NOTICE

THIS OFFERING IS AVAILABLE ONLY TO INVESTORS WHO ARE EITHER (1) QUALIFIED INSTITUTIONAL BUYERS WITHIN THE MEANING OF RULE 144A UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "U.S. SECURITIES ACT") OR (2) PERSONS WHO ARE NOT U.S. PERSONS (AS DEFINED IN REGULATION S UNDER THE U.S. SECURITIES ACT) AND WHO ARE OUTSIDE OF THE UNITED STATES IN ACCORDANCE WITH REGULATION S UNDER THE U.S. SECURITIES ACT.

IMPORTANT: You must read the following before continuing. The following applies to the offering memorandum following this notice, whether received by email or otherwise received as a result of electronic communication. You are advised to read this disclaimer carefully before reading, accessing or making any other use of the offering memorandum. In accessing the offering memorandum, you agree to be bound by the following terms and conditions, including any modifications to them, each time you receive any information from us as a result of such access.

NOTHING IN THIS ELECTRONIC TRANSMISSION CONSTITUTES AN OFFER OF SECURITIES FOR SALE IN ANY JURISDICTION WHERE IT IS UNLAWFUL TO DO SO. THE SECURITIES HAVE NOT BEEN, AND WILL NOT BE, REGISTERED UNDER THE U.S. SECURITIES ACT OR THE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES OR OTHER JURISDICTION AND THE SECURITIES MAY NOT BE OFFERED OR SOLD WITHIN THE UNITED STATES EXCEPT PURSUANT TO AN EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE U.S. SECURITIES ACT AND APPLICABLE STATE OR LOCAL SECURITIES LAWS.

THE FOLLOWING OFFERING MEMORANDUM MAY NOT BE FORWARDED OR DISTRIBUTED TO ANY OTHER PERSON AND MAY NOT BE REPRODUCED IN ANY MANNER WHATSOEVER. ANY FORWARDING, DISTRIBUTION OR REPRODUCTION OF THIS DOCUMENT IN WHOLE OR IN PART IS UNAUTHORIZED. FAILURE TO COMPLY WITH THIS DIRECTIVE MAY RESULT IN A VIOLATION OF THE U.S. SECURITIES ACT OR THE APPLICABLE LAWS OF OTHER JURISDICTIONS.

Confirmation of your representation: In order to be eligible to view the offering memorandum or make an investment decision with respect to the notes, investors must be either (1) qualified institutional buyers within the meaning of Rule 144A under the U.S. Securities Act ("QIBs") or (2) persons who are not U.S. persons (as defined in Regulation S under the U.S. Securities Act) and who are outside of the United States in offshore transactions in reliance on Regulation S under the U.S. Securities Act. The offering memorandum is being sent at your request. By accepting this e-mail and by accessing the offering memorandum, you shall be deemed to have represented to us that:

(1) you consent to delivery of such offering memorandum by electronic transmission, and

(2) either you and any customers you represent are:

 (a) QIBs, or

 (b) outside the United States and the e-mail address that you gave us and to which this e-mail has been delivered is not located in the United States, its territories and possessions (including Puerto Rico, the U.S. Virgin Islands, Guam, American Samoa, Wake Island and the Northern Mariana Islands), any State of the United States or the District of Columbia.

Prospective purchasers that are QIBs are hereby notified that the seller of the notes offered under the offering memorandum may be relying on the exemption from the provisions of Section 5 of the U.S. Securities Act provided by Rule 144A under the U.S. Securities Act.

You are reminded that the offering memorandum has been delivered to you on the basis that you are a person into whose possession the offering memorandum may be lawfully delivered in accordance with the laws of the jurisdiction in which you are located and you may not, nor are you authorized to, deliver the offering memorandum to any other person.

Under no circumstances shall the offering memorandum constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of these securities in any jurisdiction in which such offer, solicitation or sale would be unlawful.

If a jurisdiction requires that the offering be made by a licensed broker or dealer and any initial purchaser of the notes offered under the offering memorandum or any affiliate of any such initial purchaser is a licensed broker or dealer in that jurisdiction, the offering shall be deemed to be made by such an initial purchaser or affiliate on behalf of Dufry Finance SCA in such jurisdiction.

The offering memorandum has not been approved by an authorized person in the United Kingdom. The notes may not be offered or sold other than to persons whose ordinary activities involve these persons in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their businesses or who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses where the issue of the notes would otherwise constitute a contravention of Section 19 of the Financial Services and Markets Act 2000 (the ''FSMA'') by us. In addition, no person may communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) received by it in connection with the issue or sale of the notes other than in circumstances in which Section 21(1) of the FSMA does not apply to us. The offering memorandum has been sent to you in an electronic form.

You are reminded that documents transmitted via this medium may be altered or changed during the process of electronic transmission and consequently none of the initial purchasers, any person who controls any initial purchaser, or any of their respective directors, officers, employees or agents accepts any liability or responsibility whatsoever in respect of any difference between the offering memorandum distributed to you in electronic format and the hard copy version available to you from the initial purchasers upon your request.

DUFRY FINANCE SCA

US$500,000,000 5.500% Senior Notes due 2020

fully and unconditionally guaranteed by Dufry AG and certain of its subsidiaries

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Dufry Finance SCA, a partnership limited by shares (*société en commandite par actions*) organized and established under the laws of the Grand Duchy of Luxembourg (the ''Issuer''), acting by its general partner Dufry Finance I S.à r.l., a private limited liability company (*société à responsabilité limitée*) organized and established under the laws of the Grand Duchy of Luxembourg, is offering US$500,000,000 principal amount of its 5.500% senior notes due 2020 (the ''Notes''). The Notes will be fully and unconditionally guaranteed (the ''Guarantees'') by the Issuer's ultimate parent, Dufry AG (the ''Parent Guarantor''), a Swiss stock corporation with its corporate seat in Basel, and certain of the Parent Guarantor's wholly-owned subsidiaries, comprising Dufry International AG, a Swiss stock corporation with its corporate seat in Basel, Dufry Holdings & Investments AG, a Swiss corporation with its corporate seat in Basel, and Hudson Group (HG), Inc., a Delaware corporation, (the ''Subsidiary Guarantors,'' and, together with the Parent Guarantor, the ''Guarantors'').

Interest on the Notes will accrue from the original issue date of the Notes and will be payable semi-annually in arrears on April 15 and October 15 of each year, commencing April 15, 2013. The Notes will mature on October 15, 2020 (the ''Maturity Date''), and upon surrender, will be repaid at 100% of the principal amount thereof together with any accrued and unpaid interest, if any.

The Notes are redeemable prior to maturity, in whole or in part, at any time and from time to time at our option at a redemption price calculated as set forth under ''Description of Notes—Optional Redemption.'' The Notes will be issued in registered form in denominations of $200,000 and integral multiples of $1,000 in excess thereof. The Notes will be represented by global notes registered in the name of a nominee of The Depository Trust Company (''DTC''). Beneficial interests in the global notes will be shown on, and transfers thereof will be effected only through, records maintained by DTC and its participants. Except as described herein, Notes in definitive form will not be issued. See ''Description of Notes.''

The Notes and the Guarantees will be direct, unsecured and unsubordinated obligations of the Issuer and the Guarantors, respectively, and will rank equally in right of payment with all other existing and future direct, unsecured and unsubordinated obligations (except those obligations required to be preferred by law) of the Issuer and the Guarantors, respectively, and will be structurally subordinated to all existing and future obligations of the Parent Guarantor's subsidiaries other than the Issuer and the Subsidiary Guarantors.

Application has been made to the Irish Stock Exchange (the ''ISE'') for the approval of this document as ''Listing Particulars.'' Application has been made to the ISE for the Notes to be admitted to the official list and to trading on the Global Exchange Market (the ''GEM'') of the ISE. The GEM is not a regulated market for the purposes of Directive 2004/39/EC. This Offering Memorandum constitutes listing particulars for admission to trading on GEM.

Investing in the Notes involves risks. See ''Risk Factors'' beginning on page 16.

The Notes and the Guarantees have not been and will not be registered under the United States Securities Act of 1933, as amended (the ''Securities Act''), or any state securities laws and are being offered and sold only to ''qualified institutional buyers'' (''QIBs''), as defined in Rule 144A under the Securities Act (''Rule 144A''), in accordance with Rule 144A and outside the United States to persons other than U.S. persons as defined in and in reliance on Regulation S under the Securities Act. For a description of certain restrictions on transfers of the Notes, see ''Plan of Distribution'' and ''Notice to Investors.''

Price for the Notes: 100.0 percent plus accrued interest, if any, from October 26, 2012

It is expected that delivery of beneficial interests in the Notes will be made through the facilities of DTC and its participants, including Euroclear Bank, S.A./N.V. as operator of the Euroclear System (''Euroclear''), and Clearstream Banking, société anonyme, Luxembourg (''Clearstream''), on or about October 26, 2012, against payment therefor in immediately available funds.

Joint Global Coordinators and Bookrunners

Credit Suisse **BofA Merrill Lynch**

Joint Bookrunners

RBS

BBVA, Credit Agricole CIB, Goldman, Sachs & Co., HSBC, ING, Morgan Stanley, Raiffeisen Bank International AG, Santander, UBS Investment Bank, UniCredit Bank

The date of this Offering Memorandum is October 19, 2012

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In this Offering Memorandum, except as otherwise indicated, the words "Dufry," "we," "us," "our," "Group," the "Company" and "ours" refer to Dufry AG, a Swiss stock corporation, and its consolidated subsidiaries, including the Issuer and the Subsidiary Guarantors, unless context otherwise requires. All references to the "Issuer" are to Dufry Finance SCA, a partnership limited by shares (*société en commandite par actions*) incorporated under the laws of the Grand Duchy of Luxembourg ("Luxembourg"), which is an indirect, wholly owned subsidiary of the Company.

This Offering Memorandum is highly confidential and has been prepared by us solely for use in connection with the offering of the Notes. Its use for any other purpose is not authorized. This Offering Memorandum is personal to the offeree to whom it has been delivered by the Initial Purchasers and does not constitute an offer to any other person or to the public generally. Distribution of this Offering Memorandum to any person other than the offeree and any person retained to advise such offeree is unauthorized and any disclosure of the contents of this Offering Memorandum without our prior written consent is prohibited. By accepting delivery of this Offering Memorandum, you agree to the foregoing and to make no photocopies of this Offering Memorandum or any documents referred to herein.

We have not authorized anyone to provide any information other than that contained in this Offering Memorandum or to which we have referred you. We take no responsibility for, and can provide no assurance as to the reliability of, any other information that others may give you. This Offering Memorandum may only be used where it is legal to sell these securities. The information in this Offering Memorandum may only be accurate as of the date of this document.

Notwithstanding the foregoing, effective from the date of commencement of discussions concerning the offering, you and each of your employees, representatives, or other agents may disclose to any and all persons, without limitation of any kind, the tax treatment and tax structure of the offering and all materials of any kind, including opinions or other tax analyses, that we have provided to you relating to such tax treatment and tax structure. However, the foregoing does not constitute an authorization to disclose the identity of Dufry AG or its affiliates, agents or advisers, or, except to the extent relating to such tax structure or tax treatment, any specific pricing terms or commercial or financial information.

Upon receiving this Offering Memorandum, you acknowledge that (1) you have been afforded an opportunity to request from us, and to review, all additional information considered by you to be necessary to verify the accuracy of, or to supplement, the information contained herein, (2) you have not relied on the Initial Purchasers or any person affiliated with the Initial Purchasers in connection with any investigation of the accuracy of such information or your investment decision, and (3) we have not authorized any person to deliver any information different from that contained in this Offering Memorandum. The offering is being made on the basis of this Offering Memorandum. Any decision to purchase the Notes in the offering must be based on the information contained in this document. In making an investment decision, investors must rely on their own examination of Dufry AG and the terms of this offering, including the merits and risks involved.

The information contained in this Offering Memorandum has been furnished by us and other sources we believe to be reliable. We accept responsibility for the information contained in this Offering Memorandum. To the best of our knowledge and belief, having taken all reasonable care to ensure such is the case, the information contained in this Offering Memorandum is in accordance with the facts and contains no omission likely to affect its import. The Initial Purchasers make no representations or warranty, express or implied, as to the accuracy or completeness of any of the information set forth in this Offering Memorandum, and you should not rely on anything contained in this Offering Memorandum as a promise or representation, whether as to the past or the future. This Offering Memorandum contains summaries, believed to be accurate, of the terms we consider material of certain documents, but reference is made to the actual documents. All such summaries are qualified in their entirety by this reference. See "Summary."

We reserve the right to withdraw the offering of the Notes at any time and we and the Initial Purchasers reserve the right to reject any commitment to subscribe for the Notes in whole or in part and to allot to you less than the full amount of Notes subscribed for by you.

Application has been made to the ISE for the approval of this document as "Listing Particulars." Application has been made to the ISE for the Notes to be admitted to the official list and to trading on the GEM of the ISE. The GEM is not a regulated market for the purposes of Directive 2004/39/EC. This Offering Memorandum constitutes listing particulars for admission to trading on the GEM. In the course of any review by the competent authority, the Issuer may be requested to make changes to the financial and other information included in this Offering Memorandum. Comments by the competent authority may require significant modification or reformulation of information contained in this Offering Memorandum or may require the inclusion of additional information, including financial information in respect of the Guarantors. The Issuer may also be required to update the information in this Offering Memorandum to reflect changes in our business, financial condition or results of operations and prospects. We cannot guarantee that the application to list the Notes on the official list of the ISE and to trade the Notes on the GEM of the ISE will be approved as of the Issue Date or any date thereafter, and settlement of the Notes is not conditioned on obtaining this listing.

STABILIZATION

IN CONNECTION WITH THE ISSUANCE OF THE NOTES, CREDIT SUISSE SECURITIES (EUROPE) LIMITED (THE "STABILIZING MANAGER") (OR ANY PERSON ACTING ON BEHALF OF THE STABILIZING MANAGER) MAY OVER-ALLOT NOTES OR EFFECT TRANSACTIONS WITH A VIEW TO SUPPORTING THE MARKET PRICE OF THE NOTES AT A LEVEL HIGHER THAN THAT WHICH MIGHT OTHERWISE PREVAIL. HOWEVER, THERE IS NO ASSURANCE THAT THE STABILIZING MANAGER (OR ANY PERSON ACTING ON BEHALF OF THE STABILIZING MANAGER) WILL UNDERTAKE STABILIZATION ACTION. ANY STABILIZATION ACTION MAY BEGIN ON OR AFTER THE DATE ON WHICH ADEQUATE PUBLIC DISCLOSURE OF THE TERMS OF THE OFFER OF THE NOTES IS MADE AND, IF BEGUN, MAY BE ENDED AT ANY TIME, BUT IT MUST END NO LATER THAN THE EARLIER OF 30 DAYS AFTER THE ISSUE DATE OF THE NOTES AND 60 DAYS AFTER THE DATE OF THE ALLOTMENT OF THE NOTES.

The Notes and the Guarantees have not been and will not be registered under the Securities Act or any state securities laws and are being offered and sold within the United States only to QIBs as defined in Rule 144A under the Securities Act and outside the United States to persons other than U.S. persons as defined in and in reliance on Regulation S under the Securities Act. By purchasing the Notes and the Guarantees, investors are deemed to have made the acknowledgements, representations, warranties and agreements set forth under "Notice to Investors." Investors should be aware that they may be required to bear the financial risks of their investment in the Notes and the Guarantees for an indefinite period of time. Prospective purchasers are hereby notified that the seller of any Note or Guarantees may be relying on the exemption from the provisions of Section 5 of the Securities Act provided by Rule 144A.

The Notes and the Guarantees have not been and will not be registered with, recommended by, or approved by the United States Securities and Exchange Commission (the "SEC") or any other federal, state or foreign securities commission or regulatory authority, nor has any such commission or regulatory authority reviewed or passed upon the accuracy of this Offering Memorandum. Any representation to the contrary is a criminal offense.

This Offering Memorandum does not constitute an offer to sell or a solicitation of an offer to buy the Notes or Guarantees to any person in any jurisdiction where it is unlawful to make such offer or solicitation. You are not to construe the contents of this Offering Memorandum as investment, legal or tax advice. You should consult your own counsel, accountant and other advisors as to legal, tax, business, financial and related aspects of a purchase of the Notes. We are not, and the Initial Purchasers are not, making any representation to you regarding the legality of an investment in the Notes by you under appropriate legal investment or similar laws.

The distribution of this Offering Memorandum and the offer and the sale of the Notes and the Guarantees may be restricted by law in certain jurisdictions. Persons into whose possession this Offering Memorandum or any of the Notes come must inform themselves about, and observe, any such restrictions. See "Plan of Distribution" and "Notice to Investors."

NOTICE TO NEW HAMPSHIRE RESIDENTS

NEITHER THE FACT THAT A REGISTRATION STATEMENT OR AN APPLICATION FOR A LICENSE HAS BEEN FILED UNDER CHAPTER 421-B OF THE NEW HAMPSHIRE REVISED STATUTES ANNOTATED, 1995, AS AMENDED, WITH THE STATE OF NEW HAMPSHIRE NOR THE FACT THAT A SECURITY IS EFFECTIVELY REGISTERED OR A PERSON IS LICENSED IN THE STATE OF NEW HAMPSHIRE CONSTITUTES A FINDING BY THE SECRETARY OF STATE THAT ANY DOCUMENT FILED UNDER RSA 421-B IS TRUE, COMPLETE AND NOT MISLEADING. NEITHER ANY SUCH FACT NOR THE FACT THAT AN EXEMPTION OR EXCEPTION IS AVAILABLE FOR A SECURITY OR A TRANSACTION MEANS THAT THE SECRETARY OF STATE HAS PASSED IN ANY WAY UPON THE MERITS OR QUALIFICATIONS OF, OR RECOMMENDED OR GIVEN APPROVAL TO, ANY PERSON, SECURITY OR TRANSACTION. IT IS UNLAWFUL TO MAKE, OR CAUSE TO BE MADE, TO ANY PROSPECTIVE PURCHASER, CUSTOMER OR CLIENT ANY REPRESENTATION INCONSISTENT WITH THE PROVISIONS OF THIS PARAGRAPH.

NOTICE TO CERTAIN INVESTORS IN THE UNITED KINGDOM

This Offering Memorandum is for distribution only to, and is directed solely at, persons who (i) are outside the United Kingdom, (ii) are investment professionals, as such term is defined in Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, as amended (the "Financial Promotion Order"), (iii) are persons falling within Article 49(2)(a) to (d) of the Financial Promotion Order, or (iv) are persons to whom an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the Financial Services and Markets Act 2000) in connection with the issue or sale of any Notes may otherwise be lawfully communicated or caused to be communicated (all such persons together being referred to as "relevant persons"). This Offering Memorandum is directed only at relevant persons and must not be acted on or relied on by persons who are not relevant persons. Any investment or investment activity to which this Offering Memorandum relates is available only to relevant persons and will be engaged in only with relevant persons. Any person who is not a relevant person should not act or rely on this Offering Memorandum or any of its contents.

NOTICE TO INVESTORS IN SWITZERLAND

This Offering Memorandum, as well as any other material relating to the Notes which are the subject of the offering contemplated by this Offering Memorandum, does not constitute an issue prospectus pursuant to article 652a or article 1156 of the Swiss Code of Obligations and may not comply with the Directive for Notes of Foreign Borrowers of the Swiss Bankers Association. The Notes will not be listed on the SIX Swiss Exchange Ltd., and, therefore, the documents relating to the Notes, including, but not limited to, this Offering Memorandum, do not claim to comply with the disclosure standards of the Swiss

Code of Obligations and the listing rules of SIX Swiss Exchange Ltd. and corresponding prospectus schemes annexed to the listing rules of the SIX Swiss Exchange Ltd. The Notes are being offered in Switzerland by way of a private placement (i.e., to a limited number of selected investors only), without any public advertisement and only to investors who do not purchase the Notes with the intention to distribute them to the public. The investors will be individually approached directly from time to time. This Offering Memorandum, as well as any other material relating to the Notes, is personal and confidential and does not constitute an offer to any other person. This Offering Memorandum, as well as any other material relating to the Notes, may only be used by those investors to whom it has been handed out in connection with the offering described herein and may neither directly nor indirectly be distributed or made available to other persons without the Issuers' express consent. This Offering Memorandum, as well as any other material relating to the Notes, may not be used in connection with any other offer and shall in particular not be copied or distributed to the public in (or from) Switzerland.

NOTICE TO CERTAIN INVESTORS IN LUXEMBOURG

This Offering Memorandum has not been approved by, and will not be submitted for approval to, the Luxembourg Financial Services Authority (*Commission de Surveillance du Secteur Financier*) for purposes of public offering or sale in Luxembourg. Accordingly, the Notes may not be offered or sold to the public in Luxembourg, directly or indirectly, and neither this Offering Memorandum nor any other offering circular, prospectus, form of application, advertisement or other material may be distributed, or otherwise made available in, from or published in, Luxembourg, except in circumstances which do not constitute an offer of securities to the public requiring the publication of a prospectus in accordance with the Luxembourg Act of 10 July 2005 on prospectuses for securities, as amended, and implementing the Directive 2003/71/EC of 4 November 2003 as amended by Directive 2010/73/EU of the European Parliament and of the Council of 24 November 2010 (the "Prospectus Directive"). Consequently, this Offering Memorandum and any other offering circular, prospectus, form of application, advertisement or other material may only be distributed to (i) Luxembourg qualified investors as defined in the Luxembourg Act of 10 July 2005 on prospectuses for securities, as amended, and (ii) no more than 149 prospective investors, which are not qualified investors.

PRESENTATION OF FINANCIAL AND OTHER DATA

Financial Data

Unless otherwise indicated, financial information contained in this Offering Memorandum is prepared and presented in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board. Certain differences exist between IFRS and generally accepted accounting principles in the United States of America ("U.S. GAAP") which might be material to the financial information herein. The Indenture (as defined under "Description of Notes") imposes no obligation on us to reconcile our future financial statements prepared under IFRS to U.S. GAAP. Accordingly, we have not prepared a reconciliation of our consolidated financial statements and related footnote disclosures between IFRS and U.S. GAAP. Potential investors should consult their own professional advisers for an understanding of the differences between IFRS and U.S. GAAP and how these differences might affect the financial information herein.

This Offering Memorandum presents the following financial information:

- our audited consolidated financial statements as of and for the years ended December 31, 2011, 2010 and 2009, which have been prepared in accordance with IFRS and audited by our independent auditors, Ernst & Young Ltd, as set forth in their audit report included elsewhere herein; and
- our unaudited interim condensed consolidated financial statements as of and for the six months ended June 30, 2012 and 2011, which have been prepared in accordance with IFRS and reviewed by our independent auditors, Ernst & Young Ltd, as set forth in their review report included elsewhere herein.

We present our financial statements in Swiss Francs. For certain information regarding rates of exchange between Swiss Francs and U.S. dollars, see "Currency and Exchange Rates."

Other Data

Certain figures in this Offering Memorandum have been subject to rounding adjustments. Accordingly, amounts shown as totals in tables or elsewhere may not be an arithmetic aggregation of the figures which precede them. In addition, certain percentages presented in the tables in this Offering Memorandum reflect calculations based upon the underlying information prior to rounding and, accordingly, may not conform exactly to the percentages that would be derived if the relevant calculations were based upon the rounded numbers.

CURRENCY AND EXCHANGE RATES

We publish our consolidated financial statements in Swiss Francs. All references in this Offering Memorandum to "CHF" are to Swiss Francs, the currency of Switzerland, and those to "U.S. dollars," "U.S.$," "$" and "USD" refer to the currency of the United States of America. "Euro," "EUR" and "€" refer to the currency of the member states of the European Union participating in the economic and monetary union pursuant to the Treaty establishing the European Community, as amended.

The following table sets out, for the periods and dates indicated, certain information concerning historical CHF/USD exchange rates as published by Bloomberg, expressed in CHF per U.S.$1.00.

Exchange rates for the previous six months:

	Period End	Average Rate	High	Low
April 2012	0.9075	0.9132	0.9198	0.9037
May 2012	0.9713	0.9397	0.9713	0.9078
June 2012	0.9485	0.9571	0.9661	0.9452
July 2012	0.9764	0.9772	0.9958	0.9526
August 2012	0.9556	0.9684	0.9859	0.9956
September 2012	0.9398	0.9394	0.9559	0.9267
October 2012 (through October 18, 2012)	0.9248	0.9329	0.9402	0.9223

Exchange rates for the past three years:

	Period End	Average Rate(1)	High	Low
Years ended December 31,				
2009	1.0352	1.0828	1.1852	0.9964
2010	0.9352	1.0381	1.1631	0.9352
2011	0.9381	0.8816	0.9737	0.7209

(1) The average exchange rates in effect on the last business day of each month during the relevant period. The exchange rate on October 18, 2012 was CHF 0.9248 per U.S.$1.00.

Our inclusion of these exchange rates and other exchange rates specified elsewhere in this Offering Memorandum should not be construed as representations that the CHF amounts actually represent such U.S. dollar amounts or could have been or could be converted into U.S. dollars at any particular rate, if at all.

INDUSTRY AND MARKET DATA

We obtained certain industry data concerning the travel retail sector used throughout this Offering Memorandum from our own research, surveys or studies conducted by third parties and industry or general publications. Industry publications and surveys generally state that they have obtained information from sources believed to be reliable, but do not guarantee the accuracy and completeness of such information. While we believe that each of these studies and publications is reliable, neither we nor the Initial Purchasers have independently verified such data and neither we nor the Initial Purchasers make any representation as to the accuracy of such information. Similarly, we believe our internal research is reliable, but it has not been verified by any independent sources. Certain information contained in this Offering Memorandum relating to our market positions and market shares and other companies in individual markets and the respective consumption figures and rates of growth in those markets are management estimates based, where available, on the most recently available industry reports relevant to those markets published on a worldwide or country basis. We have accurately reproduced this data, and as far as we are aware and able to ascertain from surveys or studies conducted by third parties and industry or general publications, no facts have been omitted which would render the reproduced information inaccurate or misleading.

WHERE YOU CAN FIND MORE INFORMATION

So long as any Notes remain outstanding, we will make available, upon request, to any holder and to any prospective purchaser of Notes the information required pursuant to Rule 144(A)(d)(4)(i) under the Securities Act, during any period in which we are not subject to Section 13 or 15(d) of the Securities Exchange Act of 1934, as amended (the ''Exchange Act'') or exempt under Rule 12g3-2(b) of the Exchange Act.

You may obtain a copy of the Indenture (as defined under ''Description of Notes'') that governs the Notes by requesting it in writing or by telephone at the address and phone number below.

Dufry AG
Attention: Investor Relations
Hardstrasse 95
4020 Basel
Switzerland
Telephone Number: +41 61 266 45 77

Our principal executive offices are located at Hardstrasse 95, 4020 Basel, Switzerland. Our telephone number is +41 61 266 44 44. Our website address is www.dufry.com. Information contained on, or connected to, our website does not and will not constitute part of this Offering Memorandum.

FORWARD-LOOKING STATEMENTS

This Offering Memorandum contains "forward-looking statements." Forward-looking statements are based on our beliefs and assumptions and on information currently available to us, and include, without limitation, statements regarding our business, financial condition, strategy, results of operations, certain of our plans, objectives, assumptions, expectations, prospects and beliefs and statements regarding other future events or prospects. Forward-looking statements include all statements that are not historical facts and can be identified by the use of forward-looking terminology such as the words "believe," "expect," "plan," "intend," "seek," "anticipate," "estimate," predict," "potential," "assume," "continue," "may," "will," "should," "could," "shall," "risk" or the negative of these terms or similar expressions that are predictions of or indicate future events and future trends.

By their nature, forward-looking statements involve risks and uncertainties because they relate to events and depend on circumstances that may or may not occur in the future. We caution you that forward-looking statements are not guarantees of future performance and that our actual results of operations, financial condition and liquidity, the development of the industry in which we operate and the effect of acquisitions on us may differ materially from those made in or suggested by the forward-looking statements contained in this Offering Memorandum. In addition, even if our results of operations, financial condition and liquidity, the development of the industry in which we operate and the effect of acquisitions on us are consistent with the forward-looking statements contained in this Offering Memorandum, those results or developments may not be indicative of results or developments in subsequent periods.

Factors that may cause our actual results to differ materially from those expressed or implied by the forward-looking statements in this Offering Memorandum include but are not limited to the risks described under "Risk Factors." For example, factors that could cause actual results to vary from projected results include, but are not limited to:

- events outside our control that cause a reduction in airline and cruise line passenger traffic, including but not limited to terrorist attacks and economic downturns;
- changes in general economic and market conditions;
- competition among participants in the travel retail market;
- loss of and competition to obtain concessions;
- ability to execute our growth strategy effectively to integrate successfully any new concessions or future acquisitions into our business;
- dependence on local partners;
- changes in the taxation of goods or duty-free regulations in the markets in which we operate;
- restrictions on the duty-free sale of tobacco products and on smoking in general that affect our tobacco product sales;
- changes in customer preferences or demands;
- reliance on a limited number of suppliers;
- disruption in our supply chain;
- political, economic, legal and social uncertainties in emerging markets;
- ability to attract and retain qualified personnel;
- ability to borrow from banks or raise funds in the capital markets;

- differences in the historical financial results of the travel retail business of the Folli Follie Group presented in this Offering Memorandum compared to the historical results of the business that will be carved out of Folli Follie Group as part of the acquisition;
- impacts of the Greek sovereign debt crisis on our operations; and
- other factors described in this Offering Memorandum.

We urge you to read the sections of this Offering Memorandum entitled "Risk Factors," "Management's Discussion and Analysis of Financial Condition and Results of Operations" and "Business" for a more complete discussion of the factors that could affect our future performance and the industry in which we operate.

We undertake no obligation to update these forward-looking statements, and we will not publicly release any revisions we may make to these forward-looking statements that may result from events or circumstances arising after the date of this Offering Memorandum.

SUMMARY

The following summary is qualified in its entirety by, and should be read in conjunction with, the more detailed information appearing elsewhere in this Offering Memorandum. You should thoroughly read this Offering Memorandum in its entirety, including the information set forth under "Forward-Looking Statements," "Risk Factors," "Management's Discussion and Analysis of Financial Condition and Results of Operations," and the financial statements and the notes related to those financial statements, prior to making an investment in the Notes.

Our Company

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

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

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

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

Our Industry

Travel retailing, and airport retailing in particular, significantly differ from traditional retailing. The customer base has a different buying behavior compared to traditional retailing and is often characterized by captive customers, who generally have above average purchasing power and, in most cases, have the time to shop while traveling. Further, airport retailing differs from traditional retailing with regards to expenses related to the operation of stores. While fixed store leases dominate in traditional retailing, airport retailers mostly operate under concessions with variable payments.

Travel retail sales have experienced strong growth over the past years, increasing on average nearly 10% per year since 2006. In the past decade, there has been a significant increase in both domestic and international air travel, and global passenger volumes are predicted to surpass the 6 billion mark by 2014, compared to 5 billion in 2011. In addition, contribution from emerging markets has increased in the last years, and industry experts believe that future growth will be driven by customers from Asia Pacific, South America and Middle East, both outbound and inbound into Western tourist markets.

The worldwide travel retail and airport retailing market remains fragmented. We have a long-standing track record as an active consolidator in the industry and believe that significant further consolidation opportunities exist in the market.

Our Strengths

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

High-quality, diversified concession portfolio. We have assembled a high-quality and diversified portfolio of travel retail concessions with, in our view, relatively long contract terms, comparatively low concession fees and attractive locations. For the twelve months ended December 31, 2011, 31% of the sales were generated from concessions with a remaining term of ten or more years, and a further 14% of our sales were generated from concessions with a remaining term of between six and nine years. The long average residual duration of our concession portfolio provides us with a high degree of revenue visibility.

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

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

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

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

Our Strategy

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

Focus on profitable growth. We aim to drive profitable growth by focusing on measures to (i) expand passenger spend at existing locations, including through improved product mix, marketing and the introduction of new concepts, (ii) win new concessions by leveraging the scale of our global operations and applying our local market knowledge and (iii) continue to consolidate a fragmented industry with a particular focus on emerging markets and tourist destinations. New concessions or potential acquisitions need to meet our financial goals, provide us with long concession duration and cover attractive locations.

We believe our long-standing track record as an active consolidator in the industry combined with our knowledgeable local and regional teams allow us to identify, structure, execute and integrate acquisitions quickly. Historically, we have typically been able to capture synergies within 12 to 24 months from the completion of an acquisition.

