FINANCIAL REPORT 2020

DUFRY

WorldClass.WorldWide.

MOST CHALLENGING YEAR ENDS WITH STRONG LIQUIDITY

DEAR ALL

2020 was a challenging year for the travel retail industry. Dufry's results were heavily impacted by COVID-19, with turnover reaching CHF 2,561.1 million and organic growth of −69.8%. Our company had to deal with temporary and alternating closures of the majority of its operations in the second quarter 2020, with re-openings having started gradually from June onwards. Due to both, the closures forced by governmental travel restrictions and the low visibility on the pandemic's extent and duration, we had to react quickly and decisively across all levels of the organization and in close collaboration with our stakeholders such as landlords, global brands and suppliers, employees, banks, and our bond- and shareholders. Despite these challenges, we succeeded in significantly reducing our recurring cost base, organizational complexity and average monthly cash consumption and built a strong financial position of CHF 1,905.7 million in liquidity as of end-December 2020.

Dufry's capital structure strengthened.

Throughout 2020, Dufry worked on several strategic and financial initiatives. In March, we immediately implemented an action plan which included initiatives to accelerate sales volumes, stop inventory build, reduce personnel and other expenses as well as renegotiating rents to safeguard profitability, secure cash flow generation and protect liquidity.

Based on forecasts of industry associations and independent data providers, Dufry applied a -40%, -55% and -70% turnover scenario versus 2019 to the full-year 2020, and provided guidance on concession fees, personnel and other expenses accordingly. At the earliest point, we were able to reduce our average monthly cash consumption to CHF 70-75 million in a zero-sales worst-case scenario. Average monthly cash outflow has been better throughout the second half of 2020.

In April 2020, Dufry announced initiatives to strengthen its capital structure and liquidity position. Dufry successfully placed CHF 350 million in senior bonds due 2023, conditionally convertible into shares, with maturity on May 4, 2023, and 5,000,000 new shares out of existing authorized capital as well as 500,000 treasury shares, generating gross proceeds of CHF 151.3 million.

The company also secured commitments from some of its lending banks based on a term sheet for an approx. CHF 397.0 million 12-months facility with two 6-months extensions, which allowed Dufry to convert current uncommitted into committed facilities. Dufry also secured access to a total of CHF 205.0 million of COVID-19-related government-backed loans in different jurisdictions.

Dufry entered into an agreement with its bank consortium to waive the existing financial covenants of 4.5x net debt/adjusted operating cash flow (LTM/constant FX) until end of June 2021 and assign a higher leverage covenant of 5x net debt/adjusted operating cash flow (LTM/constant FX) for the September and December 2021 testing periods.

Dufry also recommended to shareholders to cancel the 2020 dividend payment to reduce short-term cash outflows in this unprecedented situation; the Annual General Meeting granted the motion in May 2020.

[1] For a glossary of financial terms and key performance indicators please see page 239 of this Annual Report.

1,906

CHF 1,905.7 million liquidity as of end December 2020.

During Q2 2020, the COVID-19 pandemic had spread globally and it became clear that short-term disruptions were ongoing, while mid-term impacts were unpredictable. Based on preparations for a Group-wide efficiency program initiated in 2019 and with implementation planned from 2020 onwards, we decided to accelerate the reorganization of the company to adapt it to the new business environment. Our cash consumption, defined as EFCF, during the first half 2020 was mainly attributable to concession fee payments, inventory build and tax, whereas during the rest of the year, cash consumption, was significantly reduced to a monthly average of CHF 45.7 million in the second half of 2020. For the full year 2020 we achieved savings of CHF 1,312.1 million consisting of MAG reliefs of CHF 551.4 million, personnel and other expense savings of CHF 527.3 million and CHF 233.4 million respectively, significantly overachieving the previously communicated target of around CHF 1 billion.

Significant structural cost savings.

We expect to generate structural savings of around CHF 400 million, with around CHF 280 million from personnel costs and around CHF 120 million from other expense savings, not including some inflation in the mid-/longer-term.

As part of our reorganization to further simplify our corporate structure, we acquired all remaining equity interest in Hudson for approximately CHF 280 million, and delisted the company from the New York Stock Exchange.

Dufry's shareholders approved the financing of the transaction through a capital increase by way of a rights offering at Dufry's Extraordinary General Meeting (EGM) in October, and the transaction was closed in December 2020. The North-American business was already fully consolidated by Dufry before the transaction and delisting; the reintegration contributes materially to the anticipated cost savings.

Sufficient liquidity to navigate crisis.

As part of the capital increase in October, Dufry had secured participation commitments from two new important shareholders Advent International and Alibaba Group. Immediately following the closing of the offering, Advent International owned a stake of 11.4% in Dufry and Alibaba Group of 6.1%. Dufry entered into an additional agreement, under which Alibaba Group invested CHF 69.5 million in Dufry via mandatory convertible notes, generating total gross proceeds of CHF 890 million through the capital increase. The liquidity position of Dufry at the end of December 2020 amounted to CHF 1,905.7 million, giving us enough stability to navigate the crisis and financial flexibility to act on selected growth opportunities during and beyond the recovery.

Financial performance impacted.

Turnover
In 2020, turnover reached -69.8% versus 2019 in constant currency, mainly impacted by the pandemic-related travel restrictions. Organic growth for the year stood at -69.8% with like-for-like at -67.2% due to reduced passenger traffic across most airports and other travel-related channels globally. Net new concessions represented -2.6%. The translational FX effect in the period was -1.3% mainly as a result of the USD weakness.

Despite the shift in travel behavior due to restrictive measures – more domestic and intra-regional travel, strongest decline in international and business – the category mix remained nearly unchanged compared to FY 2019 with highest demand for perfumes & cosmetics, followed by food & confectionary. Duty-paid gained in demand driven by domestic and intra-regional travel, with no significant channel shift despite travel restrictions.

Turnover in **Europe, Middle East and Africa** was CHF 1,144.5 million in 2020 from CHF 4,434.2 million one year ago. Organic growth in the division reached -73.2%.

Performance improved in July and August across Europe, especially in Southern Europe with the peak of the summer holidays and supported by the lifting of travel restrictions. From end-August onwards, some countries such as Spain, France, and the UK saw increased COVID-19 cases, resulting in renewed travel limitations put in place more broadly from end of September onwards. The Mediterranean region, but also Eastern Europe, Russia, the Middle East and Africa performed above average for the region, driven by less restrictions and available travel corridors, e.g. between Russia and Turkey.

Asia-Pacific's turnover reached CHF 160.0 million in 2020 from CHF 691.6 million in 2019 and organic growth for the year stood at –75.4 %, as Dufry's footprint in the region is geared towards international travel, which is still highly impacted. The APAC region was the first impacted and closing borders for inbound and outbound travel as the pandemic appeared in the region. The majority of the shops in Dufry's Asia-Pacific locations were closed, including Australia, Hong Kong, Indonesia, Malaysia, South Korea, as conditions were not beneficial for international travel.

Central and South America's turnover stood at CHF 497.3 million in 2020 versus CHF 1,536.1 million in 2019, with organic growth in the region reaching –65.8% in the year.

Central America and Caribbean, including Mexico, Dominican Republic and the Caribbean Islands, were performing more robustly compared to all other regions, driven by intra-regional travel from the US and South America as well as international travel as more flexible travel conditions met continued demand. The cruise business located in the region, was heavily impacted. South America saw demand pick-up in the fourth quarter amid border shop openings and increase of domestic and intra-regional travel, with re-openings in Argentina, Brazil, Peru, among others.

Turnover in **North America** amounted to CHF 644.4 million compared to CHF 1,935.8 million in 2019 and organic growth came in at -65.3 % in the year. The region, especially the US, performed above group average due to the higher exposure to domestic travel. Intra-regional travel from the US to Central America was also supportive. Our operations in Canada remained negatively impacted due to a higher exposure to international flights and ongoing restrictive measures. The performance was driven by Hudson convenience stores, food and beverage and other duty-paid offerings.

FINANCIAL RESULTS

Gross profit

Gross Profit reached CHF 1,377.3 million in 2020 compared to CHF 5,323.2 million in the previous year, reaching a Gross Profit margin of 53.8%. Our Margin was affected by the turnover mix from the retail versus the wholesale business, short-term inventory management through wholesale and promotions, and a higher duties and freight ratio. One-time inventory write-offs related to the heavily impacted cruise business and liquidation programs performed during 2020 accounted for 350 base points. Purchasing prices have not been affected by the pandemic and we expect a normalization of our Gross Profit margin throughout 2021 and 2022.

Adjusted Operating Profit (Adjusted EBIT)

Adjusted Operating Profit (adjusted EBIT) was at CHF –1,561.6 million in 2020 versus CHF 767.7 million the same period of 2019.

Lease expenses reflected an income of CHF 8.0 million in 2020 compared to CHF –1,372.9 million in 2019. Expenses decreased due to lower level of sales and COVID-19 related reliefs of minimal guaranteed amounts (MAG) negotiated with airport authorities and landlords. MAG reliefs refer to waiving of fixed rent components and implementing variable concession schemes instead, or to adjusting fixed MAGs to lower passenger numbers as well as reduced flights and operating hours. Up to December 31, 2020 we were able to close several lease obligation agreements releasing about CHF 551.4 million of MAGs, thereof CHF 380.3 million recognized in the 2020 P&L statement as MAG reliefs, with the remainder subject to different IFRS-16 accounting treatments and recognition over time. In our pursuit of the best result for Dufry, many concession negotiations included changes in terms not covered by the IFRS 16 expedient, thus resulting in a lease modification, i.e. reduced right-of-use assets and lease obligations generating lower depreciations in future periods rather than the recognition of the MAG relief in 2020.

Personnel expenses amounted to CHF -716.0 million in 2020, from CHF -1,243.3 million one year earlier, thus representing a decrease of -42.4% compared to 2019. Savings were driven by our efficiency program, which included reducing costs at all levels, making use of government support schemes whenever possible, as well as the implementation of voluntary salary reduction schemes. Personnel expenses include CHF 73.3 million for restructuring accrued in 2020.

Other expenses net reached CHF –328.2 million in 2020 versus CHF –561.6 million in the same period last year. The decrease of –41.6% compared to 2019 reflects our initiatives to reduce as much as possible all operating expenses and other cost items, as well as the effect of implementing the centralized OPEX management as part of the our Group re-organization.

Total savings 2020 amounted to CHF 1.3 billion.

Depreciation, amortization and impairment amounted to CHF -2,841.9 million in 2020 versus CHF –1,777.0 million last year. The increase is related to the recognition of impairments of CHF –1,193.2 million in 2020 as a consequence of the pandemic, whereof CHF –443.1 million are impairments on right-of-use assets and CHF –712.8 million refer to impairments on acquisition-related intangible assets. Nearly all our shops worldwide were required to close to help curb the spread of COVID-19 or have been subject to very low passenger traffic, all these affecting severally the actual turnover, as well as projections. An overall amount of CHF 1,024.8 million of impairments is related to depreciable and amortizable asset, and represent a timing shift in this regard. Only CHF 131.1 million are related to goodwill impairments, which were already disclosed with half-year 2020. As we have grown heavily in the past through acquisitions, future cash flow inherent to the corresponding concessions are capitalized on our balance sheet based on the purchase acquisition accounting. In a unprecedented year like this, these cash flows have not crystalized, leading almost mechanically to impairments.

Net Profit

Net Profit to Equity Holders reached CHF -2,513.7 million in 2020 versus CHF -26.5 million in the same period last year. Financial results (excluding Lease Interest and FX) amounted to CHF –191.8 million versus CHF –127.6 million in the previous period, due to one-off expenses related to financing measures, as well as lower interest income.

Income tax reached CHF 130.7 million versus CHF –78.2 million last year, driven by the loss situation of most of operations. Minorities were CHF –226.8 million for 2020 versus CHF 56.6 million last year.

Adjusted Net Profit reached CHF –1,658.4 million in 2020 versus CHF 349.3 million last year. The respective adjusted Earnings per Share (EPS) based on 58.5 million of weighted average shares outstanding was CHF –28.4 in the period versus CHF 7.00 in the previous year.

Cash flow

Cash flow metrics proved relatively resilient considering the significant drop in sales caused by the pandemic-related shop closures. Adjusted operating cash flow reached CHF –405.9 million in 2020 compared to CHF 960.0 million in 2019. Equity Free Cash Flow stood at CHF –1,027.3 million in 2020 compared to CHF 383.3 million in the previous year.

Net lease payments in full-year 2020 amounted to CHF –401.8 to million versus CHF –1,263.7 million last year. The reduction was driven by reliefs received from landlords.

Changes in working capital reached CHF –313.9 million in 2020, compared to CHF –24.4 million in 2019; changes in core working capital amounted to CHF –155.2 million compared to CHF 22.4 million in 2019. The main drivers for the variation were the decrease in trade payables of CHF –462.4 million with full payments to suppliers in Q4 2020 as well as other accounts payable due to a decrease in accrued concession fee payables of CHF –98.4 million. Inventories decreased by CHF –296.3 million due to inventory restructuring and efficiencies in liquidations. We expect a working capital inflow in 2021, with a full reversal with sales normalization.

Capex was significantly reduced from CHF –245.3 million in 2019 to CHF –106.0 million in 2020, as we put Capex investments on hold as much as possible since March 2020 and by adapting our overall Capex deployment approach. Therefore, Dufry expects no catch-up in Capex in the short- or mid-term.

Net Debt and Liquidity Position

Net Debt amounted to CHF 3,344.2 million at the end of December 2020 compared to CHF 3,102.0 million in December 2019. Our liquidity position stood at CHF 1,905.7 million as of December 31, 2020, including:

- Cash and cash equivalents of CHF 360.3 million
- Available credit lines of CHF 1,441.3 million
- Available uncommitted lines of CHF 104.1 million

Considering all measures taken throughout 2020, we expect to be well positioned for the re-opening and growth acceleration beyond the current crisis. For 2021, we provide again, as for Full-Year 2020, turnover scenarios to the market, which are in line with estimates of leading industry associations. Scenarios and respective sensitivities for concession fees, personnel expenses, other expenses, Capex as well Equity Free Cash Flow are provided in our Full-Year 2020 on Dufry's Investor Relations website.

Managing costs and cash flow in 2021.

We expect a stabilization of the business in 2021 while we engage in opportunities ahead of us: growth opportunities in Asia, through digitalization, further channel diversification, and new or renewed concessions in established channels. Visibility regarding a full recovery to 2019 turnover levels is still limited, with industry associations estimating a full recovery of passenger numbers to a 2019 level between the end of 2022 and 2024. However, based on the efficiencies created through our reorganization, our cost saving targets and tight cash management, we expects a return to 2019 profitability and cash generation levels even before full turnover recovery.

I would like to thank our customers, shareholders, bondholders, banks, analysts and key advisors for their continued trust in Dufry and their support throughout this difficult year, to initiate and execute the right measures to help us emerge stronger and be in the best position to be able to take advantage of the opportunities we see on the way ahead.

Kind regards,

Yves Gerster

CONSOLIDATED CASHFLOW

IN MILLIONS OF CHF	2020	2019
Net cash flow from operating activities	**(345.3)**	**2,107.7**
Lease payments, net	(401.8)	(1,263.7)
Capex	(106.0)	(245.3)
Interest received	23.3	31.2
Free cash flow	**(829.8)**	**629.9**
Interest paid	(168.8)	(181.2)
Cash flow related to minorities	(34.7)	(68.7)
Proceeds from other financial assets	6.0	3.3
Equity free cash flow	**(1,027.3)**	**383.3**
Acquisition of Hudson shares / Business combinations	(275.4)	(48.7)
Financing activities, net	1,020.5	(220.3)
FX adjustments and other	39.9	69.9
Decrease / (Increase) in net debt	**(242.3)**	**184.2**

CONSOLIDATED INCOME STATEMENT

	2020		2019	
	IN MILLIONS OF CHF	IN %	IN MILLIONS OF CHF	IN %
CONTINUING OPERATIONS				
Turnover	**2,561.1**	**100.0%**	**8,848.6**	**100.0%**
Cost of sales	(1,183.8)	46.2%	(3,525.4)	39.8%
Gross profit	**1,377.3**	**53.8%**	**5,323.2**	**60.2%**
Lease expenses	8.0	(0.3%)	(1,372.9)	15.5%
Personnel expenses	(716.0)	28.0%	(1,243.3)	14.1%
Depreciation, amortization and impairment	(2,841.9)	111.0%	(1,777.0)	20.1%
Other expenses and other income, net*	(328.1)	12.8%	(497.2)	5.6%
Operating profit / (loss)	**(2,500.8)**	**(97.6%)**	**432.8**	**4.9%**
Finance income, finance expenses and foreign exchange gain / (loss), net	(370.4)	14.5%	(324.5)	3.7%
Profit / (loss) before taxes	**(2,871.2)**	**(112.1%)**	**108.3**	**1.2%**
Income tax	130.7	(5.1%)	(78.2)	0.9%
Net profit / (loss)	**(2,740.5)**	**(107.0%)**	**30.1**	**0.3%**
ATTRIBUTABLE TO				
Non-controlling interests	(226.8)		56.6	
Equity holders of the parent	(2,513.7)		(26.5)	
EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT				
Basic earnings per share in CHF	(43.01)		(0.53)	
OTHER DUFRY KPI'S				
Adjusted operating profit	(1,561.6)		767.7	
Adjusted net profit	(1,658.4)		349.3	
Adjusted earnings per share in CHF	(28.37)		7.00	

* Includes CHF 64.4 million non-recurring income in 2019


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FINANCIAL STATEMENTS 2020 CONTENT

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

FOR THE YEAR ENDED DECEMBER 31, 2020

IN MILLIONS OF CHF	NOTE	2020	2019
Net sales	7	2,477.6	8,609.8
Advertising income		83.5	238.8
Turnover		**2,561.1**	**8,848.6**
Cost of sales		(1,183.8)	(3,525.4)
Gross profit		**1,377.3**	**5,323.2**
Lease expenses	8	8.0	(1,372.9)
Personnel expenses	9	(716.0)	(1,243.3)
Depreciation, amortization and impairment	10	(2,841.9)	(1,777.0)
Other expenses	11	(361.6)	(618.8)
Other income	12	33.4	121.6
Operating profit / (loss)		**(2,500.8)**	**432.8**
Finance expenses	13	(385.4)	(387.0)
Finance income	13	14.9	71.7
Foreign exchange gain / (loss)	13	0.1	(9.2)
Profit / (loss) before taxes		**(2,871.2)**	**108.3**
Income tax	14	130.7	(78.2)
Net profit / (loss)		**(2,740.5)**	**30.1**
ATTRIBUTABLE TO			
Non-controlling interests		(226.8)	56.6
Equity holders of the parent		(2,513.7)	(26.5)
EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT			
Basic earnings per share in CHF	25.4	(43.01)	(0.53)
Diluted earnings per share in CHF	25.4	(43.01)	(0.53)

CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED DECEMBER 31, 2020

IN MILLIONS OF CHF	NOTE	2020	2019
Net profit / (loss)		**(2,740.5)**	**30.1**
OTHER COMPREHENSIVE INCOME			
Changes in the fair value of equity investments at FVOCI	15	–	0.3
Remeasurements of post-employment benefit plans	15	1.0	(16.0)
Income tax	14, 15	0.6	1.7
Items not being reclassified to net income in subsequent periods, net of tax		**1.6**	**(14.0)**
Exchange differences on translating foreign operations	15	(237.1)	(10.5)
Net gain / (loss) on hedge of net investment in foreign operations		24.2	1.8
Share of other comprehensive income of associates	15, 19	0.2	(0.4)
Items to be reclassified to net income in subsequent periods, net of tax		**(212.7)**	**(9.1)**
Total other comprehensive income, net of tax		**(211.1)**	**(23.1)**
Total comprehensive income, net of tax		**(2,951.6)**	**7.0**
ATTRIBUTABLE TO			
Non-controlling interests		(244.5)	53.4
Equity holders of the parent		(2,707.1)	(46.4)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT DECEMBER 31, 2020

IN MILLIONS OF CHF	NOTE	31.12.2020	31.12.2019
ASSETS			
Property, plant and equipment	16	453.3	627.1
Right-of-use assets	17	4,438.7	4,328.1
Intangible assets	18	2,196.9	3,236.1
Goodwill	18	2,369.3	2,611.3
Investments in associates	19	7.1	31.9
Deferred tax assets	31	145.5	122.1
Net defined benefit assets	33	–	3.4
Other non-current assets	20	257.2	303.1
Non-current assets		**9,868.0**	**11,263.1**
Inventories	21	659.6	1,050.0
Trade and credit card receivables	22	17.1	44.2
Other accounts receivable	23	315.0	422.0
Income tax assets		35.0	26.1
Cash and cash equivalents		360.3	553.5
Current assets		**1,387.0**	**2,095.8**
Total assets		**11,255.0**	**13,358.9**
LIABILITIES AND SHAREHOLDERS' EQUITY			
Equity attributable to equity holders of the parent	24	839.3	2,645.3
Non-controlling interests	24, 26	78.7	462.7
Total equity		**918.0**	**3,108.0**
Borrowings	27	3,650.6	3,602.2
Lease obligations	28	4,022.9	3,319.0
Deferred tax liabilities	31	321.9	396.8
Provisions	32	42.5	41.1
Employee benefit obligations	33	32.6	47.4
Other non-current liabilities	30	43.5	88.3
Non-current liabilities		**8,114.0**	**7,494.8**
Trade payables		154.9	645.6
Borrowings	27	53.9	53.2
Lease obligations	28	1,397.5	1,085.7
Income tax payables		34.2	87.9
Provisions	32	49.5	56.6
Other liabilities	30	533.0	827.1
Current liabilities		**2,223.0**	**2,756.1**
Total liabilities		**10,337.0**	**10,250.9**
Total liabilities and shareholders' equity		**11,255.0**	**13,358.9**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED DECEMBER 31, 2020

		ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT									
IN MILLIONS OF CHF	NOTE	Share capital	Share premium	Treasury shares	Capital reserve for convertible notes	Employee benefit reserve	Translation reserves	Retained earnings	TOTAL	NON-CONTROLLING INTERESTS	TOTAL EQUITY
Balance at January 1, 2020		**252.8**	**3,475.5**	**(92.5)**	**–**	**(32.5)**	**(329.9)**	**(628.1)**	**2,645.3**	**462.7**	**3,108.0**
Net Profit / (loss) of the period		–	–	–	–	–	–	(2,513.7)	(2,513.7)	(226.8)	(2,740.5)
Other comprehensive income / (loss)	15	–	–	–	–	1.6	(195.0)	–	(193.4)	(17.7)	(211.1)
Total comprehensive income / (loss) for the period		**–**	**–**	**–**	**–**	**1.6**	**(195.0)**	**(2,513.7)**	**(2,707.1)**	**(244.5)**	**(2,951.6)**
TRANSACTIONS WITH OR DISTRIBUTIONS TO SHAREHOLDERS											
Dividends to non-controlling interests		–	–	–	–	–	–	–	–	(33.5)	(33.5)
Issuance of shares	24	148.5	809.4	–	–	–	–	–	957.9	–	957.9
Related transaction costs	24	–	(35.0)	–	–	–	–	–	(35.0)	–	(35.0)
Issuance of mandatory convertible notes	24.3	–	–	–	69.5	–	–	–	69.5	–	69.5
Related transaction costs	24.3	–	–	–	(1.1)	–	–	–	(1.1)	–	(1.1)
Sale of treasury shares	25.3	–	–	68.8	–	–	–	–	68.8	–	68.8
Share-based payments		–	–	22.4		–	–	(27.3)	(4.9)	(1.7)	(6.6)
Loss on sale of treasury shares		–	–	–	–	–	–	(55.1)	(55.1)	–	(55.1)
Equity component of convertible bond		–	–	–	–	–	–	28.9	28.9	–	28.9
Tax effect on equity transactions	14	–	–	–	–	–	–	(0.2)	(0.2)	(0.1)	(0.3)
Total transactions with or distributions to owners		**148.5**	**774.4**	**91.2**	**68.4**	**–**	**–**	**(53.7)**	**1,028.8**	**(35.3)**	**993.5**
CHANGES IN OWNERSHIP INTERESTS IN SUBSIDIARIES											
Put-option held by non-controlling interests		–	–	–	–	–	–	8.0	8.0	24.3	32.3
Other changes in participation of non-controlling interests		–	–	–	–	–	–	(135.7)	(135.7)	(128.5)	(264.2)
Total changes in ownerships interests in subsidiaries	**26**	**–**	**–**	**–**	**–**	**–**	**–**	**(127.7)**	**(127.7)**	**(104.2)**	**(231.9)**
Balance at December 31, 2020		**401.3**	**4,249.9**	**(1.3)**	**68.4**	**(30.9)**	**(524.9)**	**(3,323.2)**	**839.3**	**78.7**	**918.0**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED DECEMBER 31, 2020

		ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT									
IN MILLIONS OF CHF	NOTE	Share capital	Share premium	Treasury shares	Employee benefit reserve	Hedging & revaluation reserves	Translation reserves	Retained earnings	TOTAL	NON-CONTROLLING INTERESTS	TOTAL EQUITY
Balance at January 1, 2019		**269.4**	**4,060.6**	**(520.8)**	**(18.1)**	**(0.3)**	**(324.1)**	**(567.9)**	**2,898.8**	**442.9**	**3,341.7**
Net Profit / (loss) of the period		–	–	–	–	–	–	(26.5)	(26.5)	56.6	30.1
Other comprehensive income / (loss)	15	–	–	–	(14.4)	0.3	(5.8)	–	(19.9)	(3.2)	(23.1)
Total comprehensive income / (loss) for the period		**–**	**–**	**–**	**(14.4)**	**0.3**	**(5.8)**	**(26.5)**	**(46.4)**	**53.4**	**7.0**
TRANSACTIONS WITH OR DISTRIBUTIONS TO SHAREHOLDERS											
Dividends to shareholders	24.1	–	(199.8)	–	–	–	–	–	(199.8)	–	(199.8)
Dividends to non-controlling interests		–	–	–	–	–	–	–	–	(73.8)	(73.8)
Share capital reduction	24	(16.6)	(385.3)	401.9	–	–	–	–	–	–	–
Assignment of treasury shares		–	–	26.4	–	–	–	(27.8)	(1.4)	(2.0)	(3.4)
Share-based payments		–	–	–	–	–	–	13.3	13.3	0.4	13.7
Income tax on equity transactions	14	–	–	–	–	–	–	1.6	1.6	1.2	2.8
Total transactions with or distributions to owners		**(16.6)**	**(585.1)**	**428.3**	**–**	**–**	**–**	**(12.9)**	**(186.3)**	**(74.2)**	**(260.5)**
CHANGES IN OWNERSHIP INTERESTS IN SUBSIDIARIES											
Put option held by non-controlling interests	26	–	–	–	–	–	–	–	–	(55.7)	(55.7)
Other changes in participation of non-controlling interests	26	–	–	–	–	–	–	(20.8)	(20.8)	96.3	75.5
Changes in participation of non-controlling interests	**26**	**–**	**–**	**–**	**–**	**–**	**–**	**(20.8)**	**(20.8)**	**40.6**	**19.8**
Balance at December 31, 2019		**252.8**	**3,475.5**	**(92.5)**	**(32.5)**	**–**	**(329.9)**	**(628.1)**	**2,645.3**	**462.7**	**3,108.0**

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2020

IN MILLIONS OF CHF	NOTE	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit / (loss) before taxes		(2,871.2)	108.3
ADJUSTMENTS FOR:			
Depreciation, amortization and impairment	10	2,841.9	1,777.0
Increase / (decrease) in allowances and provisions		32.2	0.6
Early termination of lease contracts		1.2	–
Other non-cash items		(3.6)	9.7
Relief of lease obligations		(380.3)	–
Loss / (gain) on sale of non-current assets		5.2	3.0
Loss / (gain) on foreign exchange differences		–	9.6
Finance expense	13	385.4	387.0
Finance income	13	(14.9)	(71.7)
Cash flow before working capital changes		**(4.1)**	**2,223.5**
Decrease / (increase) in trade and other accounts receivable		75.8	(98.4)
Decrease / (increase) in inventories		296.3	2.8
Increase / (decrease) in trade and other accounts payable		(686.0)	71.2
Dividends received from associates	19	–	5.6
Cash generated from operations		**(318.0)**	**2,204.7**
Income tax paid [1]		(27.3)	(97.0)
Net cash flows from operating activities		**(345.3)**	**2,107.7**
CASH FLOW USED IN INVESTING ACTIVITIES			
Purchase of property, plant and equipment	16	(101.1)	(199.3)
Purchase of intangible assets	18	(17.9)	(54.1)
Purchase of financial assets		(0.4)	(0.1)
Purchase of interest in associates	19	(0.4)	(2.5)
Proceeds from lease income		3.9	5.9
Payment of loans receivable granted		1.4	–
Proceeds from loans receivable repaid		0.1	3.2
Proceeds from sale of property, plant and equipment		12.5	8.7
Proceeds from sale of financial assets		4.9	0.2
Other investing activities		(1.1)	(0.6)
Interest received		23.2	31.2
Business combinations, net of cash		–	(48.1)
Net cash flows used in investing activities		**(74.9)**	**(255.5)**

[1] In 2019, Income tax paid includes a refund of CHF 17.7 (EUR 15.1) million from Spanish tax authorities.

