.3	7.2
Guarantee deposits	1.5	0.7
Accrued income	1.0	0.4
Derivative financial assets (note 38.10.3)	0.4	–
Other	4.9	3.2
TOTAL	**106.5**	**109.3**
Allowances	(1.6)	(1.7)
TOTAL	**104.9**	**107.6**

MOVEMENT IN ALLOWANCES

IN MILLIONS OF CHF	2010	2009
Balance at the beginning of the period	(1.7)	(0.7)
Creation	(0.3)	(1.1)
Release	0.2	–
Utilized	0.1	–
Currency translation adjustment	0.1	0.1
Balance at the end of the period	**(1.6)**	**(1.7)**

28. NOTIONAL CASH POOL

The respective balances of the notional cash pool have been set-off effective as of December 31, 2010:

IN MILLIONS OF CHF	BALANCES BEFORE GLOBAL POOLING	SET-OFF	31.12.2010 NET BALANCES	31.12.2009
Cash on hand	7.1	–	7.1	9.2
Cash at bank	72.2	–	72.2	154.9
Short-term deposits	311.3	(310.0)	1.3	241.2
Cash and cash equivalents	**390.6**	**(310.0)**	**80.6**	**405.3**
Bank debt	344.3	(310.0)	34.3	212.1
Loans payable	1.0	–	1.0	4.3
Financial debt, short-term	**345.3**	**(310.0)**	**35.3**	**216.4**

Cash and cash equivalents consist of cash on hand and banks as well as short-term deposits at banks with maturity of 90 days or less.

Dufry's notional cash pool is operated by a major finance institution. Since September 2010, Dufry fulfills the requirements to net the financial positions of the notional cash pool. At December 31, 2009 the notional cash pool accounts were disclosed gross: CHF 315.0 million as bank deposits and CHF 208.0 million as bank overdrafts.

Cash and cash equivalents at the end of the reporting period include CHF 6.4 million (2009: CHF 5.6 million) held by subsidiaries operating in countries with exchange controls or other legal restrictions on money transfer.

29. EQUITY

29.1 ISSUED CAPITAL

IN MILLIONS OF CHF	31.12.2010	31.12.2009
Share capital	134.9	96.1
Share premium	934.2	391.4
TOTAL	**1,069.1**	**487.5**

29.1.1 FULLY PAID ORDINARY SHARES

IN MILLIONS OF CHF	NUMBER OF SHARES	SHARE CAPITAL	SHARE PREMIUM
Balance at January 1, 2009	19,213,954	96.1	391.4
Movements	–	–	–
Balance at December 31, 2009	**19,213,954**	**96.1**	**391.4**
Issue of shares	7,762,249	38.8	565.2
Share issue costs	–	–	(22.4)
Balance at December 31, 2010	**26,976,203**	**134.9**	**934.2**

The Extraordinary General Shareholders' meeting of Dufry AG of March 22, 2010 approved the increase of registered share capital by CHF 38,811,245 from CHF 96,069,770 to CHF 134,881,015 by the issuance of 7,762,249 new registered shares, each with a par value of CHF 5. The new share capital of CHF 38,811,245 was settled by a contribution in kind consisting of 4,896 registered shares of Dufry Holdings & Investments AG, Basel with a nominal value of CHF 100 each. The contribution in kind amounts to CHF 604.0 million.

29.1.2 SHARE OPTIONS GRANTED UNDER THE COMPANY'S SPECIFIC RESTRICTED STOCK UNIT ("RSU") PLANS

Details to the share option plan are provided in note 30.

29.2 RESERVES

IN MILLIONS OF CHF	31.12.2010	31.12.2009
Hedging and revaluation reserves	(1.9)	–
Translation reserves	(199.0)	(87.2)
Retained earnings	(105.8)	292.4
Balance at end of year	**(306.7)**	**205.2**

29.2.1 HEDGING AND REVALUATION RESERVES

IN MILLIONS OF CHF	31.12.2010	31.12.2009
Balance at beginning of year	–	–
Gain/(loss) arising on changes in fair value of financial instruments:		
Interest rate swaps entered for as cash flow hedges	(2.2)	–
Income tax related to gains/losses on changes in fair value of interest rate swaps	0.3	–
Balance at end of year	**(1.9)**	**–**

The cash flow hedging reserve represents the cumulative effective portion of gains or losses arising on changes in fair value of hedging instruments entered into for cash flow hedges. The cumulative gain or loss arising on changes in fair value of the hedging instruments that are recognized and accumulated under the heading of cash flow hedging reserve will be reclassified to profit or loss only when the hedged transaction affects the profit or loss, or included as a basis adjustment to the non-financial hedged item, consistent with the relevant accounting policy.

There were no gains or losses arising on changes in fair value of hedging instruments reclassified from equity into profit or loss during the year.

29.2.2 TRANSLATION RESERVES

IN MILLIONS OF CHF	31.12.2010	31.12.2009
Balance at beginning of year	(87.2)	(77.0)
Exchange differences arising on translating the foreign operations	(126.4)	(25.1)
Loss on hedging instruments designated in hedges of the net assets of foreign operations	20.9	16.5
Income tax relating to loss on hedge of the net assets of foreign operations	(6.3)	(1.6)
Balance at end of year	**(199.0)**	**(87.2)**

Exchange differences relating to the translation of the results and net assets of the Group's foreign operations from their functional currencies to the Group's presentation currency (i.e. CHF) are recognized directly in other comprehensive income and accumulated in the translation reserves. Exchange differences previously accumulated in the translation reserves (in respect of translating the net assets of foreign operations) are reclassified to profit or loss on the disposal of the foreign operation.

Gains and losses on hedging instruments that are designated as hedging instruments for hedges of net investments in foreign operations are included in the translation reserves.

29.2.3 RETAINED EARNINGS

IN MILLIONS OF CHF	31.12.2010	31.12.2009
Balance at beginning of year	292.4	258.6
Net earnings attributable to equity holders of the parent	116.6	38.5
Distribution of treasury shares	(18.0)	(9.1)
Share-base payment	12.0	4.3
Transactions with non-controlling interests	(513.2)	–
Tax effect on equity transactions	4.4	0.1
Balance at end of year	**(105.8)**	**292.4**

On May 10, 2010, the Ordinary General Assembly has approved not to distribute a dividend for 2010 (same as for 2009).

30. SHARE-BASED PAYMENT

RESTRICTED STOCK UNIT PLAN (RSU)

Dufry has implemented specific restricted stock unit ("RSU") plans for certain members of the Group management. These RSU Awards are from economic point of view stock options with an exercise price of nil. Each RSU represents the right to receive one share if the vesting conditions are met.

30.1 RSU PLANS OF DUFRY AG

On January 1, 2009, the participants of the Dufry's RSU plan were granted the right to receive on January 1, 2010, free of charge, up to 266,810 RSU's on aggregate, based on the price of CHF 27.07 per share ("the RSU-Award 2009"). The RSU-Awards 2009 vested on January 1, 2010 as the average price of the Company's shares on the SIX for the ten previous trading days met the condition of being higher than CHF 27.34.

On January 1, 2010, the participants of Dufry's RSU plan were granted the right to receive on January 1, 2011, free of charge, up to 291.102 RSU's on aggregate, based on the price of CHF 68.76 per share ("the RSU Awards 2010"). The RSU Awards 2010 vested on January 1, 2011 as the average price of the Company's shares on the SIX for the ten previous trading days met the condition of being higher than CHF 69.45. All restrictions on the RSU Award 2010 lapsed on January 1, 2011, and the RSU Awards 2010 were converted into shares of the Company and given to the RSU plan participants free of restrictions.

The fair value of the RSU Awards 2010 has been estimated at the grant date using a binominal pricing model, taking into account the terms and conditions (risk free interest rate of 2.2% and a volatility of 40%) upon which the awards were granted. The contractual life of the awards 2010 is one year. The expected volatility reflected assumptions, that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome. There are no cash settlement alternatives. In 2010, the accrued cost based on a fair value of CHF 41.26 per RSU (2009: CHF 16.24 per RSU) is CHF 12.0 million (2009: CHF 4.3 million) and has been recorded against a reserve in equity.

30.2 TREASURY SHARES

	NUMBER OF SHARES	IN MILLIONS OF CHF
Balance at January 1, 2009	**106,750**	**9.1**
RSU shares distribution to RSU holders	(105,416)	(9.1)
Share purchases in market	267,800	18.2
Balance at December 31, 2009	**269,134**	**18.2**
RSU shares distribution to RSU holders	(266,810)	(18.0)
Share purchases in market	286,735	28.5
Balance at December 31, 2010	**289,059**	**28.7**

31. BREAKDOWN OF TRANSACTIONS WITH NON-CONTROLLING INTERESTS

31.1 CHANGES IN PARTICIPATIONS OF NON-CONTROLLING INTERESTS

Recognized in equity attributable to non-controlling interests:

IN MILLIONS OF CHF	2010	2009
Merger with Dufry South America Ltd	(117.6)	–
Acquisition of 49% interest in the Global Retail Services Group	(1.6)	–
Other[1]	3.7	4.9
Changes in participations of non-controlling interests	**(115.5)**	**4.9**

[1] Mainly relating to the non-controlling interests of subsidiaries of the Hudson Group

31.2 EQUITY RESERVE FOR TRANSACTIONS WITH NON-CONTROLLING INTERESTS

Recognized in equity attributable to holders of the parent:

IN MILLIONS OF CHF	2010	2009
Balance at the beginning of the year	–	–
Changes from transactions with non-controlling interests:		
Merger with Dufry South America Ltd	(511.8)	–
Acquisition of 49% interest in the Global Retail Services Group	(1.2)	–
Other [1]	(0.2)	–
Balance at the end of the year	**(513.2)**	**–**

[1] Mainly relating to the non-controlling interests of subsidiaries of the Hudson Group

32. FINANCIAL DEBT

IN MILLIONS OF CHF	31.12.2010	31.12.2009
Bank debt [1]	34.3	212.1
Loans	1.0	4.3
Financial debt. short-term	**35.3**	**216.4**
Bank debt	678.8	793.9
Loans	4.3	4.7
Financial debt. long-term	**683.1**	**798.6**
TOTAL	**718.4**	**1,015.0**
of which are:		
Bank debt	713.1	1,006.0
Loans payable	5.3	9.0

[1] See Note 28 above. As of December 31, 2009 bank debt amounting to CHF 208.3 million was secured by deposits of the notional cash pooling

BANK DEBT

IN MILLIONS OF CHF	31.12.2010	31.12.2009
Loans denominated in:		
US Dollar	456.5	770.0
Swiss Franc	172.5	159.4
Euro	88.6	94.8
Other currencies [1]	11.9	–
Subtotal	**729.5**	**1,024.2**
Deferred bank arrangement fees	(16.4)	(18.2)
TOTAL	**713.1**	**1,006.0**

[1] mainly Chinese Yuan's

The Group negotiates and manages centrally its key credit facilities. For practical reasons, minor credit lines exist at local level. At December 31, 2010, the Group's main credit facilities amounted to CHF 687 million and USD 435 million (2009: CHF 755.6 million and USD 435 million). At December 31, 2010, a total amount of CHF 1,039.5 million (2009: CHF 1,024.2 million) was drawn for cash, after applying the global cash pooling (CHF 310.0 million), the net draw amounts to CHF 729.5 million.