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

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

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

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

Our History

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

In March 2004, a consortium of investors led by funds managed by private equity firm Advent International Corporation, acquired a 75% interest in our travel retail business. In July 2005, the consortium acquired the remaining 25% of our travel retail business. On December 5, 2005 we became a public company and listed our shares on the SIX Swiss Exchange. In 2010, we listed our shares through a Level III BDR program on the BM&FBOVESPA in Brazil.

In recent years we have increased our concession portfolio and expanded into new markets through a series of strategic acquisitions. In 2006, we acquired Brasif Duty Free Shop, a Brazilian travel retailer, and its logistic platform Eurotrade. In 2008, we acquired the Hudson Group, an operator of convenience stores, coffee shops and special retail concessions. In 2011, we acquired the leading airport retailer in Argentina, airport retail operations in Uruguay, Ecuador, Armenia and Martinique, as well as a wholesale platform. In 2012, we consolidated our leading position in the Russian travel retail market by acquiring additional retail operations in Moscow. Most recently, in October 2012, we signed an agreement to acquire 51% of the travel retail operations of Folli Follie Group. See "—Recent Developments."

Recent Developments

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

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

We will pay a total consideration of EUR 200.5 million for the 51% equity stake in the target business plus EUR 28 million for the shareholder structuring. The consideration for the equity stake and the shareholder structuring, together with transaction costs, is expected to be financed through a private placement of equity that we priced on October 11, 2012 raising net proceeds of approximately CHF 294 million. The travel retail operations of the Folli Follie Group will be carved out of the Folli Follie Group into a new entity and will assume EUR 335 million of debt from the Folli Follie Group, which will be financed with a new syndicated facility (the "Greek Syndicated Facility"). The Greek Syndicated Facility is agreed with a syndicate of local banks and will be structured as a committed five-year amortizing term loan. The Greek Syndicated Facility is structured as non-recourse debt, secured only through pledging of 100% shares of the entity to which the travel retail operations of Folli Follie Group are transferred. See "Description of Other Indebtedness" for more information on the Greek Syndicated Facility. Subject to certain closing conditions, in particular, without limitation, receipt of certain shareholder and governmental approvals and change of control consents required in connection with the transfer of the travel retail operations of the Folli Follie Group, the acquisition is expected to close early next year.

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

The organizational changes went effective on July 1, 2012 and were fully implemented on September 1, 2012. See "Management" and "Business—Our New Organizational Structure."

The Issuer and the Guarantors

The Issuer was incorporated on October 5, 2012 in Luxembourg, as a partnership limited by shares (*société en commandite par actions*) under the laws of Luxembourg. It is an indirect wholly-owned subsidiary of the Parent Guarantor. The Issuer has no material assets and will conduct no business except in connection with the issuance of the Notes and the advance of net proceeds from their issuance to certain Group entities. The registered address of the Issuer is at 17, rue des Jardiniers, L-1835 Luxembourg, Grand Duchy of Luxembourg, and the Issuer is in course of registration with the Luxembourg Trade and Companies Register. The telephone number of the Issuer is +352 26 73 02 1.

The Issuer is acting by its general partner, Dufry Finance I S.à r.l., a private limited liability company (*société à responsabilité limitée*) incorporated under the laws of Luxembourg, having its registered office at 17, rue des Jardiniers, L-1835 Luxembourg, having a share capital of USD 16,200 (sixteen thousand and two hundred United States Dollars) and in course of registration with the Luxembourg Trade and Companies Register.

The Parent Guarantor is a Swiss stock corporation incorporated on November 3, 2003 and registered on November 4, 2003 with its corporate seat in Basel (Company Number CH-270.3.013.316-3). The Parent Guarantor is the indirect parent of the Issuer. The Parent Guarantor's principal executive offices are located at Hardstrasse 95, 4020 Basel, Switzerland. The Parent Guarantor's telephone number is +41 61 266 44 44 and its website address is www.dufry.com. Information contained on, or connected to, the Parent Guarantor's website does not and will not constitute part of this Offering Memorandum.

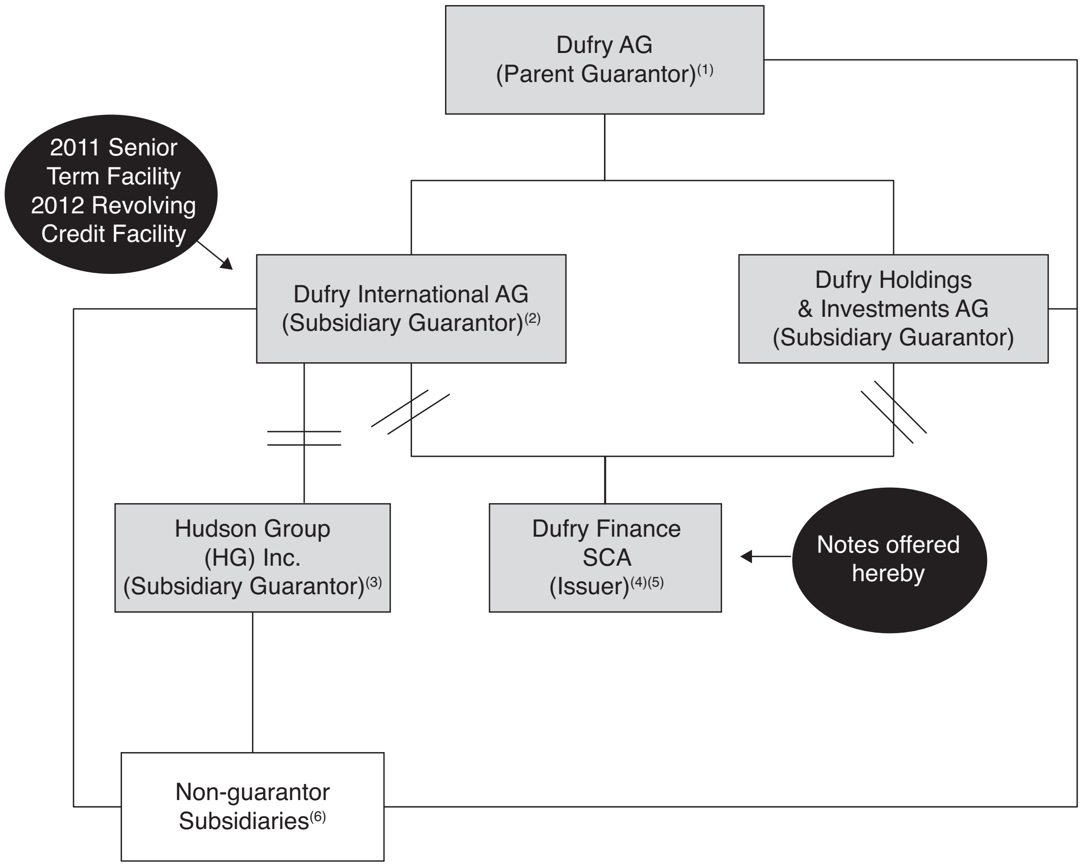
The Subsidiary Guarantors are wholly-owned subsidiaries of the Parent Guarantor. These Subsidiary Guarantors comprise Dufry International AG (Company Number CH-270.3.002.354-9), Dufry Holdings & Investments AG (Company Number CH-270.3.014.261-5) and Hudson Group (HG), Inc. Dufry International AG is a Swiss stock corporation incorporated on May 16, 1975. The registered address of Dufry International AG is Hardstrasse 95, 4020 Basel, Switzerland. Dufry Holdings & Investments AG is a Swiss stock corporation incorporated on January 6, 2010. The registered address of Dufry Holdings & Investments AG is Hardstrasse 95, 4020 Basel, Switzerland. Hudson Group (HG), Inc. is a Delaware corporation incorporated on November 20, 2007. The registered address of Hudson Group (HG), Inc. is Corporation Trust Company, 1209 Orange Street, Wilmington, DE 19801.

Our consolidated financial statements and the notes thereto contained elsewhere in this Offering Memorandum include both the Guarantors and our non-guarantor subsidiaries. Except as described in this Offering Memorandum, there has been no significant change in the Group's financial or trading position since June 30, 2012.

On a consolidated basis for the year ended and as of December 31, 2011, EBITDA and net assets attributable to the Guarantors together represented 100% of our consolidated EBITDA and net assets. For the year ended and as of December 31, 2011, EBITDA and net assets attributable to Dufry AG were CHF 370.9 million and CHF 870.0 million, respectively, which represented 100% of our consolidated EBITDA and net assets. For the year ended and as of December 31, 2011, EBITDA and net assets attributable to Dufry International AG were CHF 189.5 million and CHF 200.3 million, respectively, which represented approximately 51% and 23% of our consolidated EBITDA and net assets, respectively. For the year ended and as of December 31, 2011, EBITDA and net assets attributable to Dufry Holdings & Investments AG were CHF 192.0 million and CHF 438.1 million, respectively, which represented approximately 52% and 50% of our consolidated EBITDA and net assets, respectively. For the year ended and as of December 31, 2011, EBITDA and net assets attributable to Hudson Group (HG) Inc. were CHF 66.1 million and CHF 71.2 million, respectively, which represented approximately 18% and 8% of our consolidated EBITDA and net assets, respectively.

Our Organization

The chart below depicts our simplified organizational structure as of the date of this Offering Memorandum, adjusted to give effect to (i) this offering and the use of proceeds therefrom and (ii) expected borrowings under our 2012 Revolving Credit Facility concurrent with this offering. See "Use of Proceeds" and "Capitalization." This chart does not include all of our subsidiaries, nor all of the debt obligations thereof. Each entity shown on the diagram below is wholly-owned by us or other Group companies.



(1) Dufry AG's shares are listed on the SIX Stock Exchange under the symbol "DUFN."

(2) Dufry International AG is the borrower under each of our 2011 Senior Term Facility and our 2012 Revolving Credit Facility. Each of our 2011 Senior Term Facility and our 2012 Revolving Credit Facility is guaranteed by each other Guarantor of the Notes and is unsecured. For a summary of the terms of our 2011 Senior Term Facility and our 2012 Revolving Credit Facility, see "Description of Other Indebtedness."

(3) Hudson Group (HG) Inc. is directly owned by Dufry Americas Holding Inc., which is not expected to become a Guarantor.

(4) Dufry Finance SCA, an indirect wholly-owned subsidiary of Dufry International AG and Dufry Holdings & Investments AG, is a special purpose finance company with no independent business operations and no significant third-party assets. Dufry Finance SCA is acting by its general partner, Dufry Finance I S.à r.l., a private limited liability company (*société à responsabilité limitée*) incorporated under the laws of Luxembourg and is also held by Dufry Finances SNC. Neither Dufry Finance I S.à r.l. nor Dufry Finances SNC is expected to be a Guarantor.

(5) Each of the Issuer and the Guarantors is a holding company with no significant assets other than the shares in its direct subsidiaries. See "Risk Factors—Risks Relating to the Notes—The Issuer and the Guarantors are dependent upon cash flow from other members of the group to meet their obligations on the Notes and the Guarantees, respectively." As of June 30, 2012, after giving pro forma effect to (i) this offering and the application of proceeds therefrom and (ii) expected borrowings under our 2012 Revolving Credit Facility concurrent with this offering, we would have had CHF 1,523.2 million of total indebtedness, of which CHF 38.3 million was indebtedness of non-guarantor subsidiaries. The Issuer and the Subsidiary Guarantors are either directly or indirectly 100% owned by the Parent Guarantor.

(6) Includes Dufry Cyprus (II) Ltd., a newly formed subsidiary that is expected to acquire Duty Paid Shops SA, which will assume the travel retail operations of the Folli Follie Group and assume EUR 335 million of debt from the Folli Follie Group. See "Description of Other Indebtedness—Greek Syndicated Facility."

THE OFFERING

The summary below describes the principal terms of the Notes. Certain of the terms and conditions described below are subject to important limitations and exceptions. The "Description of Notes" section of this Offering Memorandum contains a more detailed description of the terms and conditions of the Notes, including the definitions of certain terms used in this summary.

Issuer	Dufry Finance SCA, a partnership limited by shares (*société en commandite par actions*) organized and established in Luxembourg, acting by its General Partner (as defined below).
General Partner	Dufry Finance I S.à r.l., a private limited liability company (*société à responsabilité limitée*) organized and established under the laws of Luxembourg.
Parent Guarantor	Dufry AG, a Swiss stock corporation.
Subsidiary Guarantors	Dufry International AG, Dufry Holdings & Investments AG and Hudson Group (HG), Inc., each a wholly-owned subsidiary of the Parent Guarantor.
Guarantors	The Parent Guarantor and the Subsidiary Guarantors. Each Guarantor is an obligor under our Senior Credit Facilities. See "Description of Other Indebtedness."
The Notes	US$500,000,000 of 5.500% senior notes due 2020.
The Guarantees	The obligations of the Issuer under the Notes and Indenture (as defined under "Description of Notes") governing the Notes will be, jointly and severally, fully and unconditionally guaranteed on a senior basis by the Guarantors, subject to certain limitations described under the caption "Description of Notes—Note Guarantees."
The Offering	The Notes are being offered and sold by the Initial Purchasers in the United States to QIBs in reliance on Rule 144A and outside the United States to persons other than U.S. persons as defined in and in reliance on Regulation S.
Issue Price	100.0% for the Notes, plus accrued interest, if any, from October 26, 2012.
Issue Date	October 26, 2012.
Maturity Date	October 15, 2020.
Interest	The Notes will bear interest from the Issue Date at the rate of 5.500 percent, per annum, payable semi-annually in arrears.
Interest Payment Dates	April 15 and October 15 of each year, commencing April 15, 2013 until the Maturity Date.
Ranking of the Notes	The Notes are: • direct, unsecured and unsubordinated obligations of the Issuer; • senior in right of payment to any existing and future obligations of the Issuer expressly subordinated in right of payment to the Notes;

- equal in right of payment with all other direct, unsecured and unsubordinated obligations of the Issuer (except those obligations required to be preferred by law);
- guaranteed by the Guarantors on a senior basis, subject to certain limitations described under the caption "Description of Notes—Note Guarantees;" and
- effectively subordinated to all existing and future obligations of the Parent Guarantor's non-guarantor subsidiaries.

See "Risk Factors—Risks Relating to the Notes."

Ranking of the Guarantees . . . . The Guarantee of each Guarantor:

- is a direct, unsecured and unsubordinated obligation of such Guarantor;
- is effectively subordinated to secured obligations of such Guarantor, to the extent of the value of the assets serving as security therefor;
- is structurally subordinated to all indebtedness and other liabilities (including trade payables and the Greek Syndicated Facility) of the Parent Guarantor's subsidiaries other than the Issuer and the Subsidiary Guarantors;
- is senior in right of payment to any existing and future obligations of such Guarantor expressly subordinated in right of payment to such Guarantor; and
- equal in right of payment with all other direct, unsecured and unsubordinated obligations of such Guarantor (except those obligations required to be preferred by law).

See "Risk Factors—Risks Relating to the Notes."

Use of Proceeds . . . . The net proceeds of the offering will be used to repay amounts outstanding of the term loans under our 2008 Senior Credit Facilities. See "Use of Proceeds" and "Description of Other Indebtedness."

Change of Control Offer . . . . Upon the occurrence of a Change of Control (as defined in the section entitled "Description of Notes"), we may be required to repurchase the Notes at a purchase price equal to 101% of their principal amount, plus accrued and unpaid interest. See "Description of Notes—Change of Control."

Covenants . . . . The Indenture, among other things, limits our ability and the ability of our restricted subsidiaries to:

- incur additional indebtedness;
- pay dividends or make other distributions or repurchase or redeem our capital stock;
- make loans and investments;

- incur liens; and
- consolidate, merge or sell all or substantially all of our assets.

These covenants are subject to a number of important exceptions and qualifications. In addition, upon achievement of certain ratings, these covenants may be terminated. For more details, see "Description of Notes."

Events of Default	For a discussion of certain events that will permit acceleration of the Notes, see "Description of Notes—Events of Default."
Optional Redemption	We may redeem the Notes in whole or in part, at our option, at any time and from time to time at the applicable redemption prices set forth in the "Description of Notes." See "Description of Notes—Optional Redemption."
Optional Tax Redemption	The Notes may be redeemed in whole, but not in part, at our option, at a redemption price equal to 100% of the principal amount of the Notes, together with accrued and unpaid interest, if any, to the date fixed for redemption, and all additional amounts, if any, due to certain changes in tax law as specified in the "Description of Notes." See "Description of Notes—Redemption for Changes in Taxes."
Additional Amounts	Subject to certain exceptions and limitations, we will pay such Additional Amounts (as defined in the section entitled "Description of Notes") on the Notes (or payments under the Guarantees in respect thereof) as may be necessary to ensure that the net amounts received by each holder of a Note after all withholding or deductions, if any, shall equal the amount of principal (and premium, if any) and interest which such holder would have received in respect of such Note (or payments under the Guarantees in respect thereof) in the absence of such withholding or deduction. See "Description of Notes—Additional Amounts."
Denomination, Form and Registration of Notes	The Notes will be issued in fully registered form and only in denominations of $200,000 and integral multiples of $1,000 in excess thereof. The Notes will be issued initially as Global Notes. DTC will act as depositary for the Notes. Except in limited circumstances, the Global Notes will not be exchangeable for certificated notes. See "Description of Notes—Global Notes and Book-Entry System."
Further Issuances	The Issuer and the Guarantor may from time to time, without notice to or the consent of the holders of the Notes, create and issue further notes ranking equally in right of payment with and having identical terms and conditions to the Notes in all respects and such further Notes shall be consolidated and form a single series with the Notes and shall have the same terms as to status, redemption or otherwise as the Notes. See "Description of Notes—Brief Description of the Notes and Guarantees—Principal, Maturity and Interest."

Transfer Restrictions	The Notes have not been, and will not be, registered under the Securities Act or any other applicable securities laws. The Notes are subject to restrictions on transfer and, unless registered under the Securities Act, may only be offered or sold pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. See "Notice to Investors."
Absence of a Public Market for the Notes	The Notes are new securities for which there is currently no established trading market. Accordingly, there can be no assurances as to the development or liquidity of any market for them. Certain of the Initial Purchasers have advised us that they intend to make a market in the Notes. However, they are not obligated to do so and may discontinue any market making at any time at their sole discretion and without notice.
Listing	Application has been made to the ISE for the approval of this document as "Listing Particulars." Application has been made to the ISE for the Notes to be admitted to the official list and to trading on the GEM of the ISE. The GEM is not a regulated market for the purposes of Directive 2004/39/EC. This Offering Memorandum constitutes listing particulars for admission to trading on the GEM.
Trustee, Registrar, Paying Agent and Transfer Agent	Wells Fargo Bank, National Association
Luxembourg Paying Agent	Société Générale Bank & Trust
Irish Listing Agent	Arthur Cox Listing Services Limited
Governing Law	The Indenture and the Notes and all other transaction documents will be governed by, and construed in accordance with, the laws of the State of New York. Articles 86 to 94-8 of the Luxembourg law on commercial companies dated 10 August 1915, as amended, do not apply to the Notes.
Risk Factors	Investing in our Notes involves risks. Prior to investing in our Notes, prospective investors should consider, together with the other information set out in this Offering Memorandum, the factors and risks attaching to an investment in our Notes. See "Risk Factors."

SUMMARY HISTORICAL CONSOLIDATED FINANCIAL AND OTHER DATA

The following tables set forth certain summary historical consolidated financial and other data as of the dates and for each of the periods indicated. Our financial statements have been prepared in accordance with IFRS. The data presented below is not necessarily indicative of results of future operations and should be read in conjunction with "Use of Proceeds," "Capitalization," "Selected Historical Consolidated Financial and Other Data," "Management's Discussion and Analysis of Financial Condition and Results of Operations" and our consolidated financial statements and the notes thereto included elsewhere in this Offering Memorandum.

The summary historical consolidated financial data as of December 31, 2011 and 2010 and for each of the fiscal years ended December 31, 2011, 2010 and 2009 were derived from our audited consolidated financial statements included elsewhere in this Offering Memorandum. The summary consolidated financial data as of and for the six months ended June 30, 2012 and 2011 have been derived from our unaudited interim condensed consolidated financial information included elsewhere in this Offering Memorandum. The results for any interim period are not necessarily indicative of the results that may be expected for a full year. See "Presentation of Financial and Other Data."

You should regard the summary historical financial and other data below as only an introduction and should base your investment decision on a review of the entire Offering Memorandum.

Consolidated Income Statement Data

	Twelve months ended June 30,		Six months ended June 30,			For the year ended December 31,			
	2012(1)	2012	2012(1)	2012	2011	2011(1)	2011	2010	2009
			(Unaudited)						
	(Millions of USD)	(Millions of CHF)	(Millions of USD)	(Millions of CHF)		(Millions of USD)	(Millions of CHF)		
Net sales	3,042.8	2,888.8	1,552.3	1,473.7	1,145.8	2,728.1	2,560.9	2,533.5	2,307.1
Advertising income	89.4	84.9	46.0	43.7	35.5	81.8	76.8	76.7	71.6
Turnover	**3,132.2**	**2,973.7**	**1,598.3**	**1,517.4**	**1,181.3**	**2,810.0**	**2,637.7**	**2,610.2**	**2,378.7**
Cost of sales	(1,297.1)	(1,231.5)	(659.1)	(625.7)	(496.6)	(1,174.4)	(1,102.4)	(1,108.3)	(1,049.3)
Gross profit	**1,835.1**	**1742.2**	**939.2**	**891.7**	**684.7**	**1,635.6**	**1,535.3**	**1,501.9**	**1,329.4**
Selling expenses	(684.8)	(650.1)	(348.8)	(331.1)	(260.7)	(617.6)	(579.7)	(584.8)	(510.9)
Personnel expenses	(468.3)	(444.6)	(247.1)	(234.6)	(192.5)	(428.9)	(402.6)	(398.9)	(361.3)
General expenses	(215.7)	(204.8)	(111.5)	(105.9)	(83.2)	(194.0)	(182.1)	(175.1)	(156.1)
EBITDA (before other operational result)(2)	**466.3**	**442.7**	**231.8**	**220.1**	**148.3**	**395.1**	**370.9**	**343.1**	**301.1**
Depreciation, amortization and impairment	(164.5)	(156.2)	(86.6)	(82.2)	(57.5)	(140.1)	(131.5)	(129.5)	(123.0)
Other operational result	(29.2)	(27.7)	(7.2)	(6.9)	(6.1)	(28.6)	(26.9)	(15.7)	(14.7)
Earnings before interest and taxes (EBIT)	**272.6**	**258.8**	**138.0**	**131.0**	**84.7**	**226.4**	**212.5**	**197.9**	**163.4**
Interest expenses	(81.0)	(76.9)	(40.8)	(38.8)	(17.0)	(58.8)	(55.2)	(37.0)	(46.2)
Interest income	4.7	4.5	2.6	2.5	2.0	4.3	4.1	4.8	5.7
Foreign exchange gain/(loss)	2.7	2.6	0.3	0.3	(0.6)	1.8	1.7	—	(2.9)
Earnings before taxes (EBT)	**199.0**	**189.0**	**100.1**	**95.0**	**69.1**	**173.7**	**163.1**	**165.7**	**120.0**
Income taxes	(35.0)	(33.3)	(18.0)	(17.1)	(12.0)	(30.0)	(28.2)	(20.9)	(22.7)
Net Earnings	**164.0**	**155.7**	**82.1**	**77.9**	**57.1**	**143.7**	**134.9**	**144.8**	**97.3**
Attributable to:									
Equity holders of the parent	134.8	128.0	65.6	62.3	46.2	119.2	111.9	116.6	38.5
Non-controlling interests	29.2	27.7	16.5	15.6	10.9	24.5	23.0	28.2	58.8

(1) Translated into USD solely for the convenience of the reader. The rate used to translate such amounts was CHF 0.9494 to USD 1.00 and CHF 0.9387 to USD 1.00 (subject to rounding adjustments), which was the exchange rate in effect as of June 30, 2012 and December 31, 2011, respectively, as reported by Bloomberg. The USD equivalent information presented in this Offering Memorandum is provided solely for the convenience of investors and should not be construed as implying that the amounts in CHF represent, or could have been or could be converted into, USD at such rates or any other rate.

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

Consolidated Statement of Financial Position Data

	As of June 30,		As of December 31,		
	2012(1)	2012	2011(1)	2011	2010
	(Unaudited)				
	(Millions of USD)	(Millions of CHF)	(Millions of USD)	(Millions of CHF)	
Cash and cash equivalents	185.9	176.5	212.1	199.1	80.6
Current assets	852.6	809.5	861.7	808.8	548.5
Total assets	3,559.9	3,379.8	3,534.6	3,317.8	2,139.2
Current liabilities	635.8	603.6	648.4	608.6	475.9
Total liabilities	2,427.1	2,304.3	2,518.2	2,363.7	1,324.4
Total shareholders' equity	1,132.8	1,075.5	1,016.4	954.1	814.8
Total liabilities and shareholders' equity	3,559.9	3,379.8	3,534.6	3,317.8	2,139.2

(1) Translated into USD solely for the convenience of the reader. The rate used to translate such amounts was CHF 0.9494 to USD 1.00 and CHF 0.9387 to USD 1.00 (subject to rounding adjustments), which was the exchange rate in effect as of June 30, 2012 and December 31, 2011, respectively, as reported by Bloomberg. The USD equivalent information presented in this Offering Memorandum is provided solely for the convenience of investors and should not be construed as implying that the amounts in CHF represent, or could have been or could be converted into, USD at such rates or any other rate.

Consolidated Statement of Cash Flows Data

	Six months ended June 30,			Year ended December 31,			
	2012(1)	2012	2011	2011(1)	2011	2010	2009
	(Unaudited)						
	(Millions of USD)	(Millions of CHF)		(Millions of USD)	(Millions of CHF)		
Net cash flows from operating activities	172.3	163.6	117.7	358.8	336.8	327.0	389.4
Net cash flows used in investing activities	(101.5)	(96.4)	(38.1)	(884.7)	(830.5)	(117.4)	(78.0)
Net cash flows (used in)/from financing activities	(102.7)	(97.5)	(36.3)	634.4	595.5	(489.3)	(142.4)
Currency translation in cash	8.1	7.7	(24.8)	17.8	16.7	(45.0)	(27.4)
(Decrease)/Increase in cash and cash equivalents	(23.8)	(22.6)	18.5	126.2	118.5	(324.7)	141.6
Cash and cash equivalents at the beginning of the period	209.7	199.1	80.6	85.9	80.6	405.3	263.7
Cash and cash equivalents at the end of the period	185.9	176.5	99.1	212.1	199.1	80.6	405.3

(1) Translated into USD solely for the convenience of the reader. The rate used to translate such amounts was CHF 0.9494 to USD 1.00 and CHF 0.9387 to USD 1.00 (subject to rounding adjustments), which was the exchange rate in effect as of June 30, 2012 and December 31, 2011, respectively, as reported by Bloomberg. The USD equivalent information presented in this Offering Memorandum is provided solely for the convenience of investors and should not be construed as implying that the amounts in CHF represent, or could have been or could be converted into, USD at such rates or any other rate.

Other Data

	Twelve months ended June 30,	Six months ended June 30,		Year ended December 31,		
	2012	2012	2011	2011	2010	2009
	(Unaudited)					
Like-for-like growth(1)	4.4%	4.9%	7.9%	7.5%	10.1%	(10.0%)
Gross margin(2)	58.6%	58.8%	58.0%	58.2%	57.5%	55.9%
EBITDA margin(3)	14.9%	14.5%	12.6%	14.1%	13.1%	12.7%
Pro forma net debt/Pro forma EBITDA (before other operational result)(4)	3.25x	—	—	—	—	—

(1) Like-for-like growth represents sales growth of stores that have been consolidated for more than 12 months and where there has been no material increase or reduction of retail space for the relevant period.

(2) Gross margin represents turnover less costs of sales divided by turnover.

(3) EBITDA margin (before other operational result) represents EBITDA (before other operational result) divided by turnover.

(4) Calculated as pro forma net debt at June 30, 2012 to pro forma EBITDA (before other operational result) for the twelve month period ended June 30, 2012. Net debt represents total debt less cash and cash equivalents plus bank guarantees of approximately CHF 43.5 million. Pro forma net debt gives effect to (i) this offering and the application of proceeds therefrom as described under "Use of Proceeds," (ii) expected borrowings under our 2012 Revolving Credit Facility concurrent with this offering and (iii) the use of the Greek Syndicated Facility upon closing of the acquisition described under "Summary—Recent Developments," as if each such event had occurred as of June 30, 2012. Pro forma EBITDA (before other operational result) is defined as EBITDA (before other operational result) before acquisition costs and synergies, as if the acquisition of the travel retail operations of the Folli Follie Group had been completed on July 1, 2011. The travel retail segment of the Folli Follie Group reported EBITDA of approximately EUR 35 million, approximately EUR 33 million and approximately EUR 84 million for the six months ended June 30, 2012 and 2011 and year ended December 30, 2011, respectively. The rate used to translate amounts in Euro was CHF 1.201 to EUR 1.00 (subject to rounding adjustments), which was the exchange rate in effect as of June 30, 2012, as reported by Bloomberg. The historical financial results of the travel retail business of the Folli Follie Group presented here reflect the historical results of the travel retail segment of the Folli Follie Group and may not necessarily reflect the historical results of the business that will be carved out of Folli Follie Group as part of this transaction. Also, the pro forma measures presented here, reflecting a mathematical combination of our historical results and the historical results of the travel retail segment of the Folli Follie Group, are presented for illustrative purposes only and do not purport to present what our results would have been had the transactions contemplated here occurred at the beginning of the periods for which pro forma measures are presented. Moreover, such pro forma measures do not project our future results or financial condition.

RISK FACTORS

An investment in the Notes entails risk. There are a number of factors, including those specified below, that may adversely affect our ability to fulfill our obligations under the Notes. You could therefore lose a substantial portion or all of your investment in the Notes. Consequently, an investment in the Notes should be considered only by persons who can assume such risk. Described below are risks specific to our business, our industry and the Notes that we consider to be material. You should note that the risks described below are not the only risks to which we are exposed. There may be other risks that are not presently known to us or that we do not presently consider to be material that could adversely affect our ability to fulfill our obligations under the Notes.

Risks Relating to our Business

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

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

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

General economic and market conditions may adversely affect our results.

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

The market to obtain concessions is highly competitive.

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

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

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

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

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

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

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

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

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

We are dependent on our local partners.

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

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

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

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

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

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

The retail business is highly competitive.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Risks Relating to the Notes

The Issuer and the Guarantors are dependent upon cash flow from other members of the group to meet their obligations on the Notes and the Guarantees, respectively.

The Issuer is a special purpose finance company with no independent business operations and no significant assets other than the intercompany receivable created by its on-lending of the net proceeds of the Notes to us. The Issuer will on-lend the net proceeds of the Notes to us and will be wholly dependent upon payments from us in respect of principal and interest on such intercompany loan to meet its obligations under the Notes. The Parent Guarantor and the Subsidiary Guarantors are holding companies with no independent business operations or significant assets other than investments in their subsidiaries and derive all or substantially all of their revenue and cash from their operating subsidiaries. The Parent Guarantor and the Subsidiary Guarantors therefore depend upon the receipt of sufficient funds from their subsidiaries to meet their obligations.

Various agreements governing our debt may restrict and, in some cases may actually prohibit, the ability of these subsidiaries to move cash within their restricted group. Applicable tax laws may also subject such payments to further taxation. Applicable corporate and other law may also limit the amounts that some of our subsidiaries will be permitted to pay as dividends or distributions on their equity interests, or even prevent such payments.

The inability to transfer cash among entities within their respective groups may mean that even though the entities, in aggregate, may have sufficient resources to meet their obligations, they may not be permitted to make the necessary transfers from one entity in their restricted group to another entity in their restricted group in order to make payments to the entity owing the obligations.

If our operating subsidiaries do not distribute cash to us to make scheduled payments on the Notes, we do not expect to have any other source of funds that would allow the Issuer to make payments to the holders of the Notes.

Payments with respect to the Notes and the Guarantees are structurally subordinated to liabilities, contingent liabilities and obligations of our non-guarantor subsidiaries.