CONSOLIDATED STATEMENT OF CASH FLOWS

(CONTINUED)

FOR THE YEAR ENDED DECEMBER 31, 2020

IN MILLIONS OF CHF	NOTE	2020	2019
CASH FLOW FROM FINANCING ACTIVITIES			
Transaction costs for financial instruments [2]	29	(13.4)	(2.5)
Transaction costs for equity instruments		(36.1)	–
Repayment of 3rd party loans payable		(1.0)	–
Proceeds from convertible bonds	30	350.0	823.3
Proceeds from bank debt	29	557.2	90.7
Repayment of bank debt	29	(756.5)	(976.7)
Issuance of shares		957.9	–
Dividends paid to shareholders of the parent	24	–	(199.8)
Dividends paid to non-controlling interests	26.1	(33.3)	(70.5)
Proceeds from mandatory convertible notes	24	69.5	–
Proceeds from sale of treasury shares	25.3	13.7	–
Acquisition of non-controlling interests in Hudson Ltd		(275.4)	–
Contributions (paid to) / from non-controlling interests		(1.0)	4.3
Lease payments		(405.7)	(1,269.5)
Interest paid [3]		(168.8)	(199.3)
Net cash flows used in financing activities		**257.0**	**(1,800.0)**
Currency translation on cash	29	(30.0)	(36.9)
Decrease / Increase in cash and cash equivalents		**(193.2)**	**15.3**
CASH AND CASH EQUIVALENTS AT THE			
– beginning of the period		553.5	538.2
– end of the period		360.3	553.5

[2] Transaction costs for financial instruments includes fees paid for the issuance of financing instruments (2020: Convertible bonds; 2019: Senior Notes).

[3] In 2019, Interest paid includes CHF 18.0 million call premium and other fees paid for the cancellation and amendment of financing arrangements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2020

1. CORPORATE INFORMATION

Dufry AG (the "Company") is a publicly listed company with headquarters in Basel, Switzerland. The Company is the world's leading global travel retail company. It operates over 2.300 shops worldwide. The shares of the Company are listed on the Swiss Stock Exchange (SIX) in Zurich.

The consolidated financial statements of Dufry AG and its subsidiaries (Dufry or the "Group") for the year ended December 31, 2020 and the respective comparative information were authorized for public disclosure in accordance with a resolution of the Board of Directors of the Company dated March 4, 2021, and are subject to the approval of the Annual General meeting to be held on May 18, 2021.

2. ACCOUNTING POLICIES

2.1 BASIS OF PREPARATION

The consolidated financial statements of Dufry AG and its subsidiaries have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

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

2.2 THE ENTITY'S ABILITY TO CONTINUE AS A GOING CONCERN – COVID-19

On March 11, 2020, the World Health Organization declared COVID-19 a pandemic. Governmental organizations have taken various actions to combat the spread of COVID-19, including imposing stay-at-home orders and closing "non-essential" businesses and their operations for certain periods of time.

The Group mainly operates travel retail businesses, which are significantly adversely impacted by COVID-19-related concerns, event cancellations, and business and government-imposed restrictions. These concerns and restrictions have led to a significant decrease in passenger travel and resulted in sharply reduced customer traffic and sales across our businesses. Consequently, the Group's revenues declined during 2020 compared with the same period in 2019 by approximately 71%.

In response to the COVID-19 pandemic, the Group most recently has taken the following measures:

- the Group is renegotiating almost all of its concession agreements to better align payment commitments to the current business environment and in particular to reduce fixed payments;
- as of September 2020, the Group has implemented a re-organization and restructuring program to adapt its organization to the new business environment and to accelerate growth and support profitability during the recovery phase of the economic and public health crisis resulting from COVID-19;
- in October 2020 and in connection with the Group's plan to acquire the remaining equity interest in Hudson Ltd. for USD 311 million and to delist Hudson Ltd. from the New York Stock Exchange, Dufry AG has conducted an equity increase through the issuance of 24,696,516 fully paid-in registered shares in the amount of CHF 820.3 million;
- on November 18, 2020, Dufry placed CHF 69.5 million in bonds due 2023, mandatory convertible into shares of the Company;
- in December 2020, Dufry successfully closed the merger with its subsidiary Hudson Ltd ("Hudson") which will improve the cost structure of the company going forward;
- the Group did not pay a dividend for the 2019 financial year and Dufry currently does not plan to propose to pay a dividend for the 2020 financial year.

In addition, in May 2020, we have entered into an amendment of certain borrowing instruments which, among other things, waived compliance with certain financial covenants until June 30, 2021 and which prevented a covenant breach that would have otherwise occurred as a result of the deterioration in adjusted operating cash flows due to COVID-19. Currently, financial covenants included in our borrowing instruments require the Group to comply with:

(i) a maximum ratio of total drawn debt to adjusted operating cash flow of 5.0:1.0 for the test periods ending September 30, 2021 and December 31, 2021 (and a maximum ratio of 4.5:1.0 for the test periods ending March 31, 2022 and thereafter),

(ii) a minimum ratio of adjusted operating cash flow to total interest expense (excluding lease interest) of 3.0:1.0 for the test periods ending September 30, 2021 and thereafter, and

(iii) a minimum liquidity available of CHF 300 million on a monthly basis until and including June 30, 2021.

Dufry cannot predict extent or duration of the on-going COVID-19 pandemic and its impact on the Group and its financial position, results of operations and cash flows. This includes that the Group, as a result of the deterioration in adjusted operating cash flows, may breach financial covenants included in the Group's borrowing instruments after the covenant waiver period and our borrowings might become due on demand. There can be no assurance that we would be able to successfully negotiate further covenant waivers with our lenders in such an event. It may also be necessary to raise additional capital from investors or financing from lenders.

As a result of these matters caused by the COVID-19 pandemic, there is a material uncertainty that may cast significant doubt upon the Group's ability to continue as a going concern and therefore, whether the Group will be able to realize its assets and settle its liabilities in the ordinary course of business at the amounts recorded in the consolidated financial statements.

We are closely monitoring developments related to the ongoing pandemic and have taken and continue to take steps intended to mitigate the potential risks to us. Although it is not certain that these efforts will be successful, management believes that the actions that it has taken to date are sufficient to currently mitigate the material uncertainty and has therefore prepared the consolidated financial statements on a going concern basis.

2.3 BASIS OF CONSOLIDATION

The consolidated financial statements of Dufry comprise all entities directly or indirectly controlled by Dufry (its subsidiaries) as at December 31, 2020 and December 31, 2019 respectively for the comparative information.

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Goodwill and Business combinations

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

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

Dufry measures goodwill at the acquisition date as:
The fair value of the consideration transferred;

- plus the recognized amount of any non-controlling interests in the acquiree;
- plus, if the business combination is achieved in stages, the fair value of the pre-existing equity interest in the acquiree;
- less the net recognized amount of the identifiable assets acquired and liabilities assumed.

When the excess is negative, a bargain purchase gain is recognized immediately in the statement of profit or loss.

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

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

b) Foreign currency translation

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

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

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

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

Principal foreign exchange rates applied for valuation and translation:

	AVERAGE RATE		CLOSING RATE	
IN CHF	2020	2019	31.12.2020	31.12.2019
1 USD	0.9385	0.9935	0.8851	0.9678
1 EUR	1.0703	1.1124	1.0814	1.0853
1 GBP	1.2041	1.2691	1.2106	1.2844

c) Net sales

Turnover is comprised of net sales and advertising income and is recognized from contracts with customers. The Group recognizes revenue from retail sales and the related cost of goods sold at the point in time, when it sells and hands over directly at the stores to the traveler consumables or fashion products manufactured by third parties. These transactions have to be settled by cash or credit card on delivery. Net sales are measured at fair value of the consideration received for the goods sold, excluding discounts or sales taxes.

d) Advertising income

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

e) Cost of sales

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

f) Lease expenses

Dufry adopted the new temporary amendment to IFRS 16 for the full year 2020 (note 2.5). Basically the amendment allows to consider that renegotiations related to COVID-19 are not modifications, and can be recognized directly as lease expense.

g) Equity instruments

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

h) Share capital

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

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

i) Pension and other post-employment benefit obligations

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

l) Property, plant and equipment

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

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

m) Right-of-use assets

The Group recognizes right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any re-measurement of lease obligations. The cost of right-of-use assets includes the amount of lease obligations recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognized right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life or the lease term. Right-of-use assets are subject to impairment. The contractual term of our assets is up to 40 years.

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

Initial direct costs for contracts signed in the past were not recognized as part of the right-of-use asset at the date of initial adoption.

Short-term leases with a duration of less than 12 months and low value leases, as well as those lease elements, not complying with the principles of recognition defined by IFRS 16 are recognized in Profit or Loss when incurred.
The standard affects the accounting of:

a) Shops
Dufry enters into lease agreements with operators of airports, seaports, railway stations etc. to operate retail shops which in substance are considered leases. These lease agreements contain complex features, which include variable payment based on sales, which cannot be lower than a minimal threshold (MAG). The MAG can be fixed or variable depending on certain parameters. The MAG amounts may: a) be fixed by the lease agreement or b) be calculated based on a percentage of fees paid in the previous year, or c) adjusted based on an index. In these cases, the unavoidable portions of the fees are considered as in substance fixed payments, despite having a variable component. Management signs and renews on average more than 50 agreements every year with a typical duration of 5 to 10 years.

These agreements do not contain a residual value guarantee. In some cases, the current parts of the lease obligations are secured with bank guarantees in case the Group would not fulfill its contractual commitments. Dufry has capitalized all elements of the lease contracts in accordance with IFRS 16 when at the commencement of the agreement such commitments are in substance fixed. Payment obligations that do not have a fixed or in substance fixed commitment, will continue to be presented as variable lease expense. Dufry has identified a number of agreements in its portfolio which are not fulfilling the principles of recognition defined by IFRS 16, i. e. they have minimal guaranteed payments based on non-predictable parameters or variables, such as actual number of passengers, which will continue to be presented as variable lease expense.

b) Other buildings
Lease agreements for offices or warehouse buildings will usually qualify for capitalization under IFRS 16.

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

n) Short-term leases and leases of low-value assets
The Group applies the short-term lease recognition exemption to its short-term leases (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered of low value (i.e., below CHF 5,000, division North America below USD 25.000). Lease payments on short-term leases and leases of low-value assets are recognized as expense on a straight-line basis over the lease term.

o) Intangible assets
These assets mainly comprise of concession rights and brands. Usually these assets are capitalized at cost, but when identified as part of a business combination, these assets are capitalized at fair value as at the date of acquisition. The useful lives of these intangible assets are assessed to be either finite or indefinite. Following initial recognition, the cost model is applied to intangible assets. Intangible assets with finite lives are amortized over the useful economic life. Intangible assets with an indefinite useful life are reviewed annually to determine whether the indefinite life assessment continues to be supportable. If not, any changes are made on a prospective basis. The brand assets have indefinite useful life, whereas the concession rights have a useful life based on the lease term, which can be up to 40 years.

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

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

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

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

Dufry determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, Dufry calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognizes the amount within the finance expense in the statement of profit or loss.

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

Dilution gains and losses arising in investments in associates are recognized in the statement of profit or loss.

s) Inventories
Inventories are valued at the lower of historical cost or net realizable value.

The historical costs are determined according to the weighted average cost method. Historical cost includes all expenses incurred in bringing the inventories to their present location and condition. Beside the purchase price of the goods less the discounts or rebates obtained, the historical cost includes import duties and transport cost. Dufry purchases most of the inventory centrally and provides the subsidiaries the goods in their reporting currency, i.e. free of currency risk for them.

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 for slow-moving and obsolete stock. Expired items are fully written off.

t) Trade and credit card receivables
These accounts include receivables related to the sale of merchandise.

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

v) Lease obligations
At the commencement date of the lease, the Group recognizes lease obligations measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognized as expense in the period on which the event or condition that triggers the payment occurs. Amounts resulting from a remeasurement of the lease obligation due to an index or a rate are recognized against right-of-use assets.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease obligations is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease obligations is re-measured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

Dufry uses a discount rate which is the aggregation of the risk free rate for the respective currency and lease duration, increased by individual company risk factors.

The lease obligation represents the net present value of fixed or in substance fixed lease payments over the lease term. The implied interest charge is presented as interest expenses on lease obligation. Where a lease agreement does not specify a discount rate and as the subsidiaries are financed internally, Dufry uses a discount rate which is the aggregation of the risk free rate for the respective currency and lease duration, increased by individual company risk factors.

Usually our lease contract do not specify interest, so that the accrued interest are considered a part of the minimal in substance fix commitments, which are presented in the cash flow from financing. In case the lease payments are higher due to variable fee clauses, these amounts are presented as cash outflow from operations.

w) Provisions

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

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

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

Contingent liabilities acquired in a business combination

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

Onerous contracts

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

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

Lawsuits and duties
A lawsuits and duties provision is recognized to cover uncertainties dependent on the outcome of ongoing lawsuits in relation with taxes or "contractual commitments", other than income taxes and duties.

x) Investments and other financial assets
(i) Classification
The Group classifies its financial assets in the following measurement categories:
- Those to be measured subsequently at fair value (either through OCI or through profit or loss), and
- those to be measured at amortized cost.

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

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

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

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

Debt instruments
Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group classifies its debt instruments:
- Amortized cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortized cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognized directly in profit or loss. Impairment losses are presented in the other operational result.

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

Equity instruments

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

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

(iv) Impairment of financial assets

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

y) Trade, other accounts receivable and cash and cash equivalents

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

z) Financial liabilities

i) Financial liabilities at FVPL

These are stated at fair value, with any gains or losses arising on re-measurement recognized in the statement of profit or loss. The net gain or loss recognized in the consolidated statement of profit or loss incorporates any interest paid on the financial liability and is included in the finance income or finance expenses in the statement of profit or loss. Fair value is determined in the manner described in note 35.

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

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

iv) Offsetting of financial instruments
Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, to realize the assets and settle the liabilities simultaneously (see note 29.1).

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

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

At inception of the hedge relationship, the Group documents the economic relationship between hedging instruments and hedged items including whether changes in the cash flows of the hedging instruments are expected to offset changes in the cash flows of hedged items. The Group documents its risk management objective and strategy for undertaking its hedge transactions. The fair values of derivative financial instruments designated in hedge relationships are disclosed in note 34.

Movements in the hedging reserve in shareholders' equity are shown in note 24.5. The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining maturity of the hedged item is more than 12 months; it is classified as a current asset or liability when the remaining maturity of the hedged item is less than 12 months. Trading derivatives are classified as a current asset or liability.

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

When option contracts are used to hedge forecast transactions, the Group designates only the intrinsic value of the options as the hedging instrument.

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

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

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

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

Net investment hedges

Hedges of net investments in foreign operations are accounted for similarly to cash flow hedges. Any gain or loss on the hedging instrument relating to the effective portion of the hedge is recognised in other comprehensive income and accumulated in reserves in equity. The gain or loss relating to the ineffective portion is recognised immediately in the statement of profit or loss within other finance income or finance expense. Gains and losses accumulated in equity are reclassified to profit or loss when the foreign operation is partially disposed of or sold. See notes 27.1 and 27.2 for further details.

Derivatives that do not qualify for hedge accounting

Certain derivative instruments do not qualify for hedge accounting. Changes in the fair value of any derivative instrument that does not qualify for hedge accounting are recognized immediately in the statement of profit or loss and are included in other finance income or finance expense.

Further details of derivative financial instruments are disclosed in note 35.

2.5 CHANGES IN ACCOUNTING POLICY AND DISCLOSURES

New and amended standards and interpretations
The accounting policies adopted are consistent with those of the previous financial year, except for the following new or revised Standards and Interpretations adopted in these consolidated financial statements (effective January 1, 2020).

New and amended standards adopted by the Group
A number of new or amended standards became applicable for the current reporting period:

- Definition of Material – amendments to IAS 1 and IAS 8
- Definition of a Business – amendments to IFRS 3
- Revised Conceptual Framework for Financial Reporting
- Interest Rate Benchmark Reform – amendments to IFRS 9, IAS 39 and IFRS 7
- COVID-19 Related Rent Concessions – amendment to IFRS 16

The Group did not have to change its accounting policies or make retrospective adjustments as a result of adopting these standards, except for the COVID-19 related rent concessions:

COVID-19 related rent concessions – Amendment to IFRS 16
On May 28, 2020, the IAS-Board issued an amendment to IFRS 16 providing lessees with an exemption from assessing whether a COVID-19 related relief of lease obligations is a lease modification, requiring lessees that apply the exemption to account for COVID-19 related rent concessions as if they were not lease modifications. Dufry adopted this amendment, applying it for the full year 2020. The exemption applies only to rent concessions occurring as a direct consequence of the COVID-19 pandemic and subject to certain conditions. Dufry recognized in 2020 a net relief of lease obligations of CHF 380.3 million presented as lease (expenses)/income (see note 8).

Other amendments and interpretations
These apply for the first time in 2020, but do not have an impact on consolidated financial statements of the Group.

3. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

KEY SOURCES OF ESTIMATION UNCERTAINTY

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

Impairment tests
Dufry annually tests goodwill and intangible assets with indefinite useful lives and assesses other non-financial assets for impairment indications. Where required, the company performs impairment tests which are based on the discounted value models of future cash flows. The underlying calculation requires the use of estimates. The estimates and assumptions used are disclosed in note 18.1.1 and 18.1.3.

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

Income taxes
Dufry is active in numerous jurisdictions which makes it subject to local income tax. Significant judgment is required in determining the taxability of certain transactions based on the local tax regulations. In case of uncertainties for some transactions in relation with the correct tax treatment, Dufry recognizes a tax expense and a liability for the amounts required to settle the estimated tax obligations. Where the final tax outcome is different from the carrying amounts, such difference will impact the net profit in the period in which the obligations become certain. Further details are given in notes 14 and 31.

Deferred tax assets
Deferred tax assets are recognized for unused tax losses and deductible temporary differences to the extent that it is probable that taxable profit will be available against which the credits can be utilized. Management judgment is required to determine the amount of future taxable profits that can be generated in each jurisdiction, and the limitations in use of the respective tax credits to calculate the amount of deferred tax assets that can be recognized, based upon the likely timing and level of future taxable profits. Further details are given in note 31.

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

Share-based payments
Dufry measures the cost of equity settled transactions with employees by reference to the fair value of the equity instruments at the grant date. Estimating such fair values depends on the terms and conditions of the grant, as well as, the most appropriate inputs to the valuation model including the expected probability that the triggering clauses will be met. The result will be the expected quantity of shares to be assigned. The assumptions and models used are disclosed in note 25.

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

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

Consolidation of entities where Dufry has control, but holds minority voting rights
Dufry considers controlling certain entities indirectly, even when it holds less than the majority of the voting rights, when it is exposed to or has the rights to variable returns from the involvements with the investee and has the ability to affect those returns through its power over the entity. These indicators are evaluated at the time of first consolidation and reviewed when there are changes in the statutes or composition of the executive board of these entities. Further details on non-controlling interests are disclosed in notes 26 and the list “Material indirect subsidiaries” in the financial statements of Dufry AG.

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

Certain new accounting standards and interpretations were issued that are not effective for 2020. Dufry will adopt these when they become mandatory. From the current point of view they are not expected to have a material impact in future reporting periods.

5. SEGMENT INFORMATION

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

The Group implemented a new company organization which became effective on September 1, 2020. The comparative figures have been presented accordingly to reflect these changes.

The list of most important subsidiaries indicates the entities consolidated in each segment in the financial statements of Dufry AG.

The Group is presenting as alternative performance indicator an Adjusted Operating Profit to its chief operating decision maker. This indicator is calculated from operating profit before amortizations and impairments of intangible assets or goodwill related to acquisitions.

	TURNOVER				
2020 IN MILLIONS OF CHF	**with external customers**	**with other divisions**	**TOTAL**	**ADJUSTED OPERATING PROFIT (unaudited)**	**EMPLOYEES (FTE) (unaudited)**
Europe, Middle East and Africa (EMEA)	1,144.5	–	1,144.5	(1,069.3)	9,924
Asia Pacific	160.0	–	160.0	(73.3)	664
Central & South America	497.3	–	497.3	(205.2)	3,933
North America	644.4	–	644.4	(212.5)	2,866
Global Distribution Centers	114.9	376.3	491.2	(1.3)	408
Total divisions	**2,561.1**	**376.3**	**2,937.4**	**(1,561.6)**	**17,795**
Eliminations	–	(376.3)	(376.3)	–	–
Dufry	**2,561.1**	**–**	**2,561.1**	**(1,561.6)**	**17,795**

	TURNOVER				
2019 IN MILLIONS OF CHF	**with external customers**	**with other divisions**	**TOTAL**	**ADJUSTED OPERATING PROFIT (unaudited)**	**EMPLOYEES (FTE) (unaudited)**
Europe, Middle East and Africa (EMEA)	4,434.2	–	4,434.2	408.4	12,999
Asia Pacific	691.6	–	691.6	21.7	1,629
Central & South America	1,536.1	–	1,536.1	171.5	7,269
North America	1,935.8	–	1,935.8	149.5	8,776
Global Distribution Centers	250.9	1,595.1	1,846.0	16.5	663
Total divisions	**8,848.6**	**1,595.1**	**10,443.7**	**767.7**	**31,336**
Eliminations	–	(1,595.1)	(1,595.1)	–	–
Dufry	**8,848.6**	**–**	**8,848.6**	**767.7**	**31,336**

Dufry generated 6.6 % (2019: 5.4 %) of its turnover with external customers in Switzerland (domicile).

Adjusted Operating Profit

IN MILLIONS OF CHF	NOTE	2020	2019
Operating profit / (loss)		**(2,500.8)**	**432.8**
Adjusted for:			
Amortization of concession rights*	18	251.1	308.9
Impairment of concession rights*	18	556.8	26.0
Impairment of goodwill*	18	131.1	–
Adjusted operating profit		**(1,561.6)**	**767.7**

* Related to acquisitions.

Financial Position and other disclosures

31.12.2020 IN MILLIONS OF CHF	TOTAL ASSETS	TOTAL LIABILITIES	INCOME TAX (EXPENSE) / INCOME	CAPITAL EXPENDITURE PAID	DEPRECIATION AMORTIZATION AND IMPAIRMENT
Europe, Middle East and Africa (EMEA)	6,154.9	4,144.9	79.6	(55.3)	(1,646.2)
Asia Pacific	567.7	541.1	(6.3)	(4.0)	(141.6)
Central & South America	1,386.5	779.5	1.1	(9.1)	(637.2)
North America	2,004.0	1,223.9	66.3	(42.3)	(379.7)
Global Distribution Centers	847.7	128.6	(0.1)	(4.1)	(20.7)
Total divisions	**10,960.8**	**6,818.0**	**140.6**	**(114.8)**	**(2,825.4)**
Unallocated positions	294.2	3,519.0	(9.9)	(4.2)	(16.5)
Dufry	**11,255.0**	**10,337.0**	**130.7**	**(119.0)**	**(2,841.9)**

31.12.2019 IN MILLIONS OF CHF	TOTAL ASSETS	TOTAL LIABILITIES	INCOME TAX (EXPENSE) / INCOME	CAPITAL EXPENDITURE PAID	DEPRECIATION AMORTIZATION AND IMPAIRMENT
Europe, Middle East and Africa (EMEA)	6,398.7	3,038.0	(31.5)	(95.8)	(939.6)
Asia Pacific	740.8	646.8	(1.4)	(20.5)	(133.2)
Central & South America	2,126.1	913.4	(18.3)	(35.0)	(316.3)
North America	2,558.4	1,533.7	(14.4)	(72.5)	(361.1)
Global Distribution Centers	947.9	390.9	(4.8)	(3.1)	(5.8)
Total divisions	**12,771.9**	**6,522.8**	**(70.4)**	**(226.9)**	**(1,756.0)**
Unallocated positions	587.0	3,728.1	(7.8)	(26.5)	(21.0)
Dufry	**13,358.9**	**10,250.9**	**(78.2)**	**(253.4)**	**(1,777.0)**

Reconciliation of assets

IN MILLIONS OF CHF	31.12.2020	31.12.2019
Operating assets	**10,960.8**	**12,771.9**
Current assets of corporate and holding companies[1]	30.3	254.4
Non-current assets of corporate and holding companies	263.9	332.6
Total assets	**11,255.0**	**13,358.9**

[1] Includes notional Cash Pool overdrafts at Headquarters.

Reconciliation of liabilities

IN MILLIONS OF CHF	31.12.2020	31.12.2019
Operating liabilities	**6,818.0**	**6,522.8**
Borrowings of corporate and holding companies, current	0.6	1.2
Borrowings of corporate and holding companies, non-current	3,510.5	3,592.9
Other non-segment liabilities	7.9	134.0
Total liabilities	**10,337.0**	**10,250.9**

6. ACQUISITIONS OF BUSINESSES

2020 TRANSACTIONS

There were no transactions during 2020.