CHF 689.4 million (2009: CHF 794.6 million) was drawn under the main credit facilities. The main credit facilities are committed syndicated facilities and expire in August 2013. ING N.V., London Branch, acts as the agent for the bank syndicate. The facilities consist of two term loans and one revolving credit facility, of which one term loan includes an amortization schedule. This loan was reduced by CHF 82.3 million in 2010 and CHF 44.4 million in 2009 in accordance with the credit agreement. The other term loan as well as the revolving credit facility is structured with a bullet repayment at the expiry of the contract. Interest in respect of any borrowings under these credit facilities is at a floating rate (EURIBOR or LIBOR) plus spread. The facilities contain customary financial covenants and conditions. Dufry has presented as collateral for these facilities the shares of its subsidiary Dufry Holding and Investments AG. During the year 2010 and 2009, Dufry complied with the required bank covenants.

The weighted average interest rate for the drawn credit facilities amounting to CHF 689.4 million was 2.0% (2009: CHF 794.6 million at 2.8%) at December 31, 2010. Of this amount CHF 608.7 million were drawn in USD with an average interest rate of 2.0% (2009: CHF 759.0 million at 3.1%) and CHF 80.6 million in CHF with an average interest of 1.7% (2009: CHF 35.6 million at 2.4%). There was no draw down from the main credit facility in EUR at the end of both reporting periods.

In addition the operations in the Caribbean (Duty Free Caribbean Ltd, Emeralds Distributors Ltd, Young Caribbean Jewelers Distributors Ltd and CEI Barbados Ltd) maintain credit facilities from the First Caribbean International Bank for an amount of USD 14.8 million (2009: USD 16.5 million) which are guaranteed with their respective fixed and floating assets.

HEDGE OF NET INVESTMENTS IN FOREIGN OPERATIONS

An amount of USD 243.0 million (December 31, 2009: USD 325.2 million) included in bank debt at December 31, 2010, was designated as a hedge of the net investments held in Dufry America Investments SA. This company held the participations of Dufry's subsidiaries Alliance Inc (Puerto Rico). Additionally, Dufry granted two long-term loans to subsidiaries in the United States of America totaling USD 21.5 million (2009: USD 21.5 million). The loans have been designated as net investments in Dufry America Holding, Inc. (USA), which holds the investments in the respective US subsidiaries. The Group uses the above hedges to reduce the foreign exchange risk on the respective investments. At December 31, 2010, a gain in the amount of CHF 20.9 million (2009: CHF 16.5 million) was recognized in other comprehensive income.

33. PROVISIONS

IN MILLIONS OF CHF	LAW SUITS AND DUTIES	DISPUTE ON CONTRACTS	LABOR DISPUTES	OTHER	TOTAL
Balance at January 1, 2010	**1.8**	**–**	**3.5**	**0.3**	**5.6**
Charge for the year	0.3	0.4	0.2	0.1	1.0
Utilized	–	–	(0.2)	(0.2)	(0.4)
Unused amounts reversed	–	–	–	–	–
Currency translation adjustment	(0.3)	–	(0.3)	(0.1)	(0.7)
Balance at December 31, 2010	**1.8**	**0.4**	**3.2**	**0.1**	**5.5**
Thereof:					
– current	1.8	0.4	0.1	0.1	2.4
– non-current	–	–	3.1	–	3.1
TOTAL	**1.8**	**0.4**	**3.2**	**0.1**	**5.5**
Balance at January 1, 2009	**1.4**	**1.9**	**2.8**	**0.4**	**6.5**
Charge for the year	0.5	–	1.0	0.2	1.7
Utilized	(0.1)	(1.2)	(0.1)	(0.2)	(1.6)
Unused amounts reversed	–	(0.7)	(0.1)	(0.1)	(0.9)
Currency translation adjustment	–	–	(0.1)	–	(0.1)
Balance at December 31, 2009	**1.8**	**–**	**3.5**	**0.3**	**5.6**
Thereof:					
– current	1.8	–	0.2	0.3	2.3
– non-current	–	–	3.3	–	3.3
TOTAL	**1.8**	**–**	**3.5**	**0.3**	**5.6**

Management believes that its total provisions are adequate based upon currently available information. However, given the inherent difficulties in estimating liabilities in the below described areas, it cannot be guaranteed that additional or lesser costs will be incurred above or below the amounts provisioned.

LABOR DISPUTES

The long term provision of CHF 3.1m relates mainly to claims presented by workers due to the termination of temporary labor contracts in Brazil.

LAW SUITS AND DUTIES

The CHF 1.8m provision covers uncertainties related to law suits in relation to taxes, duties and other claims in several countries.

The expected timing of the related cash outflows of non-current provisions as of December 31, 2010 is currently projected as follows:

IN MILLIONS OF CHF	EXPECTED CASH OUTFLOWS
2012	0.1
2013	2.2
2014	0.7
2015+	0.1
TOTAL NON-CURRENT	**3.1**

34. POST-EMPLOYMENT BENEFIT OBLIGATIONS

The employees of Dufry Group are insured against the risk of old age and disablement in accordance with the local laws and regulations. A description of the significant retirement benefit plans is as follows:

34.1 SWITZERLAND

Dufry has a defined benefit pension plan, which is based on the actual salary of the employee, covers substantially all of Dufry's employees in Switzerland. The plan requires contributions to be made to a separate legal entity, the administrative fund. The pension fund is a separate entity from the Dufry Group and does not hold assets related to the Group.

The following table summarizes the components of pension expenses recognized in the income statement:

NET PENSION COSTS

IN MILLIONS OF CHF	2010	2009
Current service costs	1.5	1.6
Past service costs	–	–
Interest costs	0.7	0.6
Net actuarial loss recognized in year under §92 ff.	–	0.2
Expected return on plan assets	(0.9)	(0.8)
Pension expenses	**1.3**	**1.6**

The total of the pension expenses of the Group is included in personnel expenses (retirement benefits). The actual return of plan assets in 2010 was a gain of CHF 0.71 million (2009: CHF 2.18 million).

In 2011, Dufry expects to contribute CHF 1.9 million (2010: CHF 1.5 million) to this defined benefit pension plan.

The overall expected rate of return on assets is determined based on the market prices prevailing on that date applicable to the period over which the obligation is to be settled.

The principal assumptions for the actuarial computation are as follows:

IN %	2010	2009
Discount rates	2.50%	3.00%
Expected return on plan assets	3.25%	4.00%
Future salary increases	1.50%	1.50%
Future pension increases	1.00%	1.00%
Average retirement age (in years)	**64**	**64**

The following table summarizes the components of the funded status and amounts recognized in the consolidated statement of financial position for the plan:

FUNDED STATUS

IN MILLIONS OF CHF	31.12.2010	31.12.2009
Fair value of plan assets at January 1	22.5	19.1
Expected return	0.9	0.8
Contributions paid by employer	1.7	1.4
Contributions paid by employees	1.0	0.9
Benefits paid	5.8	(1.1)
Expected fair value of plan assets at end of period	**31.9**	**21.1**
Actuarial gains/(losses)	(0.2)	1.4
Fair value of plan assets at end of period	**31.7**	**22.5**
Defined benefit obligation (PBO) at January 1	24.2	22.2
Current service costs	1.5	1.6
Contributions paid by employees	1.0	0.9
Interest costs	0.7	0.6
Benefits paid/transferred	5.8	(1.1)
Expected defined benefit obligation at end of period	**33.2**	**24.2**
Actuarial loss (gain) on obligation	2.0	–
Defined benefit obligation (PBO) at end of period	**35.2**	**24.2**
Funded status	(3.5)	(1.7)
Unrecognized actuarial loss (gain)	4.2	2.0
Net asset in balance sheet	**0.7**	**0.3**

RECONCILIATION TO THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

The movement in the pension liability is recognized in other non-current assets of the consolidated statement of financial position as follows:

IN MILLIONS OF CHF	31.12.2010	31.12.2009
Net asset at January 1	0.3	0.5
Pension expenses	(1.3)	(1.6)
Contributions paid by employer	1.7	1.4
Net asset at end of period	**0.7**	**0.3**

Amounts for the current and previous periods are as follows:

IN MILLIONS OF CHF	2010	2009	2008	2007	2006
Defined benefit obligation (PBO)	35.2	24.2	22.2	18.3	18.3
Plan assets	31.7	22.5	19.1	19.2	18.8
(Deficit) surplus	**(3.5)**	**(1.7)**	**(3.1)**	**0.9**	**0.5**
Experience adjustments on plan liabilities	(1.6)	(0.1)	(0.1)	0.2	0.8
Effect of changes in actuarial assumptions on plan liabilities	(3.5)	–	1.9	0.8	–
Experience adjustments on plan assets	(0.2)	1.4	(2.7)	(0.5)	(0.2)

The major categories of plan assets as percentages of the fair value of the total plan assets are as follows:

IN %	2010	2009	2008	2007	2006
Shares	25%	24%	19%	27%	26%
Bonds	44%	46%	50%	45%	45%
Rented properties	25%	26%	26%	23%	24%
Other	6%	4%	5%	5%	5%
TOTAL	**100%**	**100%**	**100%**	**100%**	**100%**

34.2 ITALY AND OTHER COUNTRIES

POST-EMPLOYMENT BENEFIT OBLIGATIONS

IN MILLIONS OF CHF	31.12.2010	31.12.2009
Italy	5.2	6.8
Other countries	1.2	1.1
TOTAL	**6.4**	**7.9**

In Italy, an unfunded defined benefit plan exists. The pension contributions owed by the employer are based on the number of years the respective employee worked with the respective Italian subsidiary. The principal assumptions for actuarial computation are as follows.