The Notes will not be guaranteed by certain non-guarantor subsidiaries. Creditors, including trade creditors of non-guarantor subsidiaries and any holders of preferred shares in such entities, if any, and including the lenders of our Greek Syndicated Credit Facility should it be utilized, would have a claim on the non-guarantor subsidiaries' assets that would be prior to the claims of holders of the Notes. As a result, the Issuer's payment obligations under the Notes and the Guarantors' obligations under the Guarantees will be effectively subordinated to all existing and future obligations of our non-guarantor subsidiaries, including their obligations under guarantees they have issued or will issue in connection with our business operations, and all claims of creditors of our non-guarantor subsidiaries will have priority as to the assets of such entities over our claims and those of our creditors, including holders of the Notes.

Payments with respect to the Notes and the Guarantees are effectively subordinated to any secured obligations of the Issuer or the Guarantors to the extent of the assets serving as security for such secured obligations.

The Issuer's obligation under the Notes and the Guarantors' obligations under the Guarantees will constitute unsubordinated obligations of the Issuer and the Guarantors and will rank equally in right of payment with all other existing and future unsubordinated indebtedness of the Issuer and the Guarantors and senior in right of payment to all of their subordinated indebtedness, if any. However, the Issuer's obligation under the Notes and the Guarantors' obligations under the Guarantees will be effectively subordinated to any secured obligations of the Issuer or the Guarantors to the extent of the assets serving as security for such secured obligations. In bankruptcy, the holder of a security interest with respect to any assets of the Issuer or the Guarantors would be entitled to have the proceeds of such assets applied to the payment of such holder's claim before the remaining proceeds, if any, are applied to the claims of the holders of the Notes.

Our Senior Credit Facilities impose operating and financial restrictions on our business.

Our Senior Credit Facilities prohibit us from incurring additional indebtedness, subject to certain exceptions, unless we are able to satisfy certain financial ratios and certain other restrictions. Our ability to meet our financial ratios may be affected by events beyond our control, and we cannot assure you that we will be able to meet these ratios. These provisions may negatively affect our ability to react to changes in market conditions, take advantage of business opportunities we believe to be desirable, obtain future financing, fund needed capital expenditures, or withstand a continuing or future downturn in our business. Any of these could materially and adversely affect our ability to satisfy our obligations under the Parent Guarantee and other debt, the Issuer's ability to satisfy its obligations under the Notes and other obligations, and the Subsidiary Guarantors' ability to satisfy obligations under the Subsidiary Guarantees. For a discussion of our material long-term payment obligations or indebtedness other than the Notes, see "Description of Other Indebtedness."

You are restricted in your ability to transfer or resell the Notes without registration under applicable securities laws.

The Notes and the Guarantees have not been registered under the Securities Act or any U.S. state securities laws, and neither we nor the Issuer have any obligation or intention subsequently to register or exchange registered securities for the Notes or the Guarantees. Accordingly, the Notes and Guarantees can only be offered or sold pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and applicable U.S. state securities laws. Therefore, a holder of the Notes may be required to bear the risk of its investment for an indefinite period. It is your obligation to ensure that your offers and sales of the Notes within the United States comply with applicable securities laws. See "Notice to Investors."

There is no active public trading market for the Notes and therefore your ability to transfer them will be limited.

Although application has been made to admit the Notes on the ISE, there can be no assurance regarding the future development of a market for the Notes or the ability of holders to sell their Notes or the price at which holders may be able to sell their Notes. If a public market were to develop, the Notes could trade at prices that may be lower than the initial offering price, depending on many factors, including prevailing interest rates, our operating results and the market for similar securities. We have applied to list the Notes on the official list of the ISE and to trade on the GEM of that exchange; however, we cannot assure you that such listing will be obtained.

The trading market for debt securities may be volatile and may be adversely impacted by many events.

The market for debt securities is influenced by economic and market conditions, interest rates and currency exchange rates. Global events may lead to market volatility which may have an adverse effect on the price of the Notes.

We may be able to incur substantially more debt in the future.

We may incur substantial additional indebtedness in the future, some of which may be structurally senior in right of payment to the Notes, including in connection with future acquisitions, such as the acquisition of the travel retail operations of the Folli Follie Group, some of which may be secured by some of or all our assets. Any such incurrence of additional indebtedness could exacerbate the related risks that we now face.

The Notes will initially be held in book-entry form and therefore you must rely on the procedures of relevant clearing systems to exercise any rights and remedies.

Unless and until Notes in definitive registered form, or definitive registered Notes, are issued in exchange for book-entry interests, owners of book-entry interests will not be considered owners or holders of Notes. DTC, or its nominee, will be the registered holder of the Global Notes for the benefit of its participants, including Euroclear and Clearstream. After payment to the registered holder, we will have no responsibility or liability for the payment of interest, principal or other amounts to the owners of book-entry interests. Accordingly, if you own a book-entry interest, you must rely on the procedures of DTC and if you are not a participant in DTC, on the procedures of the participants through which you own your interest, to exercise any rights and obligations of a holder under the Indenture. See "Description of Notes—Global Notes and Book-Entry System."

Unlike the holders of Notes themselves, owners of book-entry interests will not have any direct rights to act upon our solicitations for consents, requests for waivers or other actions from holders of the Notes. Instead, if you own a book-entry interest, you will be permitted to act only to the extent you have received appropriate proxies to do so from DTC, or, if applicable, from a participant. There can be no assurance that procedures implemented for the granting of such proxies will be sufficient to enable you to vote on any matters on a timely basis.

Similarly, upon the occurrence of an event of default under the Indenture, unless and until definitive registered Notes are issued in respect of all book-entry interests, if you own a book-entry interest, you will be restricted to acting through DTC. The procedures to be implemented through DTC may not be adequate to ensure the timely exercise of rights under the Notes. See "Description of Notes—Global Notes and Book-Entry System."

The Notes are subject to optional redemption, which may limit their market value.

The optional redemption feature of the Notes is likely to limit their market value. During any period when we may elect to redeem the Notes, the market value of those Notes generally will not rise substantially above the price at which they can be redeemed. This also may be true prior to any redemption period. We may be expected to redeem Notes when our cost of borrowing is lower than the interest rate on the Notes. At those times, an investor generally might not be able to reinvest the redemption proceeds at an effective interest rate as high as the interest rate on the Notes being redeemed and may only be able to do so at a significantly lower rate. Potential investors should consider reinvestment risk in light of other investments available at that time.

We may be unable to repurchase the Notes upon a change of control.

Upon the occurrence of a change of control relating to the ownership of our ordinary share capital or voting rights, as described in "Description of Notes—Change of Control," we will be required to offer to repurchase all outstanding Notes at 101% of their principal amount plus accrued and unpaid interest. Our source of funds for any such purchase of the Notes will be available cash, cash generated from our subsidiaries or other sources, including borrowings, sales of assets or sales of equity. The sources of cash may not be adequate to permit us to repurchase the Notes upon a change of control. Any failure on our part to offer to repurchase the Notes, or to repurchase Notes tendered following a change of control, may result in a default under the Indenture, which could lead to a cross-default under the terms of our existing and future indebtedness. For further information, see "Description of Notes—Change of Control."

Our credit ratings may not reflect all risks associated with an investment in the Notes.

One or more independent credit rating agencies may assign credit ratings to the Notes. The ratings may not reflect the potential impact of all risks related to structure, market, additional factors discussed above and other factors that may affect the value of the Notes. If the Notes are rated, such rating may not necessarily be the same as the ratings assigned to us. A credit rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency.

The Guarantees of the Notes will be subject to certain limitations on enforcement and may be limited by applicable law or subject to certain defenses that may limit their validity and enforceability.

The Issuer's obligations under the Notes will be guaranteed by the Guarantors. The Notes and the Guarantees may be subject to claims that they should be limited or subordinated in favor of the Issuer's existing and future creditors under the laws of Luxembourg, Switzerland and the United States or any other applicable jurisdiction.

The amounts or enforcement of each Guarantee will, where applicable, be limited to the extent of the amount which can be guaranteed by a particular Guarantor without rendering the Guarantee, as it relates to that Guarantor, voidable or otherwise ineffective under applicable law and without rendering the Guarantor insolvent or subject to any legal cause that would require it to be dissolved. These laws and defenses include, where applicable, those that relate to fraudulent conveyance or transfer, insolvency, voidable preference, financial assistance, corporate purpose or benefit, preservation of share capital, thin capitalization and defenses affecting the rights of creditors generally. By virtue of these limitations, a Guarantor's obligation under its Guarantee could be significantly less than amounts payable with respect to the Notes, or a Guarantor may effectively have no obligations under its Guarantee.

Although laws differ among various jurisdictions, in general, under fraudulent conveyance and similar laws, a court could subordinate or void any Guarantee if it found that:

- the relevant Guarantee was incurred with actual intent to hinder, delay or defraud creditors or shareholders of the Guarantor or other person or to prefer one creditor over another or, in certain jurisdictions, even when the recipient was simply aware that the Guarantor or other person was insolvent when it issued the Guarantee;
- the Guarantor did not receive fair consideration or reasonably equivalent value for the Guarantee and the Guarantor:
- the Guarantor was insolvent, subsequently became insolvent or was rendered insolvent because of the Guarantee or security;
- the Guarantor was undercapitalized or became undercapitalized because of the Guarantee;
- the Guarantor intended to incur, or believed that it would incur, debts beyond its ability to pay at maturity;
- the Guarantee was not in the best interests or for the benefit of the Guarantor; or
- the amount paid was in excess of the maximum amount permitted under applicable law.

The measure of insolvency for purposes of fraudulent conveyance and similar laws varies depending on the law applied. Generally, however, a Guarantor would be considered insolvent if it could not pay its obligations as they became due. In such circumstances, if a court voided such Guarantee, or held it unenforceable, noteholders would cease to have any claim in respect of the Guarantor and would be a creditor solely of the Issuer and the remaining Guarantors. If a court decides a Guarantee was a fraudulent conveyance and voids the Guarantee, or holds it unenforceable for any other reason, you may cease to have any claim in respect of the Guarantor and would be a creditor solely of the Issuer and any remaining Guarantors.

Enforcement of the Guarantees across multiple jurisdictions may be difficult.

The Notes will be guaranteed by the Guarantors, which are organized or incorporated under the laws of different jurisdictions. In the event of a bankruptcy, insolvency or similar event, proceedings could be initiated in any of these jurisdictions. The rights of holders of the Notes under the Guarantees will thus be subject to the laws of different jurisdictions, and it may be difficult to enforce such rights in multiple bankruptcy, insolvency and other similar proceedings. Moreover, such multi-jurisdictional proceedings are typically complex and costly for creditors. In addition, the bankruptcy, insolvency, administration and other laws of our jurisdiction of organization and the jurisdiction of organization of the Guarantors may be materially different from, or in conflict with, one another, including creditor's rights, priority of creditors, the ability to obtain post-petition interest and the duration of the insolvency proceeding. The application of these various laws in multiple jurisdictions could trigger disputes over which jurisdictions' law should apply and could adversely affect the ability to realize any recovery under the Notes and the Guarantees.

Relevant insolvency and administrative laws may not be as favorable to creditors, including holders of Notes, as the case may be, as insolvency laws of the jurisdictions in which you are familiar and may limit your ability to enforce your rights under the Notes and the Guarantees.

The Issuer is incorporated in Luxembourg and the Guarantors are incorporated or organized in Switzerland and the United States. Some of our subsidiaries are incorporated or organized in jurisdictions other than those listed above and are subject to the insolvency laws of such jurisdictions. The insolvency laws of these jurisdictions may not be as favorable to your interests as creditors as the bankruptcy laws of the United States or certain other jurisdictions. In addition, there can be no assurance as to how the insolvency laws of these jurisdictions will be applied in relation to one another. In the event that any one or more of the Issuer or the Guarantors or the Parent Guarantor's other subsidiaries experience financial difficulty, it is not possible to predict with certainty in which jurisdiction or jurisdictions insolvency or similar proceedings would be commenced, or the outcome of such proceedings. Applicable insolvency laws may affect the enforceability of the obligations of the Issuer, the Guarantors and shareholders of them. Prospective investors in the Notes should consult their own legal advisors with respect to such considerations.

Luxembourg Insolvency Law Considerations

The Issuer is organized under the laws of Luxembourg. Luxembourg insolvency proceedings may have a material adverse effect on the Issuer's business and assets and the Issuer's respective obligations under the Notes. Under Luxembourg insolvency laws, your ability to receive payment on the Notes may be more limited than under the U.S. bankruptcy laws. The following types of proceedings (altogether referred to as insolvency proceedings) may be opened against the Issuer:

- bankruptcy (*faillite*) proceedings, the opening of which may be requested by the Issuer or by any of its creditors. Following such a request, a competent Luxembourg court may open bankruptcy proceedings if the Issuer (i) is unable to pay its debts as they fall due (*cessation des paiements*) and (ii) has lost its commercial creditworthiness (*ébranlement de credit*). If a court finds that these conditions are met without any request, it may also open bankruptcy proceedings on its own motion;

- controlled management proceedings (*gestion contrôlée*), the opening of which may only be requested by the Issuer and not by its creditors. A reorganization order requires the prior approval by more than 50% in number of the creditors representing more than 50% of the Issuer's liabilities in order to take effect; and
- voluntary composition with creditors (*concordat préventif de faillite*), upon request only by the Issuer (subject to obtaining the consent of the majority of its creditors) and not by its creditors. The court's decision to admit the Issuer to a composition with participating creditors triggers a provisional stay on enforcement of claims by participating creditors while other creditors may pursue their claims individually.

In addition to these insolvency proceedings, your ability to receive payment on the Notes may be affected by a decision of a court to grant a suspension of payments (*sursis de paiement*) or to put the Issuer into judicial liquidation (*liquidation judiciaire*). Judicial winding up proceedings may be opened at the request of the public prosecutor against the Issuer pursuing an activity violating criminal laws or seriously breaching the laws governing commercial companies. The management of such winding up proceedings will generally follow the rules of bankruptcy proceedings.

Generally, during the insolvency proceedings, all enforcement measures by general secured and unsecured creditors against the Issuer are stayed, while certain secured creditors (pledgees or mortgagees) retain the ability to settle separately while the debtor is in bankruptcy. Collateral over which a security right has been granted will in principle not be available for distribution to unsecured creditors (except after enforcement and to the extent a surplus of enforcement proceeds is realized). During controlled management proceedings, enforcement measures are suspended until the final reorganization order from the adjudicating court, declarations of default and any subsequent acceleration upon the occurrence of an event of default may not be enforceable and participating secured creditors in composition proceedings are required to abandon their security. Under the Luxembourg Act dated August 5, 2005 concerning financial collateral arrangements, as amended (the "Collateral Act"), secured creditors holding qualifying collateral in the form of financial instruments or claims may enforce their security during the insolvency proceedings without court approval outside the general body of creditors and satisfy their claim in order of their priority in the enforcement proceeds.

Liabilities of the Issuer in respect of the Guarantees will, in the event of a liquidation of such Issuer following bankruptcy or judicial winding-up proceedings, rank junior to the cost of such proceedings (including debt incurred for the purpose of such bankruptcy or judicial winding-up) and those debts of the Issuer that are entitled to priority under Luxembourg law. Preferential rights arising by operation of law under Luxembourg law include:

- certain amounts owed to the Luxembourg Revenue;
- value-added tax and other taxes and duties owed to the Luxembourg Customs and Excise;
- social security contributions; and
- remuneration owed to employees.

Luxembourg insolvency law may also affect transactions entered into or payments made by the Issuer during the hardening period (*période suspecte*) (which is a maximum of six months and ten days) preceding the judgment adjudicating the insolvency proceedings, in particular, the granting of a security right for antecedent debt, the payment of debt not due (whether or not payment is made in cash or by way of assignment, sale, set-off or by any other means) or of debt due by any means other than cash or bill of exchange or the sale of assets without consideration or with substantially inadequate consideration. These transactions must be declared null and void, in all circumstances, at the request of the competent Luxembourg insolvency official (including any *commissaire, juge-commissaire, liquidateur* or *curateur* or similar official). Further, if the insolvency official demonstrates that (i) an adequate payment in relation to a due debt was made during the hardening period to the detriment of the general body of creditors, or (ii) the party receiving such payment knew that the Issuer had ceased payments when such payment occurred, the insolvency official has the power, among other things, to invalidate such preferential transaction. Notwithstanding the above, a financial collateral arrangement under the Collateral Act entered into after the opening of liquidation proceedings or the entry into force of reorganization measures is valid and binding against third parties or insolvency officials notwithstanding the hardening period if the collateral taker proves that it was unaware of the opening of such proceedings or of the taking of such measures or that it could not reasonably have been aware of them. Generally, if the insolvency official demonstrates that the Issuer has given a preference to any person by defrauding the rights of creditors generally, a competent insolvency official (acting on behalf of the creditors) has the power to challenge such preferential transaction (including the granting of security right with fraudulent intent) without limitation of time.

In principle, a bankruptcy order rendered by a Luxembourg court does not result in an automatic termination of contracts except for personal (*intuitu personae*) contracts, that is, contracts for which the identity of the Issuer or its solvency were crucial. However, the insolvency official may choose to terminate certain onerous contracts. As of the date of adjudication of bankruptcy, no interest on any unsecured claim will accrue vis-à-vis the bankruptcy estate. Insolvency proceedings may hence have a material adverse effect on the Issuer's business and assets and the Issuer's respective obligations under the Notes (as Issuer).

Finally, international aspects of Luxembourg bankruptcy, controlled management or composition proceedings may be subject to the European Union insolvency regulation.

Swiss Insolvency Law Consideratins

The Parent Guarantor, and certain of its subsidiaries (including some of the Subsidiary Guarantors) are organized under the laws of Switzerland. Consequently, in the event of a bankruptcy or insolvency event with respect to us or one of our subsidiaries, primary proceedings could be initiated in Switzerland. Swiss insolvency laws may make it difficult or impossible to effect a restructuring and the insolvency laws of Switzerland may not be as favorable to your interests as creditors as the laws of the United States or other jurisdictions with which you may be familiar. The following is a brief description of certain aspects of insolvency law in Switzerland. In the event that the Parent Guarantor or any of its Swiss subsidiaries (including some of the Subsidiary Guarantors) experienced financial difficulty, it is not possible to predict with certainty in which jurisdiction or jurisdictions insolvency or similar proceedings would be commenced, or the outcome of such proceedings.

Pursuant to Swiss insolvency laws, your ability to receive payment under the Notes may be more limited than would be the case under U.S. or other non-Swiss bankruptcy laws. Under Swiss law, the following types of proceedings (altogether referred to as insolvency proceedings) may be opened against an entity having its registered office or assets in Switzerland.

In the event of a Swiss entity's insolvency, the respective insolvency proceedings would be governed by Swiss law as a result of such Swiss entity's offices being registered in the competent commercial register in Switzerland. The enforcement of claims and questions relating to insolvency and bankruptcy in general are dealt with by the Swiss Federal Act on Debt Enforcement and Bankruptcy, with amendments effective as from January 1, 2012. Under these rules, claims that are pursued against a Swiss entity can lead to the opening of bankruptcy (Konkurs) and, hence, a general liquidation of all assets, even if located outside Switzerland, and liabilities of the debtor. However, with regard to assets located outside Switzerland, a Swiss bankruptcy decree may only be enforceable if it is recognized at the place where such assets are located. If bankruptcy has not been declared, creditors secured by a pledge must follow a special enforcement proceeding limited to the liquidation of the collateral (Betreibung auf Pfandverwertung) unless the parties have agreed on a private liquidation.

However, if bankruptcy is declared while such an individual debt enforcement proceeding is pending, the proceeding ceases and the creditor participates in the bankruptcy proceedings with the other creditors and an individual debt enforcement proceeding is no longer permitted.

As a rule, the opening of bankruptcy by the competent court needs to be preceded by a prior debt enforcement procedure which involves, inter alia, the issuance of a payment summons by local debt enforcement authorities (*Betreibungsamt*). However, the competent court may also declare a debtor bankrupt without such prior proceedings if the following requirements are met: (i) at the request of the debtor, if the debtor's board of directors or the auditors of the company (in case of failure of the board of directors) declare that the debtor is overindebted (*überschuldet*) within the meaning of art. 725 (2) of the Swiss Code of Obligations (or the corresponding provision of the Swiss Code of Obligations in case of a limited liability company (GmbH)) or if it declares to be insolvent (*zahlungsunfähig*), and (ii) at the request of a creditor, if the debtor commits certain acts to the detriment of its creditors or ceases to make payments (*Zahlungseinstellung*) or if certain events happen during composition proceedings. The bankruptcy proceedings are carried out and the bankrupt estate is managed by the receiver in bankruptcy (*Konkursverwaltung*).

All assets at the time of the declaration of bankruptcy and all assets acquired or received subsequently form the bankrupt estate which, after deduction of costs and certain other expenses, is used to satisfy the creditors. Final distribution of non-secured claims is based on a ranking of creditors in three classes. The first and the second class, which are privileged, comprise claims under employment contracts, accident insurance, pension plans, employee social plans and family law. Certain privileges can also be claimed by the government and its subdivisions based on specific provisions of federal law. All other creditors are treated 29 equally in the third class. A secured party participates in the third class to the extent its claim is not covered by its collateral.

The guarantees by the Swiss guarantors are, based on a choice of law, subject to the laws of New York. Should a Swiss court accept jurisdiction in proceedings on the merits, a Swiss court will generally recognize the choice of law. The scope of such choice of law is, usually, limited to the rules of the substantive law chosen by the parties; as to procedural matters, a Swiss court will apply Swiss procedural law. Due to the different nature of Swiss procedural law and the procedural law in common law jurisdictions (such as the United States of America and the United Kingdom) classification and delimitation issues between substantive and procedural law could occur. To establish the non-Swiss substantive law applicable to the merits, a Swiss court may, in pecuniary matters, request the parties to establish the non-Swiss substantive law; Swiss law will be applied, if the content of the foreign substantive law cannot be established. While a Swiss court will generally accept a choice of law, restrictively applied exceptions exist: Swiss courts may diverge from the chosen substantive law if such chosen law would lead to a result contrary to Swiss public policy, if the purpose of mandatory rules of Swiss law require, by their special aim, immediate application, or if the purpose of mandatory rules of another law, to which the dispute is closely connected, are considered legitimate under Swiss legal concepts and, upon weighing the interests of the parties involved, the clearly predominant interest(s) of one party so require. (See also "Enforcement of Civil Liabilities—Switzerland").

Swiss insolvency laws also provide for reorganization procedures by composition with the debtor's creditors. Reorganization is initiated by a request with the competent court for a stay (*Nachlassstundung*) pending negotiation of the composition agreement with the creditors and confirmation of such agreement by the competent court. A distinction is made between a composition agreement providing for the assignment of assets (*Nachlassvertrag mit Vermögensabtretung*) which leads to a private liquidation and in many instances has analogous effects as a bankruptcy, and a dividend composition (*Dividenden-Vergleich*) providing for the payment of a certain percentage on the creditors' claims and the continuation of the debtor. Further, there is the possibility of a composition in the form of a payment term extension (*Stundungsvergleich*). During a moratorium, debt collection proceedings cannot be initiated and pending proceedings are stayed. Furthermore, the debtor's power to dispose of its assets and to manage its affairs is restricted. In case of a pledge, the secured party is not entitled to proceed with a private liquidation until the confirmation of the settlement by the competent court. A secured creditor participates in the settlement only for the amount of its claim not covered by the collateral. The moratorium does not per se affect the agreed due dates of debts (contrary to bankruptcy, in which case all debts become immediately due upon adjudication). The moratorium aims at facilitating the conclusion of one of the above composition agreements. Any composition agreement needs to be approved by the creditors and confirmed by the competent court. With the judicial confirmation, the composition agreement becomes binding on all creditors, whereby secured claims are only subject to the composition agreement to the extent that the collateral proves to be insufficient to cover the secured claims.

Foreign bankruptcy decrees issued in the country of a debtor's domicile may be recognized in Switzerland only, provided that (i) the bankruptcy decree is enforceable in the country where it was issued, (ii) its recognition is, inter alia, not against Swiss public policy, and (iii) the country which issued the bankruptcy decree grants reciprocity to Switzerland.

It may not be possible for investors to enforce civil claims against us that originate in the United States.

The Issuer is a Luxembourg partnership limited by shares (*société en commandite par actions*). The Parent Guarantor, certain of the other Guarantors and certain other subsidiaries of the Parent Guarantor are incorporated or organized under the laws of Switzerland. The majority of the members of our board of directors and of our senior management are citizens or residents of countries other than the United States. As a result, it may not be possible for investors to effect service of process within the United States upon us or those persons or to enforce outside the United States judgments obtained against us or those persons in courts in jurisdictions inside the United States, including judgments predicated upon the civil liability provisions of the securities laws of the United States or of any State or territory within the United States. In addition, there is doubt as to the enforceability, in original actions brought in courts in jurisdictions located outside the United States, of securities laws of the United States or of any state within the United States. Awards of punitive damages in actions brought in the United States or elsewhere may be unenforceable in Luxembourg or Switzerland.

USE OF PROCEEDS

The net proceeds of the offering will be used to repay amounts outstanding of the term loans under our 2008 Senior Credit Facilities.

See "Management's Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources—Capital Resources" and "Description of Other Indebtedness" for further detail on our 2008 Senior Credit Facilities and other indebtedness. The proceeds will be used outside Switzerland unless use in Switzerland is permitted under the Swiss taxation laws in force from time to time without payments in respect of the Notes becoming subject to withholding or deduction for Swiss withholding tax as a consequence of such use of proceeds in Switzerland.

CAPITALIZATION

The following table sets forth, on a consolidated basis, our cash and cash equivalents, long-term debt, shareholders' equity and capitalization as of June 30, 2012 in accordance with IFRS, (i) on a historical basis, (ii) on a pro forma basis to reflect the equity increase, the acquisition and the use of the Greek Syndicated Facility as described under "Summary—Recent Developments" and (iii) on a pro forma as adjusted basis to give further effect to (x) this offering and the application of the proceeds therefrom as described under "Use of Proceeds" and (y) expected borrowings under our 2012 Revolving Credit Facility concurrent with this offering.

The historical information has been derived from the unaudited interim condensed consolidated financial statements included elsewhere in this Offering Memorandum. You should read this table in conjunction with "Use of Proceeds," "Selected Historical Consolidated Financial and Other Data," "Management's Discussion and Analysis of Financial Condition and Results of Operations," "Description of Other Indebtedness" and our consolidated financial statements and the notes thereto included elsewhere in this Offering Memorandum. The unaudited capitalization data has been prepared for illustrative purposes only and, because of its nature, may not give an accurate picture of our capitalization as of June 30, 2012, adjusted as described in this section.

	As of June 30, 2012(1)			As of June 30, 2012		
	Actual	Pro Forma	Pro Forma As Adjusted	Actual	Pro Forma	Pro Forma As Adjusted
	(Unaudited) (Millions of USD)			(Unaudited) (Millions of CHF)		
Cash and cash equivalents(2)	185.9	206.8	206.8	176.5	196.3	196.3
Debt:						
2008 Senior Credit Facilities(3)	580.1	580.1	—	550.7	550.7	—
2011 Senior Term Facility	993.8	993.8	993.8	943.5	943.5	943.5
2012 Revolving Credit Facility(4)	—	—	80.1	—	—	76.0
Notes offered hereby	—	—	500.0	—	—	474.7
Greek Syndicated Facility(5)	—	423.8	423.8	—	402.3	402.3
Other	30.5	30.5	30.5	29.0	29.0	29.0
Total debt	**1,604.4**	**2,028.2**	**2,028.2**	**1,523.2**	**1,925.5**	**1,925.5**
Total shareholders' equity	1,132.8	1,442.5	1,442.5	1,075.5	1,369.5	1,369.5
Total capitalization	**2,737.2**	**3,470.7**	**3,470.7**	**2,598.7**	**3,295.1**	**3,295.1**

(1) Translated into USD solely for the convenience of the reader. The rate used to translate such amounts was CHF 0.9494 to USD 1.00 (subject to rounding adjustments), which was the exchange rate in effect as of June 30, 2012 published by Bloomberg. The USD equivalent information presented in this Offering Memorandum is provided solely for the convenience of investors and should not be construed as implying that the amounts in CHF represent, or could have been or could be converted into, USD at such rates or any other rate.

(2) Pro forma and pro forma as adjusted figures include the amount of cash remaining after the consummation of the acquisition described under "Summary—Recent Developments."

(3) We intend to use the proceeds of the Notes, together with cash on hand or borrowings under our 2012 Revolving Credit Facility, to repay all amounts outstanding under the 2008 Senior Credit Facilities. In addition, as described under "Description of Other Indebtedness," we used the 2012 Revolving Credit Facility to replace the existing revolving credit facility under the 2008 Credit Facilities.

(4) Consists of an unsecured, multicurrency revolving credit facility for an amount of CHF 650 million. As of the date of this Offering Memorandum, no amounts are outstanding under this facility. We intend

to draw down CHF 76 million from the 2012 Revolving Credit Facility concurrently with the closing of this offering to repay the remaining amounts outstanding under the 2008 Senior Credit Facilities. For more information on the 2012 Revolving Credit Facility, please see "Description of Other Indebtedness."

(5) Consists of a EUR 335 million facility. The facility will be non-recourse to the Issuer and the Guarantors, although it will be reflected in our consolidated financial statements upon closing of the acquisition described under "Summary—Recent Developments." For more information on the Greek Syndicated Facility, please see "Description of Other Indebtedness."

SELECTED HISTORICAL CONSOLIDATED FINANCIAL AND OTHER DATA

The following tables set forth our selected historical consolidated financial and other data as of the dates and for each of the periods indicated. Our financial statements have been prepared in accordance with IFRS. The selected historical consolidated financial data as of December 31, 2011 and 2010 and for each of the fiscal years ended December 31, 2011, 2010 and 2009 were derived from our audited consolidated financial statements included elsewhere in this Offering Memorandum. The selected historical consolidated financial data as of and for the six months ended June 30, 2012 and 2011, has been derived from our unaudited interim condensed consolidated financial information included elsewhere in this Offering Memorandum.

The data presented below is not necessarily indicative of results of future operations and should be read in conjunction with "Use of Proceeds," "Capitalization," "Management's Discussion and Analysis of Financial Condition and Results of Operations" and our consolidated financial statements and the notes thereto included elsewhere in this Offering Memorandum.

Consolidated Income Statement Data

	Twelve months ended June 30,		Six months ended June 30,			For the year ended December 31,			
	2012(1)	2012	2012(1)	2012	2011	2011(1)	2011	2010	2009
			(Unaudited)						
	(Millions of USD)	(Millions of CHF)	(Millions of USD)	(Millions of CHF)		(Millions of USD)	(Millions of CHF)		
Net sales	3,042.8	2,888.8	1,552.3	1,473.7	1,145.8	2,728.1	2,560.9	2,533.5	2,307.1
Advertising income	89.4	84.9	46.0	43.7	35.5	81.8	76.8	76.7	71.6
Turnover	**3,132.2**	**2,973.7**	**1,598.3**	**1,517.4**	**1,181.3**	**2,810.0**	**2,637.7**	**2,610.2**	**2,378.7**
Cost of sales	(1,297.1)	(1,231.5)	(659.1)	(625.7)	(496.6)	(1,174.4)	(1,102.4)	(1,108.3)	(1,049.3)
Gross profit	**1,835.1**	**1742.2**	**939.2**	**891.7**	**684.7**	**1,635.6**	**1,535.3**	**1,501.9**	**1,329.4**
Selling expenses	(684.8)	(650.1)	(348.8)	(331.1)	(260.7)	(617.6)	(579.7)	(584.8)	(510.9)
Personnel expenses	(468.3)	(444.6)	(247.1)	(234.6)	(192.5)	(428.9)	(402.6)	(398.9)	(361.3)
General expenses	(215.7)	(204.8)	(111.5)	(105.9)	(83.2)	(194.0)	(182.1)	(175.1)	(156.1)
EBITDA (before other operational result)(2)	**466.3**	**442.7**	**231.8**	**220.1**	**148.3**	**395.1**	**370.9**	**343.1**	**301.1**
Depreciation, amortization and impairment	(164.5)	(156.2)	(86.6)	(82.2)	(57.5)	(140.1)	(131.5)	(129.5)	(123.0)
Other operational result	(29.2)	(27.7)	(7.2)	(6.9)	(6.1)	(28.6)	(26.9)	(15.7)	(14.7)
Earnings before interest and taxes (EBIT)	**272.6**	**258.8**	**138.0**	**131.0**	**84.7**	**226.4**	**212.5**	**197.9**	**163.4**
Interest expenses	(81.0)	(76.9)	(40.8)	(38.8)	(17.0)	(58.8)	(55.2)	(37.0)	(46.2)
Interest income	4.7	4.5	2.6	2.5	2.0	4.3	4.1	4.8	5.7
Foreign exchange gain/(loss)	2.7	2.6	0.3	0.3	(0.6)	1.8	1.7	—	(2.9)
Earnings before taxes (EBT)	**199.0**	**189.0**	**100.1**	**95.0**	**69.1**	**173.7**	**163.1**	**165.7**	**120.0**
Income taxes	(35.0)	(33.3)	(18.0)	(17.1)	(12.0)	(30.0)	(28.2)	(20.9)	(22.7)
Net Earnings	**164.0**	**155.7**	**82.1**	**77.9**	**57.1**	**143.7**	**134.9**	**144.8**	**97.3**
Attributable to:									
Equity holders of the parent	134.8	128.0	65.6	62.3	46.2	119.2	111.9	116.6	38.5
Non-controlling interests	29.2	27.7	16.5	15.6	10.9	24.5	23.0	28.2	58.8

(1) Translated into USD solely for the convenience of the reader. The rate used to translate such amounts was CHF 0.9494 to USD 1.00 and CHF 0.9387 to USD 1.00 (subject to rounding adjustments), which was the exchange rate in effect as of June 30, 2012 and December 31, 2011, respectively, as reported by Bloomberg. The USD equivalent information presented in this Offering Memorandum is provided solely for the convenience of

investors and should not be construed as implying that the amounts in CHF represent, or could have been or could be converted into, USD at such rates or any other rate.