2019 TRANSACTIONS

6.1 ACQUISITION OF REGSTAER M LLC, RUSSIA

RegStaer M Ltd. operates at the Vnukovo airport in Moscow a retail concession running for 15 years consisting of 6,800 square meters of duty-free and duty-paid shops offering a broad assortment of core duty free products, complemented with a selection of fashion and accessories. In 2019, the company generated net sales of CHF 83.7 (EUR 76.3) million, both unaudited figures, and an operating profit of CHF 9.0 (EUR 8.2) million. With this acquisition, Dufry is present in all the airports of Moscow.

On November 6, 2019, the Group acquired 60% of RegStaer M LLC ("Vnukovo") through its majority owned (51%) subsidiary Dufry Staer Holding Ltd for a total consideration partially contributed in shares, equivalent to CHF 80.2 (EUR 73.7) millions. The transaction was closed in November 2019, when the Group obtained control and the required regulatory approvals. The acquisition was accounted for using the acquisition method. The transaction costs in relation to this acquisition amounted to CHF 0.3 (EUR 0.3) million. The non-controlling interests, resulting from the transaction was measured at the proportionate share in the identifiable net assets.

Dufry has integrated this company with its remaining operations in Russia into a subdivision which will generate synergies, which are reflected in the value of the goodwill besides other intangibles that are not recognized individually. The resulting goodwill is not amortized, is not tax deductible and is subject to annual impairment testing.

The fair value of the identifiable assets and liabilities of RegStaer M, LLC at the date of the acquisition are determined as follows:

	FINAL FAIR VALUE AT NOVEMBER 6, 2019	
IN MILLIONS OF	**CHF**	**EUR**
Inventories	16.7	15.4
Other current assets	1.5	0.5
Property, plant and equipment	10.9	10.1
Right-of-use assets	7.7	7.1
Concession rights	95.4	87.7
Trade payables	(3.3)	(3.0)
Lease obligations	(7.7)	(7.1)
Provisions	(2.0)	(1.8)
Other liabilities	(4.9)	(3.9)
Deferred tax liabilities	(19.2)	(17.6)
Identifiable net assets	**95.1**	**87.4**
Non-controlling interests (40.0%)	38.0	35.0
Dufry's share in the net assets (60.0%)	57.0	52.4
Goodwill	23.1	21.3
Consideration in cash	41.3	38.0
Consideration in shares [1]	38.9	35.7
Total consideration	**80.2**	**73.7**

[1] The fair value of the shares contributed by the partner of Dufry Staer Holding are derived from Dufry's transaction.

From the date when Dufry took control of RegStaer M, LLC operations in November 2019 until December 2019 these operations contributed CHF 12.4 (EUR 11.3) million in turnover and CHF 1.6 (EUR 1.4) million, in operating profit to the consolidated statement of profit or loss (both unaudited figures).

As part of the transaction, the Group entered into put and call options with the non-controlling interest holder Dufry Staer Holding Ltd which mainly provide to our partner after a holding period of three years the option to sell its non-controlling interest (49 %) subject to the completion of certain contractual conditions for a fair value of the entity to be determined upon exercise of the option.

The put option was accounted for as a liability in these financial statements and valued to the respective portion of the fair value of Dufry Staer Holding. The difference between this value and the eliminated non-controlling interest was booked against the reserve for transactions with non-controlling interest in the Group's equity.

6.2 BROOKSTONE

On October 10, 2019, the Group acquired the business and assets related to the operations in Brookstone airport stores in the U.S.. Hudson obtained the license to use the Brookstone brand and trademarks. Brookstone sells a unique selection of innovative products in the categories travel, wellness, home and entertainment for a net consideration of CHF 7.4 million. Brookstone has been integrated into the Hudson Group. Through this acquisition, Hudson Group expects to expand the business and to generate cost synergies through the integration of Brookstone into its marketing and supply chain as well as support functions, which are reflected in the value of the goodwill CHF 2.7 million besides other intangibles like concession rights (CHF 5.5 million) that are recognized individually and the acquired non-controlling interests (CHF 2.4 million). The resulting goodwill is not amortized but is tax deductible and will be subject to annual impairment testing. The Group incurred in transaction costs in relation to this acquisition of CHF 0.5 million in 2019.

7. NET SALES

Net sales by product categories:

IN MILLIONS OF CHF	2020	2019
Perfumes and Cosmetics	774.8	2,744.4
Food, Confectionery and Catering	480.0	1,566.2
Wine and Spirits	413.8	1,427.0
Luxury goods	283.8	1,074.9
Tobacco goods	286.2	988.4
Electronics	61.3	194.7
Literature and Publications	46.5	171.0
Other	131.2	443.2
Total	**2,477.6**	**8,609.8**

Net sales by market sector:

IN MILLIONS OF CHF	2020	2019
Duty-free	1,379.1	5,260.4
Duty-paid	1,098.5	3,349.4
Total	**2,477.6**	**8,609.8**

Net sales by channel:

IN MILLIONS OF CHF	2020	2019
Airports	2,132.2	7,587.9
Border, downtown and hotel shops	114.4	295.3
Cruise liners and seaports	75.5	306.1
Railway stations and other	155.5	420.5
Total	**2,477.6**	**8,609.8**

8. LEASE (EXPENSES)/INCOME

IN MILLIONS OF CHF	2020	2019
Lease expenses[1]	(391.8)	(1,380.1)
Lease expenses short-term contracts	(3.0)	(5.2)
Lease expenses low value contracts	(0.9)	(1.4)
Sublease income from right-of-use assets	15.9	13.8
Relief of lease obligations[2]	380.3	–
Change in provision for onerous contract	7.5	–
Total	**8.0**	**(1,372.9)**

[1] Lease expenses include only variable Lease expenses. Fixed and in substance fixed committments are recognized in accordance with lease accounting as amortization of right-of-use assets or interest on lease obligations.

[2] See note 2.5 COVID-19 related rent concessions - Amendment to IFRS 16.

Most lease contracts require as compensation the higher of two amounts: a) a percentage of sales or b) a fixed minimal guaranteed amount (MAG). The fair value of these MAG commitments over the contractual term are presented usually as right-of-use assets and expensed as depreciation. Lease payments exceeding the MAG are presented as lease expenses and are normally calculated as a percentage of sales. Other lease contracts require only variable payments, which are fully presented as lease expense. For the following year, the Group estimates that the lease expenses may be between 17 % and 21 % of net sales.

Variable lease expense approximates the related cash flows due to the short payment term characteristic of these contracts.

9. PERSONNEL EXPENSES

IN MILLIONS OF CHF	2020	2019
Salaries and wages	(552.9)	(980.0)
Social security expenses	(100.8)	(147.6)
Retirement benefits	(11.3)	(22.0)
Other personnel expenses	(51.0)	(93.7)
Total	**(716.0)**	**(1,243.3)**

During 2020, some governments initiated actions to reduce the financial implications to companies affected by the COVID-19 pandemic. Certain Dufry subsidiaries have been granted government support in order to reduce the burden of personnel expenses during the lock-down periods. In this respect, Dufry has accrued CHF 73.3 million.

Additionally, Dufry took the initiative to adapt the Company to the current business environment by reducing personnel expenses based on the expected decline in sales of the respective subsidiaries. The reduction in personnel expenses includes early retirements, hold-backs of seasonal staff employment as well as the reduction of positions across the Group. In June 2020, the Company has decided on and announced the respective plans to implement these measures during the second half of 2020. The Company has incurred in total CHF 73.3 million in severance cost, of which CHF 37.6 million have been paid out during 2020 and CHF 35.7 million are accrued under personnel payables and short term provisions depending on the status of the restructuring measures.

10. DEPRECIATION, AMORTIZATION AND IMPAIRMENT

IN MILLIONS OF CHF	2020	2019
Depreciation of Property, Plant and Equipment	(166.2)	(184.2)
Impairment of Property, Plant and Equipment	(37.3)	(19.7)
Subtotal (note 16 Property, Plant and Equipment)	**(203.5)**	**(203.9)**
Depreciation of RoU	(1,178.1)	(1,170.3)
Impairment of RoU	(443.1)	–
Subtotal (note 17 Right-of-use Assets)	**(1,621.2)**	**(1,170.3)**
Amortization of Intangibles	(304.4)	(368.2)
Impairment of Intangibles	(712.8)	(34.6)
Subtotal (note 18 Intangible Assets and Goodwill)	**(1,017.2)**	**(402.8)**
Total	**(2,841.9)**	**(1,777.0)**

Aggregated information of impairments per division (segment)

	2020			2019[2]		
IN MILLIONS OF CHF	Property, Plant and Equipment	Right-of-use Assets	Intangible Assets[1]	Property, Plant and Equipment	Right-of-use Assets	Intangible Assets
Europe, Middle East and Africa (EMEA)	(31.1)	(417.4)	(269.6)	(8.6)	–	(9.6)
Asia Pacific	(0.4)	(8.5)	–	–	–	(1.0)
Central & South America	–	(13.7)	(384.2)	(7.0)	–	(24.0)
North America	(5.7)	(3.5)	(52.1)	(4.1)	–	–
Global Distribution Centers	(0.1)	–	(6.9)	–	–	–
Total	**(37.3)**	**(443.1)**	**(712.8)**	**(19.7)**	**–**	**(34.6)**

[1] Includes impairment of goodwill: CHF 50.1 million for division North America and CHF 81.0 million for division Central & South America.

[2] Refer to note 5 for changes in the segment information.

There have been no reversals of impairments during 2020 or 2019.

As a consequence of the pandemic, nearly all Dufry shops worldwide were required to temporary close to help curb the spread of COVID-19 or have been subject to very low passenger traffic, all these affecting severely the actual turnover, as well as our projections. Due to this, the Company recognized impairments of depreciable and amortizable assets as well as of goodwill (see also note 18.1 IMPAIRMENT TEST OF INTANGIBLE ASSETS).

11. OTHER EXPENSES

IN MILLIONS OF CHF	2020	2019
Repairs, maintenance and utilities	(56.9)	(91.4)
Credit card expenses	(38.3)	(115.2)
Professional advisor expenses	(51.6)	(59.7)
IT expenses	(47.9)	(51.0)
Freight & packaging material	(18.0)	(46.7)
Acquisition related transaction costs[1]	(12.6)	(2.9)
Other operational expenses	(32.0)	(50.3)
Advertising expenses	(10.2)	(31.8)
Office and admin expenses	(20.8)	(31.2)
Travel, car, entertainment and representation	(11.0)	(29.8)
Franchise fees and commercial services	(7.1)	(27.1)
Public relations expenses	(11.3)	(24.3)
Taxes, other than income tax expense	(17.6)	(21.9)
Ancillary premises expenses	(8.4)	(16.4)
Insurances	(14.0)	(13.6)
Bank expenses	(3.9)	(5.5)
Total	**(361.6)**	**(618.8)**

[1] Transaction costs in 2020 include costs in relation to aborted business combination transactions mainly in the USA.

12. OTHER INCOME

IN MILLIONS OF CHF	2020	2019
Sales tax recovery[1]	6.6	64.4
Selling income	9.6	24.0
Other operating income	17.2	33.2
Total	**33.4**	**121.6**

[1] In September 2019, a decision of the Federal Court in Rio de Janeiro in a lawsuit between one of our Brazilian subsidiaries and the Brazilian federal tax authority became final and non-appealable, consequently Dufry assessed the recovery of these amounts as virtually certain and will claim back certain indirect tax payments made since 2009.

13. FINANCE INCOME AND FINANCE EXPENSES

FINANCE INCOME

IN MILLIONS OF CHF	2020	2019
INCOME ON FINANCIAL ASSETS		
Interest income on current deposits	22.5	28.5
Deferred gain on modification of financing arrangements	–	16.3
Other finance income	13.0	26.0
Interest income on financial assets	**35.5**	**70.8**
INCOME ON NON-FINANCIAL ASSETS		
Interest income	**0.1**	**0.3**
INCOME FROM FINANCIAL INVESTMENTS AND ASSOCIATES		
Share of result in associates	(25.4)	0.4
Gain on disposal of financial investments	4.7	0.2
Income from financial investments and associates	**(20.7)**	**0.6**
Total finance income	**14.9**	**71.7**

FINANCE EXPENSES

IN MILLIONS OF CHF	2020	2019
EXPENSES ON FINANCIAL LIABILITIES		
Interest expense	(325.5)	(348.7)
of which lease interest	(178.7)	(187.7)
of which bank interest	(134.0)	(144.8)
of which bank commitment fees	(1.4)	(4.6)
of which bank guarantees commission expense	(4.0)	(3.6)
of which related to other financial liabilities	(7.4)	(8.0)
Amortization / write off of arrangement fees	(13.1)	(10.2)
Other finance costs	(40.7)	(25.7)
Interest expense on financial liabilities	**(379.3)**	**(384.6)**
EXPENSES ON NON-FINANCIAL LIABILITIES		
Interest expense	(6.1)	(2.4)
Interest and other finance expenses	**(6.1)**	**(2.4)**
Total finance expenses	**(385.4)**	**(387.0)**

14. INCOME TAXES

INCOME TAX RECOGNIZED IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS

IN MILLIONS OF CHF	2020	2019
Current Income tax income / (expense)	35.1	(108.7)
of which corresponding to the current period	9.9	(110.3)
of which adjustments recognized in relation to prior years	25.2	1.6
Deferred Income tax income / (expense)	95.6	30.5
of which related to the origination or reversal of temporary differences	136.9	30.2
of which adjustments recognized in relation to prior years	(30.9)	9.0
of which relates to foreign exchange movements[1]	(11.5)	(10.7)
of which adjustments due to change in tax rates	1.1	2.0
Total	**130.7**	**(78.2)**

[1] In countries where Dufry pays taxes in another currency than the functional currency, deferred tax assets and liabilites are impacted by foreign exchange fluctuations. These changes are presented as income tax.

Due to the profit/(loss) before tax recognized in 2020 as a consequence of the COVID-19 pandemic, Dufry records a current income tax income mainly based on tax losses carried back in certain jurisdictions. Deferred tax income increased for the year, as a direct consequence of the impairment of acquisition related intangibles, where corresponding deferred tax liabilities were released through the profit or loss. In addition, Dufry generated tax losses which can be carried forward and used against future taxable profits.

IN MILLIONS OF CHF	2020	2019
Consolidated profit / (loss) before taxes	(2,871.2)	108.3
Expected tax rate in %	20.8%	20.7%
Income tax at the expected rate	598.1	(22.4)
EFFECT OF		
Income not subject to income tax	0.1	0.4
Different tax rates for subsidiaries in other jurisdictions	1.6	12.3
Effect of changes in tax rates on previously recognized deferred tax assets and liabilities	1.2	2.0
Non-deductible expenses	(15.9)	(7.5)
Change of unrecognized tax loss carry-forwards	(268.1)	(32.5)
Net change of revision of estimates on the taxability / deductibility of temporary differences	(152.5)	(25.5)
Non recoverable withholding taxes	(3.8)	(8.6)
Income taxes in non-controlling interest holders	4.6	8.6
Adjustments recognized in relation to prior year	(5.7)	10.8
Foreign exchange movements on deferred tax balances[1]	(11.5)	(10.7)
Other items	(17.4)	(5.1)
Total	**130.7**	**(78.2)**

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

The expected tax rate in % approximates the average income tax rate of the countries where the Group is active, weighted by the profit before taxes of the respective operations adjusted for impairments. For 2020, there were no major changes in tax rates noted for countries in which Dufry is operating.

DEFERRED INCOME TAX RECOGNIZED IN OTHER COMPREHENSIVE INCOME OR IN EQUITY

IN MILLIONS OF CHF	2020	2019
RECOGNIZED IN OTHER COMPREHENSIVE INCOME		
Actuarial gains / (losses) on defined benefit plans	0.6	1.7
Total	**0.6**	**1.7**
RECOGNIZED IN EQUITY		
Tax effect on share-based payments [1]	(0.3)	2.8
Total	**(0.3)**	**2.8**

[1] Includes CHF -0.1 (2019: 1.2) million as equity attributable to non-controlling interests.

15. COMPONENTS OF OTHER COMPREHENSIVE INCOME

	ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT						
2020 IN MILLIONS OF CHF	**Employee benefit reserve**	**Hedging & revaluation reserves**	**Translation reserves**	**Retained earnings**	**TOTAL**	**NON-CONTROLLING INTERESTS**	**TOTAL EQUITY**
Remeasurement of post-employment benefits plans	1.0	–	–	–	1.0	–	1.0
Income tax effect	0.6	–	–	–	0.6	–	0.6
Subtotal	**1.6**	**–**	**–**	**–**	**1.6**	**–**	**1.6**
Exchange differences on translating foreign operations	–	–	(219.4)	–	(219.4)	(17.7)	(237.1)
Subtotal	**–**	**–**	**(219.4)**	**–**	**(219.4)**	**(17.7)**	**(237.1)**
Net gain / (loss) on hedge of net investment in foreign operations	–	–	24.2	–	24.2	–	24.2
Subtotal	**–**	**–**	**24.2**	**–**	**24.2**	**–**	**24.2**
Share of other comprehensive income of associates	–	–	0.2	–	0.2	–	0.2
Subtotal	**–**	**–**	**0.2**	**–**	**0.2**	**–**	**0.2**
Other comprehensive income	**1.6**	**–**	**(195.0)**	**–**	**(193.4)**	**(17.7)**	**(211.1)**

	ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT						
2019 IN MILLIONS OF CHF	**Employee benefit reserve**	**Hedging & revaluation reserves**	**Translation reserves**	**Retained earnings**	**TOTAL**	**NON-CONTROLLING INTERESTS**	**TOTAL EQUITY**
Remeasurement of post-employment benefits plans	(16.1)	–	–	–	(16.1)	0.1	(16.0)
Income tax effect	1.7	–	–	–	1.7	–	1.7
Subtotal	**(14.4)**	**–**	**–**	**–**	**(14.4)**	**0.1**	**(14.3)**
Exchange differences on translating foreign operations	–	–	(7.2)	–	(7.2)	(3.3)	(10.5)
Subtotal	**–**	**–**	**(7.2)**	**–**	**(7.2)**	**(3.3)**	**(10.5)**
Net gain / (loss) on hedge of net investment in foreign operations	–	–	1.8	–	1.8	–	1.8
Subtotal	**–**	**–**	**1.8**	**–**	**1.8**	**–**	**1.8**
Changes in the fair value of equity investments at FVOCI	–	0.3	–	–	0.3	–	0.3
Subtotal	**–**	**0.3**	**–**	**–**	**0.3**	**–**	**0.3**
Share of other comprehensive income of associates	–	–	(0.4)	–	(0.4)	–	(0.4)
Subtotal	**–**	**–**	**(0.4)**	**–**	**(0.4)**	**–**	**(0.4)**
Other comprehensive income	**(14.4)**	**0.3**	**(5.8)**	**–**	**(19.9)**	**(3.2)**	**(23.1)**

16. PROPERTY, PLANT AND EQUIPMENT

2020 IN MILLIONS OF CHF	LEASEHOLD IMPROVE-MENTS	BUILDINGS	FURNITURE FIXTURES	COMPUTER HARDWARE	VEHICLES	WORK IN PROGRESS	TOTAL
AT COST							
Balance at January 1	**633.9**	**52.9**	**491.3**	**55.6**	**8.1**	**55.8**	**1,297.6**
Decrease in scope of consolidation	(0.2)	–	(0.2)	(0.1)	(0.2)	–	(0.7)
Additions	17.4	0.7	11.9	3.9	–	51.1	85.0
Disposals	(26.7)	(1.0)	(18.0)	(3.4)	(0.8)	(6.6)	(56.5)
Reclassification within classes	46.5	(36.5)	26.8	2.1	–	(38.9)	–
Reclassification to right-of-use	(1.0)	–	–	–	–	–	(1.0)
Reclassification to intangible assets	–	–	–	–	–	(3.7)	(3.7)
Currency translation adjustments	(51.5)	(0.8)	(39.4)	(8.9)	(0.7)	(3.8)	(105.1)
Balance at December 31	**618.4**	**15.3**	**472.4**	**49.2**	**6.4**	**53.9**	**1,215.6**
ACCUMULATED DEPRECIATION							
Balance at January 1	**(301.6)**	**(21.8)**	**(282.5)**	**(20.9)**	**(4.9)**	**–**	**(631.7)**
Decrease in scope of consolidation	0.2	–	0.2	0.1	0.1	–	0.6
Additions (note 10)	(83.9)	(0.9)	(67.1)	(13.3)	(1.0)	–	(166.2)
Disposals	21.1	1.0	14.1	3.1	0.8	–	40.1
Reclassification within classes	(10.6)	13.7	(3.1)	–	–	–	–
Currency translation adjustments	32.0	0.5	28.8	6.7	0.6	–	68.6
Balance at December 31	**(342.8)**	**(7.5)**	**(309.6)**	**(24.3)**	**(4.4)**	**–**	**(688.6)**
IMPAIRMENT							
Balance at January 1	**(27.5)**	**(0.2)**	**(10.3)**	**(0.8)**	**–**	**–**	**(38.8)**
Impairment (note 10)	(5.8)	–	(20.9)	(0.5)	–	(10.1)	(37.3)
Reclassification within classes	(1.5)	–	1.5	–	–	–	–
Currency translation adjustments	1.7	–	0.7	0.1	–	(0.1)	2.4
Balance at December 31	**(33.1)**	**(0.2)**	**(29.0)**	**(1.2)**	**–**	**(10.2)**	**(73.7)**
CARRYING AMOUNT							
At December 31, 2020	**242.5**	**7.6**	**133.8**	**23.7**	**2.0**	**43.7**	**453.3**

2019 IN MILLIONS OF CHF	LEASEHOLD IMPROVE- MENTS	BUILDINGS	FURNITURE FIXTURES	COMPUTER HARDWARE	VEHICLES	WORK IN PROGRESS	TOTAL
AT COST							
Balance at January 1	**627.7**	**49.7**	**396.0**	**47.0**	**7.6**	**62.9**	**1,190.9**
Business combinations	11.4	–	–	–	–	1.1	12.5
Additions	69.9	2.1	40.0	11.2	1.3	70.4	194.9
Disposals	(46.2)	(0.3)	(32.7)	(5.5)	(0.8)	(3.6)	(89.1)
Reclassification within classes	(17.7)	3.1	85.5	3.7	0.1	(74.7)	–
Reclassification to intangible assets	–	–	–	(1.4)	–	–	(1.4)
Currency translation adjustments	(11.2)	(1.7)	2.5	0.6	(0.1)	(0.3)	(10.2)
Balance at December 31	**633.9**	**52.9**	**491.3**	**55.6**	**8.1**	**55.8**	**1,297.6**
ACCUMULATED DEPRECIATION							
Balance at January 1	**(291.0)**	**(17.4)**	**(189.7)**	**(11.8)**	**(4.4)**	**–**	**(514.3)**
Additions (note 10)	(86.9)	(5.2)	(76.8)	(14.1)	(1.2)	–	(184.2)
Disposals	35.1	0.2	24.5	5.0	0.7	–	65.5
Reclassification within classes	35.3	–	(36.3)	1.0	–	–	–
Reclassification to intangible assets	–	–	–	(0.1)	–	–	(0.1)
Currency translation adjustments	5.9	0.6	(4.2)	(0.9)	–	–	1.4
Balance at December 31	**(301.6)**	**(21.8)**	**(282.5)**	**(20.9)**	**(4.9)**	**–**	**(631.7)**
IMPAIRMENT							
Balance at January 1	**(17.6)**	**(0.2)**	**(13.7)**	**(0.8)**	**–**	**–**	**(32.3)**
Impairment (note 10)	(17.1)	–	(2.4)	(0.2)	–	–	(19.7)
Disposals	6.5	–	5.5	0.2	–	–	12.2
Currency translation adjustments	0.7	–	0.3	–	–	–	1.0
Balance at December 31	**(27.5)**	**(0.2)**	**(10.3)**	**(0.8)**	**–**	**–**	**(38.8)**
CARRYING AMOUNT							
At December 31, 2019	**304.8**	**30.9**	**198.5**	**33.9**	**3.2**	**55.8**	**627.1**

Cash flow used for purchase of property, plant and equipment

IN MILLIONS OF CHF	2020	2019
Payables for capital expenditure at the beginning of the period	(28.2)	(32.7)
Additions of property, plant and equipment	(85.0)	(194.9)
Payables for capital expenditure at the end of the period	10.7	28.2
Currency translation adjustments	1.4	0.1
Total Cash Flow	**(101.1)**	**(199.3)**

17. RIGHT-OF-USE ASSETS

2020 IN MILLIONS OF CHF	SHOPS	OTHER BUILDINGS	VEHICLES	OTHER	TOTAL
AT COST					
Balance at January 1	**5,251.9**	**212.6**	**4.6**	**1.4**	**5,470.5**
Decrease in scope of consolidation	(0.8)	–	–	–	(0.8)
Additions	1,840.3	38.9	2.0	0.8	1,882.0
Disposals[1]	(95.8)	(4.7)	(0.1)	–	(100.6)
Reclassification within classes[2]	(1.5)	–	–	–	(1.5)
Reclassification from property, plant & equipment	1.0	–	–	–	1.0
Reclassification from intangible assets[3]	94.3	–	–	–	94.3
Currency translation adjustments	(218.3)	(11.9)	(0.3)	(0.1)	(230.6)
Balance at December 31	**6,871.1**	**234.9**	**6.2**	**2.1**	**7,114.3**
ACCUMULATED DEPRECIATION					
Balance at January 1	**(1,108.1)**	**(32.5)**	**(1.2)**	**(0.6)**	**(1,142.4)**
Decrease in scope of consolidation	0.2	–	–	–	0.2
Additions (note 10)	(1,143.2)	(32.9)	(1.4)	(0.6)	(1,178.1)
Disposals[1]	53.9	1.5	0.1	–	55.5
Reclassification from intangible assets[3]	(34.3)	–	–	–	(34.3)
Currency translation adjustments	64.5	2.2	0.1	0.1	66.9
Balance at December 31	**(2,167.0)**	**(61.7)**	**(2.4)**	**(1.1)**	**(2,232.2)**
IMPAIRMENT					
Balance at January 1	**–**	**–**	**–**	**–**	**–**
Impairment	(439.5)	(3.6)	–	–	(443.1)
Currency translation adjustments	(0.3)	–	–	–	(0.3)
Balance at December 31	**(439.8)**	**(3.6)**	**–**	**–**	**(443.4)**
CARRYING AMOUNT					
At December 31, 2020	**4,264.3**	**169.6**	**3.8**	**1.0**	**4,438.7**

[1] Disposals mainly relate to contractual term changes which led to derecognition of right-of-use assets.

[2] CHF 1.5 m is reclassified to other non-current asset as part of a lease contract re-negociation in division Central & South America.

[3] Transfers from concession right to right-of-use assets opening balances in Central & South America.