IN %	31.12.2010	31.12.2009
Discount rate	4.5%	4.5%
Expected employee turnover	3.0%	3.0%
Inflation rate	2.0%	2.0%

35. OTHER LIABILITIES

IN MILLIONS OF CHF	31.12.2010	31.12.2009
Concession fee payables	67.2	59.2
Personnel payables	50.7	49.4
Other service related vendors	34.5	38.6
Payables for capital expenditure (see note 20/22)	26.8	16.6
Sales tax and other taxes	14.6	18.9
Payables for acquisitions	8.5	32.2
Accrued liabilities	7.1	5.8
Payables to local business partners	6.2	4.7
Interest payables	4.2	7.0
Financial derivative liabilities	2.3	–
Other payables	10.1	9.0
TOTAL	**232.2**	**241.4**
Thereof :		
– non-current liabilities	9.6	5.1
– current liabilities	222.6	236.3
TOTAL	**232.2**	**241.4**

Other current liabilities comprise of current or renewable liabilities due within one year.

36. RELATED PARTIES AND RELATED PARTY TRANSACTIONS

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

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

The Hudson Group purchased during 2010, goods from the following related parties: Hudson Wholesale for CHF 37.4 million (2009: CHF 19.5 million), from Hudson RPM CHF 5.4 million (2009: CHF 5.5 million) and from MDI for CHF 2.2 million (2009: CHF 6.9 million). The purchase prices used in these transactions were at arm's length. At December 31, 2010, the Hudson Group had open invoices with the following related parties: Hudson Wholesale CHF 2.2 million (2009: CHF 1.6 million), with Hudson RPM CHF 0.5 million (2009: CHF 0.5 million) and with MDI CHF 0.0 million (2009: CHF 0.6 million).

Latin American Airport Holding Ltd is the holding company of Inmobiliaria Fumisa SA de CV ("Fumisa") and Aeropuertos Dominicanos Siglo XXI, SA ("Aerodom"). Three members of the Group's Board of Directors are also members of the Board of Directors of Latin American Airport Holding Ltd. Advent International Corporation manage funds that control among others, the Group, Fumisa and Aerodom.

After the takeover of the operations of Operadora Aero-boutiques S.A. de C.V. (LDF) on November 1, 2009, Dufry renegotiated with Fumisa the existing lease agreements, obtaining a waiver for two rental installments in the amount of CHF 0.9 million. In 2010, Fumisa charged CHF 22.5 million (2009: CHF 18.1 million) to the Company in concept of rent, and Dufry has paid Fumisa CHF 4.2 million (2009: nil) as anticipated rental payments.

Inversiones Tunc SA operates shops at several airports in the Dominican Republic under concession agreements with Aerodom. According to these agreements, Inversiones Tunc SA compensated through monthly rental fees the right to use the commercial areas leased to them by Aerodom. In 2010, the total sales based rent for Inversiones Tunc SA amounted to CHF 4.5 million (2009: CHF 3.7 million).

On January 15, 2010 Transportes Aereos de Xalapa SA de CV, a subsidiary of Aerodom agreed to provide transport services to Dufry for USD 2.1 million per year. Up to December 2010 Dufry services in value of CHF 1.9 million has been charged (2009: none).

In addition to his employment relationship with Dufry, Mr. Dante Marro, Chief Operating Officer for region Europe and member of the Group Executive Committee of the Company, acting through Gestione Spazi Attrezzati Srl ("GSAS"), was granted rights of usufruct over 10% of the Company's shareholding in its wholly owned subsidiary Dufry Shop Finance Limited Srl in 2002. The rights of usufruct granted to GSAS, which will expire at the latest on May 4, 2041, permit it to enjoy the benefits of share ownership, including the receipt of dividends, even though the shares remain vested in a subsidiary. Upon expiration of the rights of usufruct, provided that the total profits of the aforementioned company shall not have been declared as dividends, GSAS shall be entitled to receive 10% of all withheld profits accumulated as reserves on the consolidated statement of financial position of Dufry Shop Finance Limited Srl on May 4, 2041. In 2010, a charge of CHF 0.5 million (2009: CHF 0.5 million) was recognized in the income statement and CHF 0.8 million (2009: none) was recognized as concessions rights.

In addition to his employment relationship with the Group, Mr. José González, Chief Operating Officer for region Central America & Caribbean and member of the Group Executive Committee, owns 26.3% of the share capital of the subsidiary Puerto Libre International SA ("PLISA"). PLISA operates duty free shops at the international airport of Managua as well as three border shops in Nicaragua.

In 2010 the remuneration for the Board members was CHF 0.9 million (2009: CHF 0.7million). In addition Mr. Xavier Bouton (member) received CHF 0.3 million (2009: CHF 0.3 million) for strategic consulting services provided to the Group.

In 2010, the total compensation to members of the Group Executive Committee recognized in personnel expenses and including all short-term employee benefits was CHF 14.6 million (2009: CHF 10.5 million). This amount is made of: a) 142,750 RSU's of Dufry AG (2009: 134,250 RSU's of Dufry AG and 13,478 RSU's of Dufry South America Ltd), b) a cash compensation of CHF 7.3 million (2009: CHF 6.8 million), c) employer's contribution to the pension and other post-employment benefits CHF 1.5 million (2009: CHF 1.1 million). The expense related to the restricted stock unit plan 2010 was CHF 5.9 million (2009: CHF 2.5 million) and is included in the short-term employee benefits mentioned above.

The legally required disclosure of the participations and compensations of the members of the Board of Directors and key management of Dufry are explained in details in the respective note to the financial statements of Dufry AG.

37. CONTINGENT LIABILITIES

The Group enters into long-term agreements with airport authorities, seaport authorities and other landlords. The concessionaires use to require a minimum annual guarantee, which can be based on sales, number of passengers or other indicators of operational activity to guarantee the performance of Dufry's obligations. In case of an early termination, the operation can be required to compensate the concessionaire for lost earnings.

The Group or their subsidiaries have granted these warranties regarding the performance of the above mentioned long-term contracts directly or through third parties. As per December 31, 2010 and December 31, 2009, no request for fulfillment of such contingent liabilities was pending.

Some of these long-term concession agreements in which Dufry has entered includes clauses to prevent the early termination, such as obligations to fulfill guaranteed minimal payments during the full term of the agreement.

The conditions for an onerous contract will be met, when such operation presents a non profitable outlook. In this event a provision based on the present value of the future net cash flows needs to be created. At the reporting date of 2010 and 2009 no such onerous concession agreements need to be recognized.

A European insurance company claims the repayment of a guarantee that was requested by the local custom authority without having a legal base in the amount of CHF 0.6 million (2009: CHF 0.6 million).

A US-supplier is claiming up to CHF 2.3 million (2009: CHF 2.5 million) due to a breach of the supply and service agreement, whereby the Company states that the products have not received the expected attention from the market.

38. FINANCIAL INSTRUMENTS

38.1 CAPITAL RISK MANAGEMENT

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

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

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

No changes were made in the objectives, policies or processes during 2010 or 2009.

The Group monitors capital using a combination of ratios; including a gearing ratio, cash flow considerations and profitability ratios. As for the gearing the Group includes within net debt, interest bearing loans and borrowings, less cash and cash equivalents, excluding discontinued operations. Capital includes ordinary shares, equity attributable to the equity holders of the parent less hedge reserve for unrealized gain on net investment and other equity-linked or equity-like instruments.

38.1.1 GEARING RATIO

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

IN MILLIONS OF CHF	31.12.2010	31.12.2009
Cash and cash equivalents	(80.6)	(405.3)
Financial debt, short-term	35.3	216.4
Financial debt, long-term	683.1	798.6
Net debt	**637.8**	**609.7**
Equity attributable to equity holders of the parent	733.7	674.5
Hedging reserves [1]	(98.2)	(85.4)
Total capital	**635.5**	**589.1**
Gearing ratio	**50.1%**	**50.9%**

[1] This position is included in the translation reserves (CHF –100.1 million) as well as in the hedging and revaluation reserves (CHF 1.9 million) in the statement of changes in equity.

The Group did not hold collateral of any sort at the reporting date.

38.2 SIGNIFICANT ACCOUNTING POLICIES

Details of the significant accounting policies and methods adopted (including the criteria for recognition, the bases of measurement, and the bases for recognition of income and expenses) for each class of financial asset, financial liability and equity instrument are disclosed in note 2.