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

Consolidated Statement of Financial Position Data

	As of June 30,		As of December 31,		
	2012(1)	2012	2011(1)	2011	2010
	(Unaudited)				
	(Millions of USD)	(Millions of CHF)	(Millions of USD)	(Millions of CHF)	
Cash and cash equivalents	185.9	176.5	212.1	199.1	80.6
Current assets	852.6	809.5	861.7	808.8	548.5
Total assets	3,559.9	3,379.8	3,534.6	3,317.8	2,139.2
Current liabilities	635.8	603.6	648.4	608.6	475.9
Total liabilities	2,427.1	2,304.3	2,518.2	2,363.7	1,324.4
Total shareholders' equity	1,132.8	1,075.5	1,016.4	954.1	814.8
Total liabilities and shareholders' equity	3,559.9	3,379.8	3,534.6	3,317.8	2,139.2

(1) Translated into USD solely for the convenience of the reader. The rate used to translate such amounts was CHF 0.9494 to USD 1.00 and CHF 0.9387 to USD 1.00 (subject to rounding adjustments), which was the exchange rate in effect as of June 30, 2012 and December 31, 2011, respectively, as reported by Bloomberg. The USD equivalent information presented in this Offering Memorandum is provided solely for the convenience of investors and should not be construed as implying that the amounts in CHF represent, or could have been or could be converted into, USD at such rates or any other rate.

Consolidated Statement of Cash Flows Data

	Six months ended June 30,			Year ended December 31,			
	2012(1)	2012	2011	2011(1)	2011	2010	2009
	(Unaudited)						
	(Millions of USD)	(Millions of CHF)		(Millions of USD)	(Millions of CHF)		
Net cash flows from operating activities	172.3	163.6	117.7	358.8	336.8	327.0	389.4
Net cash flows used in investing activities	(101.5)	(96.4)	(38.1)	(884.7)	(830.5)	(117.4)	(78.0)
Net cash flows (used in)/from financing activities	(102.7)	(97.5)	(36.3)	634.4	595.5	(489.3)	(142.4)
Currency translation in cash	8.1	7.7	(24.8)	17.8	16.7	(45.0)	(27.4)
(Decrease)/Increase in cash and cash equivalents	(23.8)	(22.6)	18.5	126.2	118.5	(324.7)	141.6
Cash and cash equivalents at the beginning of the period	209.7	199.1	80.6	85.9	80.6	405.3	263.7
Cash and cash equivalents at the end of the period	185.9	176.5	99.1	212.1	199.1	80.6	405.3

(1) Translated into USD solely for the convenience of the reader. The rate used to translate such amounts was CHF 0.9494 to USD 1.00 and CHF 0.9387 to USD 1.00 (subject to rounding adjustments), which was the exchange rate in effect as of June 30, 2012 and December 31, 2011, respectively, as reported by Bloomberg. The USD equivalent information presented in this Offering Memorandum is provided

solely for the convenience of investors and should not be construed as implying that the amounts in CHF represent, or could have been or could be converted into, USD at such rates or any other rate.

Other Data

	Twelve months ended June 30,	Six months ended June 30,		Year ended December 31,		
	2012	2012	2011	2011	2010	2009
	(Unaudited)					
Like-for-like growth(1)	4.4%	4.9%	7.9%	7.5%	10.1%	(10.0%)
Gross margin(2)	58.6%	58.8%	58.0%	58.2%	57.5%	55.9%
EBITDA margin(3)	14.9%	14.5%	12.6%	14.1%	13.1%	12.7%

(1) Like-for-like growth represents sales growth of stores that have been consolidated for more than 12 months and where there has been no material increase or reduction of retail space for the relevant period.

(2) Gross margin represents turnover less costs of sales divided by turnover.

(3) EBITDA margin (before other operational result) represents EBITDA (before other operational result) divided by turnover.

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

The following discussion and analysis is based on our audited consolidated financial statements for the fiscal years ended December 31, 2011, 2010 and 2009 and unaudited interim condensed consolidated financial statements for the six month periods ended June 30, 2012 and 2011, included elsewhere in this Offering Memorandum, all of which have been prepared in accordance with IFRS. You should read the following discussion and analysis in conjunction with the sections entitled "Summary—Summary Historical Consolidated Financial and Other Data" and "Selected Historical Consolidated Financial and Other Data" along with our consolidated financial statements and the related notes and other financial information included elsewhere in this Offering Memorandum. This discussion includes forward-looking statements which, although based on assumptions we consider reasonable, are subject to risks and uncertainties which could cause actual events or conditions to differ materially from those expressed or implied herein. See "Forward-looking Statements" and "Risk Factors" for a discussion of the risks, uncertainties and assumptions associated with these statements.

Business Overview

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

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

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

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

Factors Affecting Our Results of Operations

General

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

Sales

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

Organic Growth

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

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

- *Passenger Flows:* The number of passengers passing through in the locations where we operate is the most significant factor influencing sales. Globally, there were approximately five billion passengers in 2011. More importantly, the number of air passengers has been consistently growing in the last ten years at more than 4% per year, with growth expected to continue in the coming decade and to reach almost 10 billion by 2029. Although passenger numbers can be affected by external shocks such as terrorist attacks, wars, epidemics and other calamities, passenger growth has proven resilient over the long term.
- *Product Pricing:* Traditionally, sales of duty- and tax-free beverages, tobacco, perfumes and cosmetics to international passengers have dominated the travel-related retail industry, with favorable pricing of duty-free products compared to the products of traditional Main Street retailers as a key competitive differentiation. In order to drive our organic growth, however, our pricing strategy reflects a positioning and continuous monitoring of prices, including the pricing policies of our suppliers, and targeted marketing of specific products in certain locations.
- *Turnover Productivity:* Productivity may be improved through penetration (i.e., the number of passengers who actually buy products compared to total passengers at the location) and average spend per customer. We may influence both measures to improve sales, and this can be achieved through infrastructure measures, such as improving the layout, location and accessibility of the shops, and marketing activities, such as signposting inside and outside the stores, product variety, active selling by the sales staff and customer service.

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

Acquisitions

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

Sales Per Square-Meter

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

Gross Margin and Advertising Income

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

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

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

Operating Expense Structure

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

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

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

Seasonality

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

Currency Fluctuations

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

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

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

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

Depreciation, Amortization and Impairment

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

Financial Result

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

Income Tax

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

Non-Controlling Interests

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

Critical Accounting Estimates

The preparation of our financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of income, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the reporting date. The key assumptions concerning the future and other key sources of estimation include uncertainties at the reporting date, which may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial periods, are discussed below.

Concession Rights

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

Brands and Goodwill

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

Income Taxes

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

Deferred Tax Assets

Deferred tax assets are recognized for all unused tax losses and deductible temporary differences to the extent that it is probable that taxable profit will be available against which the losses can be utilized.

Management judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

Share-Based Payments

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

Pension and Other Post-Employment Benefit Obligations

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

EBITDA (Before Other Operational Result)

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

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

Recent Developments

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

Use of Constant Exchange Rate

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

Results of Operations

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

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

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

General

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

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

Turnover

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

Performance by Region

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

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

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

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

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

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

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

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

Gross Profit

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

Selling Expenses

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

Personnel Expenses

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

General Expenses

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

EBITDA (before other operational result)

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

Depreciation and Amortization

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

Other Operational Result

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

Financial Results, Net

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

Income Tax Expense

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

Net Earnings

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

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

General

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

	For the year ended December 31,		Percent Change
	2011	2010	
	(Millions of CHF)		(%)
Net sales	2,560.9	2,533.5	1.1
Advertising income	76.8	76.7	0.1
Turnover	**2,637.7**	**2,610.2**	**1.1**
Cost of sales	(1,102.4)	(1,108.3)	(0.5)
Gross profit	**1,535.3**	**1,501.9**	**2.2**
Selling expenses	(579.7)	(584.8)	(0.9)
Personnel expenses	(402.6)	(398.9)	0.9
General expenses	(182.1)	(175.1)	4.0
EBITDA (before other operational result)	**370.9**	**343.1**	**8.1**
Depreciation, amortization and impairment	(131.5)	(129.5)	1.5
Other operational result	(26.9)	(15.7)	71.3
Earnings before interest and taxes (EBIT)	**212.5**	**197.9**	**7.4**
Financial results, net	(49.4)	(32.2)	53.4
Earnings before taxes (EBT)	**163.1**	**165.7**	**(1.6)**
Income taxes	(28.2)	(20.9)	34.9
Net Earnings	**134.9**	**144.8**	**(6.8)**

Turnover

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

Performance by Region

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

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

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

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

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

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

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

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

Gross Profit

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

Selling Expenses

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

Personnel Expenses

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

General Expenses

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

EBITDA (before other operational result)

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

Depreciation and Amortization

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

Other Operational Result

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

Financial Results, Net

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

Income Tax Expense

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

Net Earnings

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

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

General

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

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

Turnover

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

Performance by Region

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

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

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

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

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

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

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

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

Gross Profit

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

Selling Expenses

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

Personnel Expenses

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

General Expenses

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

EBITDA (before other operational result)

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

Depreciation and Amortization

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

Other Operational Result

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

Financial Results, Net

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

Income Tax Expense

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

Net Earnings

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

Liquidity and Capital Resources

General

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

Cash Flows

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

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

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

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

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

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

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

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

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

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

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

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

Capital Resources

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

As of June 30, 2012, we had total borrowings of CHF 1,523.1 million (compared with CHF 1,560.4 million and CHF 718.4 million as of December 31, 2011 and December 31, 2010, respectively). On October 8, 2012, we entered into a new revolving credit facility agreement for an amount of CHF 650 million to replace our existing revolving credit facility under our 2008 Senior Credit Facilities. As of the date of this Offering Memorandum, no amounts are outstanding under the new revolving credit facility. We intend to draw down CHF 76 million from the facility concurrently with the closing of this offering to repay the remaining amounts outstanding under the 2008 Senior Credit Facilities, and we may draw on the revolving credit facility again in the future. In addition, in connection with the acquisition of the Folli Follie Group travel retail operations, the Greek Syndicated Facility will be reflected in our consolidated financial statements upon closing of the acquisition. See "Description of Other Indebtedness" for information on our outstanding indebtedness and the Greek Syndicated Facility.

We plan to use the net proceeds of the offering to repay the term loans under our 2008 Senior Credit Facilities. As of June 30, 2012, the amount outstanding under these term loans was CHF 550.7 million. See "Use of Proceeds."

Contractual Obligations

We have long-term obligations related to concessions, leases and credit facilities that resulted during the course of normal business operations and acquisitions.

The following table summarizes our debt obligations as of June 30, 2012, as adjusted to give effect to (i) the Notes offered hereby and the application of the proceeds therefrom as described under "Use of Proceeds," (ii) expected borrowings under our 2012 Revolving Credit Facility concurrent with this offering and (iii) the use of the Greek Syndicated Facility upon closing of the acquisition described under "Summary—Recent Developments:"

	Total	Less Than 1 Year	1 to 3 Years	3 to 5 Years	More Than 5 Years
		(Millions of CHF)			
Short Term Borrowings	**39**	39	—	—	—
2011 Senior Term Facility(1)	**949**	—	570	380	—
Notes Offered Hereby	**475**	—	—	—	475
2012 Revolving Credit Facility(1)	**76**	76			
Greek Syndicated Facility(2)	**402**	—	120	282	—
Other	**(15)**		(10)	(5)	—
Total	**1,926**	**115**	**680**	**657**	**475**

(1) See "Description of Other Indebtedness" for more information on the Senior Credit Facilities.

(2) See "Description of Other Indebtedness" for more information on the Greek Syndicated Facility.

For further description of these long-term obligations, see notes 32 and 37 to our consolidated financial statements included in this Offering Memorandum.

Off-Balance Sheet Arrangements

We have no material off-balance sheet arrangements.

OUR INDUSTRY

The Travel Retail Market

Travel retailing differs from traditional retailing in ways that have a significant impact on operations. The customer base has a different buying behavior compared to the Main Street and is often characterized by captive customers, who generally have above average purchasing power and, in most cases, have the time to shop while travelling. From a logistics perspective, travel retail is more demanding: the customer is at the shop only once, with no ability to come back in the event of lack of stock; furthermore, the stores can often only be accessed by travelers as such stores are in secured areas.

In travel retail, customers have access to duty-free or duty-paid shops, depending on their destination. In general terms, duty-free shops offer goods to international travelers that are exempt from import duties and excise and other taxes. Duty-free shops are located in airports, onboard aircrafts, ferries and cruise lines as well as at international land border crossings. In airports and seaports, there might be departure and arrival shops. Duty-free markets differ from domestic markets as their assortment is geared toward offering strong global brands and high-quality products in a high-end environment at attractive prices.

Duty-free departure shops are located at the restricted departure area of international airports or seaports. Customers must be traveling internationally, leaving the country in order to have access to these shops. Purchases made in departure shops are not subject to quantity restrictions but they may be subject to import restrictions in the country of destination. Import restrictions also apply to purchases made on board.

Duty-free arrival shops are located at the restricted arrival area of international airports or seaports. Customers must be returning from international travel in order to have access to these shops. The growing demand of arrival shopping is being driven by passengers' preference to carry fewer items on board.

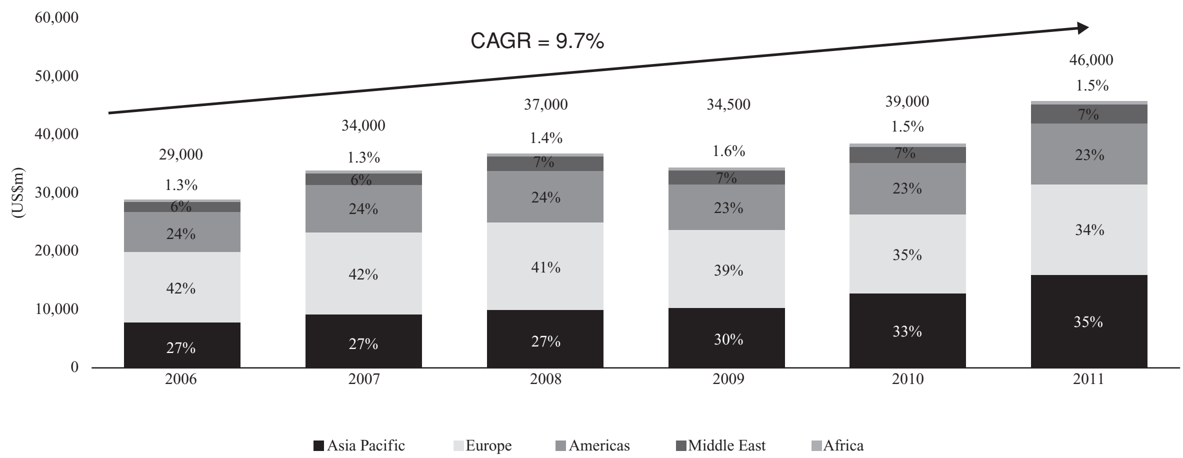
Duty-paid shops are focused on domestic passengers. Standard import duties apply to the products sold in these shops. They are located in both international and domestic airports and train stations.

The worldwide duty-free and travel retail market, comprising sales through channels principally aimed at travelers, such as shops in airports, ports and railway stations and sales on board aircrafts, ferries and cruise liners, recorded sales of approximately USD 46 billion for the year ended December 31, 2011 according to industry analyst Generation AB. The duty-free and travel retail market grew approximately 18% in 2011 over 2010 in USD according to Generation AB (on the basis of a translation of local currency sales into USD). This growth is compared to global GDP growth (real GDP plus consumer price inflation) of slightly above 8% in 2011 over 2010. Duty-free products are typically sourced from international suppliers which invoice in "hard" currencies such as USD or Euros, hence the market's top-line exposure to in-market inflation is rather limited.

The worldwide duty-free and travel retail market is fragmented and sales vary considerably among geographic regions. According to industry analyst Generation AB, Asia Pacific surpassed Europe in 2011 as the largest single regional market for travel retail services, representing approximately 35% of global travel retail sales for the year. In 2011, travel retail sales in Asia Pacific grew 26%. Europe, the second largest market, accounted for 34% of travel retail sales in 2011, and sales increased by 12% over 2010. The Americas, representing 23% of travel retail sales in 2011, increased sales by 17% in 2011. Travel retail services in Middle East accounted for 7% of the global market and sales grew 18% in 2011. Demand for travel retail services has also increased in Africa, although its share of the total market remains relatively small at 1.5% of travel retail sales in 2011.

Organic sales growth in travel retailing is principally driven by like-for-like growth, which includes passenger growth, pricing and productivity. The latter is a combination of penetration of the percentage of passengers that make a purchase at a travel retail shop, i.e. conversion, and average spend per transaction. Furthermore, organic growth can be achieved through increased retail space. The volume of travel retail sales bears a strong correlation to the volume of passenger traffic, and, accordingly, the travel retail market is highly sensitive to geopolitical and economic developments as well as longer-term demographic changes.

The following chart shows the global duty-free and travel retail sales by region and its growth from 2006 to 2011.



Source: Generation AB.
CAGR: Compound Annual Growth Rate.

The following table shows the total amount of worldwide duty-free and travel retail sales as well as the regional distribution of such sales from 2006 to 2011 based on sales translated from local currencies into USD.

Region	For the year ended December 31, 2006	2007	2008	2009	2010	2011	CAGR 06–11
			(Millions of USD)				(Percent)
Asia Pacific	7,731	9,154	9,973	10,321	12,765	16,022	15.7
Europe	12,115	14,299	15,271	13,321	13,801	15,456	5.0
Americas	7,056	8,056	8,782	7,828	8,957	10,442	8.2
Middle East	1,718	2,034	2,464	2,478	2,878	3,404	14.7
Africa	380	457	511	553	598	690	12.7
Total Worldwide Travel Retail	29,000	34,000	37,000	34,500	39,000	46,000	9.7

Source: Generation AB.

The Asia Pacific region, worth around USD 16 billion in 2011, is seeing strong growth driven by more affordable air travel and an increase in average household incomes as economies outgrow the global average. In 2011, air traffic in terms of passenger numbers increased by 7.0% in this region.

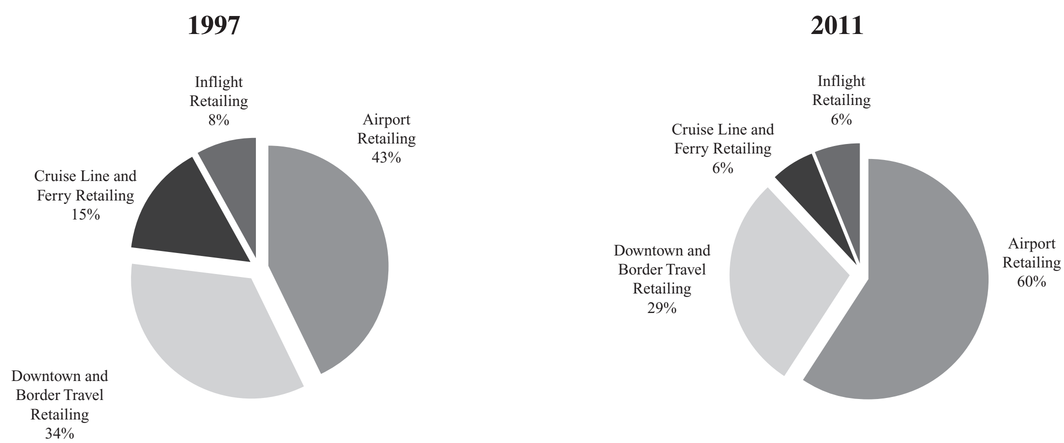
Europe's travel retail market was worth more than USD 15 billion in 2011. Growth in this region may be driven by rising inbound tourism, in particular from emerging markets, on-going low cost carrier development as well as economic growth in Eastern Europe where several countries are reaping the benefits of a growing economy coupled with a liberalized air transport market. With regards to air traffic, Europe saw passenger numbers rise by 7.0% in 2011, reflecting higher demand for international flights and stronger contribution by the emerging markets of Turkey and Russia as well as a rebound to the reduction in passenger volumes that occurred in 2009, according to Airports Council International.

The Americas travel retail market was worth more than USD 10 billion in 2011. Besides significant passenger growth in South America, growth in this region may be driven by improved duty-free retail standards, the arrival of political stability in countries in South America, the strength of local currencies in South America against the USD and airports attaching higher priority to retail are the prime factors for growth in the region. Additionally, according to Verdict Research, growth in North America will be fueled by a continuously expanding number of tourists from South America. While North America recorded 1.8% growth in terms of air traffic in 2011, Latin America/Caribbean showed an increase of 8.5%, representing the highest growth rate globally, primarily driven by Brazil.

The Middle East and Africa are relatively small regions with a combined value of USD 4 billion. However, the Middle East is expected to exhibit some of the strongest growth in the market, and it is considered that African countries with high tourist appeal have long-term growth potential. In terms of air traffic, carriers in the Middle East recorded 7.7% increase in passenger demand in 2011, according to Airports Council International. This was the second highest among all regions, resulting from strong regional economies, the impact of oil wealth, expanded capacity, new routes as well as from the region being a gateway to Asia (for example, through Dubai's airport). According to Airports Council International, African carriers recorded a decrease of 3.5% in passenger numbers, reflecting the unrest in Northern Africa.

The long-term growth perspectives of the travel retail market are promising. Industry analyst Generation AB estimates that the market will continue to increase at high single digit growth rates each year until 2020, reaching a total market size of up to USD 85 billion. It is expected that in particular emerging countries in regions such as Asia Pacific, South America and the Middle East will drive growth as their economies and related aviation operations continue to develop. Accordingly, these regions will gain relative weight. However, Europe and North America are also expected to continue to grow above GDP levels and are expected to contribute significantly to the industry development.

The following diagram shows the percentage of global and travel retail sales expressed in USD by travel channel in 1997 and 2011.



Source: Generation AB.

Airport Retailing

General Characteristics and Market Overview

Airport retailing is a distinct sector of the travel retail market. According to industry analyst Generation AB, sales in the airport retail segment represented approximately 60% of the duty-free travel retail market in 2011.

Airport retailing differs from traditional, Main Street retailing in a number of important ways. Unlike the unrestricted access to potential customers that Main Street retailers enjoy, the airport retailer has a captive audience of potential customers for a temporary period while the customer passes through the airport and is waiting to board an aircraft. In addition, while airport retailers may have a more limited inventory than Main Street retailers, it is generally made up of high-margin, luxury goods, unlike Main Street retailers that may carry lower margin products as part of its inventory.

The travel retailer's customers also differ from the traditional retailer's customers. Although travelers' buying behavior could be negatively affected by stress caused by enhanced security checks and the need to reach a departure gate on time, increased security regimes also incentivize travelers to arrive well before the departure of their flights, which allows more time for shopping. Further, airport retail customers generally come from the more affluent sectors of the population who can afford to travel, and those consumers on holiday may feel less constrained and more willing to engage in impulse purchases.

Further, airport retailing differs from traditional retailing with regards to expenses related to the operation of stores. While fixed store leases dominate in Main Street retailing, airport retailers mostly operate under concessions with variable payments as discussed under "—Concessions and the Role of Airport Operators."

As described under "—Trends," airport retailing is being transformed by a significant increase in passenger numbers, the provision of additional retail space and a broader product range. The ability to offer duty- or tax-free sales has traditionally been a feature of the travel retailer's listings. Currently, however, the travel retailers' product range has become increasingly diversified and has focused on product categories such as confectionary and accessories, which together account for an increased portion of airport retail sales.

According to analyst Verdict Research, global airport retailing, comprising the duty-free and the duty-paid sector, was an estimated USD 29.2 billion market in 2011 and one of the fastest growing channels in global retail. In addition, Verdict Research estimated airport retailing expansion of 8.0% in 2011, with growth fastest in emerging markets. The key drivers of growth are increasing passenger numbers due to increased affluence (in particular in emerging markets), growing tourism, rapidly expanding airline networks and new routes (especially those of low cost carriers) and an increasing propensity for business travel as a result of globalization and liberalization of trade.

The next five years are expected to see continued growth in emerging markets and to a lesser extent in mature markets. Global airport retailing is predicted to remain a high growth sector enjoying high single digit growth in each year to 2015. The CAGR of 6.2% from 2006 to 2011 could be surpassed with a forecasted CAGR of 7.5% over the period 2011 to 2015.

The following table shows global airport retailing market size by region and worldwide from 2006 to 2011.

Region	For the year ended December 31,						CAGR
	2006	2007	2008	2009	2010	2011F	08–11F
	(Millions of USD)						(Percent)
Europe	—	—	9,446	8,444	8,855	9,576	0.5
Asia Pacific	—	—	7,427	7,527	8,512	9,385	8.1
Middle East & Africa	—	—	4,355	4,345	4,798	5,139	5.7
Americas	—	—	5,103	4,666	4,860	5,096	(0.0)
Total	21,640	24,387	26,331	24,982	27,025	29,196	3.5

Source: Verdict Research.

Note: Due to reclassification of regions the data per region prior to 2008 is not comparable to 2008 and onwards.

The following table shows global airport retailing growth forecast from 2011 to 2015.

	2011F	2012F	2013F	2014F	2015F	CAGR 11F–15F
				(%)		
Total	8.0	6.4	7.9	7.9	8.0	7.5

Source: Verdict Research.

Sales through duty-free specialists in airports were estimated to amount to USD 21.5 billion in 2010. Duty-free specialist sales continue to underpin global airport retailing, with the proportion of duty-free to duty-paid having increased to close to 4:1.

The following table shows the global airport retailing market size of duty-free and duty-paid specialists from 2006 to 2010.

	For the year ended December 31,					CAGR
	2006	2007	2008	2009	2010F	06–10F
			(Millions of USD)			(Percent)
Duty-free specialists	16,316	18,850	20,642	19,611	21,529	8.3
Duty-paid specialists	5,323	5,536	5,687	5,371	5,552	2.6
Total	21,639	24,386	26,330	24,982	27,081	7.0

Source: Verdict Research.

Note: Verdict Research changed reporting and does not publish separate duty-free and duty-paid market size estimates in the 2011 report. Restatement of previous year's market sizes in 2011 report causes slight differences to total of duty-free and duty-paid sales based on 2010 report.

Concessions and the Role of Airport Operators

The terms of an airport retailer's agreement with the relevant airport operator are generally determined by a concession agreement. Concessions are generally awarded through a public tender process or pursuant to private negotiations. As a rule, the airport operator determines the number and type of concessions to be awarded and the respective terms. Terms for the individual concessions, however, may vary considerably from facility to facility.

Concessions may be broken down by assortment (for example, general duty-free shops selling wine and spirits, tobacco, perfumes and cosmetics or specialized stores that sell specific goods) or by physical location (for example, a specific allocation of space within a terminal or rights to operate an entire terminal facility). The airport retailer may also obtain the right to allocate retail space within the facility, or part thereof, subject to the approval of the airport operator. The duration of a concession agreement may vary considerably depending on the location and type of facility, with the industry average being, in our experience, about five to seven years from the time of signing.

An airport operator's requirements will differ depending on a number of factors. On the one hand, airport operators, generally in less developed markets, may want to develop the commercial operations from inception, and may wish to associate with an experienced travel retailer in order to develop their airport retail operations. Factors such as a retailer's knowledge of designing all or a major part of the airport's retail space and the retailer's experience with suppliers is important in selecting an associate for long-term development of the airport's retail operations. On the other hand, typically in more mature, sophisticated markets, the airport operator may be more involved in the management and allocation of commercial space and therefore more focused on achieving best returns on a given location, with pricing terms being more important.

In return for granting the retailer the right to operate its concession, the airport operator typically receives a variable fee based on the amount of sales at the concession. Fees may also include a minimum guaranteed amount, for example based upon the number of passengers using an airport or other travel channel, based on retail space used or based upon current budgets or past results, requiring the retailer to make a payment to the airport operator, regardless of the revenues generated.

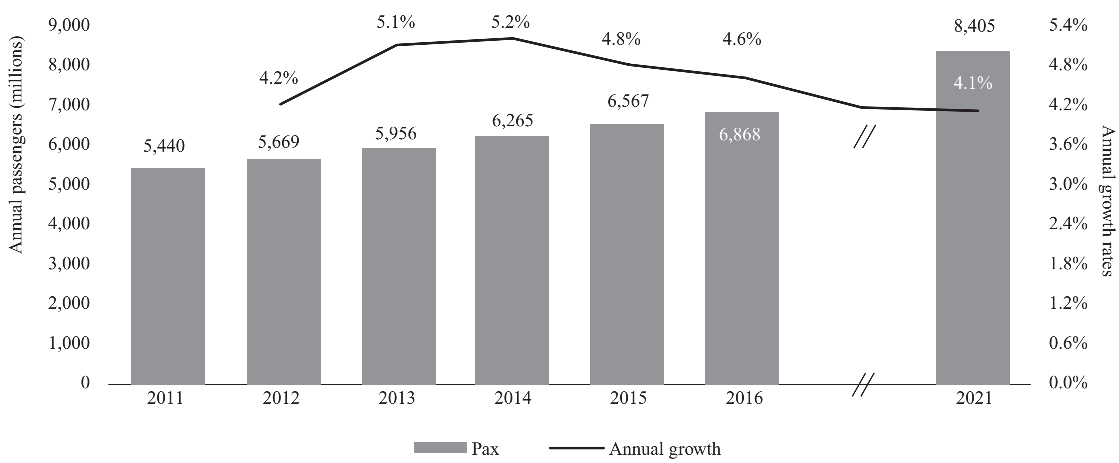
Trends

Recent trends affecting the airport retailing sector include:

Growth in passenger numbers. In the past decade, there has been a significant increase in both domestic and international air travel, due largely to improvements in, and greater accessibility of, air transport, as well as greater amounts of disposable income and the increased need for travel as a result of the internationalization of many businesses and industries. In 2011, the total number of air travelers increased by 5.3% to more than 5.4 billion passengers, even though real worldwide gross domestic product only grew by 3.9% according to the IMF.

Looking to the future, global passenger volumes are predicted to surpass the 6 billion mark by 2014, and growing above 4% thereafter, according to the Airports Council International. Passenger growth rates have picked up in 2010 and 2011 by 6.6% and 5.3% respectively, after decreases in 2009. Airports Council International estimates that 2012 will show growth below the 5% level, affected by the economic uncertainty in Europe and North America, and only partially offset by emerging market increase in global share. Medium and long-term confidence in growth remains strong within the airport industry. From 2012 onwards the world passenger volumes are expected to rise by 4.5% annually until 2021, driven by international traffic growth (4.7% per annum), according to Airports Council International. In spite of the important domestic growth forecast for China, India and Brazil, domestic markets are expected to increase only by 4.4% per annum, mainly due to relatively lower growth rates in the United States. With a volume of 4.9 billion passengers in 2021 domestic markets are expected to remain larger than international markets, which will account for 3.5 billion travelers.