2019 IN MILLIONS OF CHF	SHOPS	OTHER BUILDINGS	VEHICLES	OTHER	TOTAL
AT COST					
Balance at January 1 at inception of IFRS 16	**4,620.9**	**171.2**	**3.8**	**1.0**	**4,796.9**
Business combinations (note 6)	3.3	7.7	–	–	11.0
Additions	790.0	37.0	0.9	0.5	828.4
Disposals[1]	(79.3)	(0.6)	–	–	(79.9)
Currency translation adjustments	(83.0)	(2.7)	(0.1)	(0.1)	(85.9)
Balance at December 31	**5,251.9**	**212.6**	**4.6**	**1.4**	**5,470.5**
ACCUMULATED DEPRECIATION					
Balance at January 1 at inception of IFRS 16	**–**	**–**	**–**	**–**	**–**
Additions (note 10)	(1,135.1)	(33.3)	(1.3)	(0.6)	(1,170.3)
Disposals[1]	2.6	0.1	–	–	2.7
Currency translation adjustments	24.4	0.7	0.1	–	25.2
Balance at December 31	**(1,108.1)**	**(32.5)**	**(1.2)**	**(0.6)**	**(1,142.4)**
CARRYING AMOUNT					
At December 31, 2019	**4,143.8**	**180.1**	**3.4**	**0.8**	**4,328.1**

[1] Early termination of leases.

18. INTANGIBLE ASSETS AND GOODWILL

2020 IN MILLIONS OF CHF	CONCESSION RIGHTS Acquisition related	Plain	BRANDS	OTHER	TOTAL	GOODWILL
AT COST						
Balance at January 1	**4,764.5**	**211.2**	**270.7**	**324.0**	**5,570.4**	**2,612.9**
Business combinations (note 6)	–	–	–	–	–	2.7
Additions (note 18.1.4)	–	0.3	–	17.3	17.6	–
Disposals	–	(0.7)	–	(59.9)	(60.6)	–
Reclassification within classes	(0.3)	–	–	0.3	–	–
Reclassification from property, plant and equipment	–	–	–	3.7	3.7	–
Reclassification to right-of-use[1]	–	(94.3)	–	–	(94.3)	–
Currency translation adjustments	(237.7)	(12.8)	(0.8)	(12.4)	(263.7)	(118.0)
Balance at December 31	**4,526.5**	**103.7**	**269.9**	**273.0**	**5,173.1**	**2,497.6**
ACCUMULATED AMORTIZATION						
Balance at January 1	**(1,930.4)**	**(85.3)**	**(3.3)**	**(206.2)**	**(2,225.2)**	**–**
Additions (note 10)	(251.1)	(14.9)	–	(38.4)	(304.4)	–
Disposals	–	0.8	–	45.6	46.4	–
Reclassification to right-of-use[1]	–	34.3	–	–	34.3	–
Currency translation adjustments	112.8	8.3	–	9.3	130.4	–
Balance at December 31	**(2,068.7)**	**(56.8)**	**(3.3)**	**(189.7)**	**(2,318.5)**	**–**
IMPAIRMENT						
Balance at January 1	**(100.7)**	**–**	**–**	**(8.4)**	**(109.1)**	**(1.6)**
Impairment (note 10)	(556.8)	(8.0)	(5.5)	(11.4)	(581.7)	(131.1)
Disposals	–	–	–	13.5	13.5	–
Reclassification within classes	–	(3.9)	–	3.9	–	–
Currency translation adjustments	18.7	0.7	–	0.2	19.6	4.4
Balance at December 31	**(638.8)**	**(11.2)**	**(5.5)**	**(2.2)**	**(657.7)**	**(128.3)**
CARRYING AMOUNT						
At December 31, 2020	**1,819.0**	**35.7**	**261.1**	**81.1**	**2,196.9**	**2,369.3**

[1] Transfers from concession right to right-of-use assets opening balances in Central & South America.

2019 IN MILLIONS OF CHF	CONCESSION RIGHTS Acquisition related	Plain	BRANDS	OTHER	TOTAL	GOODWILL
AT COST						
Balance at January 1	**4,716.9**	**205.3**	**274.4**	**289.3**	**5,485.9**	**2,603.1**
Adjustment on IFRS 16 implementation	**–**	**(6.8)**	**–**	**–**	**(6.8)**	**–**
Adjusted Balance at January 1	**4,716.9**	**198.5**	**274.4**	**289.3**	**5,479.1**	**2,603.1**
Business combinations (note 6)	100.8	–	–	0.1	100.9	23.1
Additions (note 18.1.4)	–	9.6	–	40.1	49.7	–
Disposals	–	(0.8)	–	(4.5)	(5.3)	–
Reclassification from property, plant & equipment	–	–	–	1.4	1.4	–
Currency translation adjustments	(53.2)	3.9	(3.7)	(2.4)	(55.4)	(13.3)
Balance at December 31	**4,764.5**	**211.2**	**270.7**	**324.0**	**5,570.4**	**2,612.9**
ACCUMULATED DEPRECIATION						
Balance at January 1	**(1,648.5)**	**(66.4)**	**(3.3)**	**(174.0)**	**(1,892.2)**	**–**
Adjustment on IFRS 16 implementation	**–**	**3.2**	**–**	**–**	**3.2**	**–**
Adjusted Balance at January 1	**(1,648.5)**	**(63.2)**	**(3.3)**	**(174.0)**	**(1,889.0)**	**–**
Additions (note 10)	(308.9)	(21.5)	–	(37.8)	(368.2)	–
Disposals	–	0.8	–	4.1	4.9	–
Reclassification from property, plant and equipment	–	–	–	0.1	0.1	–
Currency translation adjustments	27.0	(1.4)	–	1.4	27.0	–
Balance at December 31	**(1,930.4)**	**(85.3)**	**(3.3)**	**(206.2)**	**(2,225.2)**	**–**
IMPAIRMENT						
Balance at January 1	**(76.9)**	**–**	**–**	**–**	**(76.9)**	**(1.6)**
Impairment (note 10)	(26.0)	–	–	(8.6)	(34.6)	–
Disposals	(0.1)	–	–	–	(0.1)	–
Currency translation adjustments	2.3	–	–	0.2	2.5	–
Balance at December 31	**(100.7)**	**–**	**–**	**(8.4)**	**(109.1)**	**(1.6)**
CARRYING AMOUNT						
At December 31, 2019	**2,733.4**	**125.9**	**267.4**	**109.4**	**3,236.1**	**2,611.3**

18.1 IMPAIRMENT TEST OF INTANGIBLE ASSETS

Brands and goodwill are subject to impairment testing on annual basis or when indicators of impairment exist. Concession rights and other amortizable intangible assets are tested for impairment whenever events or circumstances indicate that the carrying amount may not be recoverable.

In March 2020, practically all our operations have suffered significant operational restrictions as well as a significant drop of passengers as a direct consequence of measures against the spread of COVID-19. At present, we foresee a recovery starting as soon as the vaccinations progress noticeably. However, there is no assurance when and how far these restrictions will be released.

The management performed impairment tests as of March 31, 2020 for selected operations presenting an indication of impairment. Triggered by the ongoing pandemic, as of September 30, 2020 the management performed impairment tests on all material assets of the group. Although the company has only indicative orientations on how to estimate the duration of the lock-downs required by most countries, as well as how the business performance will recover thereafter, management assumed for these impairment tests, that sales will still be impacted in the first part of 2021 and the international air traffic will start recovering stepwise as of the second half of 2021. We have assumed that most sales locations will achieve sales levels close to those of 2019 in 2023. However, the developments for each country will be affected by local circumstances and politics which cannot be predicted precisely.

18.1.1 Impairment test of goodwill

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

IN MILLIONS OF CHF	31.12.2020	31.12.2019
Europe, Middle East and Africa (EMEA)	1,544.3	1,527.9
Asia Pacific	32.7	86.8
Central & South America	511.0	643.7
North America	239.3	311.2
Global Distribution Centers	42.0	41.7
Total carrying amount of goodwill	**2,369.3**	**2,611.3**

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

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

CASH GENERATING UNITS IN PERCENTAGE (%)	POST TAX DISCOUNT RATES 2020	POST TAX DISCOUNT RATES 2019	PRE TAX DISCOUNT RATES 2020	PRE TAX DISCOUNT RATES 2019	GROWTH RATES FOR NET SALES 2020*	GROWTH RATES FOR NET SALES 2019
Europe, Middle East and Africa (EMEA)	6.90	6.95	7.86	8.06	2.5-121.2	3.3-5.4
Asia Pacific	7.62	8.27	9.05	9.35	3.0-161.5	4.9-7.3
Central & South America	9.40	8.66	11.38	10.33	3.4-64.3	4.4-5.9
North America	6.67	7.39	9.14	10.32	1.8-104.4	1.9-7.4

* The forecasted high growth rates are due to the low base in 2020 due to the COVID-19 pandemic.

As basis for the calculation of these discount rates, the Group uses the weighted average cost of capital, based on the following risk free interest rates (derived from the past 5 year average of prime 10-year bonds rates): CHF −0.34 %, EUR 0.05 %, USD 1.88 % (2019: CHF −0.32 %, EUR 0.25 %, USD 2.17 %). In 2020, the Group used for certain WACC components (e.g. equity ratio and beta) weighting factors from the year 2019, as Management considered these more representative for long term projections.

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

	2020	2019
Beta factor	1.01	1.01

Sensitivity analysis to changes in assumptions

With regard to the assessment of value-in-use, Dufry believes that no reasonably possible change (+/− 1 %) in any of the above key assumptions would cause the recoverable amount of the CGU to materially fall below the carrying amount, except for the goodwill allocated to the division Central and South America, where the carrying amount would exceed the value in use by CHF 77.9 (2019: CHF 206.8) million, if the interest rate increases by 1 %, or by CHF 10.9 (2019: CHF 151.2) million if the sales drop 1 %, or by CHF 106.6 (2019: CHF 183.1) million if the operating profit margin is 1 % lower.

18.1.2 Key assumptions used for value-in-use calculations

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

- Sales growth
- Growth rate used to extrapolate
- Gross margin and suppliers prices
- Lease expense and lease payments
- Discount rates

Sales growth

Recovery of sales and the respective growth rates depend on the further development of the COVID 19 pandemic and speed of vaccinations. Management based its assumptions on information available at the time of the preparation of the financial statements and assumes that sales will still be severally impacted in 2021 and the international air traffic will start recovering stepwise during the second half of 2021. Our sales growth assumptions include most locations reaching 2019 sales levels by 2023.

Growth rates used to extrapolate

For the periods after 5 years, Dufry has used growth rates between 0.8 % – 1.5 % (2019: 0.0 % – 2.0 %) to extrapolate the cash flow projections.

Gross margins

The expected gross margins are based on average product assortment values estimated by the management for the budget 2021. These values are maintained over the planning period or where specific actions are planned and have been increased or decreased in accordance with these planned actions. 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.

Lease expense and lease payments

The company applied the future fixed payments based on its contracts and estimated variable lease payments based on expected sales developments. For 2021 we have assumed based on offers and ongoing negotiations that lessors will provide us with certain reliefs of lease payments for a period of up to 12 months. Where the contractual terms of certain operations come to an end during the projected periods, the company has analyzed the renewal conditions and the market situation and assumed renewals where the situation and conditions are favorable.

Discount rates

The discount rates, which include third party debt and equity components, are affected by the following factors:

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

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

18.1.3 Brands

While at corporate level the Group is recognized under the name of Dufry, for retail purposes, it is applying several brands including, among others, Dufry, Hudson, World Duty Free or Nuance. The book values of these brand names remain at fair value recognized at acquisition and are subject to annual impairment testing. In 2020, Dufry fully impaired the brand Colombian Emeralds amounting to CHF 5.5 million. With regard to the assessment of value-in-use for the remaining brands, Dufry believes that no reasonably possible change (+/−1%) in any of the below key assumptions would cause that the recoverable amount falls materially below the carrying value of the respective brand name.

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

BRAND NAMES IN PERCENTAGE (%)	ROYALTY INCOME RATE AFTER TAX		POST TAX DISCOUNT RATES		GROWTH RATES FOR NET SALES	
	2020	2019	2020	2019	2020	2019
Dufry	0.31	0.30	6.50	6.88	3.1-78.9	2.1-9.8
Hudson News	1.10	1.10	6.47	7.39	2.1-101.0	1.9-8.4
Nuance	0.32	0.32	5.59	6.23	2.6-129.6	2.5-3.8
World Duty Free	0.31	0.33	5.61	6.25	2.6-128.2	2.5-3.8

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

18.1.4 Cash flows used for purchase of intangible assets

IN MILLIONS OF CHF	2020	2019
Payables for capital expenditure at January 1	(0.2)	(4.7)
Additions of intangible assets	(17.6)	(49.7)
Payables for capital expenditure at December 31	–	0.2
Currency translation adjustments	(0.1)	0.1
Total Cash Flow	**(17.9)**	**(54.1)**

19. INVESTMENTS IN ASSOCIATES

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

These investments are accounted for using the equity method.

Summarized statement of financial position

IN MILLIONS OF CHF	LOJAS FRANCAS DE PORTUGAL SA	OTHER ASSOCIATES	31.12.2020
Cash and cash equivalents	1.1	8.2	9.3
Other current assets	11.4	15.0	26.4
Non-current assets	7.8	17.1	24.9
Financial debt	(4.6)	0.3	(4.3)
Other current liabilities	(10.4)	(17.9)	(28.3)
Non-current liabilities	(4.9)	(14.1)	(19.0)
Net assets	**0.4**	**8.6**	**9.0**
Proportion of Dufry's ownership	49%		
Dufry's share of the equity	**0.2**	**6.9**	**7.1**

IN MILLIONS OF CHF	LOJAS FRANCAS DE PORTUGAL SA	OTHER ASSOCIATES	31.12.2019
Cash and cash equivalents	4.3	11.4	15.7
Other current assets	27.7	13.8	41.5
Non-current assets	61.3	10.3	71.6
Other current liabilities	(28.5)	(20.0)	(48.5)
Non-current liabilities	(12.3)	(5.9)	(18.2)
Net assets	**52.5**	**9.6**	**62.1**
Proportion of Dufry's ownership	49%		
Dufry's share of the equity	**25.7**	**6.2**	**31.9**

Summarized statement of comprehensive income

IN MILLIONS OF CHF	LOJAS FRANCAS DE PORTUGAL SA	OTHER ASSOCIATES	2020
Turnover	108.5	29.3	137.8
Depreciation, amortization and impairment	(53.5)	(1.5)	(55.0)
Financial expenses	(0.2)	(0.1)	(0.3)
Income tax	–	–	–
Net profit / (loss)	**(52.0)**	**(2.6)**	**(54.6)**
OTHER COMPREHENSIVE INCOME			
Items to be reclassified to net income in subsequent periods	(0.2)	0.5	0.3
Total other comprehensive income	**(0.2)**	**0.5**	**0.3**
Total comprehensive income	**(52.2)**	**(2.1)**	**(54.3)**
DUFRY'S SHARE	49%		
Net profit / (loss)	(25.4)	–	(25.4)
Total other comprehensive income	(0.1)	0.3	0.2
Total comprehensive income	**(25.5)**	**0.3**	**(25.2)**

IN MILLIONS OF CHF	LOJAS FRANCAS DE PORTUGAL SA	OTHER ASSOCIATES	2019
Turnover	302.2	44.3	346.5
Depreciation, amortization and impairment	(17.6)	(0.8)	(18.4)
Financial expenses	(0.3)	–	(0.3)
Income tax	(3.1)	(0.2)	(3.3)
Net profit / (loss)	**5.1**	**(0.8)**	**4.3**
OTHER COMPREHENSIVE INCOME			
Items to be reclassified to net income in subsequent periods	(0.5)	(0.1)	(0.6)
Total other comprehensive income	**(0.5)**	**(0.1)**	**(0.6)**
Total comprehensive income	**4.6**	**(0.9)**	**3.7**
DUFRY'S SHARE	49%		
Net profit / (loss)	2.5	(2.1)	0.4
Total other comprehensive income	(0.3)	(0.1)	(0.4)
Total comprehensive income	**2.2**	**(2.2)**	**–**

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

Reconciliation of the carrying amount of its investments

IN MILLIONS OF CHF	LOJAS FRANCAS DE PORTUGAL SA	OTHER ASSOCIATES	TOTAL
Carrying value at January 1, 2019	**29.1**	**6.5**	**35.6**
Additions	–	2.5	2.5
Net profit / (loss)	2.5	(2.1)	0.4
Dividends received	(5.6)	–	(5.6)
Other comprehensive income	(0.3)	(0.1)	(0.4)
Currency translation adjustments	–	(0.6)	(0.6)
Carrying value at December 31, 2019	**25.7**	**6.2**	**31.9**
Additions	–	0.4	0.4
Net profit / (loss)	(25.4)	0.1	(25.3)
Dividends received	–	–	–
Other comprehensive income	(0.1)	0.3	0.2
Currency translation adjustments	–	(0.1)	(0.1)
Carrying value at December 31, 2020	**0.2**	**6.9**	**7.1**

20. OTHER NON-CURRENT ASSETS

IN MILLIONS OF CHF	31.12.2020	31.12.2019
Guarantee deposits	104.1	108.1
Loans and contractual receivables	27.0	34.3
Lease receivables	4.1	7.5
Prepayment for leases	47.3	56.5
Tax receivable	80.3	94.6
Other	0.5	7.4
Subtotal	**263.3**	**308.4**
Allowances	(6.1)	(5.3)
Total	**257.2**	**303.1**

MOVEMENT IN ALLOWANCES

IN MILLIONS OF CHF	2020	2019
Balance at January 1	**(5.3)**	**(3.0)**
Creation	(1.4)	(2.8)
Utilized	–	0.4
Currency translation adjustments	0.6	0.1
Balance at December 31	**(6.1)**	**(5.3)**

21. INVENTORIES

IN MILLIONS OF CHF	31.12.2020	31.12.2019
Inventories at cost	771.3	1,123.1
Inventory allowance	(111.7)	(73.1)
Total	**659.6**	**1,050.0**

Cost of sales includes inventories written down to net realizable value and inventory losses of CHF 98.8 (2019: 39.5) million.

22. TRADE AND CREDIT CARD RECEIVABLES

IN MILLIONS OF CHF	31.12.2020	31.12.2019
Trade receivables	15.4	37.9
Credit card receivables	9.6	12.0
Gross	**25.0**	**49.9**
Allowances	(7.9)	(5.7)
Net	**17.1**	**44.2**

AGING ANALYSIS OF TRADE RECEIVABLES

IN MILLIONS OF CHF	31.12.2020	31.12.2019
Not due	5.0	14.7
OVERDUE		
Up to 30 days	1.0	3.0
31 to 60 days	0.4	1.9
61 to 90 days	0.4	1.7
More than 90 days	0.7	10.9
Total overdue	**2.5**	**17.5**
Trade receivables, net	**7.5**	**32.2**

MOVEMENT IN ALLOWANCES

IN MILLIONS OF CHF	2020	2019
Balance at January 1	**(5.7)**	**(3.3)**
Creation	(1.4)	(3.1)
Utilized	–	0.1
Reclassification	(0.9)	0.5
Currency translation adjustments	0.1	0.1
Balance at December 31	**(7.9)**	**(5.7)**

23. OTHER ACCOUNTS RECEIVABLE

IN MILLIONS OF CHF	31.12.2020	31.12.2019
Advertising receivables	92.6	168.5
Services provided to suppliers	9.9	20.0
Loans receivable	3.0	2.4
Receivables from subtenants and business partners	2.0	3.8
Personnel receivables	3.1	3.4
Accounts receivables	**110.6**	**198.1**
Prepayments of lease expenses and rents	41.9	47.3
Prepayments of sales and other taxes	113.1	108.3
Prepayments to suppliers	9.7	15.6
Prepayments, other	9.0	14.5
Prepayments	**173.7**	**185.7**
Receivables from subleases	2.2	4.7
Guarantee deposits	7.8	5.7
Derivative financial assets	11.5	8.5
Accrued income	0.1	0.1
Other	40.5	36.8
Other receivables	**62.1**	**55.8**
Total	**346.4**	**439.6**
Allowances	(31.4)	(17.6)
Total	**315.0**	**422.0**

MOVEMENT IN ALLOWANCES

IN MILLIONS OF CHF	2020	2019
Balance at January 1	**(17.6)**	**(18.2)**
Creation*	(17.0)	(0.6)
Released	0.7	0.8
Utilized	0.3	0.6
Reclassification	0.9	(0.5)
Currency translation adjustments	1.3	0.3
Balance at December 31	**(31.4)**	**(17.6)**

* The increase in the allowance is triggered by the current COVID-19 crises as many of our suppliers and business partners are impacted and therefore the recoverability of our receivables.

24. EQUITY

IN MILLIONS OF CHF	NOTE	31.12.2020	31.12.2019
Attributable to equity holders of the parent			
Share capital	24.1	401.3	252.8
Share premium	24.1	4,249.9	3,475.5
Treasury shares	25.3	(1.3)	(92.5)
Mandatory convertible notes	24.3	68.4	–
Employee benefit reserve	24.4	(30.9)	(32.5)
Translation reserves	24.6	(524.9)	(329.9)
Retained earnings	24.7	(3,323.2)	(628.1)
Total		**839.3**	**2,645.3**
Non-controlling interests		**78.7**	**462.7**
Total Equity		**918.0**	**3,108.0**

24.1 FULLY PAID ORDINARY SHARES

IN MILLIONS OF CHF	NUMBER OF SHARES	SHARE CAPITAL	SHARE PREMIUM
Balance at January 1, 2019	**53,871,707**	**269.4**	**4,060.6**
Redeemed shares	(3,304,541)	(16.6)	(385.3)
Distribution to shareholders	–	–	(199.8)
Balance at December 31, 2019	**50,567,166**	**252.8**	**3,475.5**
Share capital increases	29,696,516	148.5	809.4
Share issuance costs	–	–	(35.0)
Balance at December 31, 2020	**80,263,682**	**401.3**	**4,249.9**

On April 20, 2020, Dufry has issued and placed 5,000,000 new shares out of the authorized capital at CHF 27.50 per share and the gross proceeds from the placement are CHF 137.5 million.

On October 6, 2020, the Extraordinary General Meeting of Dufry approved the issuance and offering of an ordinary share capital increase of up to 24,696,516 shares with a nominal value of CHF 5 each.

On October 20, 2020, the offering period closed and finally 24,696,516 new shares have been placed resulting in an increase of the share capital of CHF 123.5 million and a gross proceeds of CHF 820.4 million.

24.2 AUTHORIZED AND CONDITIONAL SHARE CAPITAL

AUTHORIZED SHARE CAPITAL	NUMBER OF SHARES	IN THOUSANDS OF CHF
Balance at January 1, 2019	**–**	**–**
Shareholders' resolution as of May 9, 2019	5,000,000	25,000
Balance at December 31, 2019	**5,000,000**	**25,000**
Share capital increase from authorized capital	(5,000,000)	(25,000)
Balance at December 31, 2020	**–**	**–**

CONDITIONAL SHARE CAPITAL	NUMBER OF SHARES	IN THOUSANDS OF CHF
Balance at January 1, 2019	**888,432**	**4,442**
Balance at December 31, 2019	**888,432**	**4,442**
Increase of conditional share capital	11,811,568	59,058
Balance at December 31, 2020	**12,700,000**	**63,500**

24.3 MANDATORY CONVERTIBLE NOTES

	NUMBER OF NOTES	IN THOUSANDS OF CHF
Balance at December 31, 2019	**–**	**–**
Issue of mandatory convertible notes	695	69,500
Mandatory covertible notes issuance costs		(1,100)
Balance at December 31, 2020	**695**	**68,400**

On November 18, 2020 Dufry, via its subsidiary Dufry One B. V., placed CHF 69.5 million in bonds due 2023, which are mandatory convertible into shares of the Company. The convertible bonds have been issued at par with a denomination of CHF 100,000 per note and carry a coupon of 4.1 %, payable semi-annually in arrears. At maturity on November 18, 2023 the bonds will convert to shares at a price of CHF 33.22 per share. Such shares will be sourced from conditional capital or from existing shares.

24.4 EMPLOYEE BENEFITS RESERVE

	ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT	NON-CONTROLLING INTERESTS	TOTAL EQUITY
	IN MILLIONS OF CHF	IN MILLIONS OF CHF	IN MILLIONS OF CHF
Balance at January 1, 2019	**(18.1)**		
Remeasurement of post-employment benefit plans	(16.1)	0.1	(16.0)
Income tax	1.7	–	1.7
Balance at December 31, 2019	**(32.5)**		
Remeasurement of post-employment benefit plans	1.0	–	1.0
Income tax	0.6	–	0.6
Balance at December 31, 2020	**(30.9)**		

24.5 HEDGING AND REVALUATION RESERVES

	ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT	NON-CONTROLLING INTERESTS	TOTAL EQUITY
	IN MILLIONS OF CHF	IN MILLIONS OF CHF	IN MILLIONS OF CHF
Balance at January 1, 2019	**(0.3)**	**–**	**(0.3)**
Gain / (loss) arising on changes in fair value of financial instruments:			
– Fair value changes of equity investments	0.3	–	0.3
Balance at December 31, 2019	**–**		
Balance at December 31, 2020	**–**	**–**	**–**

24.6 TRANSLATION RESERVES

	ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT	NON-CONTROLLING INTERESTS	TOTAL
	IN MILLIONS OF CHF	IN MILLIONS OF CHF	IN MILLIONS OF CHF
Balance at January 1, 2019	**(324.1)**		
Exchange differences arising on translating the foreign operations	(7.2)	(3.3)	(10.5)
Net gain / (loss) on hedge of net investments in foreign operations[1] (note 27.2)	1.8	–	1.8
Share of other comprehensive income of associates	(0.4)	–	(0.4)
Balance at December 31, 2019	**(329.9)**		
Exchange differences arising on translating the foreign operations	(219.4)	(17.7)	(237.1)
Net gain / (loss) on hedge of net investments in foreign operations (note 27.2)	24.2	–	24.2
Share of other comprehensive income of associates	0.2	–	0.2
Balance at December 31, 2020	**(524.9)**		

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

24.7 RETAINED EARNINGS

	ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT	NON-CONTROLLING INTERESTS	TOTAL EQUITY
	IN MILLIONS OF CHF	IN MILLIONS OF CHF	IN MILLIONS OF CHF
Balance at January 1, 2019	**(567.9)**		
Net profit / (loss)	(26.5)	56.6	30.1
Dividends to non-controlling interests	–	(73.8)	(73.8)
Assignment of treasury shares	(27.8)	(2.0)	(29.8)
Share-based plan expenses	13.3	0.4	13.7
Income tax on equity transactions	1.6	1.2	2.8
Share capital increase Dufry Colombia	(21.3)	–	(21.3)
Put option held by non-controlling interests	–	(55.7)	(55.7)
Other changes in participation of non-controlling interests	0.5	96.3	96.8
Balance at December 31, 2019	**(628.1)**		
Net profit / (loss)	(2,513.7)	(226.8)	(2,740.5)
Loss on disposal of treasury shares	(55.1)	–	(55.1)
Share-based payments	(27.3)	(1.7)	(29.0)
Put option held by non-controlling interests	8.0	24.3	32.3
Income tax on equity transactions	(0.2)	(0.1)	(0.3)
Dividends to non-controlling interests	–	(33.5)	(33.5)
Equity component of convertible bond	28.9	–	28.9
Other changes in participation of non-controlling interests*	(135.7)	(128.5)	(264.2)
Balance at December 31, 2020	**(3,323.2)**		

* Mainly relates to the acquisition of the non-controlling interests of Hudson Ltd CHF (148.9) million – see note 26.

25. SHARE-BASED PAYMENT PLANS

25.1 SHARE PLAN OF DUFRY AG

During 2020, Dufry did not grant any awards.