38.3 CATEGORIES OF FINANCIAL INSTRUMENTS

	FINANCIAL ASSETS					
IN MILLIONS OF CHF	Loans and receivables	at FVTPL[1]	Held-to-maturity investments	Subtotal	NON-FINANCIAL ASSETS[3]	TOTAL
AT DECEMBER 31, 2010						
Cash and cash equivalents	80.6	–	–	80.6	–	80.6
Trade and credit card receivables	50.8	–	–	50.8	–	50.8
Other accounts receivable	40.0	0.4	–	40.4	64.5	104.9
Other non-current assets	36.2	–	–	36.2	2.2	38.4
TOTAL	**207.6**	**0.4**	**–**	**208.0**		

	FINANCIAL LIABILITIES					
IN MILLIONS OF CHF	at amortized cost	at FVTOCI[2]	at FVTPL[1]	Subtotal	NON-FINANCIAL LIABILITIES[3]	TOTAL
AT DECEMBER 31, 2010						
Trade payables	203.9	–	–	203.9	–	203.9
Financial debt. short-term	35.3	–	–	35.3	–	35.3
Other liabilities	198.6	2.2	0.1	200.9	21.7	222.6
Financial debt. long-term	683.1	–	–	683.1	–	683.3
Other non-current liabilities	9.4	–	–	9.4	0.2	9.6
TOTAL	**1,130.3**	**2.2**	**0.1**	**1,132.6**		

IN MILLIONS OF CHF	FINANCIAL ASSETS Loans and receivables	NON-FINANCIAL ASSETS[3]	TOTAL
AT DECEMBER 31, 2009			
Cash and cash equivalents	405.3	–	405.3
Trade and credit card receivables	48.2	–	48.2
Other accounts receivable	39.4	68.2	107.6
Other non-current assets	34.3	0.4	34.7
TOTAL	**527.2**		

[1] Financial assets and liabilities at fair value through profit and loss, designated as such upon inititial recognition
[2] Financial liabilities at fair value through other comprehensive income
[3] Non-financial assets and liabilities comprise prepaid expenses and deferred income, which will not generate a cash outflow or inflow as well as sales tax and other tax positions

IN MILLIONS OF CHF	FINANCIAL LIABILITIES Financial liabilities at amortized costs	NON-FINANCIAL LIABILITIES[3]	TOTAL
AT DECEMBER 31, 2009			
Trade payables	202.0	–	202.0
Financial debt. short-term	216.4	–	216.4
Other liabilities	211.4	24.9	236.3
Financial debt. long-term	798.6	–	798.6
Other non-current liabilities	5.1	–	5.1
TOTAL	**1,433.5**		

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

38.3.1 NET INCOME BY IAS 39 VALUATION CATEGORY

IN MILLIONS OF CHF	LOANS AND RECEIVABLES	AT FVTPL	HELD-TO-MATURITY INVESTMENTS	TOTAL
FINANCIAL ASSETS AT DECEMBER 31, 2010				
Interest income (expenses)	4.3	–	–	4.3
Other finance income (expenses)	0.5	–	–	0.5
From interest	**4.8**	**–**	**–**	**4.8**
Fair values gain (loss)	–	0.4	–	0.4
Foreign exchange gain (loss)[1]	(67.5)	–	–	(67.5)
Impairments/allowances[2]	(1.9)	–	–	(1.9)
Total – from subsequent valuation	**(69.4)**	**0.4**	**–**	**(69.0)**
Net income	**(64.6)**	**0.4**	**–**	**(64.2)**

IN MILLIONS OF CHF	AT AMORTIZED COSTS	AT FVTOCI	AT FVTPL	TOTAL
FINANCIAL LIABILITIES AT DECEMBER 31, 2010				
Interest income (expenses)	(36.4)	–	–	(36.4)
Other finance income (expenses)	(0.5)	–	–	(0.5)
From interest	**(36.9)**	**–**	**–**	**(36.9)**
Fair values gain (loss)	–	–	(0.1)	(0.1)
Foreign exchange gain (loss)[1]	67.5	–	–	67.5
Impairments/allowances[2]	–	–	–	–
Total – from subsequent valuation	**67.5**	**–**	**(0.1)**	**67.4**
Net income	**30.6**	**–**	**(0.1)**	**30.5**

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

[2] This net position includes the income from the release of impairments and allowances and recoveries during the period less the increase of impairments and allowances and write-offs

IN MILLIONS OF CHF	LOANS AND RECEIVABLES	AT FVTPL	HELD-TO-MATURITY INVESTMENTS	TOTAL
FINANCIAL ASSETS AT DECEMBER 31, 2009				
Interest income (expenses)	5.7	–	–	5.7
Other finance income (expenses)	–	–	–	–
From interest	**5.7**	**–**	**–**	**5.7**
Fair values gain (loss)	–	–	–	–
Foreign exchange gain (loss) [1]	(0.3)	–	–	(0.3)
Impairments / allowances [2]	0.7	–	–	0.7
Total – from subsequent valuation	**0.4**	**–**	**–**	**0.4**
Net income	**6.1**	**–**	**–**	**6.1**

IN MILLIONS OF CHF	AT AMORTIZED COSTS	AT FVTOCI	AT FVTPL	TOTAL
FINANCIAL LIABILITIES AT DECEMBER 31, 2009				
Interest income (expenses)	(45.3)	–	–	(45.3)
Other finance income (expenses)	(0.9)	–	–	(0.9)
From interest	**(46.2)**	**–**	**–**	**(46.2)**
Fair values gain (loss)	–	–	–	–
Foreign exchange gain (loss) [1]	(2.6)	–	–	(2.6)
Impairments / allowances [2]	–	–	–	–
Total – from subsequent valuation	**(2.6)**	**–**	**–**	**(2.6)**
Net income	**(48.8)**	**–**	**–**	**(48.8)**

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

[2] This position includes the income from the release of impairments and allowances and recoveries during the period less the increase of impairments and allowances and write-offs

38.4 FINANCIAL RISK MANAGEMENT OBJECTIVES

Dufry has worldwide activities and fluctuations in foreign exchange rates and interest rates affecting Dufry's business. To optimize the allocation of the financial resources across the Group, as well as to minimize any negative impact of financial risks, Group Treasury manages the credit for the Group's operations, and monitors and manages the exposure to financial risks relating to the operations through internal risk reports, which analyze exposures by type and magnitude of risks. The Group monitors the market risk, including foreign currency risk and interest rate risk, as well as credit risk, liquidity risk and capital risk.

The Group seeks to minimize the risk of the fluctuation effects of foreign currencies and interest rates by using appropriate transaction structures and if required, derivative financial instruments to hedge these risk exposures. In accordance with its Treasury policy, the Group did not enter into or trade for speculative purposes financial instruments.

38.5 MARKET RISK

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

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

During the current financial year the Group utilized interest swaps and foreign currency forward contracts for hedging purposes.

The following table shows the contracts or underlying principal amounts and fair values of non speculative derivative financial instruments. Contracts or underlying principal amounts indicate the volume of business outstanding at the balance sheet date. The fair values are determined by reference to market prices or standard pricing models that used observable market inputs at December 31, 2010.

IN THOUSANDS OF CHF	CONTRACT OR UNDERLYING PRINCIPAL AMOUNTS	POSITIVE FAIR VALUES	NEGATIVE FAIR VALUES
AT DECEMBER 31, 2010			
Foreign exchange forward contracts and options	12,198	403	67
Interest rate related instruments [1]	280,560	–	2,192
TOTAL		**403**	**2,259**

[1] Designated as cash flow hedge. The changes in fair value are recognized through other comprehensive income

As of December 31, 2009, there were no open positions.

38.6 FOREIGN CURRENCY RISK MANAGEMENT

Dufry manages the cash flow surplus or deficits of the operations through transactions in the respective local or functional currency. Major imbalances in foreign currencies at Group level are hedged through foreign exchange forwards contracts. The terms of the foreign currency forward contracts have been negotiated to match the terms of the forecast transactions.

38.6.1 FOREIGN CURRENCY SENSITIVITY ANALYSIS

Among various methodologies to analyze and manage risk, Dufry implemented a system based on sensitivity analyses. This tool enables Group Treasury to identify the risk position of the entities. Sensitivity analysis provides an approximate quantification of the exposure in the event that certain specified parameters were to be met under a specific set of assumptions.

FOREIGN CURRENCY EXPOSURE

IN MILLIONS OF CHF	USD	EURO	BRL	OTHER	TOTAL
AT DECEMBER 31, 2010					
Monetary assets	494.2	115.0	38.2	39.9	687.3
Monetary liabilities	683.9	142.8	43.8	17.8	888.3
NET EXPOSURE [1]	**(189.7)**	**(27.8)**	**(5.6)**	**22.1**	**(201.0)**
AT DECEMBER 31, 2009					
Monetary assets	501.2	118.8	33.6	19.9	673.5
Monetary liabilities	813.1	151.4	10.4	57.8	1,032.7
NET EXPOSURE [1]	**(311.9)**	**(32.6)**	**23.2**	**(37.9)**	**(359.2)**

[1] before hedge of net investments

The sensitivity analysis includes all financial assets and liabilities irrespective of whether the positions are a third party or intercompany. Dufry has considered some intercompany long-term loans, which are not likely to be settled in a foreseeable future as being part of the net investment in such subsidiary. In compliance with the hedge accounting rules (IAS 21 paragraph 15) the related exchange differences are recognized in the statement of comprehensive income and added to the translation reserves.

The foreign exchange rate sensitivity is calculated by aggregation of the net foreign exchange rate exposure of the Group entities. The values and risk disclosed here are the hedged and not hedged positions multiplied by an assumed 5% appreciation of the CHF against all other currencies.

A positive number indicates a profit in the income statement or an increase in the hedging and revaluation reserves where the CHF strengthens against the relevant currency.

IN MILLIONS OF CHF	31.12.2010	31.12.2009
Net earnings – profit (loss) of USD	(5.2)	(1.0)
Other comprehensive income – loss of USD	14.7	16.6
Net earnings – profit (loss) of Euro	1.4	1.7
Other comprehensive income – loss of Euro	–	–

RECONCILIATION TO CATEGORIES OF FINANCIAL INSTRUMENTS

IN MILLIONS OF CHF	31.12.2010	31.12.2009
FINANCIAL ASSETS		
Total financial assets held in foreign currencies (see above)	687.3	673.5
less intercompany financial assets in foreign currencies	**(626.6)**	**(608.3)**
Third party financial assets held in foreign currencies	60.7	65.2
Third party financial assets held in reporting currencies	147.3	462.0
TOTAL THIRD PARTY FINANCIAL ASSETS [1]	**208.0**	**527.2**
FINANCIAL LIABILITIES		
Total financial liabilities held in foreign currencies (see above)	888.3	1,032.7
less intercompany financial liabilities in foreign currencies	**(115.2)**	**(137.0)**
Third party financial liabilities held in foreign currencies	773.1	895.7
Third party financial liabilities held in reporting currencies	359.5	537.8
TOTAL THIRD PARTY FINANCIAL LIABILITIES [1]	**1,132.6**	**1,433.5**

[1] see note 38.3 "categories of financial instruments"

38.6.2 FORWARD FOREIGN EXCHANGE CONTRACTS AT FAIR VALUE

As the management of the company actively pursues to naturally hedge the positions of each operation, the policy of the Group is to enter into forward foreign exchange contracts only where needed.