The following chart shows the annual passenger volume of the year 2011 and the passenger volume growth forecast up to 2021.



	2012F	2013F	2014F	2015F	2016F	CAGR 11–16F	CAGR 16F–21F
				(%)			
Africa	5.3	6.2	6.2	5.7	5.5	5.8	5.1
Asia Pacific	7.0	7.7	7.6	7.3	7.1	7.3	6.1
Europe	2.1	3.6	4.2	3.7	3.4	3.4	3.1
Latin America/Caribbean	5.6	6.8	6.4	6.0	5.5	6.1	5.2
Middle East	7.0	7.3	6.3	5.7	5.3	6.3	5.0
North America	2.6	2.8	2.9	2.5	2.3	2.6	2.0
Globally	4.2	5.1	5.2	4.8	4.6	4.8	4.1

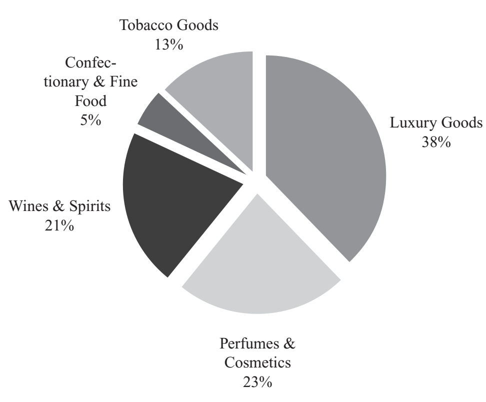
Source: Airports Council International.

Expanded and more sophisticated retail facilities. In recent years, increases in passenger numbers have led to the need to develop larger airport facilities. Airport operators have also increasingly focused on the commercial potential of their assets in connection with privatizations and other methods of financing infrastructural developments. Besides, retailing is increasingly regarded as intrinsic to the success of an airport. Due to the ongoing privatization of airports and the increasing competition for airlines, retail is becoming a principal revenue generator for airports. In Europe, where the structure of the duty-free market in the European Union was altered on June 30, 1999 with the effect that the sale of duty-free products to those traveling between member states of the European Union was no longer possible, airport retailers were forced to develop new retail concepts to supplement the traditional duty-free retail approach. These developments have led to a more sophisticated approach to airport retailing resulting in the identification of new retailing opportunities and an overall increase in the amount of allocated retail space within airports.

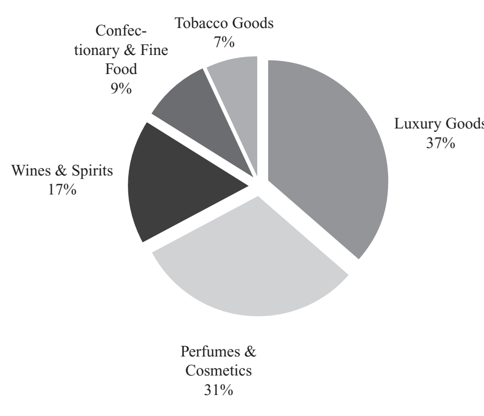
Changes in product mix. Traditionally, airport retail sales were dominated by products subject to high special taxes such as spirits and tobacco. Although sales of spirits and tobacco have grown in absolute terms, the significance of these categories as a proportion of total sales has declined worldwide. In contrast, sales of perfumes and cosmetics, confectionary and other fine foods have increased as a proportion of total sales. The category "Luxury Goods," comprising jewelry, fashion, accessories, leather goods and other goods, currently represents more than one-third of worldwide travel retail sales and enjoys strong appetite in emerging markets. Beauty products benefit from a high demand in Middle East and Europe.

The following diagrams show the percentage of sales by product categories of global travel retail sales in 1997 and 2011.

1997



2011



Source: Generation AB.

Increasing spend per head. Over the past years, spend per head increased steadily according to industry analyst Verdict Research. From 2005 to 2008, global average increased by 21%. However, the financial crisis negatively affected growth rates and resulted in a decline in spending per head by 4% in 2009. Subsequently, spend per head recovered, and Verdict Research estimates that global average spend per head will rise by 20% to USD 6.24 in 2015.

Downtown and Border Travel Retailing

Downtown and border shops constitute the second largest sector of the duty-free travel retail market after airports, accounting for approximately 29% of global duty-free travel retail sales in 2011 according to industry analyst Generation AB. This segment also includes off airport shops affiliated with airport shops, port shops, hotel shops, diplomatic and military stores, sales in low-tax markets and tax-free zones.

According to Generation AB, the Americas, with its many border stores and Caribbean cruise line port shops, is the largest regional market, generating 48% of global sales in 2010. The Asia Pacific region accounted for almost 44% of sales in 2010.

Cruise Line and Ferry Retailing

Travel retailers also operate on cruise lines and ferries. In 2011, sales on board cruise lines and ferries represented approximately 6% of the global duty-free travel retail market. This segment of the market represents the smallest channel, mainly due to the European Union duty-free sales abolition discussed above.

Inflight Retailing

Airlines engage in inflight retailing, and in 2011, sales on board airlines represented approximately 6% of the worldwide duty-free travel retail market according to industry analyst Generation AB. The airline channel is only a small part of the market due to restrictions on product types, inventory, display capabilities and control over sales experience. We only have minor activities in this channel.

BUSINESS

Our Company

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

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

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

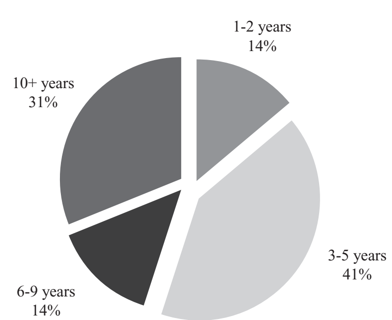
We generated turnover of CHF 2,637.7 million for the year ended December 31, 2011 and CHF 1,517.4 million for the six months ended June 30, 2012. As of December 31, 2011, we had approximately 13,900 employees.

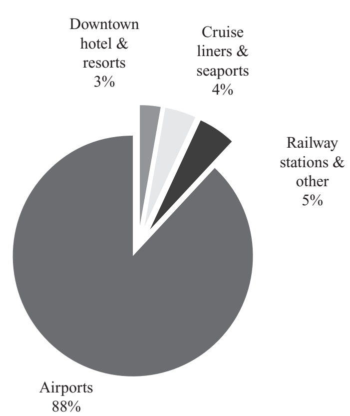
Our Strengths

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

High-quality, diversified concession portfolio. We have assembled a high-quality and diversified portfolio of travel retail concessions with, in our view, relatively long contract terms, comparatively low concession fees and attractive locations. For the twelve months ended December 31, 2011, 31% of the sales were generated from concessions with a remaining term of ten or more years, and a further 14% of our sales were generated from concessions with a remaining term of between six and nine years. The long average residual duration of our concession portfolio provides us with a high degree of revenue visibility.

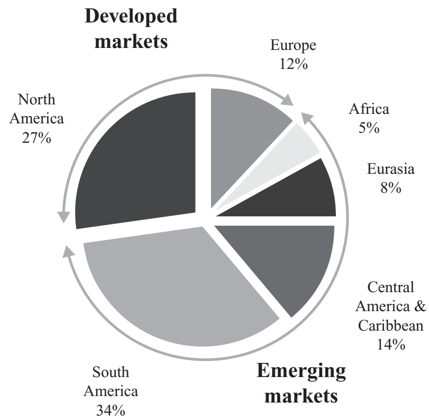
The following charts set forth our sales as of December 31, 2011, divided by the remaining term of the concession agreements and by sales channel:

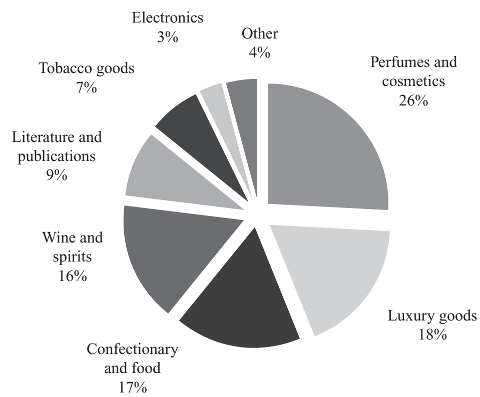




Leading travel retailer with diverse operations. We operate more than 1,200 stores in 45 countries. According to industry research, we rank as one of the top airport retailers in the world with an estimated market share of 8%. We are a truly global business with geographically diverse operations across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

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





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

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

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

Our Strategy

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

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

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

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

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

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

Our History

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

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

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

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

- In March 2006, we completed the acquisition of Brasif Duty Free Shop and its logistics platform Eurotrade for a total consideration of USD 503 million paid by us and Advent International Corporation;
- In October 2008, we completed the acquisition of the Hudson Group Holdings, Inc. (the "Hudson Group") in an exchange of shares of the Hudson Group for our shares and mandatory convertible notes. The Hudson Group is one of the premier travel retailers in North America with duty-paid shops in 61 airports and 11 transportation terminals throughout the United States and Canada;
- In 2011, we acquired 100% of the shares of several companies in South America and Armenia for a total consideration of USD 987.2 million. As a result of the acquisitions, we achieved a leading position in the duty-free market in South America. The main companies we acquired are:
    - Interbaires SA, the exclusive retailer operating duty-free shops at both international airports of Buenos Aires plus the airports of Cordoba, Mendoza and other smaller destinations in Argentina;
    - Navinten SA and Blaicor SA, two Uruguayan retailers operating duty-free shops at the international airports of Montevideo and Punta del Este, respectively;
    - ADF Shops CJSC, an Armenian retailer exclusively operating the duty-free shops at the international airport of Yerevan;
    - Ecuador Duty Free SA, a retailer in Ecuador operating duty-free shops at the international airport of Guayaquil; and
    - International Operation & Services Corp, an Uruguayan distribution platform delivering duty-free products to the above mentioned retailers;
- In January 2012, we acquired 51% of the shares and obtained control of Dufry Staer Holding Group for a total consideration of CHF 44.7 million. Dufry Staer Holding Group's main subsidiary, Regstaer Ltd, is a travel retailer operating duty-free shops at the airport of Sheremetyevo in Moscow, Russia. As a result of the acquisition, we consolidated our leading position in the Russian travel retail market; and
- In October 2012, we signed an agreement to acquire 51% of the travel retail operations of Folli Follie Group, a leading travel retailer in Greece. For the 51% stake, we expect to pay total consideration of EUR 200.5 million. Subject to certain closing conditions, in particular, without limitation, receipt of certain shareholder and governmental approvals and change of control consents required in connection with the transfer of the travel retail operations of the Folli Follie Group, the acquisition is expected to close in the first quarter of 2013.

Our New Organizational Structure

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

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

Operations

General

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

Our Retail Concepts

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

- *General Travel Retail.* We offer a wide range of traditional travel retail products, including perfumes and cosmetics, food, jewelry and watches, accessories, wines and spirits and tobacco for international travelers on a duty-free or duty-paid basis. These stores provide our customers the possibility of a one-stop shopping and are attractive alike to travelers who want a broad variety of products as well as customers looking for specific products. One of our innovations in this segment is the so-called "walk-through" shop, which is designed in such a way that the entire passenger flow is directed through the shop. This allows the travelers to explore the offers without needing to deviate from their way to the boarding gate.
- *Convenience Stores.* Under the Hudson News brand, our duty-paid travel retail shops offer a wide assortment of convenience products ranging from soft drinks, confectionary, magazines and newspapers, electronics and personal care, to souvenirs. The Hudson Booksellers stores offer a broad representation of bestsellers and new releases as well as a large selection of hard cover, paperback, trade and children's books. These shops are operated as stand-alone shops, in combination with each other or together with a "Euro Café," a coffee take-out concept.
- *Brand Boutiques.* We offer a range of products from a single well known, global brand in each shop. We operate brand boutiques including Dolce & Gabbana, Emporio Armani, Etro, Ferragamo, Hermès, Hugo Boss and Zegna. These shops, which are fully operated by our staff, mirror the traditional Main Street boutiques of the respective brands and are interesting for customers and suppliers alike: customers can use their waiting time to shop for their favorite brands and suppliers get a highly visible showcase to display their products. We operate our brand boutiques directly, although the brand owner or supplier may provide financial support.
- *Specialized Stores.* We offer a variety of different brands of one specific product category, such as jewelry and watches, sunglasses, food, travel and other accessories. For example, the Canestro store in Rome, Italy, offers traditional Italian food specialties and we operate watches and jewelry shops under the proprietary Colombian Emeralds International brand. These shops are highly attractive

to customers who are looking for a specific product and want to have the choice of different brands. We operate our specialty stores directly.

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

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

Our Sales Channels

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

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

Airport Shops

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

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

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

Cruise Line, Ferries and Seaport Stores

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

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

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

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

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

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

Concessions

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

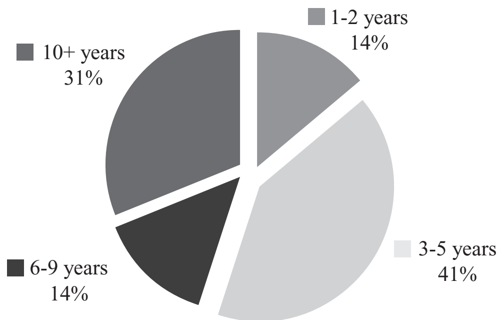
The arrangements typically define:

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

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

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

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



Our Products and Suppliers

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

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

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

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

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

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

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

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

The Europe, Africa and Eurasia regions are serviced by a central warehouse in Switzerland, the operation of which has been outsourced, while the Central America & Caribbean, South America and

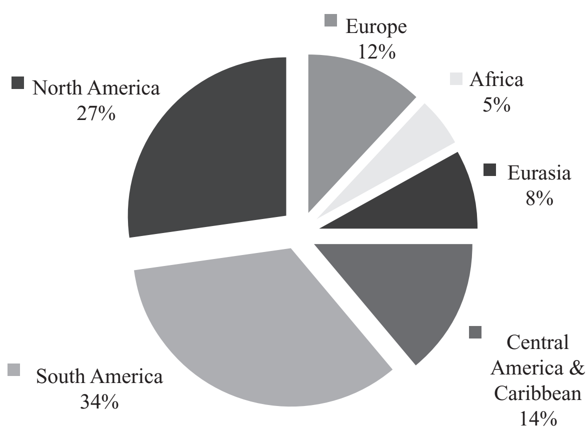
North America regions are serviced by our own central warehousing facility in Miami. Additionally, we make direct shipments to suppliers.

Description of Operations by Segment

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

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

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



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

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

Europe

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

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

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

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

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

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

Africa

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

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

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

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

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

Eurasia

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

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

Country	Store location
Armenia	Yerevan Airport
Cambodia	Phnom Penh Airport Siam Reap Angkor Airport
China	Shanghai Hongqiao International Airport
Russian Federation	Moscow Domodedovo Airport Moscow Sheremetyevo Airport
Serbia	Belgrade Nikola Tesla International Airport
Singapore	Changi Airport
United Arab Emirates	Sharjah Airport

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

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

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

Central America & Caribbean

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

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

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

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

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

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

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

South America

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

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

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

We are the leading duty-free operator in Brazil, the largest travel retail market in South America. We also operate duty-paid shops in airports and other selected locations in Brazil. We have operations in 14 airports across the country including the international airports in São Paulo (Guarulhos) and Rio de Janeiro (Galeão). In June 2012, the Guarulhos International Airport in São Paulo, Juscelino Kubitschek International Airport in Brasilia and Viracopos Airport in Campinas were partially privatized and will be operated by the respective concessionaire from the fourth quarter 2012 onwards. The other airport concessions will remain operated by the Empresa Brasileira de Infraestrutura Aeroportuária, a Brazilian government corporation. Unless renewed, several important concessions at the airports in Rio de Janeiro (Galeão and Santos Dumont) and in São Paulo (Guarulhos) will expire in 2014 and 2015, respectively.

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

North America

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

Country	Shop location
United States	Albuquerque Airport
	Anchorage Airport
	Atlantic City International Airport
	Birmingham Airport
	Boston Logan International Airport
	Burlington Airport
	Baltimore-Washington International Airport
	Charleston International Airport
	Chicago Midway International Airport
	Chicago O'Hare Airport
	Chicago Citigroup Center
	Cincinnati/Northern Kentucky International Airport
	Cleveland Hopkins International Airport
	Dallas, Texas Love Field Airport
	Dallas/Fort Worth International Airport
	Denver International Airport
	Fort Lauderdale-Hollywood International Airport
	Fresno Yosemite International Airport
	New York City Grand Central Station
	Greenville-Spartanburg International Airport
	Gulfport-Biloxi International Airport
	Harrisburg, PA Airport
	Hoboken, NJ Commuter Rail Station
	Jackson-Evers International Airport
	New York City Jacob Javits Convention Center
	John F. Kennedy International Airport
	John Wayne Airport (SNA)
	Journal Square, NJ Commuter Rail Station
	LaGuardia Airport
	Lehigh Valley Regional Airport
	Los Angeles International Airport
	Manchester Airport
	McCarran International Airport
	Memphis International Airport
	Miami International Airport
	Mobile Regional Airport
	Myrtle Beach International Airport

Country	Shop location
	Nashville International Airport
	New Orleans International Airport
	Newark Liberty International Airport
	Newport News Williamsburg International Airport
	Norfolk International Airport
	Okaloosa, FL Regional Airport
	Omaha Eppley Field Airport
	Orlando Commuter Rail Station
	Orlando Sanford International Airport
	New York City Penn Station
	Newark, NJ Penn Station
	Philadelphia International Airport
	Phoenix Sky Harbor International Airport
	Pittsburgh International Airport
	New York City Port Authority Bus Terminal
	Portland International Airport
	Raleigh-Durham International Airport
	Richmond International Airport
	Roanoke Regional Airport
	Rochester International Airport
	Ronald Reagan Washington National Airport
	San Diego International Airport
	San Francisco International Airport
	San Jose International Airport
	Seattle-Tacoma International Airport
	Stewart International Airport
	New York City United Nations Gift Centre
	Washington, DC Union Station
	Washington Dulles International Airport
	William P. Hobby Airport
Canada	Calgary International Airport
	Edmonton International Airport
	Halifax Stanfield International Airport
	Vancouver International Airport

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

Competition

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

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

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

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

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

Regulation

Governmental Authorizations

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

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

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

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

Intellectual property

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

Properties

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

Employees

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

Legal Proceedings

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

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

MANAGEMENT

The Issuer

The Issuer is a Luxembourg partnership limited by shares (*société en commandite par actions)*, organized and established under the laws of Luxembourg, acting by Dufry Finance I S.à r.l., a private limited liability company (*société à responsabilité limitée*) organized and established under the laws of Luxembourg, having its registered office at 17, rue des Jardiniers, L-1835 Luxembourg, Grand Duchy of Luxembourg, having a share capital of USD 16,200 (sixteen thousand and two hundred United States Dollars), and in course of registration with the Luxembourg Trade and Companies Register, and was incorporated as a special purpose entity to facilitate the raising of funds for Dufry AG. Dufry International AG and Dufry Holdings & Investments AG indirectly own 100% of the shares of the Issuer. The rights and obligations of Dufry International AG as a shareholder of the Issuer are governed by the Issuer's articles of association together with any applicable provisions under relevant national law.

The following table sets forth certain information with respect to the board of managers of Dufry Finance I S.à r.l. who will act as the manager and general partner of the Issuer as of the date hereof.

Name	Age	Position
Andreas Schneiter	42	Manager
Christophe Gaul	35	Manager

Andreas Schneiter has served as Dufry AG's CFO since July 1, 2012. Before holding the current position, Mr. Schneiter acted as Dufry AG's Head of Corporate Controlling in 2004 and assumed the position as Dufry AG's Head Group Treasury in 2005. He additionally has headed Dufry AG's Investor Relations function. Before joining Dufry AG in 2003, Mr. Schneiter worked at UBS Warburg in Zurich in the mergers and acquisitions area beginning in 1998. Mr. Schneiter holds a degree in Business Administration and specialization in Finance from the School of Economics and Business Administration in Berne.

Christophe Gaul is the founder and has served as managing director of Headstart Sàrl, a company providing management and administrative services to individuals, corporations and institutional clients since 2009. Mr. Gaul previously acted as chief financial officer of BI-Investment Advisor SA between 2008 and 2009 and was local office manager of Apax Partners from 2005 until 2008.

The business addresses of the managers of the general partner of the Issuer are for Andreas Schneiter at Hardstrasse 95, CH-4020 Basel, Switzerland and for Christophe Gaul at 17, rue des Jardiniers, L-1835, Luxembourg, Grand Duchy of Luxembourg. We believe that there are no conflicts of interest of the managers of the general partner of the Issuer between their duties as managers of the general partner of the Issuer and their private interests or other duties.

Dufry AG

Board of Directors

According to our articles of association (*Statuten*), our Board of Directors consists of no less than three and no more than eleven members. Each member of the Board of Directors is elected for a maximum term of five years, with a year being understood as the period running from one annual shareholders' meeting to the next. Early resignation and dismissal may change the terms of office. New members elected during the year will continue in office until the end of their predecessor's term. Each year the Board of Directors will be renewed by rotation, to the extent possible in equal numbers and in such manner that, after a period of five years, all members will be subject to re-election. The members of the Board of Directors may be re-elected without limitation. The members of the Board of Directors are appointed or removed exclusively by resolution of the shareholders.

The Board of Directors' non-transferable and non-delegable duties according to Swiss company law include the ultimate direction of the business and the supervision of the management. The Board of Directors may also pass resolutions on all matters that are not reserved for the shareholders' meeting according to the law or the articles of association.

According to the current board regulations enacted by the Board of Directors (*Organisationsreglement*), the Board of Directors appoints the chairman and the vice-chairman, as well as the secretary. Resolutions of the Board of Directors are passed by the majority of the votes cast by the members present. In the event of a tie, the acting chairman has the casting vote. No quorum is required for a resolution involving the implementation of capital increases (*Festellungsbeschlüsse*) and the amendments to the bylaws in connection with capital increases pursuant to Articles 651a, 652g and 653g of the Swiss Code of Obligations. Resolutions may also be passed by way of circular resolution without a meeting the Board of Directors, unless one member requests oral discussion. Circular resolutions must be approved by a majority of the members of the Board of Directors.

In accordance with the board regulations, the Board of Directors has delegated Dufry's operating management to the Chief Executive Officer. In addition, the Board of Directors has established an Audit Committee and a Nomination and Remuneration Committee.

The Board of Directors does not possess any mechanisms for performance assessment of each entity or committee, including performance evaluation of its members and members of its committees.

The following table presents information concerning our current directors:

Name	Age	Position
Juan Carlos Torres Carretero(1)(2)	63	Chairman of the Board
Ernest George Bachrach(2)	60	Vice-Chairman of the Board
Jorge Born	50	Director
Xavier Bouton	62	Director
Joaquin Moya-Angeler Cabrera(1)	63	Director
James Cohen	54	Director
José Lucas Ferreira de Melo	56	Director
Mario M. Fontana(1)	66	Director
Luis Andres Holzer Neumann(2)	62	Director
Maurizio Mauro	63	Director
Steven Tadler	53	Director

(1) Audit Committee member.

(2) Nomination and Remuneration Committee member.

Juan Carlos Torres Carretero is Chairman of our Board of Directors. He has many years of private equity and senior management operating experience. Since 1995, he has been managing director and senior partner in charge of Advent International Corporation's ("Advent") investment activities in Latin America. He is also a member of the board of directors of Inmobiliaria Fumisa S.A. de C.V., Controladora Milano S.A. de C.V., Latin American Airport Holding Ltd., Aeropuertos Dominicanos Siglo XXI, S.A., International Meal Company Holdings S.A. and Grupo Gayosso S.A. de C.V. Mr. Torres Carretero graduated in physics from Universidade Complutense de Madrid and in management from MIT's Sloan School of Management.

Ernest George Bachrach is the Vice-Chairman of our Board of Directors. He has more than 22 years' experience in international private equity investing. Since 1995, he has managed Advent's Latin American investment activity. Mr. Bachrach is currently a senior partner at Advent and a member of their executive committee. He serves as a member of the board of directors of the following companies: Advent, Bunge

Group Ltd, NBC, Grupo Gayosso S.A. de C.V., Controladora Milano. S.A. de C.V., Latin American Airport Holding Ltd. and International Meal Company Holdings S.A. Mr. Bachrach graduated in chemical engineering from Lehigh University and has an MBA from Harvard Business School.

Jorge Born has served as president and chief executive officer of Bomgra S.A. Argentina since 1997. Mr. Born served as a board member of Dufry South America Ltd. until its merger with us in 2010. He is a member of the board of directors of Bunge Limited and Horeschild Mining PLC. From 2004 to 2005, Mr. Born was an independent member of our Board of Directors. Mr. Born holds a B.S. in economics from the Wharton School of the University of Pennsylvania.

Xavier Bouton is chairman of the Supervisory Board of FSDV (Fayenceries de Sarreguemines Digoin & Vitry Le François) based in Paris, France. Mr. Bouton graduated in economics and finance from Bordeaux's l'Institut d'Etudes Politiques and has a doctorate in economics and business administration from the University of Bordeaux.

Joaquín Moya-Angeler Cabrera has served as chairman of the board of directors of Redsa S.A. since 1997, Hildebrando S.A. of C.V. since 2003, Presenzia e Pulsar Technologies since 2002, La Quinta Real Estate since 2003, Inmoan since 1989, Avalon Private Equity since 1999 and Corporación Tecnológica Andalucia since 2005. Mr. Moya-Angeler Cabrera is currently a member of the board of directors of Corporación Teype, La Quinta Group, Palamon Capital Partners, MCH Private Equity, Industrias Hidráulicas Pardo S.L., Redsa S.A. (chairman), Hildebrando S.A. de C.V. (chairman), Corporación Tecnológica Andalucia (chairman), Inmoan S.L. (chairman), Board of Trustees University of Almeria (chairman), Fundación Mediteránea (chairman), Spanish Association of Universities Governing Boards (chairman) and Avalon Private Equity (chairman). Mr. Cabrera holds a Masters degree in Mathematics from the University of Madrid, a degree in economics and forecasting from the London School of Economics and Political Science and an MBA from MIT's Sloan School of Management.

James Cohen has since 1980 served in various positions at Hudson Media Inc., and since 1994 has served as its chairman and CEO. He currently serves as a member of the Board of Directors of Hudson Media Inc. Mr. Cohen graduated in economics from the Wharton School of University of Pennsylvania.

José Lucas Ferreira de Melo serves on the board of directors of Diagnósticos da América S.A., International Meal Company Holdings S.A., and Banco Bradesco, S.A. Mr. Ferreira de Melo served as a member of the Board of Directors of Dufry South America Ltd. until its merger with us in March 2010. He holds a Bachelor's degree in Accounting from Associação de Ensino Unificado do Distrito Federal, Brazil.

Mario Fontana serves on the board of directors of Hexagon AB, Regent Lighting (Chairman) and Swissquote (Chairman). Since 1998, he has served as an independent board member in various companies. Mr. Fontana studied engineering at ETH Zurich and holds a Master of Science Degree from Georgia Institute of Technology.

Andrés Holzer Neumann has been, since 1973, chief executive officer of Grupo Industrial Omega S.A. de C.V., the holding company of Holzer y CÌA., S.A. de C.V, Industria Nacional de Relojes Suizos, S.A. de C.V., Consorcio Metropolitano Inmobiliario, S.A. de C.V., Inmobiliara Coapa Larca, S.A. de C.V., Inmobiliara Castellanos, S.A. de C.V. and Negocios Creativos, S.A. de C.V. Mr. Holzer Neumann serves as a member of the board of directors of Fumisa (chairman of the board) and Latin American Airport Holding Ltd. Mr. Holzer Neumann graduated from Boston University and holds an MBA from Columbia University.

Maurizio Mauro is a board member of Tecnisa S.A., Banco Pine S.A., T4F (Time for Fun) and TopSport S.A. Mr. Mauro served as a board member of Dufry South America Ltd. until its merger with us in 2010. He holds a Bachelor's in Business Administration from Escola de Administração de Empresas de São Paulo da Fundação Getulio Vargas and specialization in Corporate Finance from Faculdade de Economia e Administração da Universidade de São Paulo.

Steven M. Tadler is a managing partner at Advent. Mr. Tadler is a member of Advent's executive committee, which he has chaired since 2002. He serves on each of Advent's Western Europe, Central Europe and North America investment advisory committees. He serves as a board member on Advent, wTe Corporation and Skillsoft. Mr. Tadler holds a BS, with distinction, from the University of Virginia and an MBA from Harvard Business School.

Group Executive Committee

As of the date of this Offering Memorandum, the Group Executive Committee comprises eight executives: the Chief Executive Officer ("CEO"); Chief Financial Officer ("CFO"); Global Chief Operating Officer ("GCOO"); Chief Legal Officer ("CLO") and four regional Chief Operating Officers ("COO"), responsible for the following regions: (i) Europe, Africa and Asia: (ii) Latin America; (iii) Brazil; and (iv) North America. See "Business—Our New Organizational Structure." The Group Executive Committee conducts our operating management pursuant to the Board of Directors' regulations. The CEO reports to the Board of Directors on a regular basis.

The members of the Group Executive Committee are responsible for our day-to-day activities under the supervision of the CEO. At Group Executive Committee meetings, each member of the Group Executive Committee reports to the CEO any business developments and any important events concerning us. Outside of these meetings, each Group Executive Committee member shall immediately inform the CEO of any extraordinary event within the company.

The following table presents information concerning our Group Executive Committee:

Name	Age	Position
Julián Díaz González	54	Chief Executive Officer
Andreas Schneiter	42	Chief Financial Officer
José Antonio Gea	49	Global Chief Operating Officer
Pascal C. Duclos	45	Chief Legal Officer
Xavier Rossinyol	42	Chief Operating Officer—Europe, Africa & Asia
René Riedi	52	Chief Operating Officer—Latin America
José Carlos Costa da Silva Rosa	57	Chief Operating Officer—Brazil
Joseph DiDomizio	42	Chief Operating Officer—North America

Julián Díaz González has been our CEO since 2004. He also serves on the board of directors of Distribuidora Internacional de Alimentacion (DIA) S.A. Before his current position, Mr. Diaz was the general manager of Latinoamericana Duty-Free, SA de CV from 2000 to 2003. Prior to that, from 1997 to 2000, he held various managerial and business positions at Aeroboutiques de Mexico SA de CV and Deor SA de CV and was a division director at Aldeasa from 1993 to 1997. From 1989 to 1993, Mr. Díaz was a general manager at TNT Leisure SA. He graduated in business administration from Universidad Pontificia Comillas (I.C.A.D.E.) de Madrid.

Andreas Schneiter has served as our CFO since July 1, 2012. Before holding the current position, Mr. Schneiter acted as our Head of Corporate Controlling in 2004 and assumed the position as our Head Group Treasury in 2005. He additionally has headed our Investor Relations function. Before joining us in 2003, Mr. Schneiter worked at UBS Warburg in Zurich in the mergers and acquisitions area beginning in 1998. Mr. Schneiter holds a degree in Business Administration and specialization in Finance from the School of Economics and Business Administration in Berne.

José Antonio Gea has been our GCOO since 2004. Before his current position with us, Mr. Gea held various managerial positions in Aldeasa from 1995 to 2003, leaving that company as its director of operations. Prior to that, he held various positions at TNT Express España, SA from 1989 to 1995 and was a Director of its Blue Cow Division from 1993 to 1995. Mr. Gea graduated in economics and business sciences from Colegio Universitario de Estudios de Financieros.

Pascal C. Duclos has been our CLO and Secretary to the Board of Directors since 2005. Before his current position with us, Mr. Duclos was a senior foreign attorney at law at the Buenos Aires law firm Beretta Kahale Godoy from 2003 to 2004 and a financial planner at UBS AG in New York from 2001 to 2002. Prior to that, he was an associate at the New York law firm Kreindler & Kreindler from 1999 to 2001 and a senior associate at the Geneva law firm Davidoff & Partners from 1991 to 1997. From 1994 to 1997, Mr. Duclos was also academic assistant at the University of Geneva School of Law. Mr. Duclos received a license in law from Geneva University School of Law and an LL.M. from Duke University School of Law. He is licensed to practice law in Switzerland and is admitted to the New York Bar.