On December 12, 2019, Dufry granted to selected members of the senior management the award 2019 consisting of 81,334 performance share units (PSU). The PSU award 2019 has a contractual life of 29 months and will vest on May 2, 2022. At grant date the fair value of one PSU award 2019 represented the market value for one Dufry share at that date, i. e. CHF 97.36. As of December 31, 2020, none of the PSU award 2019 forfeited and 81,334 PSU award 2019 remain outstanding.

On December 12, 2018, Dufry granted to the members of the senior management the award 2018 consisting of 136,443 PSU units. The PSU award 2018 has a contractual life of 29 months and will vest on May 1, 2021. At grant date the fair value of one PSU award 2018 represented the market value for one Dufry share at that date, i. e. CHF 91.48, adjusted by the probability that participants comply with the ongoing contractual relationship clause. As of December 31, 2020, 6,897 of the PSU award 2018 forfeited, so that 129,546 PSU award 2018 remain outstanding.

Holders of one PSU award 2019 or 2018 will have the right to receive free of charge up to two Dufry shares depending on the effective cumulative amount of cash earnings per share (Cash EPS) reached by Dufry during the grant year of award and the following two years compared with the target (2019: CHF 23.82, 2018: CHF 24.27). The Cash EPS equals the basic earnings per share adjusted for amortization of intangible assets identified during business combinations and acquisition transaction expenses. As of 2019, the plan administrator adjusted the cash EPS targets for 2019 and onwards by adjusting it also regarding the interest expense on lease obligation. If at vesting the cumulative adjusted EPS is at target level, each PSU grants one share. If the cumulative adjusted EPS is at 150 % of the target (maximum threshold) or above, each PSU grants 2 shares at vesting, and if the adjusted EPS is at 50 % of the target (minimum threshold) or below, no share will be granted at vesting. If the adjusted EPS is between 50 % and 150 % of the target, the number of shares granted for each PSU will be allocated on a linear basis. Additionally, the allocation of shares is subject to an ongoing contractual relationship of the participant with Dufry throughout the vesting period. Holders of PSU are not entitled to vote or receive dividends like shareholders do.

On May 4, 2020, the PSU-award 2017 vested and the company assigned and delivered, free of charge 118,800 Dufry shares to the holders of these certificates. The performance of the PSU award 2017 was measured against the target Cash EPS of CHF 24.98 and achieved a payout ratio of 0.945 Dufry shares per PSU award 2017.

On May 4, 2021, the PSU-award 2018 will vest and the company estimates that it will not assign and deliver any Dufry shares to the holders of these certificates as the minimum performance required by the PSU award 2018 was not achieved.

25.2 SHARE PLAN OF HUDSON LTD.

During 2020, Hudson did not grant any awards.

On September 10, 2019, Hudson Ltd granted to selected members of its senior management the Hudson-award 2019 consisting of 405,674 PSU's units and 135,243 RSU's units. Both plans have a contractual life of 32 months and will vest on May 2, 2022. At grant date the fair value of one PSU or RSU award 2019 represents the market value for one Hudson share at that date, i. e. CHF 12.23 (USD 12.64), adjusted by the probability that participants comply with the ongoing contractual relationship clauses. As of December 31, 2020, all PSU 's and all RSU's Hudson-award 2019 have been converted into cash-settled plans.

On November 1, 2018, Hudson Ltd granted to selected members of its senior management the Hudson-award 2018 consisting of 435,449 PSU's units and 145,150 RSU's units. Both plans have a contractual life of 30 months and will vest on May 1, 2021. At grant date the fair value of one PSU or RSU award 2018 represented the market value for one Hudson share at that date, i. e. CHF 20.85 (USD 21.06), adjusted by the probability that participants comply with the ongoing contractual relationship clauses. As of December 31, 2020, all PSU- and all RSU Hudson-award 2018 have been converted into cash settled plans.

Originally, the holders of one PSU Hudson-award 2019 or 2018 would have had the right to receive free of charge up to two Hudson Ltd Class A common shares based on the cumulative results achieved by Hudson over a three year period on three performance metrics (PM) against the respective targets measured in USD and thus as follows: 30 % based on Sales of CHF 5.937 (USD 6,135) (2018: CHF 5,719 or USD 5,828) million, 30 % based on EBITDA of CHF 731 (USD 755) (2018: CHF 694.8 or USD 708) million and 40 % based on Cash EPS of CHF 2.21 (USD 2.28) (2018: CHF 2.17 or USD 2.22). Whereby the Cash EPS equals the basic Earnings per Share adjusted for amortization and impairment of intangible assets identified during business combinations and non-recurring effects.

As of 2019, the plan administrator adjusted the cash EPS targets for 2019 and onwards by adjusting it also regarding the interest expense on lease payments. If at vesting the effective cumulative PM are at target level, each PSU grants one share. If a cumulative PM is at 150 % of the target (maximum threshold) or above, each PSU will grant at vesting the specific PM weight of two shares, and if a PM is at 50 % of the PM target (minimum threshold) or below, no share will be granted at vesting. If a PM is between 50 % and 150 % of the target, the payout ratio will be allocated on a linear basis. Finally, the number of shares granted for each PSU will be the sum of the three payout ratios. Additionally, the allocation of shares is subject to an ongoing contractual relationship of the participant with Hudson throughout the vesting period. Holders of PSU are not entitled to vote or receive dividends, like shareholders do. The plans consider different rights in case of early termination.

On November 12, 2020, and as a consequence of the delisting of Hudson Ltd, the administrator modified the plan to cancel all unvested RSUs and PSUs, effective as of the delisting date, and convert them into the right to receive a cash payment, equal to the product of CHF 6.90 (USD 7.70) and the number of shares underlying the RSU and PSU awards, respectively. The number of shares underlying each PSU will be calculated based on the achieved results against the Performance Targets as commented in the paragraph above for the period through the delisting date. All other conditions and service vesting terms remain unchanged.

On February 5, 2020, the last part of the IPO-award became due and the company assigned and delivered, free of charge 263,136 Hudson Ltd Class A common shares to the holders of these awards.

In 2020, Dufry recognized through profit and loss for all these share-based plans expenses for a total of CHF 0.3 (2019: 18.1) million.

25.3 TREASURY SHARES

Treasury shares are valued at historical cost.

	NUMBER OF SHARES	IN MILLIONS OF CHF
Balance at January 1, 2019	**4,169,089**	**(520.8)**
Redeemed shares	(3,304,541)	401.9
Assigned to holders of PSU / RSU-Awards	(234,467)	26.4
Balance at December 31, 2019	**630,081**	**(92.5)**
Disposal of shares	(500,000)	68.8
Assigned to holders of PSU-Awards	(118,800)	22.4
Balance at December 31, 2020	**11,281**	**(1.3)**

25.4 EARNINGS PER SHARE

25.4.1 Earnings per share attributable to equity holders of the parent

Basic

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

IN MILLIONS OF CHF / QUANTITY	2020	2019
Net profit / (loss) attributable to equity holders of the parent	(2,513.7)	(26.5)
Weighted average number of ordinary shares outstanding	58,450,437	49,885,624
Basic earnings per share in CHF	**(43.01)**	**(0.53)**

Diluted

Diluted earnings per share are calculated by dividing the net profits/(loss) 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	2020	2019
Net profit / (loss) attributable to equity holders of the parent	(2,513.7)	(26.5)
Weighted average number of ordinary shares outstanding	58,450,437	49,885,624
Diluted earnings per share in CHF	**(43.01)**	**(0.53)**

25.4.2 Adjusted EPS

Dufry uses the adjusted EPS as an alternative performance indicator (non-IFRS figure). The table below shows how this indicator has been derived from:

IN MILLIONS OF CHF / QUANTITY	NOTE	2020	2019
Net profit / (loss) attributable to equity holders of the parent		(2,513.7)	(26.5)
ADJUSTED FOR			
Amortization of concession rights*	18	251.1	308.9
Impairment of concession rights*	18	556.8	26.0
Impairment of goodwill*	18	131.1	–
Interest on lease obligation	13	178.7	187.7
Transactions expenses*	6	–	2.9
Deferred income tax on above lines		(172.6)	(90.6)
Minority interst on above lines		(89.8)	(59.1)
Adjusted net profit		**(1,658.4)**	**349.3**
Weighted average number of ordinary shares outstanding		58,450,437	49,885,624
Adjusted EPS		**(28.37)**	**7.00**

* related to acquisitions.

25.4.3 Weighted average number of ordinary shares

IN THOUSANDS	2020	2019
Outstanding shares	58,664,860	52,441,248
Less treasury shares	(214,423)	(2,555,624)
Used for calculation of basic earnings per share	**58,450,437**	**49,885,624**
EFFECT OF DILUTION		
PSU / RSU Awards	–	–
Used for calculation of earnings per share adjusted for the effect of dilution	58,450,437	49,885,624

For movements in shares see note 24 Equity and note 25.3 Treasury shares.

26. BREAKDOWN OF TRANSACTIONS WITH NON-CONTROLLING INTERESTS HOLDERS

The following transactions have been recognized in equity attributable to non-controlling interests holders:

IN MILLIONS OF CHF	NOTE	2020	2019
Hudson Ltd 42.6% acquired	26.1	(126.5)	–
Put Option held by NCI to sell 49% of Dufry Staer Holding Ltd[1]		24.3	(55.7)
Dufry DFASS Colombia SAS 49% acquired		–	12.1
Other non-controlling interests disposed		(5.3)	(0.7)
Change in Dufry's interest		**(107.5)**	**(44.3)**
Brookstone acquisition - final purchase price allocation[1]	6.2	2.3	0.1
RegStaer M Ltd (Vnukovo acqusition) 40%	6.1	–	38.0
Dufry Staer Holding Ltd share capital increase		–	39.7
Business combinations (see note 6)		**2.3**	**77.8**
Division North America, changes in share capital of several subsidiaries		3.5	4.1
Duty Free Carribean (Bahamas) Ltd 40%		–	1.4
Dufry DFASS Colombia SAS share capital increase		–	1.5
Dufry Thomas Julie Korea Co. Ltd share capital increase		–	0.2
Other		(2.5)	(0.1)
Share capital changes		**1.0**	**7.1**
Total		**(104.2)**	**40.6**

[1] No cash flow effects in current financial period.

26.1 TRANSACTION WITH NON-CONTROLLING INTERESTS IN HUDSON LTD

On December 1, 2020, Dufry acquired the remaining 42.6 % (CHF 126.5 million) of the voting equity interest of Hudson Ltd for a total consideration of CHF 275.4 (USD 302.9) million. Dufry offered to the shareholders of Hudson Class A shares a price of USD 7.70 per share. After the completion of this transaction, the trading of the Hudson shares on the New York Stock Exchange has been suspended. The Company has financed this transaction with a capital increase (note 24).

As the Group already controlled this entity before the partial acquisition, there is no change in the sales or operating profit of the Group. This transaction was accounted for as a transaction between equity holders for the Group.

26.2 RECONCILIATION OF CASH FLOWS 2020

Cash flows used for the acquisition of non-controlling interests

IN MILLIONS OF CHF	2020
Total consideration paid in cash	(275.4)
Carrying value of the non-controlling interest in Hudson Ltd.	126.5
Difference recognized in retained earnings within equity (note 24.7)	**(148.9)**

26.3 INFORMATION ON COMPANIES WITH NON-CONTROLLING INTERESTS

In 2020, Dufry allocated CHF (226.8) (2019: 56.6) million of net loss to non-controlling interests (NCI). Within the Dufry Group, the net earnings allocated to non-controlling interests is predominantly related to the Hudson sub-group, totaling CHF (112.3) (2019: 38.7) million. On December 1, 2020, Dufry acquired the remaining 42.6 % of Hudson. Hudson has many subsidiaries, most of them with non-controlling interests. Details about the name of these subsidiaries, location of primary operations, Hudson's share in ownership and share capital of these subsidiaries, sorted by state of incorporation, have been disclosed in the list of most important subsidiaries at the end of these financial statements.

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

FINANCIAL POSITION OF COMPANIES WITH NCI

31.12.2020 IN MILLIONS OF CHF	HUDSON LTD.	OTHER[1]	TOTAL
Dividends paid to NCI	–	(33.3)	(33.3)
Current assets	–	174.9	174.9
of which cash and cash equivalents	–	41.4	41.4
Non-current assets	–	1,171.7	1,171.7
Current liabilities	–	490.1	490.1
of which financial liabilities	–	435.2	435.2
Non-current liabilities	–	802.2	802.2
of which financial liabilities	–	742.8	742.8
Net assets	**–**	**54.3**	**54.3**
Equity attributable to NCI	–	78.7	78.7

[1] Other subsidiaries with non-controlling interests.

31.12.2019 IN MILLIONS OF CHF	HUDSON LTD.	OTHER[1]	TOTAL
Dividends paid to NCI[2]	(39.8)	(30.7)	(70.5)
Current assets	537.0	527.2	1,064.2
of which cash and cash equivalents	307.8	71.4	379.2
Non-current assets	2,203.6	1,146.1	3,349.7
Current liabilities	523.2	520.3	1,043.5
of which financial liabilities	282.3	500.8	783.1
Non-current liabilities	1,589.0	417.5	2,006.5
of which financial liabilities	1,549.7	368.3	1,918.0
Net assets	**628.4**	**735.5**	**1,363.9**
Equity attributable to NCI	310.4	152.3	462.7

[2] NCI's of Hudson.

FINANCIAL RESULT OF COMPANIES WITH NCI

2020 IN MILLIONS OF CHF	HUDSON LTD.	OTHER[1]	TOTAL
Turnover	644.4	391.5	1,035.9
Depreciation, amortization and impairment	(379.7)	(395.0)	(774.7)
Finance income	1.2	0.2	1.4
Finance expense	(78.8)	(43.8)	(122.6)
Income tax	66.3	11.9	78.2
Net profit / (loss)	(251.4)	(328.2)	(579.6)
of which attributable to NCI[2]	(112.3)	(114.5)	(226.8)
Other comprehensive income	24.2	28.6	52.8
Total comprehensive income	(227.2)	(299.6)	(526.8)
of which attributable to NCI	(128.5)	(116.0)	(244.5)

2019 IN MILLIONS OF CHF	HUDSON LTD.	OTHER[1]	TOTAL
Turnover	1,935.8	996.5	2,932.3
Depreciation, amortization and impairment	(361.1)	(165.6)	(526.7)
Finance income	4.7	1.7	6.4
Finance expense	(88.5)	(22.5)	(111.0)
Income tax	(14.4)	(10.1)	(24.5)
Net profit / (loss)	46.0	52.0	98.0
of which attributable to NCI[2]	38.7	17.9	56.6
Other comprehensive income	22.2	(12.2)	10.0
Total comprehensive income	68.2	39.8	108.0
of which attributable to NCI	40.5	12.9	53.4

[1] Other subsidiaries with non-controlling interests.

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

27. BORROWINGS

IN MILLIONS OF CHF	31.12.2020	31.12.2019
Bank debt overdrafts	15.1	8.7
Bank debt loans	34.7	40.5
Third party loans	4.1	4.0
Borrowings, current	**53.9**	**53.2**
Bank debt loans	1,672.3	1,931.9
Senior Notes	1,975.5	1,658.4
Third party loans	2.8	11.9
Borrowings, non-current	**3,650.6**	**3,602.2**
Total	**3,704.5**	**3,655.4**
OF WHICH ARE		
Bank debt	1,722.1	1,981.1
Senior Notes	1,975.5	1,658.4
Third party loans	6.9	15.9

BANK DEBT

IN MILLIONS OF CHF	31.12.2020	31.12.2019
BANK DEBTS ARE DENOMINATED IN		
US Dollar	1,017.9	677.5
British Pound	–	1,220.20
Swiss Franc	527.6	50.4
Subtotal	**1,545.5**	**1,948.1**
BANK DEBTS AT SUBSIDIARIES IN		
Euro*	124.3	–
Swiss Franc*	20.0	–
Various currencies	46.6	49.3
Deferred arrangement fees	(14.3)	(16.3)
Total	**1,722.1**	**1,981.1**

* Government backed COVID-19 loans.

NOTES

IN MILLIONS OF CHF	31.12.2020	31.12.2019
Senior Notes denominated in Euro	1,676.2	1,682.2
Convertible Notes denominated in CHF	326.7	–
Deferred gain on modification of financing arrangements	(13.8)	(15.9)
Deferred arrangement fees	(13.6)	(7.9)
Total	**1,975.5**	**1,658.4**

DETAILED CREDIT FACILITIES

Dufry negotiates and manages its main credit facilities centrally.

The bank credit agreements and the bank guarantee facilities contain covenants and conditions customary to this type of financing. In 2020 and 2019, Dufry complied with the financial covenants and conditions contained in the bank credit agreements.

Bank credit facilities

				DRAWN AMOUNT IN CHF	
IN MILLIONS OF	MATURITY	CURRENCY	CREDIT LIMIT IN FOREIGN CURRENCY	31.12.2020	31.12.2019
Committed 5-year term loan (multi-currency)	03.11.2022	USD	700.0	619.6	677.5
Committed 5-year term loan (multi-currency)	03.11.2022	EUR	500.0	527.6	564.2
5+1+1-year revolving credit facility (multi-currency)	03.11.2024	EUR	1,300.0	398.3	706.4
Committed 12+6+6 month term and revolving facility	29.05.2021	EUR	367.0	–	–
Uncommited current facilities	n.a.	EUR	50.0	–	–
Uncommited current facilities	n.a.	CHF	50.0	–	–
Total				**1,545.5**	**1,948.1**

Notes

					AMOUNT IN CHF	
IN MILLIONS OF	MATURITY	COUPON RATE	CURRENCY	NOMINAL IN FOREIGN CURRENCY	31.12.2020	31.12.2019
Convertible notes [1]	04.05.2023	1.00%	CHF	350.0	320.2	–
Senior notes	15.10.2024	2.50%	EUR	800.0	860.1	864.1
Senior notes	15.02.2027	2.00%	EUR	750.0	795.2	794.3
Total					**1,975.5**	**1,658.4**

[1] Equity component CHF 28.9 million.

WEIGHTED AVERAGE INTEREST RATE

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

INTEREST RATE IN PERCENTAGE (%)	2020	2019
Average on USD	3.41	4.03
Average on CHF	1.94	0.63
Average on EUR	2.26	3.30
Average on GBP	2.04	2.12
Weighted Average Total	**2.44**	**2.97**

27.1 HEDGE OF NET INVESTMENTS IN FOREIGN OPERATIONS

The company has designated USD 292.9 million bank loans in relation to the following investments in subsidiaries:

		AMOUNT IN HEDGING CURRENCY		AMOUNT IN CHF	
IN MILLIONS OF	**CURRENCY**	**31.12.2020**	**31.12.2019**	**31.12.2020**	**31.12.2019**
Alliance Inc., Interbaires SA, Navinten SA, Blaicor SA, International Operation & Services SA, Duty Free Ecuador SA [1]	USD	292.9	292.9	259.2	283.4

[1] Dufry had a hedge relationship with Dufry do Brasil and WDFG UK Holdings Limited in the past, which are no longer designated, but for which the originally hedged foreign operation is still part of the Group. The related hedge gain accumulated in the CTA are amounted respectively to CHF 109.1 and CHF 75.5 millions.

There is no ineffectiveness for these hedges and the effect of hedging is presented in line item Net gain/(loss) on hedge of net investment in foreign operations in OCI.

27.2 EQUITY-LIKE LOANS

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

		AMOUNT IN FOREIGN CURRENCY		EQUIVALENT AMOUNT IN CHF	
IN MILLIONS OF	**CURRENCY**	**31.12.2020**	**31.12.2019**	**31.12.2020**	**31.12.2019**
Dufry International AG	EUR	1,087.1	–	1,175.6	–
Nuance Group (Australia) Pty Ltd.	AUD	196.6	121.8	133.9	82.8
Dufry Americas y Caribe Corp.	USD	10.2	10.2	9.0	9.9
Nuance Group (Sverige) AB	SEK	110.0	110.0	11.9	11.4
Dufry Duty Free (Nigeria) Ltd.	USD	6.1	6.1	5.4	5.9
Total				**1,335.8**	**110.0**

Any translation difference arising on these loans are accounted for in equity in the line item Exchange difference on translating foreign operations.

28. LEASE OBLIGATIONS

IN MILLIONS OF CHF	**31.12.2020**	**31.12.2019**
Lease obligations, current	1,397.5	1,085.7
Lease obligations, non-current	4,022.9	3,319.0
Total	**5,420.4**	**4,404.7**

29. BORROWINGS AND LEASE OBLIGATIONS, NET

IN MILLIONS OF CHF	CASH AND CASH EQUIVALENTS	LEASE OBLIGATIONS	BORROWINGS	NET DEBT
Balance at January 1, 2020	**553.5**	**4,404.7**	**3,655.4**	**7,506.6**
Cash flows from operating, financing and investing activities	(163.2)	–	–	163.2
Repayment of 3rd party loans payable	–	–	(1.0)	(1.0)
Transaction costs for financial instruments	–	–	(13.4)	(13.4)
Proceeds from convertible bonds	–	–	350.0	350.0
Proceeds from bank debt	–	–	557.2	557.2
Repayment of bank debt	–	–	(756.5)	(756.5)
Lease payments	–	(405.7)	–	(405.7)
Cash flow	**(163.2)**	**(405.7)**	**136.4**	**(106.2)**
Additions and lease modifications	–	1,880.4	–	1,880.4
Interest on lease obligations	–	178.7	–	178.7
Relief on lease obligations	–	(380.3)	–	(380.3)
Early termination of lease obligations	–	(43.8)	–	(43.8)
Equity component of convertible bonds	–	–	(28.9)	(28.9)
Discounted interests	–	–	5.7	5.7
Arrangement fees amortization	–	–	11.9	11.9
Other non-cash movements	–	(3.9)	(33.2)	(37.1)
Currency translation adjustments	(30.0)	(154.8)	121.2	(3.6)
Unrealized exchange differences on the translation of net debt in foreign currencies	–	(54.9)	(164.0)	(218.9)
Other non-cash movements	**(30.0)**	**1,421.4**	**(87.3)**	**1,364.1**
Balance at December 31, 2020	**360.3**	**5,420.4**	**3,704.5**	**8,764.6**

IN MILLIONS OF CHF	CASH AND CASH EQUIVALENTS	LEASE OBLIGATIONS	BORROWINGS	NET DEBT
Balance at January 1, 2019	**538.2**	**–**	**3,824.3**	**3,286.1**
Lease obligation at January 1, 2019	**–**	**4,784.3**	**–**	**4,784.3**
Balance at January 1, 2019	**538.2**	**4,784.3**	**3,824.3**	**8,070.4**
Cash flows from operating, financing and investing activities	51.9	–	–	(51.9)
Transaction costs for financial instruments	–	–	(2.5)	(2.5)
Proceeds from convertible bonds	–	–	823.3	823.3
Proceeds from bank debt	–	–	90.7	90.7
Repayment of bank debt	–	–	(976.7)	(976.7)
Lease payments	–	(1,269.5)	–	(1,269.5)
Cash flow	**51.9**	**(1,269.5)**	**(65.2)**	**(1,386.6)**
Business combinations (note 6)	0.3	11.0	0.6	11.3
Additions to lease obligations	–	838.5	–	838.5
Interest on lease obligations	–	187.7	–	187.7
Early termination of lease obligations	–	(78.1)	–	(78.1)
Arrangement fees amortization	–	–	(13.7)	(13.7)
Foreign exchange adjustments	(36.9)	(69.2)	(90.6)	(122.9)
Other non-cash movements	**(36.6)**	**889.9**	**(103.7)**	**822.8**
Balance at December 31, 2019	**553.5**	**4,404.7**	**3,655.4**	**7,506.6**

On May 4, 2020 Dufry, via its subsidiary Dufry One B. V., placed CHF 350 million in convertible bonds due 2023, conditionally convertible into shares of the Company. The convertible bonds have been issued at par with a denomination of CHF 200,000 and carry a coupon of 1.0 %, payable semi-annually in arrears. At maturity on May 4, 2023 the bonds will be redeemed at par. During such time bondholders can opt to convert the bonds at a price of CHF 33.00 per share. Such shares will be sourced from conditional capital or from existing shares. On May 18, 2020, the General Assembly approved the respective increase of the conditional share capital to 12.7 million shares (at nominal value of CHF 5.00 each, CHF 63.5 million).

29.1 OFFSETTING FINANCIAL ASSETS AND FINANCIAL LIABILITIES

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

IN MILLIONS OF CHF	BALANCE BEFORE GLOBAL POOLING	SET-OFF	NET BALANCE
31.12.2020			
Cash and cash equivalents	1,089.7	(729.4)	360.3
Borrowings, current	783.3	(729.4)	53.9
31.12.2019			
Cash and cash equivalents	1,922.7	(1,369.2)	553.5
Borrowings, current	1,422.4	(1,369.2)	53.2

29.2 LEGAL RESTRICTIONS ON MONEY TRANSFER

Cash and cash equivalents at the end of the reporting period include CHF 36.3 (2019: 67.5) million held by subsidiaries operating in countries with exchange controls or other legal restrictions on money transfer.

30. OTHER LIABILITIES

IN MILLIONS OF CHF	31.12.2020	31.12.2019
Concession fee payables	95.5	200.3
Other service related vendors	181.1	201.0
Personnel payables	150.9	144.9
Deferred lease expense	0.7	108.7
Sales and other tax liabilities	39.9	49.4
Put option Dufry Staer Holding Ltd (note 6.1)	23.4	55.7
Financial derivative liabilities - current	–	24.4
Lease obligation due to tax refund (further comments on note 12)	17.4	30.0
Payables for capital expenditure	10.7	28.4
Interest payables	16.1	14.4
Payables to local business partners	1.4	1.8
Other payables	39.4	56.39
Total	**576.5**	**915.4**
THEREOF		
Current liabilities	533.0	827.1
Non-current liabilities	43.5	88.3
Total	**576.5**	**915.4**

31. DEFERRED TAX ASSETS AND LIABILITIES

Deferred tax assest and liabilities arise from the following positions:

IN MILLIONS OF CHF	31.12.2020	31.12.2019
DEFERRED TAX ASSETS		
Inventories	4.8	18.2
Property, plant and equipment	38.2	32.1
Intangible assets	29.8	35.1
Lease obligations	459.2	688.6
Provisions and other payables	52.3	40.5
Tax loss carry-forward	116.9	95.5
Other	8.7	5.4
Total	**709.9**	**915.4**
DEFERRED TAX LIABILITIES		
Property, plant and equipment	(10.9)	(14.7)
Right-of-use assets	(493.6)	(687.8)
Intangible assets	(363.9)	(454.1)
Provisions and other payables	(7.6)	(4.3)
Other	(10.3)	(29.2)
Total	**(886.3)**	**(1,190.1)**
Deferred tax liabilities net	**(176.4)**	**(274.7)**

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

IN MILLIONS OF CHF	2020	2019
Deferred tax assets	145.5	122.1
Deferred tax liabilities	(321.9)	(396.8)
Balance at December 31	**(176.4)**	**(274.7)**

Reconciliation of movements to the deferred taxes:

IN MILLIONS OF CHF	2020	2019
Changes in deferred tax assets	23.4	(16.3)
Changes in deferred tax liabilities	74.9	29.1
Business combinations (note 6)	–	19.3
Currency translation adjustments	(2.4)	2.9
Deferred tax movements (expense) at December 31	**95.9**	**35.0**
THEREOF		
Recognized in the statement of profit or loss	95.6	30.5
Recognized in equity[1]	(0.3)	2.8
Recognized in OCI	0.6	1.7

Tax loss carryforward

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

Deferred tax assets relating to unused tax losses carryforwards or temporary differences are recognized when it is probable that such tax credits can be utilized in future periods by the respective entity in accordance with the approved budget 2020 and the management projections thereafter.