As at December, 2010 the Group had open contracts with a notional value of CHF 12.2 million. The net gain of CHF 0.3 million resulting from the subsequent valuation at fair values is included as foreign exchange gain/(loss) in the income statement to compensate corresponding foreign exchange positions in the opposite direction. No derivative positions existed at the prior year end.

38.7 INTEREST RATE RISK MANAGEMENT

The Group manages the interest rate risk through interest rate swaps and options to the extent that the hedging cannot be implemented through managing the duration of the debt drawings. The levels of the hedging activities are evaluated regularly and may be adjusted in order to reflect the development of the various parameters.

38.7.1 INTEREST RATE SENSITIVITY ANALYSIS

The sensitivity analyses below have been determined based on the exposure to interest rates for both derivatives and non-derivative instruments at the reporting date. The risk estimates provided here in assume a simultaneous, parallel shift of 100 basis points of the interest rate of all interest bearing financial positions.

If interest rates had been 100 basis points higher and all other variables were held constant, the Group's profit for the year 2010 would decrease by CHF 6.5 million (2009: decrease by CHF 7.3 million).

38.7.2 INTEREST RATE SWAP CONTRACTS

Under interest rate swap contracts, the Group agrees to exchange the difference between fixed and floating rate interest amounts calculated on agreed notional principal amounts. Such contracts enable the Group to mitigate the risk of changing interest rates on the fair value of issued fixed rate debt and the cash flow exposures on the issued variable rate debt. The fair value of interest rate swaps at the end of the reporting period is determined by discounting the future cash flows using the curves at the end of the reporting period and the credit risk inherent in the contract, and is disclosed below. The average interest rate is based on the outstanding balances at the end of the reporting period.

During the second quarter the Group entered into a payer swap agreement with a notional value of USD 300 million which was designated as a cash flow hedge. The net loss of CHF 2.2 million per December 31, 2010 resulting from the subsequent valuation at fair value was recorded in other comprehensive income and does not affect the income statement. No interest derivative positions existed in the preceding period.

The following tables detail the notional principal amounts and remaining terms of interest rate swap contracts outstanding at the end of the reporting period.

IN THOUSANDS OF CHF	AVERAGE CONTRACTED FIXED INTEREST RATE	NOTIONAL PRINCIPAL VALUE	FAIR VALUE ASSETS (LIABILITIES)
AT DECEMBER 31, 2010			
Less than 1 year	–	–	–
1 to 2 years	99.82%	280,560	2,192
2 to 5 years	–	–	–
5 years +	–	–	–
TOTAL		**280,560**	**2,192**

As of December 31, 2009, there were no contracts outstanding.

The interest rate swaps settle on a monthly basis. The floating rate on the interest rate swaps is the 1 month USD LIBOR rate. The Group will settle the difference between the fixed and floating interest rate on a net basis.

All interest rate swap contracts exchanging floating rate interest amounts for fixed rate interest amounts are designated as cash flow hedges in order to reduce the Group's cash flow exposure resulting from variable interest rates on borrowings. The interest rate swaps and the interest payments on the loan occur simultaneously and the amount accumulated in equity is reclassified to profit or loss over the period that the floating rate interest payments on debt affect profit or loss.

38.7.3 ALLOCATION OF FINANCIAL ASSETS AND LIABILITIES TO INTEREST CLASSES

	IN %		IN MILLIONS OF CHF				
	Average variable interest rate	Average fixed interest rate	Variable interest rate	Fixed interest Rate	TOTAL interest bearing	Non-interest bearing	TOTAL
AT DECEMBER 31, 2010							
Cash and cash equivalents	0.7%	2.4%	49.0	3.2	52.2	28.4	80.6
Trade and credit card receivables	–	–	–	–	–	50.8	50.8
Other accounts receivable	–	5.8%	–	0.8	0.8	39.6	40.4
Other non-current assets	0.2%	7.2%	2.2	6.4	8.6	27.6	36.2
Financial assets			**51.2**	**10.4**	**61.6**	**146.4**	**208.0**
Trade payables	–	–	–	–	–	203.9	203.9
Financial debt, short-term	2.1%	5.0%	33.0	2.3	35.3	–	35.3
Other liabilities	–	6.8%	–	3.3	3.3	197.6	200.9
Financial debt, long-term	3.0%	4.4%	678.7	4.4	683.1	–	683.1
Other non-current liabilities	–	7.3%	–	6.1	6.1	3.3	9.4
Financial liabilities			**711.7**	**16.1**	**727.8**	**404.8**	**1,132.6**
Net financial liabilities			**660.5**	**5.7**	**666.2**	**258.4**	**924.6**
AT DECEMBER 31, 2009							
Cash and cash equivalents	1.0%	3.0%	386.1	1.3	387.4	17.9	405.3
Trade and credit card receivables	–	–	0.1	–	0.1	48.1	48.2
Other accounts receivable	–	5.0%	0.1	1.2	1.3	38.1	39.4
Other non-current assets	0.2%	6.4%	2.1	5.8	7.9	26.4	34.3
Financial assets			**388.4**	**8.3**	**396.7**	**130.5**	**527.2**
Trade payables	–	–	–	–	–	202.0	202.0
Financial debt, short-term	2.0%	4.8%	212.1	4.3	216.4	–	216.4
Other liabilities	–	–	–	–	–	211.4	211.4
Financial debt, long-term	2.8%	4.6%	794.0	4.6	798.6	–	798.6
Other non-current liabilities	–	6.8%	–	4.4	4.4	0.7	5.1
Financial liabilities			**1,006.1**	**13.3**	**1,019.4**	**414.1**	**1,433.5**
Net financial liabilities			**617.7**	**5.0**	**622.7**	**283.6**	**906.3**

38.8 CREDIT RISK MANAGEMENT

Credit risk refers to the risk that counterparty may default on its contractual obligations resulting in financial loss to the Group.

Most of the Group's sales are retail sales and made against cash, or with internationally recognized credit cards or bank debit cards. Dufry has policies in place to ensure that other sales are only made to customers with an appropriate credit history or that the credit risk is insured adequately. The remaining credit risk is in relation to subtenants of concessions or holders of minority interests.

The credit risk on liquid funds and derivative financial instruments is limited as the counterparties are financial institutions with high credit-ratings. The Group does not expect defaults from non-performance of these counterparties.

38.8.1 MAXIMUM CREDIT RISK

The carrying amount of financial assets recorded in the financial statements, after deduction of any allowances for losses, represents the Group's maximum exposure to credit risk.

38.9 LIQUIDITY RISK MANAGEMENT

The group evaluates this risk as the ability to settle its financial liabilities on time and at a reasonable price. Beside its capability to generate cash through its operations, Dufry mitigates liquidity risk by keeping credit facilities with highly rated financial institutions. (See note 32).

38.9.1 REMAINING MATURITIES FOR NON-DERIVATIVE FINANCIAL ASSETS AND LIABILITIES

The following tables have been drawn up based on the undiscounted cash flows of financial assets and liabilities (based on the earliest date on which the Group can be required to pay). The tables include principal and interest cash flows.

IN MILLIONS OF CHF	1–6 MONTHS	6–12 MONTHS	1–2 YEARS	MORE THAN 2 YEARS	TOTAL
AT DECEMBER 31, 2010					
Cash and cash equivalents	80.6	–	–	–	80.6
Trade and credit card receivables	50.8	–	–	–	50.8
Other accounts receivable	39.1	0.8	0.1	–	40.0
Other non-current assets	–	–	0.4	38.3	38.7
TOTAL CASH INFLOWS	**170.5**	**0.8**	**0.5**	**38.3**	**210.1**
Trade payables	203.9	–	–	–	203.9
Financial debt, short-term	35.3	–	–	–	35.3
Other liabilities	192.3	4.0	1.9	0.9	199.1
Financial debt, long-term	44.4	44.4	177.8	433.0	699.6
Other non-current liabilities	–	–	–	9.4	9.4
TOTAL CASH OUTFLOWS	**475.9**	**48.4**	**179.7**	**443.3**	**1,147.3**
AT DECEMBER 31, 2009					
Cash and cash equivalents	404.7	0.6	–	–	405.3
Trade and credit card receivables	48.2	–	–	–	48.2
Other accounts receivable	37.6	1.7	–	–	39.3
Other non-current assets	–	–	0.7	33.4	34.1
TOTAL CASH INFLOWS	**490.5**	**2.3**	**0.7**	**33.4**	**526.9**
Trade payables	202.1	–	–	–	202.1
Financial debt, short-term	216.1	0.4	–	–	216.5
Other liabilities	189.2	9.5	12.7	–	211.4
Financial debt, long-term	38.3	34.0	102.1	642.5	816.9
Other non-current liabilities	1.0	–	2.2	2.6	5.8
TOTAL CASH OUTFLOWS	**646.7**	**43.9**	**117.0**	**645.1**	**1,452.7**

38.9.2 REMAINING MATURITIES FOR DERIVATIVE FINANCIAL INSTRUMENTS

The following table details the Group's liquidity analysis for its derivative financial instruments. The table has been drawn up based on the undiscounted contractual net cash inflows and outflows on derivative instruments that settle on a net basis and the undiscounted gross inflows and outflows on those derivatives that require gross settlement. When the amount payable or receivable is not fixed, the amount disclosed has been determined by reference to the projected interest rates as illustrated by the yield curves at the end of the reporting period.

IN THOUSANDS OF CHF	LESS THAN 1 MONTH	1–3 MONTHS	3 MONTHS TO 1 YEAR	1–5 YEARS	5+ YEARS
AT DECEMBER 31, 2010					
Net settled:					
– interest rate swaps	(188)	(308)	(1,291)	(280)	–
– foreign exchange forward contracts	–	–	–	–	–
Gross settled:					
– foreign exchange forward contracts	152	186	(16)	–	–
– currency swaps	–	–	–	–	–
TOTAL	**(36)**	**(122)**	**(1,307)**	**(280)**	**–**

As of December 31, 2009, there were no open positions.