Xavier Rossinyol serves as our COO, Europe, Africa and Asia Region. From 2004 to 2012, Mr. Rossinyol served as our CFO. Prior to joining us, Mr. Rossinyol held various positions at Grupo Áreas from 1995 to 2003 in charge of finance, controlling and strategic planning and leaving Grupo Áreas as its corporate development officer. Mr. Rossinyol graduated in business administration from Escuela Superior de Administración y Dirección de Empresas (ESADE), obtained a master degree in business administration from ESADE and University of British Columbia (Canada and Hong Kong), and a master's degree in business law from Universidad Pompeu Fabra.

René Riedi was our COO, Eurasia Region, from 2000 to 2012, and is currently our COO, Latin America Region. Mr. Riedi joined us in 1993 as Sales Manager Eastern Europe and then held various positions within our group before being appointed COO Eurasia Region. Before joining us in 1993, he worked in product marketing and international sales at Unilever. Mr. Riedi graduated in business administration from the School of Economy and Business Administration Zurich.

José Carlos Costa da Silva Rosa was our COO, South America Region from 2006 to 2012, and is currently our COO, Brazil Region. Before joining us in 2006, Mr. Rosa was retail director at ANA-Aeropuertos de Portugal SA from 2000 to 2006. Prior to that, he was director of property management for Richard Ellis Portugal from 1993 to 1994 and general manager of Amoreiras Gest from 1994 to 2000. He holds a military and a civil engineering degree from the Academia Militar of Portugal.

Joseph DiDomizio has been our COO, North America Region, since 2008. Previously, Mr. Joseph DiDomizio worked for 16 years for the Hudson Group. He held several managerial positions in the Hudson Group, and from April 2008 to September 2008 acted as its president and chief executive officer. He holds a bachelor's of arts degree in Marketing and Business Administration from University of Bridgeport.

CERTAIN RELATIONSHIPS AND RELATED PARTY TRANSACTIONS

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

In the course of our ordinary business activities, we may enter into agreements with or render services to related parties provided the relationships are disclosed. In turn, such related parties may render services or deliver goods to us as part of their business. We believe all such transactions are negotiated and conducted on a basis equivalent to those that would have been achievable on an arm's length basis, and that the terms of these transactions are comparable to those currently contracted with unrelated third-party suppliers and service providers.

As reported in our Annual Report for 2011 or our Six Months Report for 2012, our related party transactions and relationships that occurred or existed in the first six months of 2012 and in 2011 and 2010 were the following:

We purchased during 2011, goods from the following related parties: Hudson Wholesale for CHF 23.2 million (2010: CHF 37.4 million), from Hudson RPM CHF 4.6 million (2010: CHF 5.4 million) and finished our relationship with MDI (2010: CHF 2.2 million). The purchase prices used in these transactions were at arm's length. At December 31, 2011, we had open invoices with the following related parties: Hudson Wholesale CHF 2.4 million (2010: CHF 2.2 million) and with Hudson RPM CHF 0.5 million (2010: CHF 0.5 million). Hudson Wholesale and Hudson RPM are controlled by a member of our Board of Directors.

Latin American Airport Holding Ltd is the holding company of Inmobiliaria Fumisa SA de CV ("Fumisa") and Aeropuertos Dominicanos Siglo XXI, SA ("Aerodom"). Three members of our Board of Directors are also members of the Board of Directors of Latin American Airport Holding Ltd.

We operate shops at the international airport in Mexico City under a concession agreement with Fumisa. During 2011 Fumisa charged CHF 16.2 million (2010: CHF 22.5 million) to us for rent, and we advanced to Fumisa CHF 4.2 million (2010: CHF 4.2 million) as prepaid rent. In May 2012, we amended the concession agreement with Fusima to set new improved terms and conditions for the years 2012 and 2013 and for the shop rental.

Inversiones Tunc SA operates shops at several airports in the Dominican Republic under concession agreements with Aerodom. According to these agreements, Inversiones Tunc SA compensated through monthly rental fees for the right to use the commercial areas leased to them by Aerodom. In 2011, the total sales based rent for Inversiones Tunc SA amounted to CHF 5.1 million (2010: CHF 4.5 million).

On January 15, 2010 Transportes Aereos de Xalapa SA de CV, a subsidiary of Aerodom agreed to provide during two years air transport services to us for at least USD 2.1 million per year. During 2011 we received services for CHF 2.6 million (2010: CHF 1.9 million). The agreement was renewed on February 1, 2012.

On June 14, 2011 Dufry International AG purchased back the usufruct right granted to Gestione Spazi Attrezzati Srl (GSA) which permitted the benefits of share ownership, including the receipt of dividends on 10% of the shares of Dufry Shop Finance Srl, which otherwise would have expired in May 4, 2041 for EUR 4.5 million. After this transaction GSA keeps the usufruct right acquired in 2002, on 6% of the shares of Dufrital SpA, which are held by Dufry Shop Finance Srl. Upon expiration of these rights in May 2041 GSA shall be entitled to receive 6% of the undistributed retained earnings of Dufrital SpA. GSA is a company controlled by Mr. Dante Marro, our former Chief Operating Officer of region Europe and member of our Executive Committee. In 2011, no charge (2010: CHF 0.5 million) was recognized as usufruct in the income statement.

Mr. José González, our former Chief Operating Officer of region Central America & Caribbean and former member of the Executive Committee, owns 26.3% of the share capital of the subsidiary Puerto Libre International SA ("PL ISA"). PL ISA operates duty free shops at the international airport of Managua as well as three border shops in Nicaragua.

SIGNIFICANT SHAREHOLDERS

Pursuant to the information provided to Dufry AG by its shareholders in compliance with the Swiss Stock Exchange Act, the following significant shareholders held more than 3% of Dufry AG's share capital as of June 30, 2012:

Shareholder	Percentage(1)
Global Retail Group S.à r.l.(2), controlled by funds managed by Advent International Corporation(3)	14.38%
Travel Retail Investment SCA(4), controlled by Petrus PTE Ltd(5) and Witherspoon Investments LLC(6)	8.24%
Credit Suisse Group AG(7)	4.45%
Hudson Media Inc.(8)	4.28%

(1) The actual shareholdings may differ from the figures indicated in the table, as we must only be notified by our shareholders, if one of the thresholds defined in Art. 20 of the Swiss Stock exchange Act is crossed.

(2) 76 Grand Rue, L-1660 Luxembourg City, Grand Duchy of Luxembourg.

(3) 75 State Street, Boston, MA 02109, USA.

(4) 76 Grand Rue, L-1660 Luxembourg City, Grand Duchy of Luxembourg.

(5) 8 Cross Street, #11-00 PWC Building, Singapore 048424.

(6) 1209 Orange Street, Wilmington, DE 19801, USA.

(7) Paradeplatz 8, Postfach, 8070 Zurich, Switzerland. Shareholding held indirectly through various subsidiaries and investment funds controlled by Credit Suisse Group AG.

(8) One Meadowlands Plaza, Suite 902, East Rutherford, NJ 07073, USA. Hudson Media Inc. is controlled by James Cohen, c/o Hudson Media Inc., One Meadowlands Plaza, Suite 902, East Rutherford, NJ 07073, USA.

DESCRIPTION OF OTHER INDEBTEDNESS

Senior Credit Facilities

We will use the net proceeds of this offering to repay in part the 2008 Senior Credit Facilities (as defined below). See "Use of Proceeds." The following is a brief description of the Senior Credit Facilities.

2008 Senior Credit Facilities

On August 19, 2008, our subsidiary, Dufry International AG, entered into an unsecured, multicurrency term and revolving credit facility agreement (as amended and restated, the "2008 Senior Credit Facilities") with a group of financial institutions for up to an aggregate amount of CHF 800 million and USD 435 million for the purpose of refinancing existing debt, the acquisition of the Hudson Group and for working capital and general corporate purposes. Dufry International AG's obligations under the 2008 Senior Credit Facilities are irrevocably and unconditionally and jointly and severally guaranteed by Dufry AG, Dufry Holdings & Investments AG and the Hudson Group (HG), Inc. These facilities bear interest, paid at periods selected by the borrower, at a floating rate (EURIBOR, in relation to any loan in Euro, or LIBOR, in relation to all loans in other currencies) plus a margin, which ranges from 1.20% to 2.00%, as determined by our leverage ratio for a particular interest period. As of June 30, 2012, the 2008 Senior Credit Facilities were comprised of the following:

(i) Facility A—a CHF 400 million amortizing multicurrency term loan facility (with a total outstanding balance of CHF 200.8 million (CHF 9.0 million, EUR 40.0 million and USD 152.5 million) as of December 31, 2011 and CHF 137.7 million (CHF 9.0 million, EUR 40.0 million and USD 85.0 million) as of June 30, 2012. Semi-annual principal payments of CHF 44.4 million are due with the remaining principal and accrued interest due at maturity on August 19, 2013.

(ii) Facility B—a USD 435 million multicurrency term loan facility (with an outstanding balance of USD 435.0 million and USD 435.0 million as of December 31, 2011 and June 30, 2012, respectively), with a bullet maturity on August 19, 2013.

(iii) Facility C—a CHF 415 million multicurrency revolving credit facility with no outstanding balance as of December 31, 2011 or June 30, 2012. On October 8, 2012, we entered into the 2012 Revolving Credit Facility (as defined below) to replace Facility C.

The average interest rates on outstanding balances under the 2008 Senior Credit Facilities are described below.

We are required to adhere to the following financial covenants (measured under the financial definitions set forth in the 2008 Senior Credit Facilities): (i) a maximum ratio of total drawn debt to adjusted consolidated EBITDA ranging between 4.00:1 and 3.00:1; and (ii) a minimum ratio of adjusted consolidated EBITDA to total interest ranging between 3.50:1 and 5.00:1. To calculate the maximum ratio of total drawn debt to adjusted consolidated EBITDA, amounts expressed in currencies other than CHF are converted to CHF using the closing exchange rate of each relevant period.

The 2008 Senior Credit Facilities also contain other terms, including terms providing for voluntary prepayment, affirmative and negative covenants that affect our ability, among other things, to borrow money, incur liens, dispose of assets, make acquisitions and change business, and require the obligors to make certain financial information available to the lenders, maintain their existence, comply with laws and regulations and maintain insurance. Events of default under the 2008 Senior Credit Facilities include, among other things, payment and covenant breaches, insolvency of the obligors and certain defaults in respect of other material financial indebtedness.

2011 Senior Term Facility

On August 3, 2011, Dufry International AG entered into an unsecured, USD 1,000 million multicurrency term facility agreement (the "2011 Senior Term Facility") with a group of financial institutions for the purpose of acquiring the leading airport retailer in Argentina, airport retail operations in Uruguay, Ecuador, Armenia and Martinique, as well as a wholesale platform. Dufry International AG's obligations under the 2011 Senior Term Facility are irrevocably and unconditionally and jointly and severally guaranteed by Dufry AG, Dufry Holdings & Investments AG and the Hudson Group (HG), Inc. This facility bears interest, paid at periods selected by the borrower, at a floating rate (EURIBOR, in relation to any loan in Euro, or LIBOR, in relation to all other loans) plus a margin, which ranges from 1.50% to 3.00%, as determined by our leverage ratio for a particular interest period and allows for prepayments.

The amortizing 2011 Senior Term Facility includes an amortization schedule with three repayments of USD 300 million, USD 300 million and USD 400 million due on August 3, 2014, 2015 and 2016, respectively. Loans may be denominated in U.S. dollars, Euros, CHF or another currency approved by the agent at the borrower's election.

We are required to adhere to the following financial covenants (measured under the financial definitions set forth in the 2011 Senior Term Facility): (i) a maximum ratio of total drawn debt to adjusted consolidated EBITDA ranging between 3.90:1 and 3.00:1; and (ii) a minimum ratio of adjusted consolidated EBITDA to total interest expense of 5.00:1. To calculate the maximum ratio of total drawn debt to adjusted consolidated EBITDA, amounts expressed in currencies other than CHF are converted to CHF using the closing exchange rate of each relevant period. In connection with the transactions associated with the proposed acquisition described in "Summary—Recent Development," we obtained a waiver from the lenders to permit the acquisition under the agreement.

The 2011 Senior Term Facility also contains other terms, including terms providing for voluntary prepayment, affirmative and negative covenants that affect our ability, among other things, to borrow money, incur liens, dispose of assets, make acquisitions and change business, and require the obligors to make certain financial information available to the lenders, maintain their existence, comply with laws and regulations and maintain insurance. Events of default under the 2011 Senior Term Facility include, among other things, payment and covenant breaches, insolvency of the obligors and certain defaults in respect of other material financial indebtedness.

The average interest rate on outstanding balances under both the 2008 Senior Credit Facilities and the 2011 Senior Term Facility was 2.5% for the year ended December 31, 2011, consisting of USD borrowings at 2.5%, EUR borrowings at 3.2% and CHF borrowings at 1.9%. For the period ended June 30, 2012, the average interest rate on outstanding balances under both the 2008 Senior Credit Facilities and the 2011 Senior Term Facility was 3.4%, consisting of USD borrowings at 3.5%, EUR borrowings at 3.5% and CHF borrowings at 2.3%. A substantial portion of our floating interest rate exposure is unhedged.

2012 Revolving Credit Facility

On October 8, 2012, Dufry International AG entered into an unsecured, multicurrency revolving credit facility agreement (the "2012 Revolving Credit Facility") with a group of financial institutions for an amount of CHF 650 million to replace the existing revolving credit facility under the 2008 Senior Credit Facilities for working capital and general corporate purposes. Dufry International AG's obligations under the 2012 Revolving Credit Facility are irrevocably and unconditionally and jointly and severally guaranteed by Dufry AG, Dufry Holdings & Investments AG and the Hudson Group (HG), Inc. This facility bears interest, paid at periods selected by the borrower, at a floating rate (EURIBOR, in relation to any loan in Euro, or LIBOR, in relation to all loans in other currencies) plus a margin, which ranges from 1.50% to 2.25%, as determined by the credit rating of Dufry AG and allows for prepayments. Loans may be denominated in U.S. dollars, Euros, CHF or another currency approved by the agent at the borrower's election. This facility is available up to October 8, 2017.

We are required to adhere to the following financial covenants (measured under the financial definitions set forth in the 2012 Revolving Credit Facility): (i) a maximum ratio of total drawn debt to adjusted consolidated EBITDA ranging between 3.50:1 and 3.00:1 and (ii) a minimum ratio of adjusted consolidated EBITDA to total interest expense of 5.00:1. To calculate the maximum ratio of total drawn debt to adjusted consolidated EBITDA, amounts expressed in currencies other than CHF are converted to CHF using the closing exchange rate of each relevant period.

The 2012 Revolving Credit Facility also contains other terms, including affirmative and negative covenants that affect our ability, among other things, to borrow money, incur liens, dispose of assets, make acquisitions and change business, and require the obligors to make certain financial information available to the lenders, maintain their existence, comply with laws and regulations and maintain insurance. Events of default under the 2012 Revolving Credit Facility include, among other things, payment and covenant breaches, insolvency of the obligors and certain defaults in respect of other material financial indebtedness.

Greek Syndicated Facility

In connection with the acquisition described under "Summary—Recent Developments," the travel retail operations of Folli Follie Group will be carved out of the Folli Follie Group into Duty Paid Shops SA. Duty Paid Shops SA is expected to assume EUR 335 million of debt from the Folli Follie Group, which debt is expected to be financed at closing of the acquisition through the Greek Syndicated Facility. The Greek Syndicated Facility is agreed with a syndicate of local banks and will be structured as a five-year amortizing facility. The Greek Syndicated Facility will be secured through the pledging of 100% of the shares of Duty Paid Shop SA. The facility will be non-recourse to us and to the other Group members other than each of Dufry Cyprus (II) Ltd. and Dufry Cyprus Holding Ltd., which are the direct and indirect holding companies, respectively, of Dufry's 51% stake in Duty Paid Shops SA. None of the Issuer or the Guarantors will be obligors under the Greek Syndicated Facility. The Greek Syndicated Facility will be reflected in our consolidated financial statements upon closing of the acquisition.

Other Subsidiary Indebtedness

In addition to borrowing under our Senior Credit Facilities, certain of our subsidiaries have smaller loan facilities or lines of credit available for working capital and general corporate purposes. Some of these facilities and lines of credit are guaranteed by the Guarantor or other of our subsidiaries and some are secured. As of June 30, 2012, our subsidiaries had total borrowings of CHF 38.3 million under such arrangements, of which CHF 10.3 million was secured.

DESCRIPTION OF NOTES

The Notes will be issued under an indenture (the "Indenture"), to be dated as of October 26, 2012, among the Issuer, the Guarantors, Wells Fargo Bank, National Association, as trustee (the "*Trustee*") and Société Générale Bank & Trust as Luxembourg paying agent. For purposes of this section, the word "Issuer" refers only to Dufry Finance SCA, a partnership limited by shares (*société en commandite par actions*) incorporated under the laws of the Grand Duchy of Luxembourg ("Luxembourg"), having its registered office at 17, rue des Jardiniers, L-1835 Luxembourg, Luxembourg and in course of registration with the Luxembourg Trade and Companies Register, acting by Dufry Finance I S.à r.l. a private limited liability company (*société à responsabilité limitée*) incorporated under the laws of Luxembourg, having its registered office at 17, rue des Jardiniers, L-1835 Luxembourg, Luxembourg, having a share capital of USD 16,200 (sixteen thousand and two hundred United States Dollars) and in course of registration with the Luxembourg Trade and Companies, the words "Company" refers only to Dufry AG and not to any of its subsidiaries, and the terms "we," "our" and "us" each refer to the Company and its consolidated subsidiaries. Any reference to a "Holder" or a "Noteholder" in this "Description of Notes" refers to the registered holders of the Notes. The terms of the Notes include those expressly set forth in the Indenture. The Indenture will not incorporate or include any of the provisions of the U.S. Trust Indenture Act of 1939, as amended.

The following summary of certain provisions of the Indenture and the Notes does not purport to be complete and is subject to, and qualified in its entirety by reference to, all the provisions of the Indenture. You can find the definitions of certain terms used in this description under the subheading "—Certain Covenants—Definitions." Certain defined terms used in this description but not defined below under "—Certain Covenants—Definitions" have the meanings assigned to them in the Indenture. We urge you to read the Indenture because it, and not this description, defines your rights as holders of the Notes. Copies of the Indenture are available as set forth under "Where You Can Find More Information."

Brief Description of the Notes and the Note Guarantees

The Notes will be:

- unsecured Senior Indebtedness of the Issuer;
- equal in right of payment with all existing and future Senior Indebtedness of the Issuer; and
- senior in right of payment to all existing and future Subordinated Obligations of the Issuer.

The Note Guarantee of the Company in respect of the Notes will be:

- unsecured Senior Indebtedness of the Company;
- effectively subordinated to all secured Indebtedness of the Company to the extent of the value of the assets securing such secured Indebtedness and structurally subordinated to all Indebtedness and other liabilities (including trade payables) of the Company's Subsidiaries (other than the Issuer and Subsidiaries that become Subsidiary Guarantors pursuant to the provisions described below under "—Note Guarantees");
- equal in right of payment with all existing and future Senior Indebtedness of the Company; and
- senior in right of payment to all existing and future Guarantor Subordinated Obligations of the Company.

The Subsidiary Note Guarantees of each Subsidiary Guarantor in respect of the Notes will be:

- unsecured Senior Indebtedness of such Subsidiary Guarantor;
- effectively subordinated to all secured Indebtedness of such Subsidiary Guarantor to the extent of the value of the assets securing such secured Indebtedness;

- equal in right of payment with all existing and future Senior Indebtedness of such Subsidiary Guarantor; and
- senior in right of payment to all existing and future Guarantor Subordinated Obligations of such Subsidiary Guarantor.

Principal, Maturity and Interest

The Notes will mature on October 15, 2020. Each Note will bear interest at a rate of 5.500% per annum from October 26, 2012, or from the most recent date to which interest has been paid or provided for. Interest will be payable semi-annually in cash to Holders of record at the close of business on the April 1 and October 1 immediately preceding the relevant interest payment date on April 15 and October 15 of each year, commencing April 15, 2013. Interest will be paid on the basis of a 360-day year consisting of twelve 30-day months.

The Notes will be issued initially in an aggregate principal amount of $500.0 million. Additional Notes having the same terms in all respects as the Notes, or in all respects except with respect interest paid or payable on or prior to the first interest payment date after the issuance of such Notes, may be issued under the Indenture ("Additional Notes"), subject to the limitations set forth under "—Certain Covenants—Limitation on Indebtedness." The Notes and the Additional Notes that are actually issued will be treated as a single class for all purposes of the Indenture, including waivers, amendments, redemptions and offers to purchase. If the Additional Notes are not fungible with the original Notes for U.S. federal income tax purposes, the Additional Notes will have a CUSIP, ISIN or other identifying number that is different from that of the original Notes. Unless the context otherwise requires, the term "Notes" is used herein to refer to both the Notes and the Additional Notes.

Other Terms

Principal of, and premium, if any, and interest on, the Notes will be payable, and the Notes may be exchanged or transferred, at the office or agency designated by the Company for such purposes (which initially shall be the designated corporate trust office of the Paying Agent), except that, at the option of the Company, payment of interest may be made by check mailed to the address of the Holders of the Notes as such address appears in the Note Register.

Principal of, and premium, if any, and interest on, Notes in global form registered in the name of or held by The Depository Trust Company ("DTC") or its nominee in immediately available funds will be payable to DTC or its nominee, as the case may be, as the registered Holder of such global Note. See "—Global Notes and Book-Entry System."

The Notes will be issued only in fully registered form, without coupons. The Notes will be issued only in minimum denominations of $200,000 and any integral multiple of $1,000 in excess thereof.

Paying Agent and Registrar for the Notes

The Issuer will maintain one or more paying agents (each, a "Paying Agent") for the Notes in each of (i) Luxembourg and (ii) the Borough of Manhattan in The City of New York (the "Principal Paying Agent"). The Issuer will ensure that it maintains a Paying Agent in a member state of the European Union that will not be obliged to withhold or deduct tax pursuant to the European Union Directive 2003/48/EC or any other directive implementing the conclusions of the ECOFIN Council meeting of 26 and 27 November 2000 on the taxation of savings income, or any law implementing, or complying with or introduced in order to conform to, such directive. The initial Paying Agents will be Société Générale Bank & Trust in Luxembourg and Wells Fargo Bank, National Association in The City of New York.

The Issuer will also maintain one or more registrars (each, a "Registrar"). The Registrar will maintain a register reflecting ownership of Definitive Registered Notes (as defined herein) outstanding from time to time and will make payments on and facilitate transfer of Definitive Registered Notes on the behalf of the Issuer. The Issuer will also maintain a transfer agent in the Borough of Manhattan in The City of New York. The initial Registrar and transfer agent will be Wells Fargo Bank, National Association.

The Issuer may change the Paying Agents, the Registrars or the transfer agents without prior notice to the Holders. For so long as the Notes are listed on the Irish Stock Exchange and the rules of the Irish Stock Exchange so require, the Issuer will release a notice of any change of Paying Agent, Registrar or transfer agent through the Company Announcements Office of the ISE or, to the extent and in the manner permitted by such rules, post any such notice on the official website of the Irish Stock Exchange (*www.ise.ie*).

Additional Amounts

All payments made by or on behalf of the Issuer under or with respect to the Notes or any of the Guarantors under or with respect to any Guarantee will be made free and clear of and without withholding or deduction for, or on account of, any present or future Taxes unless the withholding or deduction of such Taxes is then required by law. If any deduction or withholding for, or on account of, any Taxes imposed or levied by or on behalf of (1) any jurisdiction in which the Issuer or any Guarantor is incorporated, organized, or resident for tax purposes or (2) any jurisdiction from or through which payment is made by or on behalf of the Issuer or any Guarantor (including the jurisdiction of any Paying Agent) (each such jurisdiction, or any political subdivision thereof or therein, a "Tax Jurisdiction") is at any time required to be made from any payments made under or with respect to the Notes or any Guarantee, the Issuer or the relevant Guarantor, as applicable, will pay such additional amounts (the "Additional Amounts") as may be necessary in order that the net amounts received in respect of such payments by each holder after such withholding or deduction (including after any such withholding or deduction from Additional Amounts) will equal the respective amounts that would have been received in respect of such payments in the absence of such withholding or deduction; *provided*, *however*, that no Additional Amounts will be payable with respect to:

(1) any Taxes to the extent such Taxes would not have been imposed but for the existence of any present or former connection between the relevant Holder or beneficial owner of a Note and the relevant Tax Jurisdiction (including being a resident of, or engaged in business in, such jurisdiction for Tax purposes), other than any connection arising solely from the acquisition, ownership, holding or disposition of such Note, the enforcement of rights under such Note or under a Guarantee and/or the receipt of any payments in respect of such Note or a Guarantee;

(2) any Taxes to the extent such Taxes would not have been imposed but for the presentation of a Note for payment (where presentation is required) more than 30 days after the date on which such payment became due and payable or the date on which the relevant payment is first made available for payment to the Holder, whichever is later (except to the extent that the holder would have been entitled to Additional Amounts had the Note been presented on the last day of such 30 day period);

(3) any estate, inheritance, gift, sales, transfer or similar Taxes;

(4) any Taxes withheld, deducted or imposed on a payment to an individual that are required to be made pursuant to European Council Directive 2003/48/EC or any other directive implementing the conclusions of the ECOFIN Council meeting of November 26 and 27, 2000 on the taxation of savings income, or any law implementing or complying with or introduced in order to conform to, such directive;

(5) any Taxes required to be withheld or deducted pursuant to laws enacted by Switzerland providing for (y) the taxation of payments according to principles similar to those of the EU Savings Tax Directive or (z) Taxes applicable to Swiss resident individuals (and certain non-resident persons

who fail to provide certification of their non-resident status, as requested by the Federal Tax Administration) according to principles similar to those in the draft legislation proposed by the Swiss Federal Council on August 24, 2011 (including any such laws that impose withholding obligations with respect to such Taxes on a person other than the Issuer or the relevant Guarantor, including, without limitation, any paying agent);

(6) any Taxes imposed on or with respect to a payment made to a holder or beneficial owner of Notes who would have been able to avoid such withholding or deduction by presenting the relevant Note (where presentation is required) to another available Paying Agent;

(7) any Taxes payable other than by deduction or withholding from payments to a Holder or beneficial owner under, or with respect to, the Notes or with respect to any Guarantee;

(8) any Taxes to the extent such Taxes are imposed by reason of the failure of the Holder or beneficial owner of a Note, after a written request by the applicable withholding agent addressed to the holder, to comply with any certification, identification, information or other reporting requirements, whether required by statute, treaty, regulation or administrative practice of a Tax Jurisdiction as a precondition to exemption from, or reduction in the rate of deduction or withholding of, Taxes imposed by the Tax Jurisdiction (including, without limitation, a certification that the Holder or beneficial owner is not resident in the Tax Jurisdiction), but in each case, only to the extent the Holder or beneficial owner is legally eligible to provide such certification or documentation; or

(9) any combination of items (1) through (8) above.

In addition, no Additional Amounts shall be paid with respect to a Holder who is a fiduciary or a partnership or person other than the sole beneficial owner of a Note, to the extent that the beneficiary or settlor with respect to such fiduciary, the member of such partnership or the beneficial owner would not have been entitled to Additional Amounts had such beneficiary, settlor, member or beneficial owner held such Notes directly. For a description of the formalities which holders and beneficial owners must follow in order to claim an exemption from withholding tax and certain disclosure requirements imposed on the Issuer relating to the identity and residence of beneficial owners, see “Tax Considerations” and “Risk Factors.”

In addition to the foregoing, the Issuer and the Guarantors will also pay and indemnify the holder for any present or future stamp, issue, registration, court or documentary Taxes, or any other excise or property Taxes, which are levied by any Tax Jurisdiction on the execution, delivery, issuance, or registration of any of the Notes, the Indenture, any Guarantee or any other document referred to therein, or by any jurisdiction on the enforcement of any of the Notes or any Guarantee.

If the Issuer or any Guarantor, as the case may be, becomes aware that it will be obligated to pay Additional Amounts with respect to any payment under or with respect to the Notes or any Guarantee, the Issuer or the relevant Guarantor, as the case may be, will deliver to the Trustee on a date that is at least 30 days prior to the date of that payment (unless the obligation to pay Additional Amounts arises less than 45 day prior to that payment date, in which case the Issuer or the relevant Guarantor shall notify the Trustee promptly thereafter) an Officer’s Certificate stating the fact that Additional Amounts will be payable and the amount estimated to be so payable. The Officer’s Certificates must also set forth any other information reasonably necessary to enable the Paying Agents to pay Additional Amounts to the applicable Holders on the relevant payment date. The Trustee shall be entitled to rely solely on such Officer’s Certificate as conclusive proof that such payments are necessary.

The Issuer or the relevant Guarantor (if it is the applicable withholding agent) will make all withholdings and deductions required by law and will remit the full amount deducted or withheld to the relevant Tax authority in accordance with applicable law. The Issuer or the relevant Guarantor will use its reasonable efforts to obtain Tax receipts from each Tax authority evidencing the payment of any Taxes so deducted or withheld. The Issuer or the relevant Guarantor will furnish to the Trustee (or to a Holder upon written request), within a reasonable time after the date the payment of any Taxes so deducted or withheld is made, an Officer's Certificate certifying to the payment of such Taxes, which Certificate shall have certified copies of Tax receipts evidencing payment by the Issuer or a Guarantor, as the case may be, attached thereto or if, notwithstanding such entity's efforts to obtain receipts, receipts are not available, other evidence of payments (reasonably satisfactory to the Trustee) by such entity.

Whenever in the Indenture or in this "Description of Notes" there is mentioned, in any context, the payment of principal, interest or of any other amount payable under, or with respect to, any of the Notes or any Guarantee, such mention shall be deemed to include mention of the payment of Additional Amounts to the extent that, in such context, Additional Amounts are, were or would be payable in respect thereof.

The above obligations will survive any termination, defeasance or discharge of the Indenture, any transfer by a Holder or beneficial owner of its Notes, and will apply, *mutatis mutandis*, to any jurisdiction in which any successor Person to the Issuer or any Guarantor is incorporated or resident for tax purposes or any jurisdiction from or through which such Person makes any payment on the Notes (or any Guarantee) and, in each case, any political subdivision thereof or therein.

Note Guarantees

On the Issue Date, the Notes will be fully and unconditionally Guaranteed (collectively, the "Note Guarantees") on a senior basis by the Company and certain of the Company's Restricted Subsidiaries organized under the laws of Switzerland and Delaware, each of which is an obligor of the 2011 Term Loan Facility and an obligor of the 2012 Revolving Credit Facility. From and after the Issue Date, to the extent required by the covenant described under the heading "—Certain Covenants—Future Subsidiary Guarantors", the Company will cause each Subsidiary that guarantees payment by the Company of any Bank Indebtedness or Public Debt of the Company or its Subsidiaries in excess of the De Minimis Guaranteed Amount to execute and deliver to the Trustee a supplemental indenture or other instrument pursuant to which such Subsidiary will guarantee payment of the Notes, whereupon such Subsidiary will become a Guarantor for all purposes under the Indenture. In addition, the Company may cause any Subsidiary that is not a Guarantor so to guarantee payment of the Notes and become a Guarantor. The Note Guarantees will be joint and several obligations of the Guarantors.

Not all of the Company's Subsidiaries will guarantee the Notes. In the event of a bankruptcy, liquidation or reorganization of any of these non-guarantor Subsidiaries, the non-guarantor Subsidiaries will pay the holders of their debt and their trade creditors before they will be able to distribute any of their assets to the Company.

The operations of the Company and the Guarantors are conducted through their Subsidiaries and, therefore, the Issuer and Guarantors depend on the cash flow of the Company's Subsidiaries to meet their obligations, including their respective obligations under the Notes and Note Guarantees. The Notes and the Note Guarantees will be effectively subordinated in right of payment to all Indebtedness and other liabilities and commitments (including trade payables and lease obligations) of the Company's non-guarantor Subsidiaries. Any right of the Issuer or any Guarantor to receive assets of any of the Company's non-guarantor Subsidiaries upon that non-guarantor Subsidiary's liquidation or reorganization (and the consequent right of the Holder of the Notes to participate in those assets) will be effectively subordinated to the claims of that non-guarantor Subsidiary's creditors. See "Risk Factors—Risks Relating to the Notes—The Issuer and the Guarantors are dependent upon cash flow from other members of the group to meet their obligations on the Notes and the Guarantees, respectively."