The unrecognized tax losses carryforwards by expiry date are as follows:

IN MILLIONS OF CHF	31.12.2020	31.12.2019
Expiring within 1 to 3 years	266.1	103.1
Expiring within 4 to 7 years	733.3	340.5
Expiring after 7 years	54.7	65.0
With no expiration limit	1,136.2	640.5
Total	**2,190.3**	**1,149.1**

Unrecognized deferred tax liabilities

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

32. PROVISIONS

IN MILLIONS OF CHF	CONTIN-GENT LIABILITIES	ONEROUS CONTRACTS	CLOSEDOWN	LAWSUITS AND DUTIES	LABOR DISPUTES	OTHER	TOTAL
Balance at January 1, 2020	**11.3**	**38.6**	**2.3**	**23.4**	**3.6**	**18.5**	**97.7**
Charge for the year	–	9.0	0.8	0.2	0.4	8.7	19.1
Utilized	(0.9)	(8.3)	(0.2)	(0.1)	(0.5)	(1.7)	(11.7)
Unused amounts reversed	–	(8.2)	–	(1.3)	–	(2.0)	(11.5)
Interest discounted	–	2.0	–	–	–	–	2.0
Reclassification within classes	–	–	(0.4)	–	–	0.4	–
Reclassification from / to other accounts	–	–	–	–	–	0.1	0.1
Currency translation adjustments	(0.6)	0.2	(0.1)	(1.7)	(0.3)	(1.2)	(3.7)
Balance at December 31, 2020	**9.8**	**33.3**	**2.4**	**20.5**	**3.2**	**22.8**	**92.0**
THEREOF							
Current	–	11.1	2.4	20.5	0.7	14.8	49.5
Non-current	9.8	22.2	–	–	2.5	8.0	42.5

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

CONTINGENT LIABILITIES

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

ONEROUS CONTRACTS

Dufry enters in certain non-cancellable long term lease agreements for shops. If the economic condition to operate such business deteriorates materially, it can happen that the present value of the unavoidable future cash flows is not enough to cover the carrying amount of the tangible or intangible assets, or even become negative so that the company would need to present a provision for onerous contracts. Estimating these future cash flows requires management to project future sales and operating profits. At balance sheet date, an amount of CHF 33.3 (2019: 38.6) million has been provided mainly in relation to two operations in the region Europe, Middle East and Africa (EMEA) and one operation in Central & South America.

CLOSE DOWN

The provision of CHF 2.4 (2019: 2.3) million relates mainly to two operations in Asia and Europe.

LAWSUITS AND DUTIES

The provision for lawsuits and duties of CHF 20.5 (2019: 23.4) million covers uncertainties related to the outcome of law suits in relation to taxes-other than income, duties or other claims in connection with our subsidiaries in India. The major cases relate to two subsidiaries in India which still keep open claims (CHF 11.1 million) in relation with customs duties and service taxes. Dufry expects that both cases won't be finally judged in the next year. During 2020, Dufry released the provision in Brazil.

LABOR DISPUTES

The provision of CHF 3.2 (2019: 3.6) million relates mainly to claims presented by sales staff in Brazil based on disputes due to the termination of temporary labor contracts.

OTHER

Other provisions comprise mainly potential liabilities to cover the cost for restoration of leased shops to their original condition at the end of the lease agreement and restructuring costs. The charges for the year relate to restructuring costs in Argentina.

CASH OUTFLOWS OF NON-CURRENT PROVISIONS

The cash outflows of non-current provisions as of December 31, 2020 are expected to occur in:

IN MILLIONS OF CHF	EXPECTED CASH OUTFLOW
2022	23.4
2023	1.6
2024	0.9
2025	1.8
2026+	14.8
Total non-current	**42.5**

33. POST-EMPLOYMENT BENEFIT OBLIGATIONS

Dufry provides retirement benefits through a variety of arrangements comprised principally of stand-alone defined benefit or defined contribution plans, or state administered plans that cover a substantial portion of employees in accordance with local regulations and practices. The most significant plans in terms of the benefits accrued to date by participants are cash balance and final salary plans. Around 95.2% (2019: 99.5%) of the total defined benefit obligation and 95.3% (2019: 99.5%) of the plan assets correspond to pension funds in Switzerland (CH) and the United Kingdom (UK).

	2020			2019		
IN MILLIONS OF CHF	Funded	Unfunded	TOTAL	Funded	Unfunded	TOTAL
SWITZERLAND						
Fair value of plan assets	205.8	–	205.8	207.5	–	207.5
Present value of defined benefit obligation	217.7	–	217.7	236.1	–	236.1
Financial (liability) asset	**(11.9)**	**–**	**(11.9)**	**(28.6)**	**–**	**(28.6)**
UK						
Fair value of plan assets	217.5	–	217.5	209.5	–	209.5
Present value of defined benefit obligation	223.1	–	223.1	206.5	–	206.5
Financial (liability) asset	**(5.6)**	**–**	**(5.6)**	**3.0**	**–**	**3.0**
OTHER PLANS						
Fair value of plan assets	20.8	–	20.8	2.1	0.2	2.3
Present value of defined benefit obligation	22.4	13.5	35.9	1.9	18.8	20.7
Financial (liability) asset	**(1.6)**	**(13.5)**	**(15.1)**	**0.2**	**(18.6)**	**(18.4)**
CARRYING AMOUNT						
Net defined benefit assets	**–**	**–**	**–**	**3.2**	**0.2**	**3.4**
Employee benefit obligations	**(19.1)**	**(13.5)**	**(32.6)**	**(28.6)**	**(18.8)**	**(47.4)**

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

Reconciliation to the funded plans

	2020		2019	
IN MILLIONS OF CHF	Switzerland	UK	Switzerland	UK
Net defined (obligation) / asset at January 1	**(28.6)**	**3.0**	**(15.3)**	**4.6**
Pension income / (expense) through statement of profit or loss	0.2	0.1	(7.4)	0.1
Remeasurements through other comprehensive income	11.3	(10.1)	(12.0)	(4.1)
Transfer payment	(0.3)	(0.6)	–	–
Contributions paid by employer	5.5	2.0	6.1	2.1
Currency translation	–	0.0	–	0.3
Net defined (obligation) / asset at December 31	**(11.9)**	**(5.6)**	**(28.6)**	**3.0**

33.1 SWITZERLAND

In Switzerland Dufry's pension plan is a cash balance plan where contributions are made by employees and employer based on a percentage of the pensionable salary. The pension plan guarantees the amount accrued on the members saving account, as well as interest on those savings amounts. At retirement date, the savings account are converted into pensions, or optionally part of the savings can be paid out as a lump sum. The board of trustees on a discretional basis, based on the annual performance and financial situation of the fund can grant increases in pension payment.

LEGAL FRAMEWORK

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

MAIN RISKS

The main risks to which the pension fund is exposed are: a) mortality risk as if the effective average life result to be longer than the assumptions used based on the official demographic statistics, then pension payments would need to be done for longer periods, b) Market and liquidity risk as if the future rate of return on plan assets is lower to the actual discount rate used to calculate the conversion factor, then additional funds will be needed and c) Death and disability risk as if the amounts or number of effective cases are higher than the indications provided by the demographic statistics this can result in a mismatch of asset-liabilities relation of the pension fund. These risks are regularly monitored by an actuary and the Board of Trustees. The financial situation of the pension fund is presented annually in two reports, in accordance with the requirements of the BVG and IFRS respectively.

ASSET-LIABILITY MANAGEMENT

The Swiss pension fund currently invests in a diverse portfolio of asset classes including equities, bonds, property and alternative investments but do not currently use any more explicit asset-liability matching strategy instruments such as annuity purchase products or longevity swaps. With the investment strategy the board of trustees defines the allocation of asset classes, currencies and other risks, which takes into account requirements from BVG, and the objective of achieving an investment return which together with the contributions paid, is sufficient to maintain reasonable control over the various funding risks of the plan. The board of trustees is responsible for the investment of the assets and reviews the investment portfolio from time to time at least once a year. The plan assets are deposited in a global custody bank account, whereby the investments in real estate funds are directly managed by a specialized 3rd party administration.

33.2 UNITED KINGDOM (UK)

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

Cost of defined benefit plans

	2020		2019	
IN MILLIONS OF CHF	Switzerland	UK	Switzerland	UK
SERVICE COSTS				
Current service costs	(7.6)	–	(7.1)	–
Past service costs	7.8	–	–	–
Fund administration	–	–	(0.3)	–
Net interest	–	0.1	(0.1)	0.1
Total pension expenses recognized in the statement of profit or loss	**0.2**	**0.1**	**(7.5)**	**0.1**

The current and past service costs are included in personnel expenses, whereas fund administration expenses are included in the other expenses. The past service costs in 2020 are a consequence of the reduction of staff. Refer to comments in Note 9.

Remeasurements employee benefits

	2020		2019	
IN MILLIONS OF CHF	Switzerland	UK	Switzerland	UK
Actuarial gains (losses) - experience	1.1	–	(4.3)	4.0
Actuarial gains (losses) - demographic assumptions	–	(0.9)	1.6	(0.4)
Actuarial gains (losses) - financial assumptions	3.9	(29.3)	(24.4)	(28.9)
Return on plan assets exceeding expected interest	6.3	20.4	15.1	21.3
Total remeasurements recorded in other comprehensive income	**11.3**	**(9.8)**	**(12.0)**	**(4.0)**

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

Change in the fair value of plan assets

	2020		2019	
IN MILLIONS OF CHF	Switzerland	UK	Switzerland	UK
Balance at January 1	**207.5**	**209.5**	**189.7**	**182.5**
Interest income [1]	0.5	4.1	1.7	5.5
Return on plan assets, above interest income	6.4	20.4	15.2	21.3
Contributions paid by employer	5.7	2.0	6.2	2.1
Contributions paid by employees	3.4	–	3.6	–
Benefits paid	(17.1)	(5.8)	(8.9)	(6.6)
Administration costs	(0.3)	(0.6)	–	–
Currency translation	(0.3)	(12.1)	–	4.7
Balance at December 31	**205.8**	**217.5**	**207.5**	**209.5**

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

Change in present value of defined benefit obligation

	2020		2019	
IN MILLIONS OF CHF	Switzerland	UK	Switzerland	UK
Balance at January 1	**236.1**	**206.5**	**205.0**	**177.9**
Current service costs	7.6	–	7.1	–
Interest costs	0.6	4.0	1.8	5.4
Contributions paid by employees	3.4	–	3.6	–
Accrual of expected future administration costs	–	–	0.3	–
Actuarial losses / (gains) - experience	(1.0)	0.1	4.4	(3.9)
Actuarial losses / (gains) - demographic assumptions	–	0.9	(1.6)	0.4
Actuarial losses / (gains) - financial assumptions	(3.9)	29.3	24.4	28.9
Benefits paid	(17.1)	(5.8)	(8.9)	(6.6)
Past service cost - plan amendments	(7.8)	–	–	–
Currency translation	(0.2)	(11.9)	–	4.4
Balance at December 31	**217.7**	**223.1**	**236.1**	**206.5**
Net defined benefit (obligation) / asset at December 31	**(11.9)**	**(5.6)**	**(28.6)**	**3.0**

Actuarial assumptions

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

	2020		2019	
IN PERCENTAGE (%)	**Switzerland**	**UK**	**Switzerland**	**UK**
Discount rates	0.10	1.45	0.25	2.10
Future salary increases	1.25	–	1.50	–
Future pension increases	–	1.80	0.25	1.80
Average retirement age (in years)	64	65	64	65
Mortality table (generational tables)	2015	2019	2015	2018

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

Plan asset structure

The structure of categories of plan assets is as follows:

	2020		2019	
IN PERCENTAGE (%)	**Switzerland**	**UK**	**Switzerland**	**UK**
Shares	33.4	99.1	37.4	33.4
Bonds	20.2	–	20.2	0.0
Real estates	38.0	–	38.0	–
Other [1]	8.4	0.9	4.4	66.6
Total	**100.0**	**100.0**	**100.0**	**100.0**

[1] Includes liquid positions and alternative investments.

All assets held by the Pension fund in Switzerland and UK are fair-value-level 1 (quoted prices in active markets), except certain real estate and alternative investments in Switzerland which are fair-value-level 3 (significant unobservable inputs) representing 39.3% (2019: 27.7%) of the total assets.

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

Plan participants

IN THOUSAND OF CHF	2020 Switzerland	2020 UK	2019 Switzerland	2019 UK
ACTIVE PARTICIPANTS				
Number at December 31 (participants)	554	–	751	–
Average annual plan salary	86.0	–	84.0	–
Average age (years)	43.4	–	42.0	–
Average account balance	139.0	–	117.0	–
DEFERRED PARTICIPANTS				
Number at December 31 (participants)	–	1,114	–	1,114
Average annual plan pension	–	5.0	–	5.0
BENEFIT RECEIVING PARTICIPANTS				
Number at December 31 (participants)	158	1,095	150	1,095
Average annual plan pension	24.0	3.4	25.0	4.3

IN MILLIONS OF CHF	2021 Switzerland	2021 UK	2020 Switzerland	2020 UK
EXPECTED CASH FLOW FOR				
Contribution Employer	4.1	2.0	5.6	2.2
Contribution Employees	2.5	–	3.2	–
Weighted average duration of defined benefit obligation (years)	20.1	19.0	20.2	19.0

IN MILLIONS OF CHF	2020 Switzerland	2020 UK	2019 Switzerland	2019 UK
MATURITY PROFILE OF DEFINED BENEFIT OBLIGATION				
Expected payments within 1 year	6.4	5.0	7.1	5.0
Expected payments in year 2	6.3	5.1	6.9	5.9
Expected payments in year 3	7.2	5.4	6.7	6.0
Expected payments in year 4	6.4	5.7	7.6	6.3
Expected payments in year 5	6.0	6.0	7.0	6.7
Expected payments in year 6 and beyond	29.1	31.2	32.1	32.2

Sensitivities of significant actuarial assumptions

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

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

2020 IN MILLIONS OF CHF	SWITZERLAND Increase	SWITZERLAND Decrease	UK Increase	UK Decrease
A CHANGE OF 0.5% IN THE FOLLOWING ASSUMPTIONS WOULD IMPLY				
Discount rate	(17.0)	22.7	(21.9)	21.9
Salary rate	4.0	(3.6)	–	–

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

Expected costs

IN MILLIONS OF CHF	2021 Switzerland	2021 UK*
Current service cost	5.6	–
Fund administration expenses	0.2	–
Net interest expenses	–	–
Costs to be recognized in the statement of profit or loss	**5.8**	**–**

* The UK defined benefit plan is closed.

34. FAIR VALUE MEASUREMENT

FAIR VALUE OF FINANCIAL INSTRUMENTS CARRIED AT AMORTIZED COST

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

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

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

Quantitative disclosures fair value measurement hierarchy for assets

DECEMBER 31, 2020 IN MILLIONS OF CHF	FAIR VALUE MEASUREMENT AT DECEMBER 31, 2020 USING TOTAL	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	CARRYING AMOUNTS
ASSETS MEASURED AT FAIR VALUE					
Derivative financial assets					
Foreign exchange forward contracts - OTHER	–	–	–	–	–
Foreign exchange swaps contracts - EUR	8.8	–	8.8	–	8.8
Foreign exchange swaps contracts - OTHER	0.8	–	0.8	–	0.8
Options - USD	1.9	–	1.9	–	1.9
Total (Note 37.3)	**11.5**	**–**	**11.5**	**–**	**11.5**
ASSETS FOR WHICH FAIR VALUES ARE DISCLOSED					
Loans and receivables					
Credit card receivables	9.4	–	9.4	–	9.6

DECEMBER 31, 2019 IN MILLIONS OF CHF	FAIR VALUE MEASUREMENT AT DECEMBER 31, 2019 USING TOTAL	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	CARRYING AMOUNTS
ASSETS MEASURED AT FAIR VALUE					
Derivative financial assets					
Foreign exchange forward contracts - USD	0.2	–	0.2	–	0.2
Foreign exchange swaps contracts - EUR	3.5	–	3.5	–	3.5
Foreign exchange swaps contracts - OTHER	0.1	–	0.1	–	0.1
Cross currency swaps contracts - GBP	1.2	–	1.2	–	1.2
Options - USD	3.4	–	3.4	–	3.4
Total (Note 37.3)	**8.4**	**–**	**8.4**	**–**	**8.4**
Financial assets valued at FVOCI					
ASSETS FOR WHICH FAIR VALUES ARE DISCLOSED					
Loans and receivables					
Credit card receivables	11.7	–	11.7	–	12.0

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

Quantitative disclosures fair value measurement hierarchy for liabilities

	FAIR VALUE MEASUREMENT AT DECEMBER 31, 2020 USING				
DECEMBER 31, 2020 IN MILLIONS OF CHF	**TOTAL**	**Quoted prices in active markets (Level 1)**	**Significant observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**	**CARRYING AMOUNTS**
LIABILITIES MEASURED AT FAIR VALUE					
Derivative financial liabilities					
Foreign exchange forward contracts - OTHER	–	–	–	–	–
Foreign exchange swaps contracts - EUR	–	–	–	–	–
Foreign exchange swaps contracts - OTHER	–	–	–	–	–
Put option Dufry Staer Holding Ltd	23.4	–	–	23.4	23.4
Other options	–	–	–	–	–
Total (Note 37.3 and note 6.1)	**23.4**	**–**	**–**	**23.4**	**23.4**
LIABILITIES FOR WHICH FAIR VALUES ARE DISCLOSED					
At amortized cost					
Senior Notes CHF 350	610.7	610.7	–	–	320.2
Senior Notes EUR 800	827.4	827.4	–	–	860.1
Senior Notes EUR 750	757.8	757.8	–	–	795.2
Total	**2,195.9**	**2,195.9**	**–**	**–**	**1,975.5**
Floating rate borrowings USD	1,056.2	–	1,056.2	–	1,008.5
Floating rate borrowings CHF	561.7	–	561.7	–	522.7
Total	**1,617.9**	**–**	**1,617.9**	**–**	**1,531.2**

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

DECEMBER 31, 2019 IN MILLIONS OF CHF	TOTAL	FAIR VALUE MEASUREMENT AT DECEMBER 31, 2019 USING Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	CARRYING AMOUNTS
LIABILITIES MEASURED AT FAIR VALUE					
Derivative financial liabilities					
Foreign exchange forward contracts - USD	–	–	–	–	–
Foreign exchange forward contracts - OTHER	0.1	–	0.1	–	0.1
Foreign exchange swaps contracts - EUR	2.9	–	2.9	–	2.9
Cross currency swaps contracts - GBP	15.7	–	15.7	–	15.7
Put option Dufry Staer Holding Ltd	55.7	–	–	55.7	55.7
Other options	3.7	–	3.7	–	3.7
Total (Note 37.3)	**78.1**	**–**	**22.4**	**55.7**	**78.1**
Financial liabilities valued at FVPL					
Interest rate swaps	2.0	–	2.0	–	2.0
Total (Note 38.1)	**2.0**	**–**	**2.0**	**–**	**2.0**
LIABILITIES FOR WHICH FAIR VALUES ARE DISCLOSED					
At amortized cost					
Senior Notes EUR 800	892.6	892.6	–	–	864.1
Senior Notes EUR 750	823.2	823.2	–	–	794.3
Total	**1,715.8**	**1,715.8**	**–**	**–**	**1,658.4**
Floating rate borrowings USD	716.8	–	716.8	–	671.8
Floating rate borrowings CHF	53.4	–	53.4	–	50.0
Floating rate borrowings GBP	1,068.1	–	1,068.1	–	1,210.0
Total	**1,838.3**	**–**	**1,838.3**	**–**	**1,931.8**

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

35. CAPITAL RISK MANAGEMENT

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

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

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

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

35.1 GEARING RATIO

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

IN MILLIONS OF CHF	31.12.2020	31.12.2019
Cash and cash equivalents	(360.3)	(553.5)
Borrowings, current	53.9	53.2
Borrowings, non-current	3,650.6	3,602.2
Borrowings, net	**3,344.2**	**3,101.9**
Equity attributable to equity holders of the parent	839.3	2,645.3
ADJUSTED FOR		
Accumulated hedged gains / (losses)	(91.0)	(64.1)
Effects from transactions with non-controlling interests [1]	1,503.4	1,375.7
Total capital [2]	**2,251.7**	**3,956.9**
Total net debt and capital	**5,595.9**	**7,058.8**
Gearing ratio	**59.8%**	**43.9%**

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

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

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

35.2 CATEGORIES OF FINANCIAL INSTRUMENTS

AT DECEMBER 31, 2020

IN MILLIONS OF CHF	FINANCIAL ASSETS at amortized cost	at FVPL	SUBTOTAL	NON-FINANCIAL ASSETS[1]	TOTAL
Cash and cash equivalents	360.3	–	360.3	–	360.3
Trade and credit card receivables	17.1	–	17.1	–	17.1
Other accounts receivable	126.6	11.5	138.1	176.9	315.0
Other non-current assets	211.5	0.4	211.9	44.9	256.8
Total	**715.5**	**11.9**	**727.4**		

IN MILLIONS OF CHF	FINANCIAL LIABILITIES at amortized cost	at FVPL	SUBTOTAL	NON-FINANCIAL LIABILITIES[1]	TOTAL
Trade payables	154.9	–	154.9	–	154.9
Borrowings, current	53.9	–	53.9	–	53.9
Lease obligations, current	1,397.5	–	1,397.5	–	1,397.5
Other liabilities	489.4	–	489.4	43.6	533.0
Borrowings, non-current	3,692.1	–	3,692.1	(41.5)	3,650.6
Lease obligations, non-current	4,022.9	–	4,022.9	–	4,022.9
Other non-current liabilities	43.5	–	43.5	–	43.5
Total	**9,854.2**	**–**	**9,854.2**		

[1] Non-financial assets or non-financial liabilities comprise prepaid expenses (Incl. deferred bank fees set off from borrowings) and deferred income, which will not generate a cash outflow or inflow as well as other tax positions.

AT DECEMBER 31, 2019

IN MILLIONS OF CHF	FINANCIAL ASSETS Loans and receivables	at FVPL	SUBTOTAL	NON-FINANCIAL ASSETS	TOTAL
Cash and cash equivalents	553.5	–	553.5	–	553.5
Trade and credit card receivables	44.2	–	44.2	–	44.2
Other accounts receivable	226.7	8.5	235.2	186.8	422.0
Other non-current assets	238.2	0.2	238.4	64.5	302.9
Total	**1,062.6**	**8.7**	**1,071.3**		

IN MILLIONS OF CHF	FINANCIAL LIABILITIES at amortized cost	at FVPL	SUBTOTAL	NON-FINANCIAL LIABILITIES	TOTAL
Trade payables	645.6	–	645.6	–	645.6
Borrowings, current	53.2	–	53.2	–	53.2
Lease obligations, current	1,085.7	–	1,085.7	–	1,085.7
Other liabilities	749.2	24.4	773.6	53.5	827.1
Borrowings, non-current	3,642.3	–	3,642.3	(40.1)	3,602.2
Lease obligations, non-current	3,319.0	–	3,319.0	–	3,319.0
Other non-current liabilities	88.3	–	88.3	–	88.3
Total	**9,583.3**	**24.4**	**9,607.7**		

35.3 NET INCOME BY IFRS 9 VALUATION CATEGORY

Financial Assets at December 31, 2020

IN MILLIONS OF CHF	AT AMORTIZED COST	AT FVPL	TOTAL
Interest income	22.5	–	22.5
Other finance income	0.8	12.2	13.0
From interest	**23.3**	**12.2**	**35.5**
Foreign exchange gain / (loss)[1]	(225.0)	(4.1)	(229.1)
Impairments / allowances[2]	(23.8)	–	(23.8)
Total – from subsequent valuation	**(248.8)**	**(4.1)**	**(252.8)**
Net (expense) / income	**(225.5)**	**8.1**	**(217.3)**

Financial Liabilities at December 31, 2020

IN MILLIONS OF CHF	AT AMORTIZED COST	AT FVPL	TOTAL
Interest expenses and arrangement fees	(325.8)	–	(325.8)
Other finance expenses	(10.2)	(6.4)	(16.6)
From interest	**(336.0)**	**(6.4)**	**(342.4)**
Foreign exchange gain / (loss)[1]	212.1	16.9	229.0
Total – from subsequent valuation	**212.1**	**16.9**	**229.0**
Net (expense) / income	**(123.9)**	**10.5**	**(113.4)**

1 This position includes the foreign exchange gain / (loss) recognized on third party and intercompany financial assets and liabilities through consolidated statement of profit or loss.

2 This position includes net income / (expense) from released impairments, allowances or recoveries during the period less the increase of impairments or allowances.

Financial Assets at December 31, 2019

IN MILLIONS OF CHF	LOANS AND RECEIVABLES	AT FVOCI (NON-RECYCLABLE)	AT FVPL	TOTAL
Interest income	28.4	–	0.1	28.5
Other finance income	2.1	–	40.2	42.3
From interest	**30.5**	**–**	**40.3**	**70.8**
Foreign exchange gain / (loss) [1]	(59.6)	–	32.5	(27.1)
Impairments / allowances [2]	(6.7)	–	–	(6.7)
Total – from subsequent valuation	**(66.3)**	**–**	**32.5**	**(33.8)**
Net (expense) / income	**(35.8)**	**–**	**72.8**	**37.0**

Financial Liabilities at December 31, 2019

IN MILLIONS OF CHF	AT AMORTIZED COST	AT FVPL	TOTAL
Interest expenses and arrangement fees	(352.1)	–	(352.1)
Other finance expenses	(0.7)	(18.2)	(18.9)
From interest	**(352.8)**	**(18.2)**	**(371.0)**
Foreign exchange gain (loss) [1]	70.4	(53.8)	16.6
Total – from subsequent valuation	**70.4**	**(53.8)**	**16.6**
Net (expense) / income	**(282.4)**	**(72.0)**	**(354.4)**

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

[2] This position includes net income / expense from released impairments, allowances or recoveries during the period less the increase of impairments or allowances.

36. FINANCIAL RISK MANAGEMENT OBJECTIVES

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

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

37. MARKET RISK

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

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

During the current financial year, Dufry utilized foreign currency forward contracts and options for hedging purposes.