38.10 FAIR VALUE OF FINANCIAL INSTRUMENTS

38.10.1 FAIR VALUE OF FINANCIAL INSTRUMENTS CARRIED AT AMORTIZED COST

Except as detailed in the following table, the Group considers that the carrying amounts of financial assets and financial liabilities recognized in the consolidated financial statements approximate their fair values.

	31.12.2010		31.12.2009	
IN MILLIONS OF CHF	Carrying amount	Fair value	Carrying amount	Fair value
FINANCIAL ASSETS				
Loans and receivables:				
– credit card receivables	38.5	38.0	38.7	38.3

38.10.2 VALUATION TECHNIQUES AND ASSUMPTIONS APPLIED FOR THE PURPOSES OF MEASURING FAIR VALUE

The fair values of financial assets and financial liabilities are determined as follows:

- The fair values of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices (includes listed redeemable notes, bills of exchange, debentures and perpetual notes).
- The fair values of derivative instruments are calculated using quoted prices. Where such prices are not available, a discounted cash flow analysis is performed using the applicable yield curve for the duration of the instruments for non-optional derivatives, and option pricing models for optional derivatives. Foreign currency forward contracts are measured using quoted forward exchange rates and yield curves derived from quoted interest rates matching maturities of the contracts. Interest rate swaps are measured at the present value of future cash flows estimated and discounted based on the applicable yield curves derived from quoted interest rates.
- The fair values of other financial assets and financial liabilities (excluding those described above) are determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

38.10.3 FAIR VALUE MEASUREMENTS RECOGNIZED IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable:

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

The Group held the following financial instruments measured at fair value at the reporting date:

IN THOUSANDS OF CHF	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
AT DECEMBER 31, 2010				
Assets measured at fair value [1]				
Foreign exchange related derivative financial instruments	–	403	–	403
Interest rate related derivative financial instruments	–	–	–	–
Available-for-sale financial assets	–	–	–	–
TOTAL	**–**	**403**	**–**	**403**
Liabilities measured at fair value [2]				
Foreign exchange related derivative financial instruments	–	67	–	67
Interest rate related derivative financial instruments	–	2,192	–	2,192
TOTAL	**–**	**2,259**	**–**	**2,259**

[1] Included in the position "other accounts receivable" in the statement of financial position
[2] Included in the position "other liabilities" in the statement of financial position

As of December 31, 2009, there were no open positions.

During the year ended December 31, 2010, there were no transfers between Level 1 and Level 2 fair value measurements and no transfers into and out of Level 3 fair value measurements.

MOST IMPORTANT AFFILIATED COMPANIES

H = Holding R = Retail D = Distribution Center

AS OF DECEMBER 31, 2010	LOCATION	COUNTRY	TYPE	OWNERSHIP IN %	SHARE CAPITAL IN THOUSANDS	CURRENCY
EUROPE						
Dufry International Ltd	Basel	Switzerland	H	100	1,000	CHF
Dufry Holdings & Investments AG	Basel	Switzerland	H	100	1,000	CHF
Dufry Basel-Mulhouse Ltd	Basel (Mulhouse)	Switzerland	R	100	100	CHF
Dufry Samnaun Ltd	Samnaun	Switzerland	R	100	100	CHF
Dufrital SpA	Milan	Italy	R	60	258	EUR
Cid Italia SpA	Milan	Italy	R	60	208	EUR
Dufry Italia SpA	Milan	Italy	R	100	251	EUR
Network Italia Edicole	Milan	Italy	R	100	20	EUR
Food Village (Schiphol) BV	Amsterdam	Netherlands	R	100	681	EUR
Dufry Islas Canarias SL	Tenerife	Spain	R	100	333	EUR
Dufry France SA	Nice	France	R	100	1,000	EUR
Dufry Hellas Ltd	Athens	Greece	R	99	147	EUR
AFRICA						
Dufry Tunisie SA	Tunis	Tunisia	R	100	2,300	EUR
Dufry Côte d'Ivoire SA	Abidjan	Ivory Coast	R	100	2,810	EUR
Dufry & G.T.D.C. Ltd	Accra	Ghana	R	63	413	USD
Dufry Maroc Sarl	Casablanca	Morocco	R	80	2,500	MAD
Dufry Aeroport d'Alger Sarl	Alger	Algeria	R	80	140,000	DZD
Dufry Egypt LLC	Sharm-el-Sheikh	Egypt	R	80	450	USD
EURASIA						
Dufry East OOO	Moscow	Russia	R	100	712	USD
Dufry Moscow Sheremetyevo	Moscow	Russia	R	69	420	USD
Dufry Singapore Pte. Ltd.	Singapore	Singapore	R	100	13,300	SGD
Dufry Cambodia Ltd	Phnom Pen	Cambodia	R	80	1,231	USD
Dufry (Shanghai) Commercial Co. Ltd.	Shanghai	China	R	100	3,072	CNY
Dufry Sharjah Fzc	Sharjah	U. Arab Emirates	R	51	2,054	AED
Dufry d.o.o.	Belgrade	Serbia	R	100	693,078	RSD
CENTRAL AMERICA & CARIBBEAN						
Dufry Mexico SA de CV	Mexico City	Mexico	R	100	27,429	USD
Alliance Duty Free, Inc.	San Juan	Puerto Rico	R	100	2,213	USD
Dufry Aruba N.V.	Oranjestad	Aruba	R	80	1,000	USD
Inversiones Tunc, SA	Santo Domingo	Dominican Republic	R	100	0	USD
Duty Free Caribbean Ltd	Bridgetown	Barbados	R	60	5,000	USD
Flagship Retail Services Inc.	Charlestown	St. Kitts & Nevis	R	100	0	USD
Colombian Emeralds International (Barbados)	Bridgetown	Barbados	R	60	1,500	USD

H = Holding R = Retail D = Distribution Center

AS OF DECEMBER 31, 2010	LOCATION	COUNTRY	TYPE	OWNERSHIP IN %	SHARE CAPITAL IN THOUSANDS	CURRENCY
SOUTH AMERICA						
Dufry do Brasil Duty Free Shop Ltda.	Rio de Janeiro	Brazil	R	100	4,146	USD
EMAC Comercio Importaçao Ltda	Rio de Janeiro	Brazil	R	100	9,858	BRL
Dufry Bolivia S.A.	La Paz	Bolivia	R	100	356	USD
NORTH AMERICA						
Dufry America, Inc.	Miami	USA	H	100	5	USD
Hudson News Company Inc.	East Rutherford	USA	H/R	100	0	USD
Dufry Newark, Inc.	Newark	USA	R	100	1,501	USD
Hudson-NEU-Newark C, JV	Newark	USA	R	80	0	USD
Airport Management Services, LLC	New York	USA	H/R	100	0	USD
AMS-Olympic Nashville, JV	Nashville	USA	R	83	0	USD
Hudson News O'Hare, JV	Springfield	USA	R	70	0	USD
Hudson Retail-Neu News JV	New York	USA	R	80	0	USD
JFK Air Ventures	New York	USA	R	80	0	USD
National Air Ventures	Dallas	USA	R	70	0	USD
Seattle Air Ventures	Olympia	USA	R	75	0	USD
AMS-TEI Miami, JV	Miami	USA	R	70	0	USD
AMS-Hudson Las Vegas, JV	Las Vegas	USA	R	73	0	USD
Hudson Group Canada, Inc.	Vancouver	Canada	R	100	0	CAD
DISTRIBUTION CENTERS						
Dufry Travel Retail Ltd	Basel	Switzerland	D	100	5,000	CHF
Dufry America Services, Inc.	Miami	USA	D	100	398	USD
Eurotrade Corporation (II) Limited	Hamilton	Bermuda	D	100	5,580	USD

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To the General Meeting of

Dufry AG, Basel

Basel, 10 March 2011

Report of the statutory auditor on the consolidated financial statements

As statutory auditor, we have audited the accompanying consolidated financial statements of Dufry AG, Basel, which comprise the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of financial position, consolidated statement of cash flows, consolidated statement of changes in equity and notes (pages 84 to 157) for the year ended 31 December 2010.

Board of Directors' responsibility
The Board of Directors is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards (IFRS) and the requirements of Swiss law. This responsibility includes designing, implementing and maintaining an internal control system relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error. The Board of Directors is further responsible for selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility
Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Swiss law and Swiss Auditing Standards and International Standards on Auditing. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal control system relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control system. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made, as well as evaluating the overall presentation

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

Opinion
In our opinion, the consolidated financial statements for the year ended 31 December 2010 give a true and fair view of the financial position, the results of operations and the cash flows in accordance with IFRS and comply with Swiss law.

Report on Other Legal Requirements

We confirm that we meet the legal requirements on licensing according to the Auditor Oversight Act (AOA) and independence (article 728 Code of Obligations (CO) and article 11 AOA) and that there are no circumstances incompatible with our independence.

In accordance with article 728a paragraph 1 item 3 CO and Swiss Auditing Standard 890, we confirm that an internal control system exists, which has been designed for the preparation of consolidated financial statements according to the instructions of the Board of Directors.

We recommend that the consolidated financial statements submitted to you be approved.