The obligations of the Guarantors will be contractually limited under the applicable Note Guarantees to reflect limitations under applicable law with respect to maintenance of share capital, corporate benefit, fraudulent conveyance and other legal restrictions applicable to the Guarantors and their respective shareholders, directors and general partners. For a description of such contractual limitations, see "Risk

Factors—Risks Relating to the Notes—The Note Guarantees of the Notes will be subject to certain limitations on enforcement and may be limited by applicable law or subject to certain defenses that may limit their validity and enforceability.” By virtue of this limitation, a Guarantor’s obligation under its Note Guarantee could be significantly less than amounts payable with respect to the Notes, or a Guarantor may have effectively no obligation under its Note Guarantee.

Release of Note Guarantees

The Note Guarantee of a Subsidiary Guarantor will be released:

(1) in connection with any sale or other disposition of all or substantially all of the assets of that Subsidiary Guarantor (including by way of merger, consolidation, amalgamation or combination) to a Person that is not (either before or after giving effect to such transaction) the Issuer, the Company or a Restricted Subsidiary;

(2) in connection with any sale or other disposition of Capital Stock of that Subsidiary Guarantor (including by way of merger, consolidation, amalgamation or combination) to a Person that is not (either before or after giving effect to such transaction) the Issuer, the Company or a Restricted Subsidiary, if the Subsidiary Guarantor ceases to be a Restricted Subsidiary as a result of the sale or other disposition;

(3) if the Company designates any Restricted Subsidiary that is a Subsidiary Guarantor to be an Unrestricted Subsidiary in accordance with the applicable provisions of the Indenture;

(4) upon repayment in full of all obligations of the Issuer and the Guarantors under the Indenture and the Notes;

(5) upon the liquidation or dissolution of such Guarantor provided no Event of Default has occurred or is continuing;

(6) upon such Subsidiary Guarantor consolidating with, merging into or transferring all of its assets to the Company or another Subsidiary Guarantor, and as a result of, or in connection with, such transaction such Subsidiary Guarantor dissolving or otherwise ceasing to exist;

(7) upon legal defeasance, covenant defeasance or satisfaction and discharge of the Indenture as provided below under the captions “—Legal Defeasance and Covenant Defeasance” and “—Satisfaction and Discharge;” or

(8) the release or discharge of the Guarantee by such Subsidiary Guarantor of the 2011 Term Loan Facility and the 2012 Revolving Credit Facility or, in the case of a Note Guarantee granted pursuant to the covenant described under the caption “—Future Subsidiary Guarantors”, the Guarantee which resulted in the creation of such Note Guarantee, except in each case a discharge or release by or as a result of payment under such Guarantee.

The Note Guarantee of the Company will be released:

(1) upon repayment in full of all obligations of the Issuer and the Guarantors under the Indenture and the Notes; or

(2) upon legal defeasance, covenant defeasance or satisfaction and discharge of the Indenture as provided below under the captions “—Legal Defeasance and Covenant Defeasance” and “—Satisfaction and Discharge”.

Optional Redemption

The Notes will be redeemable, at the Issuer’s option, at any time prior to maturity at varying redemption prices in accordance with the provisions set forth below.

The Notes will be redeemable, at the Issuer's option, in whole or in part, at any time and from time to time on and after October 15, 2015 and prior to maturity at the following redemption prices (expressed as a percentage of principal amount), plus accrued and unpaid interest and Additional Amounts, if any, to the relevant redemption date (subject to the right of Holders of record on the relevant record date to receive interest due on the relevant interest payment date), if redeemed during the 12-month period commencing on October 15 of the years set forth below:

Period	Redemption Price
2015	104.125%
2016	102.750%
2017	101.375%
2018 and thereafter	100.000%

In addition, the Indenture provides that at any time and from time to time on or prior to October 15, 2015, the Notes will be redeemable, at the Issuer's option, in an aggregate principal amount equal to up to 35% of the original aggregate principal amount of the Notes (including the principal amount of any Additional Notes), with funds in an equal aggregate amount (the "Redemption Amount") not exceeding the aggregate proceeds of one or more Qualified Equity Offerings (as defined below), at a redemption price (expressed as a percentage of principal amount thereof) of 105.500%, plus accrued and unpaid interest and Additional Amounts, if any, to the redemption date (subject to the right of Holders of record on the relevant record date to receive interest due on the relevant interest payment date); *provided* that (a) an aggregate principal amount of Notes equal to at least 50% of the original aggregate principal amount of Notes (including the principal amount of any Additional Notes) must remain outstanding after each such redemption of Notes and (b) such redemption occurs within 90 days of the date of the closing of such Qualified Equity Offering.

"*Qualified Equity Offering*" means any issuance of Capital Stock after the Issue Date (other than Disqualified Stock) of the Company, or options, warrants or rights with respect to its Capital Stock, pursuant to (i) a public offering in accordance with applicable laws, rules and regulations or (ii) a private offering in accordance with Rule 144A, Regulation S or another exemption from registration under the Securities Act.

In addition, at any time prior to October 15, 2015, the Notes may also be redeemed or purchased (by the Issuer or any other Person) in whole or in part, at the Issuer's option, at a price (the "Redemption Price") equal to 100% of the principal amount thereof plus the Applicable Premium as of, and accrued but unpaid interest and Additional Amounts, if any, to, the date of redemption or purchase (the "Redemption Date") (subject to the right of Holders of record on the relevant record date to receive interest due on the relevant interest payment date).

"*Applicable Premium*" means, with respect to a Note at any Redemption Date, the greater of (i) 1.0% of the principal amount of such Note and (ii) the excess of (A) the present value at such Redemption Date of (1) the redemption price of such Note on October 15, 2015 (such redemption price being that described in the second paragraph of this "Optional Redemption" section) plus (2) all required remaining scheduled interest payments due on such Note through such date, computed using a discount rate equal to the Treasury Rate plus 50 basis points, over (B) the principal amount of such Note on such Redemption Date, in each case as calculated by the Issuer or on behalf of the Issuer by such Person as the Issuer shall designate; *provided* that such calculation shall not be a duty or obligation of the Trustee and the Trustee shall have no obligation to verify the accuracy of such Applicable Premium.

"*Treasury Rate*" means, with respect to a Redemption Date, the yield to maturity at the time of computation of United States Treasury securities with a constant maturity (as compiled and published in the most recent Federal Reserve Statistical Release H.15(519) that has become publicly available at least two Business Days prior to such Redemption Date (or, if such Statistical Release is no longer published, any publicly available source of similar market data)) most nearly equal to the period from such Redemption Date to October 15, 2015; *provided*, *however*, that if the period from the Redemption Date to such date is not equal to the constant maturity of a United States Treasury security for which a weekly average yield is given, the Treasury Rate shall be obtained by linear interpolation (calculated to the nearest one-twelfth of a year) from the weekly average yields of United States Treasury securities for which such yields are given, except that if the period from the Redemption Date to such date is less than one year, the weekly average yield on actually traded United States Treasury securities adjusted to a constant maturity of one year shall be used.

Redemption for Changes in Taxes

The Issuer may redeem the Notes, in whole but not in part, at its option upon giving not less than 30 nor more than 60 days' prior notice to the Holders of the Notes (which notice will be irrevocable and given in accordance with the procedures described in "—Selection and Notice"), at a redemption price equal to 100% of the aggregate principal amount thereof, together with accrued and unpaid interest, if any, to the date fixed by the Issuer for redemption (a "Tax Redemption Date") and all Additional Amounts (if any) then due or which will become due on the Tax Redemption Date as a result of the redemption or otherwise (subject to the right of Holders of the Notes on the relevant record date to receive interest due on the relevant interest payment date and Additional Amounts (if any) in respect thereof) if, as a result of (i) any amendment to, or change in, the laws (or any regulations or rulings promulgated thereunder) of a relevant Tax Jurisdiction, which change or amendment is announced and becomes effective on or after the Issue Date (or, if the applicable Tax Jurisdiction became a Tax Jurisdiction on a date after the Issue Date, such later date), or (ii) any amendment to, or change in, an official written interpretation or application of such laws, regulations or rulings (including by virtue of a holding, judgment, order by a court of competent jurisdiction or a change in published administrative practice) which amendment or change is announced and becomes effective on or after the Issue Date (or, if the applicable Tax Jurisdiction became a Tax Jurisdiction on a date after the Issue Date, such later date), on the next date on which any amount would be payable in respect of the Notes, the Issuer is or would be required to pay Additional Amounts, and the Issuer cannot avoid such payment obligation by taking reasonable measures available to it.

The Issuer will not give any such notice of redemption earlier than 60 days prior to the earliest date on which the obligation to pay Additional Amounts arises, and the law imposing the obligation to pay Additional Amounts must be in effect at the time such notice is given. Prior to the publication or, where relevant, mailing of any notice of redemption of the Notes pursuant to the foregoing, the Issuer will deliver to the Trustee an opinion of independent tax counsel of recognized expertise in the laws of the relevant jurisdiction and satisfactory to the Trustee to the effect that there has been such amendment or change which would entitle the Issuer to redeem the Notes hereunder. In addition, before the Issuer publishes or mails notice of redemption of the Notes as described above, it will deliver to the Trustee an Officer's Certificate to the effect that the obligation to pay Additional Amounts cannot be avoided by the Issuer taking reasonable measures available to it.

The Trustee will accept and shall be entitled to conclusively rely on such Officer's Certificate and Opinion of Counsel as sufficient evidence of the existence and satisfaction of the conditions precedent as described above, in which event it will be conclusive and binding on the Holders. Any Notes that are redeemed will be cancelled.

Mandatory Redemption

Except as set forth below under "—Change of Control", the Issuer is not required to make mandatory redemption or sinking fund payments with respect to the Notes.

Change of Control

Upon the occurrence of a Change of Control with respect to the Notes, unless the Issuer has exercised its right to redeem the Notes as described under "—Optional Redemption," each Holder will have the right to require the Issuer or the Company to purchase all or a portion (equal to $200,000 or an integral multiple of $1,000 in excess thereof) of such Holder's Notes pursuant to the offer described below (the "Change of Control Offer"), at a purchase price equal to 101% of the principal amount thereof plus accrued and unpaid interest, if any, to the date of purchase (the "Change of Control Payment"), subject to the rights of Holders on the relevant record date to receive interest due on the relevant interest payment date.

Within 30 days following the date upon which the Change of Control occurs, unless the Issuer has exercised its right to redeem the Notes as described under "—Optional Redemption," with respect to the Notes, prior to any Change of Control but after the public announcement of the pending Change of Control, the Issuer or the Company will be required to send, by mail (or otherwise deliver in accordance with the applicable rules and procedures of DTC), a notice to each Holder of Notes, with a copy to the Trustee, which notice will govern the terms of the Change of Control Offer. Such notice will state, among other things, the purchase date, which must be no earlier than 30 days nor later than 60 days from the date such notice is mailed (or otherwise deliver in accordance with the applicable rules and procedures of DTC), other than as may be required by law (the "Change of Control Payment Date"). The notice, if mailed (or otherwise deliver in accordance with the applicable rules and procedures of DTC) prior to the date of consummation of the Change of Control, will state that the Change of Control Offer is conditioned on the Change of Control being consummated on or prior to the Change of Control Payment Date.

On the Change of Control Payment Date, the Issuer or the Company will, to the extent lawful, (1) accept or cause a third party to accept for payment all Notes or portions of Notes properly tendered pursuant to the Change of Control Offer; (2) deposit or cause a third party to deposit with the Paying Agent an amount equal to the Change of Control Payment in respect of all Notes or portions of Notes properly tendered; and (3) deliver or cause to be delivered to the Trustee the Notes accepted together with an Officers' Certificate stating the aggregate principal amount of Notes or portions of Notes being repurchased.

The Paying Agent will promptly mail to each Holder of Notes properly tendered the Change of Control Payment for such Notes, and the Issuer will promptly issue, and upon delivery of an authentication order from the Issuer, the Trustee will promptly authenticate and mail (or cause to be transferred by book entry) to each Holder a new Note equal in principal amount to any unpurchased portion of the Notes surrendered, if any.

The Change of Control provisions described above will be applicable whether or not any other provisions of the Indenture are applicable. Except as described above with respect to a Change of Control, the Indenture does not contain provisions that permit the Holders to require the Issuer or Company to repurchase or redeem the Notes in the event of a takeover, recapitalization or similar transaction.

The Issuer or Company will not be required to make a Change of Control Offer with respect to the Notes if (1) a third party makes such an offer in the manner, at the times and otherwise in compliance with the requirements for such an offer made by the Issuer or Company and such third party purchases all the Notes properly tendered and not withdrawn under its offer or (2) notice of redemption has been given pursuant to the Indenture as described above under the caption "—Optional Redemption". Notwithstanding anything to the contrary contained herein, a Change of Control Offer may be made in advance of a Change of Control, conditioned upon the occurrence of a Change of Control, if a definitive agreement is in place for the Change of Control at the time the Change of Control Offer is made.

The Issuer and Company will comply in all material respects with the requirements of Rule 14e-1 under the Exchange Act and any other securities laws and regulations thereunder to the extent those laws and regulations are applicable in connection with the repurchase of the Notes as a result of a Change of Control. To the extent that the provisions of any such securities laws or regulations applicable to us conflict with the Change of Control Offer provisions of the Notes, the Issuer and Company will comply with those securities laws and regulations and will not be deemed to have breached our obligations under the Change of Control Offer provisions of the Notes by virtue of any such conflict.

In the event a Change of Control occurs at a time when the Issuer or Company are prohibited, by the terms of any Indebtedness, from purchasing the Notes, the Issuer and Company may seek the consent of the holders of such Indebtedness to the purchase of the Notes or may attempt to refinance the borrowings that contain such prohibition. If the Issuer or Company do not obtain such a consent or repay such borrowings, the Issuer and Company would remain prohibited from purchasing the Notes. In such case, the Issuer or Company's failure to offer to purchase the Notes would constitute a default under the Indenture. For the avoidance of doubt, the Indenture will provide that the Issuer or Company's failure to offer to purchase the Notes would constitute a default under clause (iv) and not clause (i) under the caption "—Events of Default." Indebtedness incurred in the future may contain prohibitions on the occurrence of certain events that would constitute a Change of Control or require the repurchase of such Indebtedness upon a change of control. Moreover, the exercise by the Holders of Notes of their right to require the Issuer or Company to repurchase their Notes could cause a default under such Indebtedness, even if the change of control itself does not, due to the financial effect of such repurchase on us. Finally, the ability to pay cash to the Holders of Notes following the occurrence of a Change of Control may be limited by the Issuer or Company's then existing financial resources. There can be no assurance that sufficient funds will be available when necessary to make any required repurchases. See "Risk Factors—Risks Relating to the Notes—We may be unable to purchase the Notes upon a change of control."

If and for so long as the Notes are listed on the Irish Stock Exchange and the rules of the Irish Stock Exchange so require, the Issuer will release a notice of any Change of Control through the Company Announcements Office of the ISE (with a copy to the Trustee) or, to the extent and in the manner permitted by such rules, post such notice on the official website of the Irish Stock Exchange (*www.ise.ie*).

For purposes of the foregoing discussion of a Change of Control Offer, the following definitions are applicable:

"*Change of Control*" means the occurrence of any of the following:

(1) the direct or indirect sale, transfer, conveyance or other disposition (other than by way of merger or consolidation), in one or a series of related transactions, of all or substantially all of the properties or assets of the Company and its Restricted Subsidiaries taken as a whole to any "person" (as that term is used in Section 13(d)(3) of the Exchange Act) other than the Company or one of its Restricted Subsidiaries;

(2) the consummation of any transaction (including, without limitation, any merger or consolidation) the result of which is that any "person" (as defined above) becomes the Beneficial Owner, directly or indirectly, of more than 50% of the voting stock of the Company (measured by voting power rather than the number of shares), other than (i) any such transaction where the voting stock of the Company (measured by voting power rather than number of shares) outstanding immediately prior to such transaction constitutes or is converted into or exchanged for a majority of the outstanding shares of voting stock of such Beneficial Owner (measured by voting power rather than number of shares) or (ii) any merger or consolidation of the Company with or into any person (as defined above) (a "*Permitted Person*") or a Subsidiary of a Permitted Person, in each case, if immediately after such transaction no person (as defined above) is the Beneficial Owner, directly or indirectly, of more than 50% of the total voting stock of such Permitted Person (measured by voting power rather than the number of shares); or

(3) the first day on which a majority of the members of the board of directors the Company are not Continuing Directors.

"*Continuing Directors*" means, as of any date of determination, any member of the board of directors of the Company who:

(1) was a member of such board of directors on the date of the Indenture; or

(2) was nominated for election or elected to such board of directors with the approval of a majority of the Continuing Directors who were members of such board of directors at the time of such nomination or election.

The definition of Change of Control includes a phrase relating to the direct or indirect sale, lease, transfer, conveyance or other disposition of "all or substantially all" of the properties or assets of the Company and its Subsidiaries taken as a whole. Although there is a limited body of case law interpreting the phrase "substantially all," there is no precise, established definition of the phrase under applicable law. Accordingly, the applicability of the requirement that the Issuer or Company offer to repurchase the Notes as a result of a sale, lease, transfer, conveyance or other disposition of less than all of the assets of the Company and its Subsidiaries taken as a whole to another person or group may be uncertain.

Selection and Notice

If less than all of the Notes are to be redeemed at any time, the Trustee will select Notes for redemption in compliance with the requirements of the principal securities exchange, if any, on which the Notes are listed or, if the Notes are not so listed, on a pro rata basis or by lot or such other method as the Trustee deems to be fair and appropriate (or, in the case of Notes issued in global form as discussed under "Book-Entry; Delivery and Form," based on the applicable procedures of DTC), unless otherwise required by applicable law or depository requirements. The Trustee shall not be liable for selections made by it in accordance with this paragraph.

No Notes of $200,000 or less can be redeemed in part. Notices of redemption will be mailed by first class mail at least 30 but not more than 60 days before the redemption date to each Holder of Notes to be redeemed at its registered address, except that redemption notices may be mailed more than 60 days prior to a redemption date if the notice is issued in connection with a defeasance of the Notes or a satisfaction and discharge of the Indenture. The Issuer may provide in such notice that payment of the redemption price and the performance of the Issuer's obligations with respect to such redemption may be performed by another Person. Any such redemption and notice may, in the Issuer's discretion, be subject to the satisfaction of one or more conditions precedent, including but not limited to the occurrence of a Change of Control.

If any Note is to be redeemed in part only, the notice of redemption that relates to that Note will state the portion of the principal amount of that Note that is to be redeemed. A new Note in principal amount equal to the unredeemed portion of the original Note will be issued in the name of the holder of Notes upon cancellation of the original Note. Notes called for redemption become due on the date fixed for redemption. On and after the redemption date, interest ceases to accrue on Notes or portions of Notes called for redemption.

If and for so long as the Notes are listed on the Irish Stock Exchange and the rules of the Irish Stock Exchange so require, any such notice to the holders of the Notes shall also be released through the Company Announcements Office of the ISE or, to the extent and in the manner permitted by such rules, posted on the official website of the Irish Stock Exchange (*www.ise.ie*) and, in connection with any redemption, the Issuer will notify the Irish Stock Exchange of any change in the principal amount of Notes outstanding.

Effectiveness of Covenants

The Indenture will provide that, if on any day following the Issue Date (*a*) the Notes have been rated Investment Grade from both of the Rating Agencies, and (b) no Default or Event of Default has occurred and is continuing under the Indenture, then, beginning on that day (the "Termination Date"), subject to the provisions of the following paragraph, the covenants specifically listed under the following captions in this "Description of Notes" section of this Offering Memorandum (collectively, the "Terminated Covenants") will be terminated:

(i) "—Limitation on Indebtedness";

(ii) "—Limitation on Restricted Payments";

(iii) "—Future Subsidiary Guarantors"; and

(iv) clause (iii) of "—Merger and Consolidation".

Following any such termination of such covenants, any reference in the definitions of "Permitted Liens" and "Unrestricted Subsidiary" to the covenant described under "—Limitation on Indebtedness" or any provision thereof shall be construed as if such covenant remained in effect.

The Issuer will provide an Officer's Certificate to the Trustee promptly following the occurrence of the Termination Date. The Trustee shall have no obligation to independently determine or verify if such events have occurred or notify the Holders of any Terminated Covenants. The Trustee may provide a copy of such Officer's Certificate to any Holder of Notes upon request. There can be no assurance that the Notes will ever achieve or maintain Investment Grade ratings.

Certain Covenants

The Indenture will contain certain covenants including, among others, the following:

Limitation on Indebtedness.

The Indenture will provide as follows:

(a) The Company will not, and will not permit any Restricted Subsidiary to, Incur any Indebtedness; *provided*, *however*, that the Company or any Restricted Subsidiary may Incur Indebtedness if on the date of the Incurrence of such Indebtedness, after giving effect to the Incurrence thereof, the Consolidated Coverage Ratio would be not less than 2.00:1.00.

(b) Notwithstanding the foregoing paragraph (a), the Company and its Restricted Subsidiaries may Incur the following Indebtedness:

(i) Indebtedness Incurred pursuant to any Credit Facility (including but not limited to in respect of letters of credit or bankers' acceptances issued or created thereunder) and Indebtedness Incurred other than pursuant to any Credit Facility, in a maximum principal amount at any time outstanding not exceeding in the aggregate the amount equal to $1,000 million, *plus* CHF 800.0 million;

(ii) Indebtedness (A) of any Restricted Subsidiary to the Company or (B) of the Company or any Restricted Subsidiary to any Restricted Subsidiary; *provided*, that any subsequent issuance or transfer of any Capital Stock of any Restricted Subsidiary to which such Indebtedness is owed, or other event, that results in such Restricted Subsidiary ceasing to be a Restricted Subsidiary or any other subsequent transfer of such Indebtedness (except to the Company or a Restricted Subsidiary) will be deemed, in each case, an Incurrence of such Indebtedness by the issuer thereof not permitted by this clause (ii);

(iii) Indebtedness represented by the Notes issued on the Issue Date, any Indebtedness (other than the Indebtedness otherwise described in this paragraph (b)) outstanding on the Issue Date and any Refinancing Indebtedness Incurred in respect of any Indebtedness described in this clause (iii) or paragraph (a) above;

(iv) Purchase Money Obligations and Capitalized Lease Obligations, and any Refinancing Indebtedness with respect thereto, in an aggregate principal amount at any time outstanding not exceeding an amount equal to the greater of $75.0 million and 11.0% of Consolidated Net Tangible Assets;

(v) Indebtedness consisting of (A) accommodation guarantees or other trade credit to or for the benefit of Subsidiaries, customers and suppliers of the Company or any of its Restricted Subsidiaries in the ordinary course of business, (B) bid proposals to, or for the benefit of, airport authorities, landlords or other grantors of concessions or leases for retail operations in the ordinary course of business or (C) upfront, key money or similar payments made to, or for the benefit of, airport authorities, landlords or other grantors of concessions or leases for retail operations in the ordinary course of business;

(vi) (A) Guarantees by the Company or any Restricted Subsidiary of Indebtedness or any other obligation or liability of the Company or any Restricted Subsidiary (other than any Indebtedness Incurred by the Company or such Restricted Subsidiary, as the case may be, in violation of the covenant described under "—Limitation on Indebtedness"), or (B) without limiting the covenant described under "—Limitation on Liens," Indebtedness of the Company or any Restricted Subsidiary arising by reason of any Lien granted by or applicable to such Person securing Indebtedness of the Company or any Restricted Subsidiary (other than any Indebtedness Incurred by the Company or such Restricted Subsidiary, as the case may be, in violation of the covenant described under "—Limitation on Indebtedness");

(vii) Indebtedness of the Company or any Restricted Subsidiary (A) arising from the honoring of a check, draft or similar instrument of such Person drawn against insufficient funds, *provided* that such Indebtedness is extinguished within five Business Days of its Incurrence, (B) arising from cash management activities (including but not limited to liability positions related to notional or other cash pooling activities), or (C) consisting of guarantees, indemnities, obligations in respect of earnouts or other purchase price adjustments, or similar obligations, Incurred in connection with the acquisition or disposition of any business, assets or Person;

(viii) Indebtedness of the Company or any Restricted Subsidiary in respect of (A) letters of credit, bankers' acceptances or other similar instruments or obligations issued, or relating to liabilities or obligations incurred, in the ordinary course of business (including those issued to, or for the benefit of, customs authorities or to governmental entities in connection with self-insurance under applicable workers' compensation statutes), or (B) completion guarantees, surety, judgment, appeal or performance bonds, or other similar bonds, instruments or obligations, provided, or relating to liabilities or obligations incurred, in the ordinary course of business (including performance guarantees, guarantee deposits or other forms of Indebtedness that have the effect of a guarantee in respect of the payment of concession or other fees to, or for the benefit of, airport authorities, landlords or other grantors of concessions or leases for retail operations), or (C) Hedging Obligations, entered into for bona fide hedging purposes, or (D) Management Advances, or (E) the financing of insurance premiums in the ordinary course of business, or (F) netting, overdraft protection and other arrangements arising under standard business terms of any bank at which the Company or any Restricted Subsidiary maintains an overdraft, cash pooling or other similar facility or arrangement;

(ix) Indebtedness (A) of a Special Purpose Subsidiary secured by a Lien on all or part of the assets disposed of in, or otherwise Incurred in connection with, a Financing Disposition or

(B) otherwise Incurred in connection with a Special Purpose Financing; *provided* that (1) such Indebtedness is not recourse to the Company or any Restricted Subsidiary that is not a Special Purpose Subsidiary (other than with respect to Special Purpose Financing Undertakings), (2) in the event such Indebtedness shall become recourse to the Company or any Restricted Subsidiary that is not a Special Purpose Subsidiary (other than with respect to Special Purpose Financing Undertakings), such Indebtedness will be deemed to be, and must be classified by the Company as, Incurred at such time (or at the time initially Incurred) under one or more of the other provisions of this covenant for so long as such Indebtedness shall be so recourse; and (3) in the event that at any time thereafter such Indebtedness shall comply with the provisions of the preceding subclause (1), the Company may classify such Indebtedness in whole or in part as Incurred under this clause (b)(ix) of this covenant;

(x) Indebtedness of any Person that is assumed by the Company or any Restricted Subsidiary in connection with its acquisition of assets from such Person or any Affiliate thereof or is issued and outstanding on or prior to the date on which such Person was acquired by the Company or any Restricted Subsidiary or merged or consolidated with or into any Restricted Subsidiary (other than Indebtedness Incurred to finance, or otherwise Incurred in connection with, such acquisition); *provided* that on the date of such acquisition, merger or consolidation, after giving effect thereto, either (A) the Company could Incur at least $1.00 of additional Indebtedness pursuant to paragraph (a) above or (B) the Consolidated Coverage Ratio of the Company would equal or exceed the Consolidated Coverage Ratio of the Company immediately prior to giving effect thereto; and any Refinancing Indebtedness with respect to any such Indebtedness;

(xi) Indebtedness of the Company or any Restricted Subsidiary constituting loans to, or guarantees of the loans of, holders of non-controlling interests in any of the Company's Restricted Subsidiaries for the purpose of financing the investment by such holder in the business or activities of such Restricted Subsidiary, in an aggregate principal amount at any time outstanding not exceeding $50.0 million;

(xii) Indebtedness Incurred by any of Dufry Cyprus (II) Ltd., Dufry Cyprus Holding Ltd. or Duty Paid Shops SA or their Subsidiaries pursuant to the Greek Syndicated Credit Facility and any Refinancing Indebtedness in respect thereto, in a maximum aggregate principal amount at any time outstanding not exceeding €335.0 million; and

(xiii) Indebtedness of the Company or any Restricted Subsidiary in an aggregate principal amount at any time outstanding not exceeding an amount equal to the greater of $75.0 million and 11.0% of Consolidated Net Tangible Assets.

(c) For purposes of determining compliance with, and the outstanding principal amount of any particular Indebtedness Incurred pursuant to and in compliance with, this covenant, (i) any other obligation of the obligor on such Indebtedness (or of any other Person who could have Incurred such Indebtedness under this covenant) arising under any Guarantee, Lien or letter of credit, bankers' acceptance or other similar instrument or obligation supporting such Indebtedness shall be disregarded to the extent that such Guarantee, Lien or letter of credit, bankers' acceptance or other similar instrument or obligation secures the principal amount of such Indebtedness; (ii) in the event that Indebtedness meets the criteria of more than one of the types of Indebtedness described in paragraph (b) above or is entitled to be incurred pursuant to paragraph (a) above, the Company, in its sole discretion, will be entitled to classify and later reclassify (based on the circumstances existing on the date of such reclassification) such item of Indebtedness and may include the amount and type of such Indebtedness in one or more of such clauses in paragraphs (a) or (b) above (including in part under one such clause and in part under another such clause in paragraphs (a) or (b) above) (*provided* that (x) all Indebtedness outstanding under the 2011 Term Loan Facility and the 2012 Revolving Credit Facility on the Issue Date will be treated as incurred on the Issue Date under clause (i) of paragraph (b) and may not be later reclassified and (y) any Indebtedness incurred under the Greek Syndicated Credit Facility will be treated as incurred under clause (xii) of paragraph (b) and may not be reclassified); and (iii) the amount of any Indebtedness outstanding as of any date shall be (A) the accreted value thereof in the case of any Indebtedness issued with original discount and (B) the principal amount, or liquidation preference thereof, in the case of any other Indebtedness.

(d) For purposes of determining compliance with any Dollar-denominated restriction on the Incurrence of Indebtedness denominated in a foreign currency, the Dollar-equivalent principal amount of such Indebtedness Incurred pursuant thereto will be calculated based on the relevant currency exchange rate in effect on the date that such Indebtedness was Incurred or, in the case of revolving credit Indebtedness, first committed; *provided* that (x) the Dollar-equivalent principal amount of any such Indebtedness outstanding on the Issue Date shall be calculated based on the relevant currency exchange rate in effect on the Issue Date, (y) if such Indebtedness is Incurred to refinance other Indebtedness denominated in a foreign currency (or in a different currency from such Indebtedness so being Incurred), and such refinancing would cause the applicable Dollar-denominated restriction to be exceeded if calculated at the relevant currency exchange rate in effect on the date of such refinancing, such Dollar-denominated restriction shall be deemed not to have been exceeded so long as the principal amount of such refinancing Indebtedness does not exceed (i) the outstanding or committed principal amount (whichever is higher) of such Indebtedness being refinanced *plus* (ii) the aggregate amount of fees, underwriting discounts, premiums and other costs and expenses incurred in connection with such refinancing and (z) the Dollar-equivalent principal amount of Indebtedness denominated in a foreign currency and Incurred pursuant to the 2011 Senior Credit Facility shall be calculated based on the relevant currency exchange rate in effect on, at the Company's option, (i) the Issue Date, (ii) any date on which any of the respective commitments under such Senior Credit Facility shall be reallocated between or among facilities or subfacilities thereunder, or on which such rate is otherwise calculated for any purpose thereunder, or (iii) the date of such Incurrence. The principal amount of any Indebtedness Incurred to refinance other Indebtedness, if Incurred in a different currency from the Indebtedness being refinanced, shall be calculated based on the currency exchange rate applicable to the currencies in which such respective Indebtedness is denominated that is in effect on the date of such refinancing.

Limitation on Issuer's Activities and Ownership

For so long as the Notes are outstanding:

(a) the Issuer will conduct no business or any other activities other than that of financing the business operations of the Company's Subsidiaries through the borrowing of Indebtedness and the on-lending of the proceeds thereof to the Company (including a Successor Company (as defined below under the caption "—Merger and Consolidation") or to Subsidiaries of the Company (including a Successor Company) on substantially the same terms as such Indebtedness and activities incidental thereto; and

(b) the Company (including a Successor Company), will maintain a 100% direct or indirect equity ownership of the Issuer;

provided, however, that (I) nothing in this "Limitation on Issuer's Activities and Ownership" shall prevent the Issuer from consolidating with or merging with or into the Company (including a Successor Company) or a Subsidiary and (II) following such consolidation or merger with or into the Company (including a Successor Company) but not a Subsidiary, the limitations set forth in paragraphs (a) and (b) of this "Limitation on Issuer's Activities and Ownership" shall terminate.