37.1 FOREIGN CURRENCY RISK MANAGEMENT

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

37.2 FOREIGN CURRENCY SENSITIVITY ANALYSIS

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

Foreign Currency Exposure

IN MILLIONS OF CHF	USD	EUR	GBP	BRL	OTHER	TOTAL
DECEMBER 31, 2020						
Monetary assets	1,824.1	216.1	400.1	92.3	1,257.5	3,790.1
Monetary liabilities	1,742.1	2,093.7	211.9	172.2	1,237.9	5,457.8
Net currency exposure before foreign currency contracts and hedging	**82.0**	**(1,877.6)**	**188.2**	**(79.9)**	**19.6**	**(1,667.7)**
Foreign currency contracts	(454.0)	704.0	(195.0)	92.0	60.9	207.9
Hedging	244.8	1,175.6	–	–	(94.8)	1,325.6
Net currency exposure	**(127.2)**	**2.0**	**(6.8)**	**12.1**	**(14.3)**	**(134.2)**
DECEMBER 31, 2019						
Monetary assets	2,072.6	336.2	297.9	122.2	513.0	3,341.9
Monetary liabilities	2,067.7	1,050.7	1,425.3	289.8	451.7	5,285.2
Net currency exposure before hedging	**4.9**	**(714.5)**	**(1,127.4)**	**(167.6)**	**61.3**	**(1,943.3)**
Foreign currency contracts	(329.4)	696.9	1,111.0	219.1	(74.2)	1,623.4
Hedging	267.7	–	–	–	(94.2)	173.5
Net currency exposure	**(56.8)**	**(17.6)**	**(16.4)**	**51.5**	**(107.1)**	**(146.4)**

The sensitivity analysis includes all monetary assets and liabilities irrespective of whether the positions are third party or intercompany. Dufry has considered some intercompany long-term loans as equity like loans. Consequently, the related exchange differences are presented in other comprehensive income and thereafter as translation reserve in equity. In addition, Dufry has entered into cross currency swaps to reduce the currency exposure.

The foreign exchange rate sensitivity is calculated by aggregation of the net currency exposure of Dufry entities at December 31 of the respective year. The values and risk disclosed here are the hedged and remaining net currency exposure assuming a 5 % appreciation of the CHF against all other currencies.

A positive result indicates a profit, before tax in the statement of profit or loss or in the hedging and revaluation reserves when the CHF strengthens against the relevant currency.

IN MILLIONS OF CHF	31.12.2020	31.12.2019
Effect on profit or loss based on USD	6.4	2.8
Other comprehensive income based on USD	12.2	13.4
Effect on profit or loss based on EUR	(0.1)	0.9
Other comprehensive income based on EUR	58.8	–
Effect on profit or loss based on GBP	0.3	0.8
Effect on profit or loss based on BRL	(0.6)	(2.6)

Reconciliation to categories of financial instruments:

IN MILLIONS OF CHF	31.12.2020	31.12.2019
FINANCIAL ASSETS		
Total financial assets held in foreign currencies (see above)	3,790.1	3,341.9
Less intercompany financial assets in foreign currencies	(3,331.4)	(2,847.4)
Third party financial assets held in foreign currencies	458.7	494.5
Third party financial assets held in reporting currencies	268.7	576.8
Total third party financial assets [1]	**727.4**	**1,071.3**
FINANCIAL LIABILITIES		
Total financial liabilities held in foreign currencies (see above)	5,457.8	5,285.2
Less intercompany financial liabilities in foreign currencies	(3,160.5)	(1,607.0)
Third party financial liabilities held in foreign currencies	2,297.3	3,678.2
Third party financial liabilities held in reporting currencies	7,556.9	5,929.5
Total third party financial liabilities [1]	**9,854.2**	**9,607.7**

[1] See note 35.2 Categories of financial instruments.

37.3 FOREIGN EXCHANGE FORWARD CONTRACTS AND FOREIGN EXCHANGE OPTIONS AT FAIR VALUE

As the management of the company actively pursues to naturally hedge the positions in each operation, the policy of Dufry is to enter into foreign exchange forwards and options contracts only where needed.

The following table shows the contracts or underlying principal amounts and fair values of derivative financial instruments, including foreign exchange forwards and foreign exchange swaps as well as cross currency swaps. Contracts or underlying principal amounts indicate the volume of business outstanding at the balance sheet date. The fair values are determined by reference to market prices or standard pricing models that used observable market inputs at December 31 of each year.

IN MILLIONS OF CHF	CONTRACT OR UNDERLYING PRINCIPAL AMOUNT	POSITIVE FAIR VALUE	NEGATIVE FAIR VALUE
December 31, 2020	1,424.4	11.5	–
December 31, 2019	2,893.9	8.4	22.4

38. INTEREST RATE RISK MANAGEMENT

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

38.1 INTEREST RATE SWAP CONTRACTS

The following table shows the contracts or underlying principal amounts and fair values of derivative financial instruments. Contracts or underlying principal amounts indicate the volume of business outstanding. The fair values are determined by reference to market prices or standard pricing models that used observable market inputs.

IN MILLIONS OF CHF	CONTRACT OR UNDERLYING PRINCIPAL AMOUNT	POSITIVE FAIR VALUE	NEGATIVE FAIR VALUE
December 31, 2020	–	–	–
December 31, 2019	677.5	–	2.0

38.2 INTEREST RATE SENSITIVITY ANALYSIS

The sensitivity analysis below has been determined based on the exposure to interest rates derivatives and non-derivative instruments at the reporting date. The risk analysis provided here assumes a simultaneous increase of 100 basis points of the interest rate of all interest bearing financial positions.

If interest rates had been 100 basis points higher whereas all other variables were held constant, Dufry's net earnings for the year 2020 would increase by CHF 40.0 (2019: decrease by CHF 39.0) million.

38.3 ALLOCATION OF FINANCIAL ASSETS AND LIABILITIES TO INTEREST CLASSES

	IN %		IN MILLIONS OF CHF				
AT DECEMBER 31, 2020	**Average variable interest rate**	**Average fixed interest rate**	**Variable interest rate**	**Fixed interest rate**	**Total interest bearing**	**Non-interest bearing**	**TOTAL**
Cash and cash equivalents	0.7%	2.7%	14.0	23.4	37.4	322.9	360.3
Trade and credit card receivables			–	–	–	17.1	17.1
Other accounts receivable	1.1%		0.3	–	0.3	137.8	138.1
Other non-current assets	2.5%	3.8%	5.6	2.0	7.6	204.3	211.9
Financial assets			**19.9**	**25.4**	**45.3**	**682.1**	**727.4**
Trade payables			–	–	–	154.9	154.9
Borrowings, current	5.0%	4.2%	49.0	4.9	53.9	–	53.9
Other liabilities			–	–	–	489.4	489.4
Borrowings, non-current	2.7%	2.1%	1,686.4	2,005.7	3,692.1	–	3,692.1
Lease obligations	1.6%	3.6%	0.5	5,419.9	5,420.4	–	5,420.4
Other non-current liabilities			–	–	–	43.5	43.5
Financial liabilities			**1,735.9**	**7,430.5**	**9,166.4**	**687.8**	**9,854.2**
Net financial liabilities			**1,716.0**	**7,405.1**	**9,121.1**	**5.7**	**9,126.8**

	IN %		IN MILLIONS OF CHF				
AT DECEMBER 31, 2019	**Average variable interest rate**	**Average fixed interest rate**	**Variable interest rate**	**Fixed interest rate**	**Total interest bearing**	**Non-interest bearing**	**TOTAL**
Cash and cash equivalents	0.5%	1.5%	71.6	39.5	111.1	442.4	553.5
Trade and credit card receivables			–	–	–	44.2	44.2
Other accounts receivable	1.1%	6.3%	0.4	0.2	0.6	234.6	235.2
Other non-current assets	6.1%	2.0%	27.9	2.6	30.5	207.9	238.4
Financial assets			**99.9**	**42.3**	**142.2**	**929.1**	**1,071.3**
Trade payables			–	–	–	645.5	645.5
Borrowings, current	2.6%	4.3%	48.3	4.3	52.6	0.6	53.2
Other liabilities			–	–	–	773.6	773.6
Borrowings, non-current	2.9%	2.3%	1,948.1	1,694.2	3,642.3	–	3,642.3
Lease obligations	1.6%	4.2%	2.6	4,402.2	4,404.8	–	4,404.8
Other non-current liabilities			–	–	–	88.3	88.3
Financial liabilities			**1,999.0**	**6,100.7**	**8,099.7**	**1,508.0**	**9,607.7**
Net financial liabilities			**1,899.1**	**6,058.4**	**7,957.5**	**578.9**	**8,536.4**

39. CREDIT RISK MANAGEMENT

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

Almost all Dufry sales are retail sales made against cash or internationally recognized credit/debit cards. Dufry has policies in place to ensure that other sales are only made to customers with an appropriate credit history or that the credit risk is insured adequately. The remaining credit risk is in relation to taxes, refunds from suppliers and guarantee deposits.

The credit risk on cash deposits or derivative financial instruments relates to banks or financial institutions. Dufry monitors the credit ranking of these institutions and does not expect defaults from non-performance of these counterparties.

The main banks where the Group keeps net assets positions hold a credit rating of A– or higher.

39.1 MAXIMUM CREDIT RISK

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

40. LIQUIDITY RISK MANAGEMENT

Dufry evaluates this risk as the ability to settle its financial liabilities on time and at a reasonable price. Beside its capability to generate cash through its operations, Dufry mitigates liquidity risk by keeping unused credit facilities with financial institutions (see note 2.2 and 27).

40.1 REMAINING MATURITIES FOR NON-DERIVATIVE FINANCIAL ASSETS AND LIABILITIES

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

AT DECEMBER 31, 2020 IN MILLIONS OF CHF	1–6 MONTHS	6–12 MONTHS	1–2 YEARS	MORE THAN 2 YEARS	TOTAL
Cash and cash equivalents	368.4	3.6	–	–	372.0
Trade and credit card receivables	17.1	–	–	–	17.1
Other accounts receivable	124.4	2.3	–	–	126.7
Other non-current assets	0.8	2.2	29.6	200.5	233.1
Total cash inflows	**510.7**	**8.1**	**29.6**	**200.5**	**748.9**
Trade payables	154.9	–	–	–	154.9
Borrowings, current	39.6	31.5	–	–	71.1
Other liabilities	489.4	–	–	–	489.4
Borrowings, non-current	24.1	30.0	144.6	3,752.7	3,951.4
Lease obligations	816.6	580.9	1,169.9	3,435.0	6,002.4
Other non-current liabilities	–	–	43.5	–	43.5
Total cash outflows	**1,524.6**	**642.4**	**1,358.0**	**7,187.7**	**10,712.7**

AT DECEMBER 31, 2019 IN MILLIONS OF CHF	1–6 MONTHS	6–12 MONTHS	1–2 YEARS	MORE THAN 2 YEARS	TOTAL
Cash and cash equivalents	570.1	19.6	–	–	589.7
Trade and credit card receivables	44.1	0.1	–	–	44.2
Other accounts receivable	214.2	12.5	–	–	226.7
Other non-current assets	2.6	3.1	16.5	241.5	263.7
Total cash inflows	**831.0**	**35.3**	**16.5**	**241.5**	**1,124.3**
Trade payables	644.9	0.7	–	–	645.6
Borrowings, current	48.0	39.0	–	–	87.0
Other liabilities	748.0	1.2	–	–	749.2
Borrowings, non-current	37.1	39.3	144.6	3,762.8	3,983.8
Lease obligations	517.4	568.3	796.3	3,146.1	5,028.1
Other non-current liabilities	–	–	88.3	–	88.3
Total cash outflows	**1,995.4**	**648.5**	**1,029.2**	**6,908.9**	**10,582.0**

40.2 REMAINING MATURITIES FOR DERIVATIVE FINANCIAL INSTRUMENTS

Dufry holds derivative financial instruments at year-end of net CHF 11.5 millions of which CHF 10.0 million has a maturity below 6 months and CHF 1.5 million more than one year.

41. RELATED PARTIES AND RELATED PARTY TRANSACTIONS

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

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

IN MILLIONS OF CHF	2020	2019
PURCHASE OF GOODS FROM		
Hudson RPM, literature and publications	1.4	16.5
PURCHASE OF SERVICES FROM		
Pension Fund Dufry, post-employment benefits	5.6	6.1
ACCOUNTS PAYABLES/(RECEIVABLES) AT DECEMBER 31		
Hudson RPM	(1.7)	0.1
Pension Fund Dufry	0.3	0.8

The transactions with associates are the following:

IN MILLIONS OF CHF	2020	2019
PURCHASE OF SERVICES FROM		
Lojas Francas de Portugal S.A.	(3.4)	(2.7)
Nuance Basel LLC (Sochi)	(0.2)	–
Nuance Group (Chicago) LLC	–	(0.2)
SALES OF SERVICES TO		
Lojas Francas de Portugal S.A.	1.5	1.5
Nuance Basel LLC (Sochi)	0.2	0.4
Nuance Group (Chicago) LLC	0.1	0.7
SALES OF GOODS TO		
Lojas Francas de Portugal S.A.	8.1	41.9
Nuance Basel LLC (Sochi)	1.6	3.6
Puerto Libre Int. SA	0.4	–
Nuance Group (Chicago) LLC	–	1.7
ACCOUNTS RECEIVABLES AT DECEMBER 31		
Lojas Francas de Portugal S.A.	1.4	1.6
Nuance Basel LLC (Sochi)	9.0	10.9
Nuance Group (Chicago) LLC	0.6	1.2
NCM Brookstone Stores Georiga, LLC	0.5	0.4
ACCOUNTS PAYABLES AT DECEMBER 31		
Lojas Francas de Portugal S.A.	–	0.1
Nuance Group (Chicago) LLC	–	0.2

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

IN MILLIONS OF CHF	2020	2019
BOARD OF DIRECTORS		
Number of directors	10	9
Current employee benefits	6.8	6.2
Post-employment benefits	0.2	0.3
Total compensation	**7.0**	**6.5**
GLOBAL EXECUTIVE COMMITTEE		
Number of members	8	10
Current employee benefits	26.0	16.9
Post-employment benefits	1.8	1.8
Share-based payments (income) / expense [1]	(1.1)	5.1
Total compensation	**26.7**	**23.8**

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

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

42. EVENTS AFTER REPORTING DATE

42.1 CHANGES IN LEASE CONTRACTS IN 2021

In February 2021, Dufry renegotiated two existing lease contracts, removing fixed payments (fixed MAG), which will result in a de-recognition of CHF 114.9 million current and CHF 587.9 million non-current lease obligations, repectively CHF 636.4 million in right-of-use assets.

Building a better working world

To the General Meeting of
Dufry AG, Basel

Basel, March 8, 2021

Statutory auditor's report on the audit of the consolidated financial statements

Opinion

We have audited the consolidated financial statements of Dufry AG and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position as at December 31, 2020 and the consolidated statement of profit or loss, and the consolidated statements of comprehensive income, changes in equity and cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements (pages 126 to 220) give a true and fair view of the consolidated financial position of the Group as at December 31, 2020, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) and comply with Swiss law.

Basis for opinion

We conducted our audit in accordance with Swiss law, International Standards on Auditing (ISAs) and Swiss Auditing Standards. Our responsibilities under those provisions and standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report.

We are independent of the Group in accordance with the provisions of Swiss law and the requirements of the Swiss audit profession, as well as the *International Code of Ethics for Professional Accountants (including International Independence Standards) of the International Ethics Standards Board for Accountants (IESBA Code),* and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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

Material uncertainty related to going concern

We draw attention to note 2.2 of the consolidated financial statements, which indicates that the Group's financial position, results of operations and cash flows have been significantly adversely impacted by the COVID-19 pandemic. This fact together with other matters disclosed in note 2.2 indicates that a material uncertainty exists that may cast significant doubt about the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. In addition to the matter described in the "Material uncertainty related to going concern" section, we have determined the matters described below to be the key audit matters to be communicated in our report. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the consolidated financial statements.

Valuation of goodwill

Area of Focus

As of December 31, 2020, the Group has recorded goodwill of CHF 2,369 million. The carrying value of goodwill is tested annually for impairment or when indicators of impairment are present. The impairment assessment for goodwill is dependent on the estimation of future cash flows and the weighted average cost of capital applied.

Due to the significance of the carrying values of goodwill and the judgment involved in performing the impairment tests, this matter was considered significant to our audit.

The accounting policies regarding goodwill applied by the Group are explained in the notes to the consolidated financial statements in sections 2.4a and 2.4q. Further details on goodwill and the annual impairment test are disclosed in notes 3, 10, 18 and 18.1 to the consolidated financial statements.

Our audit response

We performed audit procedures to assess the appropriateness of the Group's impairment test valuation model and evaluated the Group's key assumptions, with the support of our valuation specialists. We performed analyses over the projected sales growth rates used in the cash flow projections during the forecast period and the terminal growth rate assumptions. In addition, we performed lookback analyses assessing historical expense and profit ratios against the Group's assumptions. Further, we independently determined the appropriate weighted average costs of capital and compared them against the rates used by the Group. Our work included an evaluation of the Group's sensitivity analysis on changes to the key assumptions, to quantify the downside changes that could result in an impairment and the respective disclosures in the consolidated financial statements.

Our audit procedures did not lead to any reservations concerning the valuation of goodwill.

Valuation of concession right intangibles and right-of-use assets

Area of Focus

As of December 31, 2020, the Group has recorded concession right intangibles and right-of-use assets with definite useful lives of CHF 1,855 million and CHF 4,439 million, respectively. Concession right intangibles and right-of-use assets are measured at historical cost less amortization/depreciation and impairment. The Group assesses at each reporting date whether there are indicators of impairment. Whenever such indicators are identified, the carrying value of the respective cash generating unit, to which the respective concession right intangibles and right-of-use assets belong to, are tested for impairment. Due to the significance of the carrying values of concession right intangibles and right-of-use assets and the judgment involved in performing impairment tests or in assessing future economic benefits, this matter was considered significant to our audit.

The accounting policies regarding concession right intangibles and right-of-use assets applied by the Group are explained in the notes to the consolidated financial statements in sections 2.4o and 2.4m. Further details on concession right intangibles, right-of-use assets and the impairment test are disclosed in notes 3, 17 and 18 to the consolidated financial statements.

Our audit response
We assessed the Group's process for identifying indicators of potential impairment. For those cash generating units for which there were impairment indicators identified, we performed audit procedures to assess the appropriateness of the Group's impairment test valuation model and evaluated the Group's key assumptions, with the support of our valuation specialists. We performed analyses over the projected sales growth rates used in the cash flow projections during the forecast period. In addition, we performed lookback analyses assessing historical expense and profit ratios against the Group's assumptions and corroborated fixed lease payments against contractual agreements on a sample basis. Further, we independently determined the appropriate weighted average costs of capital and compared them against the rates used by the Group.

Our audit procedures did not lead to any reservations concerning the valuation of concession right intangibles and right-of-use assets.

Accounting for lease contracts
Area of Focus
As of December 31, 2020, the Group has right-of-use assets of CHF 4,439 million and lease obligations of CHF 5,420 million (current and non-current). These represent 39% and 52% of the Group's total assets and total liabilities, respectively.

Key assumptions regarding lease accounting are disclosed in the notes (note 8, 17, 28, and 29). Due to the risk of incompleteness of lease contracts recognized, inaccurate consideration and inappropriate accounting assessment of contractual information, and risk of misapplication of the COVID-19 related rent concession practical expedient, this matter was considered significant to our audit.

Our audit response
We obtained an understanding of the Group's accounting policies and processes implemented including the process to identify changes to contractual information of lease contracts, to assess the right-of-use assets and lease obligations. We tested a sample of additions or changes to lease contracts and analyzed whether these represented lease modifications or should be accounted for as separate leases. We evaluated the Group's analysis of the application of the COVID-19 related rent concession practical expedient by selecting a sample of the underlying contract amendments and analyzing the Group's assessment.

Our audit procedures did not lead to any reservations concerning the accounting for lease contracts.

Other information in the annual report
The Board of Directors is responsible for the other information in the annual report. The other information comprises all information included in the annual report, but does not include the consolidated financial statements, the statutory financial statements and the remuneration report and our auditor's reports thereon.

Our opinion on the consolidated financial statements does not cover the other information in the annual report and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information in the annual report and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibility of the Board of Directors for the consolidated financial statements
The Board of Directors is responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRS and the provisions of Swiss law, and for such internal control as the Board of Directors determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Board of Directors is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the consolidated financial statements
Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Swiss law, ISAs and Swiss Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

A further description of our responsibilities for the audit of the consolidated financial statements is located at the website of EXPERTsuisse: http://www.expertsuisse.ch/en/audit-report-for-public-companies. This description forms part of our auditor's report.

Report on other legal and regulatory requirements

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

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

Ernst & Young Ltd

/s/ Jolanda Dolente	/s/ Siro Bonetti
Licensed audit expert	Licensed audit expert
(Auditor in charge)	

STATEMENT OF PROFIT OR LOSS

FOR THE YEAR ENDED DECEMBER 31, 2020

IN THOUSANDS OF CHF	NOTE	2020	2019
Financial income		2,938	15
Franchise fee income		–	3,091
Other income		20	–
Total income		**2,958**	**3,106**
Personnel expenses	8	11,092	(17,536)
General and administrative expenses		(3,875)	(4,973)
Management fee expenses		(12,570)	(5,437)
Impairment of investments in subsidiaries	7	(844,725)	(390,000)
Financial expenses		(8,634)	(9,035)
Expenses related with capital increase		(8,019)	–
Taxes		(981)	(2,195)
Total expenses		**(867,713)**	**(429,176)**
(Loss) / profit for the year		**(864,755)**	**(426,070)**

STATEMENT OF FINANCIAL POSITION

AT DECEMBER 31, 2020

IN THOUSANDS OF CHF	NOTE	31.12.2020	31.12.2019
ASSETS			
Cash and cash equivalents		10,625	17
Current receivables third parties		88	12,954
Current receivables subsidiaries		1,387	415
Current receivables other group companies		1,341	371
Loan to subsidiaries		475,000	–
Prepaid expenses and accrued income		54	13
Current assets		**488,495**	**13,770**
Investments in subsidiaries	3	3,003,690	3,848,415
Non-current assets		**3,003,690**	**3,848,415**
Total assets		**3,492,185**	**3,862,185**
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current interest bearing liabilities		2,537	17,831
Current liabilities third parties		7,891	3,373
Current liabilities participants and bodies		1,036	1,034
Current liabilities subsidiaries		8,717	4,424
Current liabilities other group companies		–	36
Deferred income and accrued expenses		6,228	27,791
Current liabilities		**26,409**	**54,489**
Non-current interest-bearing liabilities subsidiaries		–	408,050
Non-current liabilities		**–**	**408,050**
Total liabilities		**26,409**	**462,539**
Share capital	5.1	401,318	252,836
Legal capital reserves			
Reserve from capital contribution	5.1	4,287,731	3,420,326
Reserve from capital contribution for own shares held at subsidiaries	5.1	1,698	86,700
Legal retained earnings			
Other legal reserves		5,927	5,927
Voluntary retained earnings			
Results carried forward	12	(366,143)	59,927
(Loss) / profit for the year	12	(864,755)	(426,070)
Treasury shares	6	–	–
Shareholders' equity		**3,465,776**	**3,399,646**
Total liabilities and shareholders' equity		**3,492,185**	**3,862,185**

NOTES TO THE FINANCIAL STATEMENTS

1. CORPORATE INFORMATION

Dufry AG (the "Company") is a publicly listed company. The shares of the Company are listed on the Swiss Stock Exchange (SIX) in Zurich.

Dufry AG was incorporated in 1865 and is registered with the commercial register in the canton of Basel Stadt, Switzerland. The Company has registered offices in Basel, Brunngässlein 12.

2. ACCOUNTING POLICIES

2.1 BASIS OF PREPARATION

We have prepared the statutory financial statements in accordance with the accounting principles as set out in Art. 957 to Art. 963b of the Swiss Code of Obligations ("CO"). Since we have prepared our consolidated financial statements in accordance with the International Financial Reporting Standards ("IFRS"), a recognized accounting standard, we have, in accordance with the CO, elected to forego presenting the statement of cash flows, the additional disclosures and the management report otherwise required by the CO. Our financial statements may be influenced by the creation and release of excess reserves.

All amounts are presented in Swiss francs ("CHF"), unless otherwise indicated.

Where not prescribed by law, the significant accounting and valuation principles applied are described below.

2.2 THE ENTITY'S ABILITY TO CONTINUE AS A GOING CONCERN – COVID-19

On March 11, 2020, the World Health Organization declared COVID-19 a pandemic. Governmental organizations have taken various actions to combat the spread of COVID-19, including imposing stay-at-home orders and closing "non-essential" businesses and their operations for certain periods of time.

The company mainly invests in travel retail businesses, which are significantly adversely impacted by COVID-19-related concerns, event cancellations, and business and government-imposed restrictions. These concerns and restrictions have led to a significant decrease in passenger travel and resulted in sharply reduced customer traffic and sales across the businesses we are invested in. Consequently, the Dufry Group's ("Group") revenues declined during 2020 compared with the same period in 2019 by approximately 71%.

In response to the COVID-19 pandemic, the Group most recently has taken the following measures:

- the Group is renegotiating almost all of its concession agreements to better align payment commitments to the current business environment and in particular to reduce fixed payments;
- as of September 2020, the Group has implemented a re-organization and restructuring program to adapt its organization to the new business environment and to accelerate growth and support profitability during the recovery phase of the economic and public health crisis resulting from COVID-19;
- in October 2020 and in connection with the Group's plan to acquire the remaining equity interest in Hudson Ltd. for USD 311 million and to delist Hudson Ltd. from the New York Stock Exchange, Dufry AG has conducted an equity increase through the issuance of 24,696,516 fully paid-in registered shares in the amount of CHF 820.3 million;
- on November 18, 2020, Dufry placed CHF 69.5 million in bonds due in 2023, mandatory convertible into shares of the Company;
- in December 2020, Dufry successfully closed the merger with its subsidiary Hudson Ltd ("Hudson") which will further improve the cost structure of the company going forward;
- the Group did not pay a dividend for the 2019 financial year and we currently do not plan to propose to pay a dividend for the 2020 financial year.

In addition, in May 2020, the company and some of its subsidiaries have entered into an amendment of certain borrowing instruments which, among other things, waived compliance with certain financial covenants until June 30, 2021 and which prevented a covenant breach that would have otherwise occurred as a result of the deterioration in adjusted operating cash flows due to COVID-19. Currently, financial covenants included in our borrowing instruments require the Group to comply with

(i) a maximum ratio of total drawn debt to adjusted operating cash flow of 5.0:1.0 for the test periods ending September 30, 2021 and December 31, 2021 (and a maximum ratio of 4.5:1.0 for the test periods ending March 31, 2022 and thereafter),

(ii) a minimum ratio of adjusted operating cash flow to total interest expense of 3.0:1.0 for the test periods ending September 31, 2021 and thereafter, and

(iii) a minimum liquidity available of CHF 300 million on a monthly basis until and including June 30, 2021.

We cannot predict extent or duration of the on-going COVID-19 pandemic and its impact on the Group and consequently the Company and its financial position, results of operations and cash flows. This includes that the Group, as a result of the deterioration in adjusted operating cash flows, may breach financial covenants included in the Group's borrowing instruments after the covenant waiver period and our borrowings might become due on demand. There can be no assurance that we would be able to successfully negotiate further covenant waivers with our lenders in such an event. It may also be necessary to raise additional capital from investors or financing from lenders.