Ernst & Young Ltd

Bruno Chiomento
Licensed audit expert
(Auditor in charge)

Patrick Fawer
Licensed audit expert

INCOME STATEMENT

IN THOUSANDS OF CHF	2010	2009
Dividend income	91,000	10,000
Financial income	17,622	4,954
Management and franchise fees income	11,380	1,784
TOTAL INCOME	**120,002**	**16,738**
Personnel expenses	24,004	14,483
General and administrative expenses	3,484	1,868
Management and franchise fee expenses	9,096	7,663
Amortization	–	4,690
Transaction and project costs	22,424	–
Financial expenses	5,865	971
Taxes	632	947
TOTAL EXPENSES	**65,505**	**30,622**
NET EARNINGS	**54,497**	**(13,884)**

STATEMENT OF FINANCIAL POSITION

ASSETS

IN THOUSANDS OF CHF	31.12.2010	31.12.2009
Cash and cash equivalents	39	21
Marketable securities	36,948	18,662
Receivables intercompany	267,135	116,309
Receivables – third party	77	117
Other current assets	26	1,208
Current assets	**304,225**	**136,317**
Investments	1,185,228	742,189
Non-current assets	**1,185,228**	**742,189**
TOTAL ASSETS	**1,489,453**	**878,506**

LIABILITIES AND SHAREHOLDERS' EQUITY

IN THOUSANDS OF CHF	31.12.2010	31.12.2009
Payables – intercompany	243,311	308,679
Payables – related party	280	209
Payables – third party	1,082	1,399
Other current liabilities	40,317	22,233
Current liabilities	**284,990**	**332,520**
TOTAL LIABILITIES	**284,990**	**332,520**
Share capital	134,881	96,070
Legal reserves		
Share premium (capital contribution reserves)	975,061	409,892
General reserves	3,600	3,600
Reserve for treasury shares	28,704	18,152
Available earnings	62,217	18,272
Shareholders' equity	**1,204,463**	**545,986**
TOTAL LIABILITES AND SHAREHOLDERS' EQUITY	**1,489,453**	**878,506**

NOTES TO THE FINANCIAL STATEMENTS

1. SIGNIFICANT INVESTMENTS

All investments of Dufry AG are in Switzerland and consist of:
- Dufry International AG, a fully owned subsidiary with a book value of CHF 455,453 thousand (2009: CHF 455,453 thousand) and a share capital of CHF 1,000 thousand (2009: CHF 1,000 thousand)
- Dufry Management AG, a fully owned subsidiary with a book value of CHF 100 thousand (2009: CHF 100 thousand) and a share capital of CHF 100 thousand (2009: CHF 100 thousand)
- Dufry Corporate AG, a fully owned subsidiary with a book value of CHF 100 thousand (2009: CHF 100 thousand) and a share capital of CHF 100 thousand (2009: CHF 100 thousand)
- Dufry Holdings & Investments AG, a fully owned subsidiary with a book value of CHF 729,575 thousand (2009: CHF 510 thousand) a share capital of CHF 1,000 thousand (2009: CHF 510 thousand)

A dividend of CHF 91 million approved at the Shareholders' Meeting of Dufry Holdings & Investments AG held on February 11, 2011, has been recognized as financial income of the period.

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

The following companies constitute a group for the Swiss Federal Tax Administration Main division VAT:
- DUFRY International AG
- DUFRY Travel Retail AG
- DUFRY Samnaun AG
- DUFRY Participations AG
- DUFRY Russia Holding AG
- DUFRY Basel Mulhouse AG
- DUFRY Management AG
- DUFRY Corporate AG
- DUFRY Holdings & Investments AG
- DUFRY AG

DUFRY AG is jointly and severally liable for the Value Added Tax owed by this specific group.

3. SIGNIFICANT SHAREHOLDERS' PARTICIPATION

IN %	31.12.2010	31.12.2009
Group of shareholders consisting of: Travel Retail Investment SCA, Luxembourg Global Retail Group S.à r.l., Luxembourg	22.62%	47.03%
Artio Global Management LLC	7.07%	–
Credit Suisse Group AG	4.99%	
Skopos Administradora de Recursos Ltda and Skopos Invest Administradora de Recursos International Ltda.	4.43%	
The Capital Group Companies, Inc.	4.21%	
Hudson Media Inc., East Rutherford, USA	4.28%	6.01%
Wellington Management Company LLP, Boston, USA	[1]	9.84%

[1] This participation fell below the reporting threshold

4. AUTHORIZED AND CONDITIONAL SHARE CAPITAL

As of December 31, 2010 and December 31, 2009 Dufry AG had a conditional share capital of 567,296 shares or CHF 2.8 million, and there was no authorized share capital.

On March 22, 2010 the Extraordinary General Shareholders' meeting of Dufry AG approved the increase of registered share capital by CHF 38,811,245 from CHF 96,069,770 to CHF 134,881,015 by the issuance of 7,762,249 new registered shares, each with a par value of CHF 5. The new share capital of CHF 38,811,245 was settled by a contribution in kind consisting of 4,896 registered shares of Dufry Holdings & Investments AG, Basel with a nominal value of CHF 100 each. The value of the contribution in kind amounts to CHF 604.0 million.

5. TREASURY SHARES

	NUMBER OF SHARES	IN THOUSANDS OF CHF
At January 1, 2009	**106,750**	**3,090**
Assigned to holders of RSU-awards	(105,416)	(3,051)
Share purchases	267,800	18,066
Revaluation	–	557
At December 31, 2009	**269,134**	**18,662**
Assigned to holders of RSU-awards	(266,810)	(18,501)
Share purchases	286,735	28,539
Revaluation	–	8,248
At December 31, 2010	**289,059**	**36,948**

6. ENTERPRISE RISK MANAGEMENT

In accordance with the article 663b of the Swiss Code of Obligations the Board of Directors of Dufry AG reviewed and assessed the risk areas of the Group and where necessary, updated the key controls performed to ensure an adequate risk monitoring.

7. PLEDGED ASSETS

Dufry AG has presented the shares of Dufry Holdings & Investments AG with a book value of CHF 729.6 million as a pledge for the bank facilities of its subsidiary Dufry International AG. During the years 2010 and 2009 Dufry has complied with all the required bank covenants.

8. COMPENSATION, PARTICIPATIONS AND LOANS TO THE MEMBERS OF THE BOARD OF DIRECTORS AND THE GROUP EXECUTIVE COMMITTEE (DISCLOSURE ACCORDING TO SWISS CODE OF OBLIGATIONS 663B)

PARTICIPATIONS IN DUFRY AG

On December 31, 2010, the following members of the Board of Directors and Group Executive Committee (including closely related parties) held the following number of shares/number of share options (restricted stock units)/percentage participation in Dufry AG: Mr. Mario Fontana, Member 3,893/0/0.01%; Mr. Andrés Holzer Neumann, Member 2,259,125/0/8.37% (which includes 2,151,913 shares held by Petrus PTE Ltd); Mr. Joaquín Moya-Angeler Cabrera, Member 15,390/0/0.06%; Mr. James Cohen, Member 1,154,677/0/4.28% held through Hudson Media, Inc.; Mr. Julián Díaz González, Chief Executive Officer 39,350/33,250/0.27%; Mr. Xavier Rossinyol, Chief Financial Officer 23,000/22,000/0.17%; Mr. José Antonio Gea, Global Chief Operating Officer 35,200/22,000/0.21%; Mr. Pascal C. Duclos, Chief Legal Officer 0/17,500/0.06%; Mr. Miguel Ángel Martínez, COO Region Africa 5,000/8,500/ 0.05%; Mr. René Riedi, COO Region Eurasia 1,500/8,500/0.04%; Mr. José H. González, COO Region Central America & Caribbean 6,550/8,500/0.06%; Mr. José Carlos Costa Da Silva Rosa, COO Region South America 0/8,500/0.03% and Mr. Joseph DiDomizio, COO Region North America 9,520/14,000/0.09%. The remaining members of the Board of Directors or the Group Executive Committee had no participation on December 31, 2010.

On December 31, 2009, the following members of the Board of Directors and Group Executive Committee (including closely related parties) held the following number of shares/number of share options (restricted stock units)/percentage participation in Dufry AG: Mr. Mario Fontana, Member 3,893/0/0.02%; Mr. Andrés Holzer Neumann, Member 2,278,271/0/11.86% (which includes 2,151,913 shares held by Petrus PTE Ltd); Mr. Joaquín Moya-Angeler Cabrera, Member 20,390/0/0.11%; Mr. James Cohen, Member 1,154,677/0/6.01% (which includes 1,154,677 shares held by Hudson Media Inc.); Mr. Julián Díaz González, Chief Executive Officer 37,600/33,250/0.37%; Mr. Xavier Rossinyol, Chief Financial Officer 23,950/22,000/0.24%; Mr. José Antonio Gea, Global Chief Operating Officer 23,200/22,000/0.24%; Mr. Pascal C. Duclos, Chief Legal Officer 0/17,500/0.09%; Mr. Miguel Ángel Martínez, COO Region Africa 10,000/8,500/0.10%; Mr. René Riedi, COO Region Eurasia 10,000/8,500/0.10%; Mr. José H. González, COO Region Central America & Caribbean 11,500/8,500/0.10% and Mr. Joseph DiDomizio, COO Region North America 0/14,000/0.07%. The remaining members of the Board of Directors or the Group Executive Committee had no participation on December 31, 2009.

All these participations are reported in accordance with the regulations of the Federal Act on Stock Exchanges and Securities Trading (SESTA), in force since December 1, 2007, showing the participation (including restricted stock units) as a percentage of the number of outstanding registered shares on December 31, 2010 and December 31, 2009, respectively.

9. COMPENSATION OF MEMBERS OF THE BOARD OF DIRECTORS AND GROUP EXECUTIVE COMMITTEE

(Amounts are expressed in 000 CHF)

In 2010 Dufry paid to its non-executive members of the Board of Directors fees in total amount of CHF 914 (to Mr. Jorge Born, member CHF 63; to Mr. Xavier Bouton, member CHF 100; to Mr. James Cohen, member CHF 100; to Mr. José Lucas Ferreira de Melo, member CHF 63; to Mr. Mario Fontana, member CHF 175; to Mr. Andrés Holzer Neumann, member CHF 175; to Mr. Maurizio Mauro, member CHF 63; to Mr. Joaquín Moya-Angeler Cabrera, member CHF 175). In addition to these fees Mr. Xavier Bouton received CHF 250 for strategic consulting services provided to the Group during the year. The social charges related to these fees are calculated in accordance with the local regulations amounted to CHF 55 in total (to Mr. Jorge Born, member CHF 3.8; to Mr. Xavier Bouton, member CHF 6; to Mr. James Cohen, member CHF 6; to Mr. José Lucas Ferreira de Melo, member CHF 3.8; to Mr. Mario Fontana, member CHF 10.6; to Mr. Andrés Holzer Neumann, member CHF 10.6; to Mr. Maurizio Mauro, member CHF 3.8; to Mr. Joaquín Moya-Angeler Cabrera, member CHF 10.6. Finally, the total compensation to the non-executive members of the Board of Directors amounted to CHF 1,219 in total (to Mr. Jorge Born, member CHF 67.1; to Mr. Xavier Bouton, member CHF 356.0; to Mr. James Cohen, member CHF 106.0; to Mr. José Lucas Ferreira de Melo, member CHF 67.1; to Mr. Mario Fontana, member CHF 185.6; to Mr. Andrés Holzer Neumann, member CHF 185.6; to Mr. Maurizio Mauro, member CHF 67.1; to Mr. Joaquín Moya-Angeler Cabrera, member CHF 185.6).