As a result of these matters caused by the COVID-19 pandemic, there is a material uncertainty that may cast significant doubt upon the Group's and therefore the Company's ability to continue as a going concern and therefore, whether the Company will be able to realize its assets and settle its liabilities in the ordinary course of business at the amounts recorded in the financial statements.

We are closely monitoring developments related to the ongoing pandemic and have taken and continue to take steps intended to mitigate the potential risks to us. Although it is not certain that these efforts will be successful, management believes that the actions that it has taken to date are sufficient to currently mitigate the material uncertainty and has therefore prepared the financial statements on a going concern basis.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Investments in subsidiaries
Investments are held at historical cost. The Company reviews the carrying amount of these investments annually, and if events and circumstances suggest that this amount may not be recoverable, an impairment is recognized in the statement of profit or loss.

Treasury shares
Treasury shares are recognized at acquisition cost and deducted from shareholders' equity. Gains or losses arising out of transactions with treasury shares are recorded in the statement of profit or loss.

Share-based payments
The Company accrues personnel expenses related to share-based payment plans for the respective period in deferred income and accrued liabilities. Any difference between the acquisition costs of treasury shares and the accrual created for the plan will be recognized in the statement of profit or loss, when the shares are assigned to the member of the share-based payment plans.

Current and non-current interest-bearing liabilities
Interest-bearing liabilities are recognized at their nominal value in the statement of financial position.

Exchange rate differences
All assets and liabilities denominated in foreign currencies are translated into CHF using year-end exchange rates, except investments in subsidiaries, which are recognized at historical values. Net unrealized exchange losses are recognized in the statement of profit or loss and net unrealized gains are deferred within accrued expenses. Realized exchange gains or losses arising from business transactions denominated in foreign currencies are recognized in the statement of profit or loss.

3. DIRECT SUBSIDIARIES

	SHARE IN CAPITAL AND VOTING RIGHTS		SHARE CAPITAL		CURRENCY
IN THOUSANDS	31.12.2020	31.12.2019	31.12.2020	31.12.2019	
Dufry International AG, Switzerland	100%	100%	1,000	1,000	CHF
Dufry Corporate AG, Switzerland	100%	100%	100	100	CHF
Dufry Holdings & Investments AG, Switzerland	100%	100%	1,000	1,000	CHF

4. SIGNIFICANT SHAREHOLDERS' PARTICIPATION

IN PERCENTAGE (%) OF OUTSTANDING REGISTERED SHARES	31.12.2020	31.12.2019
Group of shareholders consisting of legal entities AI Louvre (Luxembourg) S.à.r.l. and Taobao China Holding Limited, such group representing the interests of Advent International Corporation and Alibaba Group Holding Limited	17.55%	–
State of Qatar	6.91%	6.92%
Compagnie Financiere Rupert	5.00%	5.00%
Norges Bank (the Central Bank of Norway)	4.89%	2.78%
Group of shareholders consisting of various companies and legal entities representing the interests of: Andrés Holzer Neumann, Julián Díaz González, Juan Carlos Torres Carretero, James S. Cohen, James S. Cohen Family Dynasty Trust	4.25%	15.53%
Government of Singapore	3.92%	5.05%
FMR LLC	3.19%	–
Fidelity Investment Trust	3.02%	–
Franklin Resources, Inc.	2.03%	4.95%
Black Rock, Inc.	1.74%	4.34%

5. SHARE CAPITAL

5.1 ORDINARY SHARES

IN THOUSANDS OF CHF	NUMBER OF SHARES	SHARE CAPITAL	RESERVE FROM CAPITAL CONTRIBUTION
Balance at January 1, 2019	**53,871,707**	**269,359**	**3,983,404**
Redeemed shares	(3,304,541)	(16,523)	(385,330)
Distribution to shareholders	–	–	(199,748)
Reclass from reserve from capital contribution for own shares held at subsidiaries	–	–	22,000
Balance at December 31, 2019	**50,567,166**	**252,836**	**3,420,326**
Share capital increases	29,696,516	148,483	782,403
Reclass from reserve from capital contribution for own shares held at subsidiaries	–	–	85,002
Balance at December 31, 2020	**80,263,682**	**401,318**	**4,287,731**

On April 20, 2020, Dufry has issued and placed 5,000,000 new shares out of the authorized capital at CHF 27.50 per share and the gross proceeds from the placement are CHF 137.5 million.

On October 6, 2020, the Extraordinary General Meeting of Dufry approved the issuance and offering of an ordinary share capital increase of up to 24,696,516 shares with a nominal value of CHF 5 each.

On October 20, 2020, the offering period closed and finally 24,696,516 new shares have been placed resulting in an increase of the share capital of CHF 123.5 million and a gross proceeds of CHF 820.4 million.

5.2 CONDITIONAL SHARE CAPITAL

IN	SHARES	CHF
Balance at January 1, 2019	**888,432**	**4,442,160**
Balance at December 31, 2019	**888,432**	**4,442,160**
Increase of conditional share capital	11,811,568	59,057,840
Balance at December 31, 2020	**12,700,000**	**63,500,000**

5.3 AUTHORIZED SHARE CAPITAL

IN	SHARES	NOMINAL VALUE IN CHF
Balance at January 1, 2019	**–**	**–**
Balance at December 31, 2019	**5,000,000**	**25,000,000**
Share capital increase	(5,000,000)	(25,000,000)
Balance at December 31, 2020	**–**	**–**

6. TREASURY SHARES

IN THOUSANDS OF	SHARES	CHF
Balance at January 1, 2019	**3,379.1**	**412,116**
Assigned to holders of PSU & RSU Awards	(234.5)	(26,480)
Share capital reduction	(3,304.5)	(401,853)
Share purchases	159.9	16,217
Balance at December 31, 2019	**–**	**–**
Share purchases	618.8	16,892
Assigned to holders of PSU Awards	(118.8)	(3,142)
Disposal of shares	(500.0)	(13,750)
Balance at December 31, 2020	**–**	**–**

7. IMPAIRMENTS OF INVESTMENTS IN SUBSIDIARIES

Dufry AG has reviewed the valuation of its investments in Dufry International AG and Dufry Holdings & Investments AG, since its subsidiaries have been adversely affected by the COVID-19 pandemic. Based on the assessment performed, the Company recognized an impairment of CHF 844.7 million.

8. PERSONNEL EXPENSES

The Company recorded a reversal of a provision for share-based payment as the underlying performance conditions are not likely to be met. No new share-based payment plan was granted during the period. Dufry AG employed less than 10 employees in 2020 and 2019.

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

The Company belongs to the Swiss value added tax (VAT) group of Dufry International AG, and thus carries joint liability to the Swiss federal tax administration for VAT. Members of the VAT group as of December 31, 2020, are:

DUFRY International AG	DUFRY Corporate AG
DUFRY Samnaun AG	DUFRY Holdings & Investments AG
DUFRY Participations AG	DUFRY AG
DUFRY Russia Holding AG	DUFRY Altay AG
DUFRY Trading AG	The Nuance Group AG
DUFRY Basel Mulhouse AG	

10. CONTINGENT LIABILITIES

The Company jointly and severally with Dufry International AG and Dufry Financial Services B. V. guaranteed the following credit facilities:

					GUARANTEED AMOUNT IN CHF	
IN MILLIONS OF	MATURITY	COUPON RATE	CURRENCY	NOMINAL AMOUNT IN LOCAL CURRENCY	31.12.2020	31.12.2019
MAIN BANK CREDIT FACILITIES						
Committed 5-years term loan	03.11.2022		USD	700.0	619.6	677.5
Committed 5-years term loan (multi-currency)	03.11.2022		EUR	500.0	527.6	564.2
5+1+1 - years revolving credit facility (multi-currency)	03.11.2024		EUR	1,300.0	421.0	706.4
12+6+6-months term loan	29.05.2021		EUR	367.0	–	–
Subtotal					**1,568.2**	**1,948.1**
SENIOR NOTES						
Senior notes	15.10.2024	2.50%	EUR	800.0	865.1	868.2
Senior notes	15.02.2027	2.00%	EUR	750.0	811.1	814.0
Convertible notes	04.05.2023	1.00%	CHF	350.0	350.0	–
Mandatory Convertible Note	18.11.2023	4.10%	CHF	69.5	69.5	–
Subtotal					**2,095.7**	**1,682.2**
GUARANTEE FACILITY						
Uncommitted guarantee facility	n.a.		EUR	49.0	53.0	28.8
Subtotal					**53.0**	**28.8**
Total					**3,716.9**	**3,659.1**

There were no assets pledged as of December 31, 2020 and 2019.

11. PARTICIPATIONS OF THE MEMBERS OF THE BOARD OF DIRECTORS AND THE GLOBAL EXECUTIVE COMMITTEE IN DUFRY AG

The following members of the Board of Directors or of the Global Executive Committee of Dufry AG (including related parties) held directly or indirectly shares or share options of the Company as at December 31, 2020 and December 31, 2019 (members not listed do not hold any shares or options):

			31.12.2020			31.12.2019
IN THOUSANDS	SHARES	FINANCIAL INSTRUMENTS [1]	PARTICIPATION	SHARES	FINANCIAL INSTRUMENTS [1,2]	PARTICIPA-TION(2)
MEMBERS OF BOARD OF DIRECTORS						
Juan Carlos Torres Carretero, Chairman	758.3	–	0.94%	966.0	23.7	1.96%
H. Jo Min, Independent Lead Director	0.7	–	0.00%	0.5	–	0.00%
Jorge Born, Director	31.7	–	0.04%	22.0	–	0.04%
Julián Diáz Gonzalez, Director and Group CEO	230.3	28.9	0.32%	233.0	63.3	0.59%
Steven Tadler, Director	19.0	–	0.02%	13.0	–	0.03%
Lynda Tyler-Cagni, Director	3.6	–	0.00%	–	–	–
ADDITIONAL FORMER MEMBERS OF THE BOARD OF DIRECTORS (IN 2019)						
Andrés Holzer Neumann, Director	n/a	n/a	n/a	3,991.0	0.0	7.89%
Total Board of Directors	**1,043.6**	**28.9**	**1.34%**	**5,225.5**	**87.0**	**10.51%**
MEMBERS OF GLOBAL EXECUTIVE COMMITTEE						
Julián Diáz Gonzalez, Director and Group CEO	230.3	28.9	0.32%	233.0	63.3	0.59%
José Antonio Gea, Deputy Group CEO	41.7	17.1	0.07%	33.0	26.8	0.12%
Yves Gerster, CFO	3.7	5.3	0.01%	2.2	7.0	0.02%
Eugenio Andrades, CEO Operations	5.3	12.6	0.02%	1.0	17.1	0.04%
Roger Fordyce, CEO North America	4.5	–	0.01%	3.6	1.4	0.01%
Andrea Belardini, Chief Commercial Officer	13.7	10.3	0.03%	18.7	16.2	0.07%
Luis Marin, Global Chief Corporate Officer	10.8	9.0	0.02%	7.8	13.5	0.04%
Pascal C. Duclos, Group General Counsel	–	12.6	0.02%	–	20.7	0.04%
ADDITIONAL FORMER MEMBERS OF GLOBAL EXECUTIVE COMMITTEE (IN 2019)						
Javier Gonzalez	n/a	n/a	n/a	3.3	7.4	0.02%
René Riedi	n/a	n/a	n/a	1.1	14.0	0.03%
Total Global Executive Committee	**310.0**	**95.8**	**0.51%**	**303.7**	**187.4**	**0.97%**

1 The financial instruments for the members of the Global Executive Committee (and J. Díaz González also in the table of the Board of Directors) refer to their holdings of PSU (granted).

2 The 2019 financial instruments held by J. Díaz González include the equivalent of 17.5 thousands of shares and for J. C. Torres Carretero 23.7 thousands of shares held through various financial instruments, the detailed terms of which are as disclosed to the SIX Exchange Regulation and published on August 3, 2019.

In addition to the above, the shareholders' group consisting, among others, of different legal entities controlled by Juan Carlos Torres and Julián Díaz González holds sale positions of 0.97 % through options (778,160 voting rights) as of December 31, 2020 (as of December 31, 2019: the shareholders' group consisting, among others, of different entities controlled by Andrés Holzer Neumann, Juan Carlos Torres and Julián Díaz González holds sale positions of 3.62% through options 1,829,190 voting rights).

The detailed terms of these financial instruments are as disclosed to SIX Exchange Regulation and published on January 9, 2021 (for positions as of December 31, 2020; for sale position as of December 31, 2019: publication of disclosure notice on August 3, 2019). Disclosure notices are available on the SIX Exchange Regulation website:

www.ser-ag.com/en/resources/notifications-market-participants/significant-shareholders.html#/

12. PROPOSED APPROPRIATION OF RETAINED EARNINGS AND CAPITAL DISTRIBUTION

IN THOUSANDS OF CHF	2020	2019
Proposed appropriation of retained earnings		
Result carried forward	(366,143)	59,927
Loss for the year	(864,755)	(426,070)
Retained earnings at December 31	**(1,230,898)**	**(366,143)**
Proposed distribution out of retained earnings		
Balance at beginning of the year	3,420,326	3,983,404
Distribution out of reserve from capital contribution	–	(199,748)
Share capital increase	782,403	–
Share capital reduction	–	(385,330)
Reclass from reserve from capital contribution for own shares held at subsidiaries	85,002	22,000
Reserve from capital contribution at December 31	**4,287,731**	**3,420,326**

13. EVENTS AFTER REPORTING DATE

No significant events occurred after December 31, 2020 up to March 4, 2021 that would have a material impact on these financial statements.

14. MATERIAL INDIRECT SUBSIDIARIES

H = Holding R = Retail D = Distribution Center

AS OF DECEMBER 31, 2020	LOCATION	COUNTRY	TYPE	OWNERSHIP IN %	SHARE CAPITAL IN THOUSANDS	CURRENCY
EUROPE, MIDDLE EAST AND AFRICA (EMEA)						
ADF Shops CJSC	Yerevan	Armenia	R	100	553,834	AMD
World Duty Free Group Helsinki Ltd	Vantaa	Finland	R	100	2,500	EUR
Dufry France SA	Nice	France	R	100	8,291	EUR
World Duty Free Group Germany GmbH	Düsseldorf	Germany	R	100	250	EUR
Hellenic Duty Free Shops S.A.	Athens	Greece	R	100	397,535	EUR
Hellenic Distributions S.A.	Athens	Greece	D	100	6,296	EUR
Nuance Group (India) Pvt. Ltd	Bangalore	India	R	100	1,035,250	INR
Dufrital SpA	Milan	Italy	R	60	466	EUR
Aldeasa Jordan Airports Duty Free Shops Ltd	Amman	Jordan	R	100	705	USD
WDFG SA, Kuwait Branch	Kuwait City	Kuwait	R	100	2,383	KWD
Nuance Group (Malta) Ltd	Luqa	Malta	R	52	2,796	EUR
Dufry Maroc SARL	Casablanca	Morocco	R	80	2,500	MAD
RegStaer M Ltd	Moscow	Russia	R	60	142	EUR
Lenrianta CSJC	St. Petersburg	Russia	R	100	315	EUR
Dufry East	Moscow	Russia	R	100	712	USD
D. d.o.o. Belgrade	Belgrade	Serbia	R	100	693,078	RSD
World Duty Free Group SA	Madrid	Spain	H/R	100	19,831	EUR
Sociedad de Distribucion Comercial Aeroportuaria de Canarias, S.L.	Telde	Spain	R	60	667	EUR
Dufry Shops Colombo Limited	Colombo	Sri Lanka	R	100	30,000	LKR
Nuance Group (Sverige) AB	Stockholm	Sweden	R	100	100	SEK
The Nuance Group AG	Zurich	Switzerland	R	100	82,100	CHF
Dufry Basel-Mulhouse AG	Basel	Switzerland	R	100	100	CHF
Urart Gumr. Magaza Isletm. ve Ticaret A.S.	Antalya	Turkey	R	100	1,161	EUR
Dufry Sharjah FZC	Sharjah	U. Arab. Emirates	R	50	2,054	AED
WDFG UK Limited	London	UK	R	100	360	GBP
Nuance Group (UK) Ltd	London	UK	R	100	50	GBP
WDFG Ferries Limited	London	UK	R	100	50	GBP
ASIA PACIFIC						
Nuance Group (Australia) Pty Ltd	Melbourne	Australia	R	100	210,000	AUD
Dufry Cambodia Ltd	Phnom Pen	Cambodia	R	80	1,231	USD
The Nuance Group (HK) Ltd	Hong Kong	China	R	100	–	HKD
The Nuance Group (Macau) Ltd	Macau	China	R	100	49	HKD
Dufry (Shanghai) Commercial Co., Ltd	Shanghai	China	R	100	123,547	CNY
Dufry Thomas Julie Korea Co. Ltd	Busan	South Korea	R	85	1,100,000	KRW
CENTRAL & SOUTH AMERICA						
Dufry Jamaica Ltd.	St. James	Jamaica	R	100	–	USD
Interbaires SA	Buenos Aires	Argentina	R	100	47,536	USD
DFC Ltd - Barbados	St. Michael	Barbados	R	100	5,000	USD
Dufry Lojas Francas Ltda	Sao Paulo	Brazil	R	87	99,745	USD
Dufry do Brasil DF Shop Ltda	Rio de Janeiro	Brazil	R	87	98,175	USD
Aldeasa Chile, Ltd	Santiago de Chile	Chile	R	100	2,517	USD
Dufry Colombia SAS	Bogota	Colombia	R	100	3,120	USD
Inversiones Tunc, SA	Santo Domingo	Dominican Republic	R	100	–	USD
Dufry Mexico SA de CV	Mexico City	Mexico	R	100	268	USD

AS OF DECEMBER 31, 2020	LOCATION	COUNTRY	TYPE	OWNERSHIP IN %	SHARE CAPITAL IN THOUSANDS	CURRENCY
WDFG, Peru S.A.C.	Lima	Peru	R	100	1,010	USD
Alliance Duty Free, LLC	San Juan	Puerto Rico	R	100	2,213	USD
Navinten SA	Montevideo	Uruguay	R	100	126	USD
Dufry Cruise Services, Inc.	Miami	USA	R	100	–	USD
NORTH AMERICA						
WDFG Vancouver LP	Vancouver	Canada	R	100	9,500	CAD
The Nuance Group (Canada) Inc.	Toronto	Canada	R	100	13,260	CAD
Hudson Group Canada Inc	Vancouver	Canada	R	100	–	CAD
Hudson Group (HG) Retail, LLC	New Jersey	USA	H/R	100	–	USD
Seattle Air Ventures	Olympia	USA	R	75	–	USD
WDFG North America LLC	Delaware	USA	H/R	100	–	USD
Hudson Las Vegas JV Hudson News O'Hare JV	Las Vegas	USA	R	73	–	USD
Hudson News O'Hare JV	Chicago	USA	R	70	–	USD
HG Logan Retailers JV	Boston	USA	R	80	–	USD
Airport Management Services LLC	Los Angeles	USA	H/R	100	–	USD
JFK Air Ventures II JV	New York	USA	R	80	–	USD
HG Magic Concourse TBIT	Los Angeles	USA	R	68	–	USD
AMS of South Florida JV	Fort Lauderdale	USA	R	31	–	USD
HG Midway JV	Chicago	USA	R	65	–	USD
HG St Louis JV	St. Louis	USA	R	70	–	USD
HG-Multiplex-Regali Dallas JV	Dallas	USA	R	75	–	USD
HG National JV	Virginia	USA	R	70	–	USD
HG PHL Retailers JV	Philadelphia	USA	R	65	–	USD
WDFG TAC ATL Retail LLC, Atlanta	Delaware	USA	R	86	–	USD
AMS-SJC JV	San Jose	USA	R	100	–	USD
Hudson-Magic Johnson Ent. CV LLC	Los Angeles	USA	R	91	–	USD
HG-CV-Epicure-Martinez San Diego, JV	San Diego	USA	R	71	–	USD
Dufry Newark Inc	Newark	USA	R	100	–	USD
HG Denver JV	Denver	USA	R	76	–	USD
WDFG LTL ATL JV LLC, Atlanta	Delaware	USA	R	70	–	USD
Dufry O'Hare T5 JV	Chicago	USA	R	80	–	USD
Hudson-NIA JFK T1 JV	New York	USA	R	90	–	USD
LAX Retail Magic 2 JV	Los Angeles	USA	R	73	–	USD
HG-KCGI-TEI JFK T8 JV	New York	USA	R	85	–	USD
LAX Retail Magic 3-4 JV	Los Angeles	USA	R	75	–	USD
GLOBAL DISTRIBUTION CENTERS						
International Operations & Services (HK) Ltd	Hong Kong	Hong Kong	D	100	109,000	HKD
International Operations & Services (UY) S.A.	Montevideo	Uruguay	D	100	50	USD
International Operations & Services (USA) LLC	Miami	USA	D	100	398	USD
OTHER COMPANIES						
Dufry Financial Services B.V.	Eindhoven	Netherlands	H	100	–	EUR
Dufry One BV	Eindhoven	Netherlands	H	100	–	EUR

To the General Meeting of
Dufry AG, Basel

Basel, March 8, 2021

Report of the statutory auditor on the financial statements

As statutory auditor, we have audited the financial statements of Dufry AG (the "Company"), which comprise the statement of financial position, statement of profit or loss, and notes (pages 225 to 236), for the year ended December 31, 2020.

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 about whether the financial statements are free from material misstatement.

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

Opinion
In our opinion, the financial statements for the year ended December 31, 2020 comply with Swiss law and the Company's articles of incorporation.

Emphasis of Matter
We draw attention to note 2.2 of the financial statements, which indicates that the Company's financial position, results of operations and cash flows have been significantly adversely impacted by the COVID-19 pandemic. This fact together with other matters disclosed in note 2.2 indicates that a material uncertainty exists that may cast significant doubt about the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Report on key audit matters based on the circular 1/2015 of the Federal Audit Oversight Authority

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. In addition to the matter described in the "Emphasis of matter" section, we have determined the matters described below to be the key audit matters to be communicated in our report. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditor's responsibility section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the financial statements.

Valuation of investments in subsidiaries

Area of focus

As of December 31, 2020, investments in subsidiaries amounted to CHF 3,004 million and accounted for 86% of the Company's total assets. Investments in subsidiaries are held at historical cost less impairments. The Company reviews the carrying amount of the investments in subsidiaries annually, and if events and circumstances suggest that this amount may not be recoverable, an impairment is recognized in the statement of profit or loss. Due to the significance of the carrying values of the investments in subsidiaries and the judgment involved in performing the impairment tests, this matter was considered significant to our audit. Further details on the Company's investments in subsidiaries are disclosed in notes 2.3, 3 and 7 to the financial statements.

Our audit response

We tested, with the support of our valuation specialists, the appropriateness of the valuation approach and evaluated the Company's key assumptions, including growth rates used in the cash flow projections during the forecast period, the weighted average cost of capital applied and the valuation of the Dufry Group. We assessed the difference between the carrying amounts of the investments in subsidiaries and their recoverable amount.

Our audit procedures did not lead to any reservations concerning the valuation of investments in subsidiaries.

Report on other legal requirements

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

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

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

Ernst & Young Ltd

/s/ Jolanda Dolente	/s/ Siro Bonetti
Licensed audit expert	Licensed audit expert
(Auditor in charge)	

DUFRY'S ALTERNATIVE PERFORMANCE MEASURES

Dufry believes that disclosing adjusted results of the Group's performance enhances the financial markets' understanding of the company because the adjusted results enable better comparison across years. Adjusted results exclude exceptional expenses and income such as acquisitions, divestitures, impairments and amortization of acquisition-related intangible assets, which can differ significantly from year to year, as well as recurring solely IFRS 16 accounting-related items such as interest on lease obligations. For this same reason, Dufry uses these adjusted results in addition to IFRS as important factors in internally assessing the Group's performance.

Organic growth

IN MILLIONS OF CHF	2020	2019
Like-for-like[1]	(67.2%)	0.6%
Net new concessions[2]	(2.6%)	2.4%
Organic Growth	**(69.8%)**	**3.0%**

Adjusted operating profit

(see note 6. Segment information in financial report)

Adjusted net profit

IN MILLIONS OF CHF	2020	2019
Net profit / (loss) attributable to equity holders of the parent	**(2,513.7)**	**(26.5)**
Amortization of concession rights[3]	251.1	308.9
Impairment of concession rights[3]	556.8	26.0
Impairment of goodwill	131.1	–
Interest on lease obligations	178.7	187.7
Transaction expenses[3]	–	2.9
Deferred income tax on above lines	(172.6)	(90.6)
Minority interests on above lines	(89.8)	(59.1)
Adjusted net profit	**(1,658.4)**	**349.3**
Weighted average number of ordinary shares outstanding	58,450,437	49,885,624
Adjusted EPS in CHF	**(28.37)**	**7.00**

1 Sales on same space as previous comparable period.
2 Store openings minus store closings in the period under review.
3 Related to acquisitions.

Net debt

IN MILLIONS OF CHF	2020	2019
Borrowings (current and non-current)	3,704.5	3,655.4
Less cash and cash equivalents	(360.3)	(553.5)
Net debt	**3,344.2**	**3,101.9**

Core net working capital

IN MILLIONS OF CHF	2020	2019
Inventories	659.6	1,050.0
Trade and credit card receivables	17.1	44.2
Less trade payables	154.9	645.6
Core net working capital	**521.8**	**448.6**

Capex

IN MILLIONS OF CHF	2020	2019
Purchase of property, plant and equipment	(101.1)	(199.3)
Purchase of intangible assets	(17.9)	(54.1)
Other investing activities	0.5	(0.6)
Proceeds from sale of property, plant and equipment	12.5	8.7
Capex	**(106.0)**	**(245.3)**

Adjusted operating cash flow

IN MILLIONS OF CHF	2020	2019
Cash flow before working capital changes	(4.1)	2,223.7
Lease payments	(405.7)	(1,269.6)
Proceeds from lease income	3.9	5.9
Adjusted operating cash flow	**(405.9)**	**960.0**

Equity free cash flow

IN MILLIONS OF CHF	2020	2019
Net cash flow from operating activities	**(345.3)**	**2,107.7**
Lease payments	(405.7)	(1,269.6)
Proceeds from lease income	3.9	5.9
Capex	(106.0)	(245.3)
Interest received	23.3	31.2
Free cash flow	**(829.8)**	**629.9**
Interest paid	(168.8)	(181.2)
Cash flow related to minorities	(34.7)	(68.7)
of which purchase of interest in associates	(0.4)	(2.5)
of which dividends paid to non-controlling interests	(33.3)	(70.5)
of which contributions (paid to) / from non-controlling interests*	(1.0)	4.3
Other financial assets	6.0	3.3
of which purchase of financial assets	(0.4)	(0.1)
of which proceeds from sale of financial assets	4.9	0.2
of which proceeds from loans receivable repaid	1.5	3.2
Equity free cash flow	**(1,027.3)**	**383.3**

* excluding acquisition of non-controlling interests in Hudson Ltd in 2020.

The financial reports are available under:

https://www.dufry.com/en/investors/ir-reports-presentations-and-publications
Page section "Presentation of results and other publications" – select Financial Reports

For the Investor Relations and Corporate Communications contacts as well as a summary of anticipated key dates in 2021 please refer to pages 288 / 289 of this Annual Report.