In 2009, Dufry paid to its non-executive members of the Board of Directors fees in a total amount of CHF 688 (to Mr. Xavier Bouton, Member CHF 100; to Mr. Mario Fontana, Member CHF 175; to Mr. Andrés Holzer Neumann, Member CHF 175; to Mr. Joaquín Moya-Angeler Cabrera, Member CHF 175; to Mr. James Cohen, Member CHF 63). In addition to these fees Mr. Xavier Bouton received CHF 250 for strategic consulting services provided to the Group during the year. The social charges related to these fees are calculated in accordance with the local regulations applicable in the domicile of each Board member amounted to CHF 41.6 in total (to Mr. Mario Fontana, Member CHF 10.6 and to Mr. Andrés Holzer Neumann, Member CHF 10.6, to Mr. James Cohen, Member CHF 3.8, to Mr. Joaquín Moya Angeler CHF 10.6 and to Mr. Xavier Bouton CHF 6.1). Finally, the total compensation to the non-executive members of the Board of Directors amounted to CHF 980 in total (to Mr. Xavier Bouton, Member CHF 355; to Mr. Mario Fontana, Member CHF 186; to Mr. James Cohen CHF 67; to Mr. Andrés Holzer Neumann, Member CHF 186; to Mr. Joaquín Moya-Angeler Cabrera, Member CHF 186).

In the years 2010 and 2009 there were no other compensations paid directly or indirectly to active or former members of the Board of Directors and there are also no loans or guarantees received or provided to these Board members, nor to their related parties.

In 2010 the compensations to the ten members of the Group Executive Committee was of CHF 14,630 in total made of 142,750 unvested restricted share units of Dufry AG and a cash compensation of CHF 8,740 (Basic salary CHF 4,551, bonus CHF 2,237, allowances in kind CHF 498, social benefits CHF 1,454). Included in these figures is the compensation paid to Mr. Julián Díaz González, the Chief Executive Officer, who received in total a compensation of CHF 2,979 made of 33,250 unvested restricted share units and a cash compensation of CHF 1,608 (Basic salary CHF 941, bonus CHF 293, allowances in kind CHF 32 and social benefits CHF 342).

In 2009, the compensations to the ten members of the Group Executive Committee amounted to CHF 10,470 in total made of 134,250 unvested restricted share units of Dufry AG and 13,478 of Dufry South America Ltd and a cash compensation of CHF 7,983 (Basic salary CHF 5,017, bonus CHF 1,340, allowances in kind CHF 492, Social benefits CHF 1,134). Included in these figures is the compensation paid to Mr. Julián Díaz González, Chief Executive Officer, who received a total compensation of CHF 2,173 made of 33,250 unvested restricted share units and a cash compensation of CHF 1,628 (Basic salary CHF 1,136, bonus CHF 270, allowances in kind CHF 44 and social benefits CHF 178).

In the years 2010 and 2009 there were no other compensations paid directly or indirectly to active or former members of the Group Executive Committee, nor to their related parties and there are also no loans or guarantees received or provided to these members, nor to their related parties.

For details regarding conditions of Restricted Stock Unit (RSU) Plan refer to note 30 of the consolidated financial statements.

10. APPROPRIATION OF AVAILABLE EARNINGS

IN THOUSANDS OF CHF	2010	2009
Retained earnings	18,272	41,200
Movement in legal reserves	(10,552)	(9,044)
Net earnings for the year	54,497	(13,884)
Available earnings at December 31	**62,217**	**18,272**
To be carried forward	**62,217**	**18,272**

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To the General Meeting of

Dufry AG, Basel

Basel, 10 March 2011

Report of the statutory auditor on the financial statements

As statutory auditor, we have audited the accompanying financial statements of Dufry AG, Basel, which comprise the statement of financial position, income statement and notes (pages 160 to 165) for the year ended 31 December 2010.

Board of Directors' responsibility
The Board of Directors is responsible for the preparation of the financial statements in accordance with the requirements of Swiss law and the company's articles of incorporation. This responsibility includes designing, implementing and maintaining an internal control system relevant to the preparation of financial statements that are free from material misstatement, whether due to fraud or error. The Board of Directors is further responsible for selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Swiss law and Swiss Auditing Standards. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal control system relevant to the entity's preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control system. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

ERNST & YOUNG

Opinion
In our opinion, the financial statements for the year ended 31 December 2010 comply with Swiss law and the company's articles of incorporation.

Report on other legal requirements

We confirm that we meet the legal requirements on licensing according to the Auditor Oversight Act (AOA) and independence (article 728 Code of Obligations (CO) and article 11 AOA) and that there are no circumstances incompatible with our independence.

In accordance with article 728a paragraph 1 item 3 CO and Swiss Auditing Standard 890, we confirm that an internal control system exists, which has been designed for the preparation of financial statements according to the instructions of the Board of Directors.

We further confirm that the proposed appropriation of available earnings complies with Swiss law and the company's articles of incorporation. We recommend that the financial statements submitted to you be approved.

Ernst & Young Ltd

Bruno Chiomento
Licensed audit expert
(Auditor in charge)

Patrick Fawer
Licensed audit expert

OTHER INFORMATION

INFORMATION FOR INVESTORS AND MEDIA

TICKER DETAILS DUFRY SHARES

Listing	SIX Swiss Exchange
Type of security	Registered shares
Ticker Symbol	DUFN
ISIN-No.	CH 0 023 405 456
Swiss Security-No.	2 340 545
Reuters	DUFN.S
Bloomberg	DUFN SW

TICKER DETAILS DUFRY BDR

Listing	BM&FBOVESPA
Type of security	Brazilian Depositary Receipts (BDRs)
Ticker Symbol	DAGB11
ISIN-No.	BRDAGBBDR008
Reuters	DUFB11.SA
Bloomberg	DUFB11.BZ

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ANTICIPATED KEY DATES IN 2011 / 2012

May 11, 2011	Annual General Meeting
May 17, 2011	Results First Quarter 2011
August 11, 2011	Results First Half Year 2011
November 16, 2011	Results First Nine Months 2011
March 14, 2012	Results Fiscal Year 2011

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This Annual Report contains certain forward-looking statements, which can be identified by terms like "believe", "assume", "expect" or similar expressions, or implied discussions regarding potential new projects or potential future revenues, or discussions of strategy, plans or intentions. Such forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause actual results to be materially different from any future results, performance or achievements expressed or implied by such statements. All forward-looking statements are based only on data available to Dufry at the time of preparation of this Annual Report. Dufry does not undertake any obligation to update any forward-looking statements contained in this Annual Report as a result of new information, future events or otherwise.

Publisher Dufry AG, Basel
Concept, Production Tolxdorff & Eicher Consulting, Horgen
Design MetaDesign, Zurich
Print druckmanufaktur, Urdorf

GLOBAL PRESENCE

EUROPE

Italy: Bergamo, Genoa, Milan-Malpensa, Milan-Linate, Central Milan, Naples, Rome-Fiumicino, Rome-Termini, Turin, Venice, Verona
France: Nice, Pointe-à-Pitre
Spain: Tenerife
Switzerland: Basel-Mulhouse, Samnaun
Netherlands: Amsterdam
Greece: Diagoras, Eptanisos, Patras-Blue Star Ferries, Patras-Superfast Ferries, Piraeus-Blue Star Ferries
Czech Republic: Prague-Ruzyne

AFRICA

Tunisia: Djerba, Monastir, Sfax, Tabarka, Tozeur, Tunis
Egypt: Borg El Arab, Sharm-el-Sheikh
Algeria: Algiers
Morocco: Agadir, Casablanca, Dakhla, Essaouira, Fez, Oujda, Tanger, Marrakech, Rabat
Ghana: Accra
Ivory Coast: Abidjan

EURASIA

Russian Federation: Moscow-Domodedovo, Moscow-Sheremetyevo
United Arab Emirates: Sharjah
Singapore: Singapore
Cambodia: Phnom Penh, Siem Reap
Serbia: Belgrade
China: Shanghai

CENTRAL AMERICA & CARIBBEAN

Mexico: Acapulco, Cancun, Cozumel, Guadalajara, Ixtapa, Laredo, Leon, Los Cabos, Mazatlan, Mexico City, Monterrey, Progreso, Puerto Vallarta, Reynosa
Caribbean Islands: Aruba, Antigua, Bahamas, Barbados, Bonaire, Curaçao, Dominican Republic, Grand Turk, Grenada, Jamaica, Puerto Rico, St Lucia, St Maarten, St Thomas, Trinidad
Nicaragua: El Espino, Guasaule, Las Manos, Managua, Peñas Blancas
Honduras: Roatan
Cruise Lines: on-board of ships of Norwegian Cruise Lines

SOUTH AMERICA

Brazil: Belém, Belo Horizonte, Brasilia, Florianopolis, Fortaleza, Natal, Porto Alegre, Recife, Rio de Janeiro, Sao Paulo, Salvador
Bolivia: La Paz, Santa Cruz

NORTH AMERICA

Canada: Calgary, Edmonton, Halifax, Vancouver
United States: Over 60 US cities including Albuquerque, Anchorage, Baltimore, Boston, Charleston, Chicago, Cleveland, Dallas, Denver, Ft Lauderdale, Houston, Las Vegas, Los Angeles, Manchester, Memphis, Miami, Nashville, New Orleans, New York, Newark, Norfolk, Omaha, Orlando, Philadelphia, Phoenix, Pittsburgh, Portland, Richmond, San Francisco, San José, Santa Ana, Seattle, Washington