***Limitation on Restricted Payments*.**

The Indenture will provide as follows:

(a) The Company will not, and will not permit any Restricted Subsidiary, directly or indirectly, to (i) declare or pay any dividend or make any distribution on or in respect of its Capital Stock (including any such payment in connection with any merger or consolidation to which the Company is a party) except (x) dividends or distributions payable by the Company or a Restricted Subsidiary solely in its Capital Stock (other than Disqualified Stock), (y) dividends or distributions payable by the Company or a Restricted Subsidiary to the Company or any Restricted Subsidiary and (z) dividends or distributions payable by a Restricted Subsidiary to holders of its Capital Stock (including dividends or distributions payable by any joint venture constituting a Restricted Subsidiary to the parties to that joint venture) on a *pro rata* basis or on a basis more favorable to the Company or a Restricted Subsidiary, in each case measured by value, (ii) purchase, redeem, retire or otherwise acquire for value any Capital Stock of the Company held by Persons other than the Company or a Restricted Subsidiary (other than any acquisition of Capital Stock deemed to occur upon the exercise of options if such Capital Stock represents a portion of the exercise price thereof), (iii) voluntarily purchase, repurchase, redeem, defease or otherwise voluntarily acquire or retire for value, prior to scheduled maturity, scheduled repayment or scheduled sinking fund payment, any Subordinated Obligations (other than a purchase, repurchase, redemption, defeasance or other acquisition or retirement for value in anticipation of satisfying a sinking fund obligation, principal installment or final maturity, in each case due within one year of the date of such acquisition or retirement) or (iv) make any Investment (other than a Permitted Investment) in any Person (any such dividend, distribution, purchase, repurchase, redemption, defeasance, other acquisition or retirement or Investment being herein referred to as a "Restricted Payment"), if at the time the Company or such Restricted Subsidiary makes such Restricted Payment and after giving effect thereto:

(1) a Default or Event of Default shall have occurred and be continuing (or would result therefrom);

(2) the Company could not Incur at least an additional $1.00 of Indebtedness pursuant to paragraph (a) of the covenant described under "—Limitation on Indebtedness"; or

(3) the aggregate amount of such Restricted Payment and all other Restricted Payments (the amount so expended, if other than in cash, to be as determined in good faith by the Board of Directors, whose determination shall be conclusive and evidenced by a resolution of the Board of Directors) declared or made subsequent to the Issue Date and then outstanding would exceed, without duplication, the sum of:

(A) 50% of the Consolidated Net Income accrued during the period (treated as one accounting period) beginning on October 1, 2012 to the end of the most recent fiscal quarter ending prior to the date of such Restricted Payment for which consolidated financial statements of the Company are available (or, in case such Consolidated Net Income shall be a negative number, 100% of such negative number);

(B) the aggregate Net Cash Proceeds and the fair value (as determined in good faith by the Board of Directors) of property or assets received (*x*) by the Company as capital contributions to the Company after the October 1, 2012 or from the issuance or sale (other than to a Restricted Subsidiary) of its Capital Stock (other than Disqualified Stock) after the October 1, 2012 (other than Excluded Contributions) or (*y*) by the Company or any Restricted Subsidiary from the issuance and sale by the Company or any Restricted Subsidiary after the October 1, 2012 of Indebtedness that shall have been converted into or exchanged for Capital Stock of the Company (other than Disqualified Stock), *plus* the amount of any cash and the fair value (as determined in good faith by the Board of Directors) of any property or assets, received by the Company or any Restricted Subsidiary upon such conversion or exchange;

(C) the aggregate amount equal to the net reduction in Investments in Unrestricted Subsidiaries resulting from (*i*) dividends, distributions, interest payments, return of capital, repayments of

Investments or other transfers of assets to the Company or any Restricted Subsidiary from any Unrestricted Subsidiary, including dividends or other distributions related to dividends or other distributions made pursuant to clause (x) of the following paragraph (b), or (*ii*) the redesignation of any Unrestricted Subsidiary as a Restricted Subsidiary (valued in each case as provided in the definition of "Investment"), not to exceed in the case of any such Unrestricted Subsidiary the aggregate amount of Investments (other than Permitted Investments) made by the Company or any Restricted Subsidiary in such Unrestricted Subsidiary after the Issue Date; and

(D) in the case of any disposition or repayment of any Investment constituting a Restricted Payment (without duplication of any amount deducted in calculating the amount of Investments at any time outstanding included in the amount of Restricted Payments), an amount in the aggregate equal to the lesser of the return of capital, repayment or other proceeds with respect to all such Investments received by the Company or a Restricted Subsidiary and the initial amount of all such Investments constituting Restricted Payments.

(b) The provisions of the foregoing paragraph (a) do not prohibit any of the following (each, a "*Permitted Payment*"):

(i) any purchase, redemption, repurchase, defeasance or other acquisition or retirement of Capital Stock of the Company or Subordinated Obligations made by exchange (including any such exchange pursuant to the exercise of a conversion right or privilege in connection with which cash is paid in lieu of the issuance of fractional shares) for, or out of the proceeds of the substantially concurrent issuance or sale of, Capital Stock of the Company (other than Disqualified Stock and other than Capital Stock issued or sold to a Subsidiary) or a substantially concurrent capital contribution to the Company, in each case other than Excluded Contributions; *provided* that the Net Cash Proceeds from such issuance, sale or capital contribution shall be excluded in subsequent calculations under clause (3)(B) of the preceding paragraph (a); any purchase, redemption, repurchase, defeasance or other acquisition or retirement of Subordinated Obligations (*w*) made by exchange for, or out of the proceeds of the substantially concurrent issuance or sale of, Indebtedness of the Company or Refinancing Indebtedness Incurred in compliance with the covenant described under "—Limitation on Indebtedness," (*x*) following the occurrence of a Change of Control (or other similar event described therein as a "change of control"), but only if the Company shall have complied with the covenant described under "—Change of Control" and, if required, purchased all Notes tendered pursuant to the offer to repurchase all the Notes required thereby, prior to purchasing or repaying such Subordinated Obligations or (*y*) constituting Acquired Indebtedness;

(ii) dividends paid within 60 days after the date of declaration thereof if at such date of declaration such dividend would have complied with the preceding paragraph (a);

(iii) Investments or other Restricted Payments in an aggregate amount outstanding at any time not to exceed the amount of Excluded Contributions;

(iv) payments by the Company to (a) repurchase or otherwise acquire Capital Stock of the Company in the open market that is subsequently conveyed by the Company to Management Investors, such payments not to exceed an aggregate of CHF 50.0 million in any fiscal year and (b) to the extent such Capital Stock of the Company is not subsequently resold by such Management Investors in the open market, repurchase or otherwise acquire such Capital Stock of the Company from such Management Investors, such payments not to exceed an aggregate of CHF 25.0 million in any fiscal year;

(v) Restricted Payments (including loans or advances) in an aggregate amount outstanding at any time not to exceed an amount (net of repayments of any such loans or advances) equal to the greater of $150.0 million;

(vi) payments by the Company to holders of Capital Stock of the Company in lieu of issuance of fractional shares of such Capital Stock; dividends or other distributions of Capital Stock, Indebtedness or other securities of Unrestricted Subsidiaries;

(vii) the declaration and payment of dividends to holders of any class or series of Disqualified Stock, or of any Preferred Stock of a Restricted Subsidiary, Incurred in accordance with the terms of the covenant described under "Certain Covenants—Limitation on Indebtedness" above; and

(viii) other Restricted Payments if, immediately after giving effect to such Restricted Payment (including the incurrence of any Indebtedness to finance such payment) as if it had occurred at the beginning of the most recently ended four full fiscal quarters for which consolidated financial statements of the Company are available, the Consolidated Total Leverage Ratio would have been less than or equal to 3.25:1.00;

provided, that (*A*) in the case of clauses (ii), (iv) and (viii), the net amount of any such Permitted Payment shall be included in subsequent calculations of the amount of Restricted Payments, (*B*) in all cases other than those described in the foregoing clause (A), the net amount of any such Permitted Payment shall be excluded in subsequent calculations of the amount of Restricted Payments and (*C*) solely with respect to clauses (iv), (v) and (viii), no Default or Event of Default shall have occurred or be continuing at the time of any such Permitted Payment after giving effect thereto.

For purposes of determining compliance with this covenant, in the event that a proposed Restricted Payment (or a portion thereof) meets the criteria of clauses (i) through (viii) above or is entitled to be made pursuant to paragraph (a) above, the Company will be entitled to classify and later reclassify (based on the circumstances existing on the date of such reclassification) such Restricted Payment (or portion thereof) among such clauses (i) through (viii) above and paragraph (a) above in a manner that otherwise complies with this covenant.

Limitation on Liens

The Indenture will provide that the Company shall not, and shall not permit any Restricted Subsidiary to, directly or indirectly, create or permit to exist any Lien (other than Permitted Liens) on any of its property or assets (including Capital Stock of any other Person), whether owned on the date of the Indenture or thereafter acquired, securing any Indebtedness (the "Initial Lien"), unless contemporaneously therewith effective provision is made to secure the Indebtedness due under the Indenture and the Notes or, in respect of Liens on the Company's or any Restricted Subsidiary's (other than the Issuer's) property or assets, any Note Guarantee by the Company or such Restricted Subsidiary, equally and ratably with (or on a senior basis to, in the case of Subordinated Obligations or Guarantor Subordinated Obligations) such obligation for so long as such obligation is so secured by such Initial Lien. Any such Lien thereby created in favor of the Notes or any such Note Guarantee will be automatically and unconditionally released and discharged upon (i) the release and discharge of the Initial Lien to which it relates, (ii) in the case of any such Lien in favor of any such Subsidiary Note Guarantee, upon the termination and discharge of such Subsidiary Note Guarantee in accordance with the terms of the Indenture or (iii) any sale, exchange or transfer (other than a transfer constituting a transfer of all or substantially all of the assets of the Company that is governed by the provisions of the covenant described under "—Merger and Consolidation" below) to any Person not an Affiliate of the Company of the property or assets secured by such Initial Lien, or of all of the Capital Stock held by the Company or any Restricted Subsidiary in, or all or substantially all the assets of, any Restricted Subsidiary creating such Initial Lien.

Future Subsidiary Guarantors

The Indenture will provide that from and after the Issue Date the Company will cause each Restricted Subsidiary that guarantees payment by the Company or its Restricted Subsidiaries of any Bank Indebtedness or Public Debt of the Company or any of its Restricted Subsidiaries in excess of the De Minimis Guaranteed Amount to execute and deliver to the Trustee a supplemental indenture or other instrument pursuant to which such Restricted Subsidiary will guarantee payment of the Notes, whereupon such Restricted Subsidiary will become a Subsidiary Guarantor for all purposes under the Indenture. The Company will also have the right to cause any other Subsidiary so to guarantee payment of the Notes. The Note Guarantees will be subject to release and discharge under certain circumstances prior to payment in full of the Notes. See "—Note Guarantees."

Notwithstanding the foregoing:

(1) no Note Guarantee shall be required as a result of any Guarantee of Indebtedness that existed at the time such Person became a Restricted Subsidiary if the Guarantee was not incurred in connection with, or in contemplation of, such Person becoming a Restricted Subsidiary;

(2) no Note Guarantee shall be required as a result of any Guarantee by any of Dufry Cyprus (II) Ltd., Dufry Cyprus Holding Ltd. or Duty Paid Shops SA or their Subsidiaries of Indebtedness under the Greek Syndicated Credit Facility;

(3) such Note Guarantee need not be secured unless required pursuant to the "—Limitation on Liens" covenant;

(4) if such Indebtedness is by its terms expressly subordinated to the Notes or any Note Guarantee, any such assumption, Guarantee or other liability of such Restricted Subsidiary with respect to such Indebtedness shall be subordinated to such Restricted Subsidiary's Note Guarantee at least to the same extent as such Indebtedness is subordinated to the Notes or any other senior Guarantee;

(5) no Note Guarantee shall be required if such Note Guarantee could reasonably be expected to give rise to or result in (A) personal liability for the employees, officers, directors or shareholders of such Restricted Subsidiary, (B) any violation of applicable law that cannot be avoided or otherwise prevented through measures reasonably available to the Company or such Restricted Subsidiary, including, for the avoidance of doubt, "white-wash" or similar procedures or (C) any significant cost, expense, liability or obligation (including with respect of any Taxes) other than reasonable out-of-pocket expenses and other than reasonable expenses incurred in connection with any governmental or regulatory filings required as a result of, or any measures pursuant to clause (B) undertaken in connection with such Note Guarantee that cannot be avoided through measures reasonably available to the Company or the Restricted Subsidiary; and

(6) each such Note Guarantee will be limited as necessary to recognize certain defenses generally available to guarantors (including those that relate to fraudulent conveyance or transfer, voidable preference, financial assistance, corporate purpose, capital maintenance or similar laws, regulations or defenses affecting the rights of creditors generally) or other considerations under applicable law.

Designation of Restricted and Unrestricted Subsidiaries

At the time the Notes are originally issued, all of the Subsidiaries of the Company will be Restricted Subsidiaries.

Reports

So long as any Notes are outstanding, the Company will furnish to the Trustee:

(1) within 120 days after the end of the Company's fiscal year (commencing with the fiscal year ending December 31, 2012) (A) the Company's annual report and accounts (including audited year end financial statements prepared in accordance with IFRS and an explanatory statement) prepared in accordance with the rules of the SIX Swiss Exchange and (B) to the extent not already provided under clause (A), (i) an operating and financial review of the audited financial statements, including a discussion of the results of operations, financial condition and liquidity

and capital resources, and a discussion of material commitments and contingencies and critical accounting policies, (ii) a description of the business, management and shareholders of the Company, all material affiliate transactions and a description of all material contractual arrangements, including material debt instruments (unless such contractual arrangements were described in a previous annual or quarterly report, in which case the Company need describe only any material changes), (iii) material risk factors relating to the business of the Company and material recent developments, (iv) pro forma income statement and balance sheet information, together with explanatory footnotes for any material transactions that have occurred since the beginning of the most recently completed fiscal year, to the extent pro forma financial statements would be required to be provided under Rule 3-05 of Regulation S-X promulgated by the SEC (whether or not such regulation is applicable and testing the significance of any such transaction at a threshold of 30%) (*provided* that such pro forma financial information will be provided only to the extent available without unreasonable expense, in which case the Company will provide, in the case of a material acquisition, acquired company financials), and (v) audited consolidated statements of income, statements of cash flow and balance sheets of the Company as of and for the most recent two fiscal years (including appropriate footnotes and the report of the independent auditors on such financial statements);

(2) within 60 days following the end of the first semi-annual period of the Company's financial year (commencing with the semi-annual period ending June 30, 2013) (A) an interim report (including a condensed set of semi-annual interim financial statements prepared in accordance with IFRS and an explanatory statement) prepared in accordance with requirements of the rules of the SIX Swiss Exchange or a half-yearly report and (B) to the extent not already provided under clause (A), (i) an unaudited condensed consolidated balance sheet as of the end of such semi-annual period and an unaudited condensed statement of income and statement of cash flow for the period from the beginning of the then-current fiscal year until the end of such semi-annual period, and the comparable prior year periods (together with condensed footnote disclosure), (ii) an operating and financial review of the unaudited financial statements, in a level of detail comparable in all material respects to the operating and financial review of the Company contained in its semi-annual report as of and for the six month period ended June 30, 2012 and (iii) material recent developments;

(3) within 60 days following the end of the first and third quarterly period of the Company's financial year (commencing with the quarterly period ending September 30, 2012) (i) an unaudited condensed consolidated balance sheet as of the end of such quarter and an unaudited condensed statement of income and statement of cash flow for the period from the beginning of the then-current fiscal year until the end of such quarter, and the comparable prior year periods (together with condensed footnote disclosure), (ii) a financial review of the unaudited financial statements, in a level of detail comparable in all material respects to the financial review of the Company contained in its semi-annual report as of and for the six month period ended June 30, 2012 and (iii) material recent developments; and

(4) concurrently with its issuance, all information that is required to be provided to the holders of the shares of the Company under the rules of the SIX Swiss Exchange or otherwise by applicable law;

provided, *however*, that the reports set forth in clauses (1), (2), (3) and (4) above will not be required to (i) contain any reconciliation to U.S. generally accepted accounting principles or (ii) include separate financial statements for any Subsidiary Guarantors or non-guarantor Subsidiaries of the Company; *provided*, *further*, *however*, that any reports set out in this paragraph delivered to the Trustee via email in PDF format or other electronic means shall be deemed to have been "furnished" to the Trustee in accordance with the terms of this paragraph.

In addition, if the Company has designated any of its Subsidiaries as Unrestricted Subsidiaries and such Subsidiaries are Significant Subsidiaries, then the quarterly and annual financial information required by the preceding paragraph will include a presentation of the Company and its Restricted Subsidiaries as a percentage of the Company's consolidated revenue, consolidated EBITDA and consolidated total assets (excluding intercompany receivables among the Company and its Restricted Subsidiaries).

All financial statements shall be prepared in accordance with IFRS. Except as provided for above, no report need include separate financial statements for the Company or Subsidiaries of the Company or any disclosure with respect to the results of operations or any other financial or statistical disclosure not of a type included in this Offering Memorandum.

In addition, for so long as any Notes remain outstanding, the Issuer has agreed that it will furnish to the holders and to securities analysts and prospective investors, upon their request, the information required to be delivered pursuant to Rule 144A(d)(4) under the U.S. Securities Act.

Contemporaneously with the furnishing of each such report discussed above, the Company will also (a) file a press release with the appropriate internationally recognized wire services in connection with such report and (b) post such report on the Company's website. The Issuer will also make available copies of all reports required by clauses (1) through (3) of the first paragraph of this covenant, if and so long as the Notes are listed on the Irish Stock Exchange and the rules of the Irish Stock Exchange so require, at the Company Announcements Office of the ISE or, to the extent and in the manner permitted by such rules, post such reports on the official website of the Irish Stock Exchange (www.ise.ie).

The Company will also hold quarterly conference calls for the Holders of the Notes to discuss financial information for the previous quarter (it being understood that such quarterly conference call may be the same conference call as with the Company's equity investors and analysts). The conference call will be following the last day of each fiscal quarter of the Company and not later than 10 Business Days from the time that the Company distributes the financial information as set forth in the second preceding paragraph. No fewer than two days prior to the conference call, the Company will issue a press release announcing the time and date of such conference call and providing instructions for Holders, securities analysts and prospective investors to obtain access to such call.

Delivery of such reports, information and documents to the Trustee shall be for informational purposes only and the Trustee's receipt of such shall not constitute actual or constructive notice of any information contained therein or determinable from information contained therein, including the Company's compliance with any of its covenants under the Indenture or the Notes (as to which the Trustee shall have no duty to monitor and shall be entitled to rely exclusively on Officer's Certificates).

Merger and Consolidation

The Indenture will provide that the Company will not consolidate with or merge with or into, or convey, transfer or lease all or substantially all its assets to, any Person, unless:

(i) the resulting, surviving or transferee Person (the "*Successor Company*") will be a Person organized and existing under the laws of any member state of the European Union as in effect on December 31, 2003, Switzerland, Canada, the United States of America, any state thereof or the District of Columbia, and the Successor Company (if not the Company) will expressly assume all the obligations of the Company, under the Indenture and its Note Guarantee, pursuant to a supplemental indenture;

(ii) immediately after giving effect to such transaction (and treating any Indebtedness that becomes an obligation of the Successor Company or any Restricted Subsidiary as a result of such transaction as having been Incurred by the Successor Company or such Restricted Subsidiary at the time of such transaction), no Default or Event of Default will have occurred and be continuing;

(iii) immediately after giving effect to such transaction, either (A) the Successor Company could Incur at least $1.00 of additional Indebtedness pursuant to paragraph (a) of the covenant described under "—Limitation on Indebtedness," or (B) the Consolidated Coverage Ratio of the Company (or, if applicable, the Successor Company with respect thereto) would equal or exceed the Consolidated Coverage Ratio of the Company immediately prior to giving effect to such transaction;

(iv) each Subsidiary Guarantor (other than (x) any Subsidiary Guarantor that will be released from its obligations under its Subsidiary Note Guarantee in connection with such transaction and (y) any party to any such consolidation or merger) shall have delivered a supplemental indenture in form reasonably satisfactory to the Trustee, confirming its Subsidiary Note Guarantee (other than any Subsidiary Note Guarantee that will be discharged or terminated in connection with such transaction); and

(v) the Company will have delivered to the Trustee an Officer's Certificate and an Opinion of Counsel, each to the effect that such consolidation, merger or transfer complies with the provisions described in this paragraph, provided that in giving such opinion such counsel may rely on an Officer's Certificate as to compliance with the foregoing clauses (ii) and (iii) and as to any matters of fact.

The Successor Company will succeed to, and be substituted for, and may exercise every right and power of, the Company, under the Indenture, and thereafter the predecessor Company, shall be relieved of all obligations and covenants under the Indenture, except that the predecessor Company, in the case of a lease of all or substantially all its assets will not be released from the obligation to pay (or guarantee the payment of) the principal of and interest and Additional Amounts, if any, on the Notes.

Clauses (ii) and (iii) will not apply to any transaction in which (1) any Restricted Subsidiary consolidates with, merges into or transfers all or part of its assets to the Company or (2) the Company consolidates or merges with or into or transfers all or substantially all its properties and assets to (x) an Affiliate incorporated or organized for the purpose of reincorporating or reorganizing the Company in another jurisdiction or changing its legal structure to a corporation or other entity or (y) a Restricted Subsidiary of the Company so long as all assets of the Company and the Restricted Subsidiaries immediately prior to such transaction (other than Capital Stock of such Restricted Subsidiary) are owned by such Restricted Subsidiary and its Restricted Subsidiaries immediately after the consummation thereof.

Maintenance of Listing

The Issuer will use its commercially reasonable efforts to maintain the listing of the Notes on the Irish Stock Exchange for so long as such Notes are outstanding; provided that if at any time the Issuer determines that it will not maintain such listing, it will obtain prior to the delisting of the Notes from the Global Exchange Market of the Irish Stock Exchange, and thereafter use its commercially reasonable efforts to maintain, a listing of such Notes on another recognized stock exchange or exchange regulated market in western Europe.

Open Market and Negotiated Purchases

The Issuer, Company or any of their Affiliates may at any time purchase Notes, in whole or in part, in the open market, in negotiated transactions or otherwise at any price, in accordance with the terms of the Indenture and applicable securities laws. Any such purchased Notes will not be resold, except in compliance with the Indenture and applicable requirements or exemptions under any relevant securities laws.

Events of Default

An Event of Default will be defined in the Indenture as:

(i) a default in any payment of interest or Additional Amounts, if any, on any Note when due, continued for 30 days;

(ii) a default in the payment of principal of any Note when due, whether at its Stated Maturity, upon optional redemption, upon required repurchase, upon declaration of acceleration or otherwise;

(iii) the failure by the Issuer or Company to comply with its obligations under the covenant described under "—Merger and Consolidation" above;

(iv) the failure by the Issuer or Company to comply for 45 days after notice with any of its obligations under the covenant described under "—Change of Control" above (other than a failure to purchase Notes, which constitutes an Event of Default under clause (ii) above);

(v) the failure by the Issuer to comply for 60 days after notice with its other agreements contained in the Notes or the Indenture;

(vi) the failure by the Company or any Subsidiary Guarantor to comply for 45 days after notice with its obligations under its Note Guarantee;

(vii) the failure by the Company or any Restricted Subsidiary to pay any Indebtedness within any applicable grace period after final maturity or the acceleration of any such Indebtedness by the holders thereof because of a default, if the total amount of such Indebtedness so unpaid or accelerated exceeds $50.0 million or its foreign currency equivalent; *provided* that no Default or Event of Default will be deemed to occur with respect to any such accelerated Indebtedness that is paid or otherwise acquired or retired within 30 Business Days after such acceleration (the "cross acceleration provision");

(viii) certain events of bankruptcy, insolvency or reorganization of the Company or a Significant Subsidiary, or of other Restricted Subsidiaries that are not Significant Subsidiaries but would in the aggregate constitute a Significant Subsidiary if considered as a single Person (the "bankruptcy provisions");

(ix) the rendering of any judgment or decree for the payment of money in an amount (net of any insurance or indemnity payments actually received in respect thereof prior to or within 90 days from the entry thereof, or to be received in respect thereof in the event any appeal thereof shall be unsuccessful) in excess of $50.0 million or its foreign currency equivalent against the Company or a Significant Subsidiary, or jointly and severally against other Restricted Subsidiaries that are not Significant Subsidiaries but would in the aggregate constitute a Significant Subsidiary if considered as a single Person, that is not discharged, or bonded or insured by a third Person, if such judgment or decree remains outstanding for a period of 90 days following such judgment or decree and is not discharged, waived or stayed (the "judgment default provision"); or

(x) the failure of any Note Guarantee by the Company or a Subsidiary Guarantor that is a Significant Subsidiary to be in full force and effect (except as contemplated by the terms thereof or of the Indenture) or the denial or disaffirmation in writing by the Company or any Subsidiary Guarantor that is a Significant Subsidiary of its obligations under the Indenture or its Note Guarantee, if such Default continues for 10 days.

The foregoing will constitute Events of Default whatever the reason for any such Event of Default and whether it is voluntary or involuntary or is effected by operation of law or pursuant to any judgment, decree or order of any court or any order, rule or regulation of any administrative or governmental body.

However, a Default under clause (iv), (v) or (vi) will not constitute an Event of Default until the Trustee or the Holders of at least 30% in principal amount of the outstanding Notes notify the Company (and the Trustee if given by Holders) of the Default and the Company does not cure such Default within the time specified in such clause after receipt of such notice.

If an Event of Default (other than a Default relating to certain events of bankruptcy, insolvency or reorganization of the Company) occurs and is continuing under the Indenture, the Trustee by notice to the Company, or the Holders of at least 30% in principal amount of the outstanding Notes by notice to the Company and the Trustee, may declare the principal of and accrued but unpaid interest on all the Notes to be due and payable. Upon the effectiveness of such a declaration, such principal and interest will be due and payable immediately.

Notwithstanding the foregoing, if an Event of Default relating to certain events of bankruptcy, insolvency or reorganization of the Company occurs and is continuing, the principal of and accrued but unpaid interest on all the Notes will become immediately due and payable without any declaration or other act on the part of the Trustee or any Holders. Under certain circumstances, the Holders of a majority in principal amount of the outstanding Notes may rescind any such acceleration with respect to the Notes and its consequences.

Subject to the provisions of the Indenture relating to the duties of the Trustee, in case an Event of Default occurs and is continuing, the Trustee will be under no obligation to exercise any of the rights or powers under the Indenture at the request or direction of any of the Holders unless such Holders have offered to the Trustee indemnity or security reasonably satisfactory to it against any loss, liability or expense. Except to enforce the right to receive payment of principal, premium (if any) or interest when due, no Holder may pursue any remedy with respect to the Indenture or the Notes unless (i) such Holder has previously given the Trustee written notice that an Event of Default is continuing, (ii) Holders of at least 30% in principal amount of the outstanding Notes have requested the Trustee in writing to pursue the remedy, (iii) such Holders have offered the Trustee reasonable security or indemnity against any loss, liability or expense, (iv) the Trustee has not complied with such request within 60 days after the receipt of the request and the offer of security or indemnity reasonably satisfactory to the Trustee against any loss, liability or expense and (v) the Holders of a majority in principal amount of the outstanding Notes have not given the Trustee a direction inconsistent with such request within such 60-day period. Subject to certain restrictions, the Holders of a majority in principal amount of the outstanding Notes are given the right to direct the time, method and place of conducting any proceeding for any remedy available to the Trustee or of exercising any trust or power conferred on the Trustee. The Trustee, however, may refuse to follow any direction that conflicts with law or the Indenture or that the Trustee determines is unduly prejudicial to the rights of any other Holder or that would involve the Trustee in personal liability. Prior to taking any action under the Indenture, the Trustee will be entitled to indemnification satisfactory to it in its sole discretion against all losses and expenses caused by taking or not taking such action.

The Indenture provides that if an Event of Default occurs and is continuing and is known to the Trustee, the Trustee must mail to each Holder notice of the Event of Default within 90 days after it occurs. Except in the case of an Event of Default in the payment of principal of, or premium (if any) or interest on or Additional Amounts, if any, with respect to, any Note, the Trustee may withhold notice if and so long as it in good faith determines that withholding notice is in the interests of the Noteholders. In addition, the Company is required to deliver to the Trustee, within 120 days after the end of each fiscal year, a certificate indicating whether the signers thereof know of any Default or Event of Default occurring during the previous year. The Company also is required to deliver to the Trustee, within 30 days after the occurrence thereof, written notice of any event that would constitute certain Defaults or Events of Default, their status and what action the Company is taking or proposes to take in respect thereof.

Amendments and Waivers

Subject to certain exceptions, the Indenture may be amended with the consent of the Holders of a majority in principal amount of the Notes then outstanding and any past default or future compliance with any provisions may be waived with the consent of the Holders of a majority in principal amount of the Notes then outstanding (including in each case, consents obtained in connection with a tender offer or exchange offer for Notes). However, without the consent of each Holder of an outstanding Note affected, no amendment or waiver may (i) reduce the principal amount of Notes whose Holders must consent to an amendment or waiver, (ii) reduce the rate of or extend the time for payment of interest or Additional Amounts on any Note, (iii) reduce the principal of or extend the Stated Maturity of any Note, (iv) reduce the premium payable upon the redemption of any Note, or change the date on which any Note may be redeemed as described under "—Optional Redemption" above, (v) make any Note payable in money other than that stated in such Note, (vi) impair the right of any Holder to receive payment of principal of and interest on or Additional Amounts with respect to such Holder's Notes on or after the due dates therefor or to institute suit for the enforcement of any such payment on or with respect to such Holder's Notes or (vii) make any change in the amendment or waiver provisions described in this sentence.

Without the consent of any Holder, the Company, the Issuer, the Trustee and (as applicable) any Subsidiary Guarantor may amend the Indenture to cure any ambiguity, manifest error, omission, defect or inconsistency, to provide for the assumption by a successor of the obligations of the Company, the Issuer or a Subsidiary Guarantor under the Indenture, to comply with the rules of any applicable depositary, to provide for uncertificated Notes in addition to or in place of certificated Notes, to add Note Guarantees with respect to the Notes, to secure the Notes, to confirm and evidence the release, termination or discharge of any Note Guarantee or Lien with respect to or securing the Notes when such release, termination or discharge is provided for under the Indenture, to add to the covenants of the Company for the benefit of the Holders or to surrender any right or power conferred upon the Company, to provide for or confirm the issuance of Additional Notes, to conform the text of the Indenture, the Notes or any Note Guarantee to any provision of this "Description of Notes" (to the extent that such provision in this "Description of Notes" was intended to be a verbatim recitation of a provision of the Indenture, the Notes or any Note Guarantee, as provided in an Officer's Certificate), or to make any change that does not materially adversely affect the rights of any Holder.

The consent of the Holders is not necessary under the Indenture to approve the particular form of any proposed amendment or waiver. It is sufficient if such consent approves the substance of the proposed amendment or waiver. Until an amendment or waiver becomes effective, a consent to it by a Holder is a continuing consent by such Holder and every subsequent Holder of all or part of the related Note. Any such Holder or subsequent holder may revoke such consent as to its Note by written notice to the Trustee or the Company, received thereby before the date on which the Company certifies to the Trustee that the Holders of the requisite principal amount of Notes have consented to such amendment or waiver. After an amendment or waiver under the Indenture becomes effective, the Company is required to mail to Holders a notice briefly describing such amendment or waiver. However, the failure to give such notice to all Holders, or any defect therein, will not impair or affect the validity of the amendment or waiver.

Articles 86 to 94-8 of the Luxembourg law on commercial companies, as amended, do not apply to the Notes.

Defeasance

The Issuer at any time may terminate all of its obligations under the Notes and the Indenture ("legal defeasance"), except for certain obligations, including those relating to the defeasance trust and obligations to register the transfer or exchange of the Notes, to replace mutilated, destroyed, lost or stolen Notes and to maintain a registrar and paying agent in respect of the Notes. The Issuer may at any time may terminate its, the Company's and the Subsidiary Guarantors' obligations under certain covenants under the

Indenture, including the covenants described under "—Certain Covenants" and "—Change of Control," the operation of the default provisions relating to such covenants described under "—Events of Default" above, the operation of the cross acceleration provision, the bankruptcy provisions with respect to Subsidiaries of the Company other than the Issuer and the judgment default provision described under "—Events of Default" above, and the limitations contained in clauses (iii), (iv) and (v) under "—Merger and Consolidation" above ("covenant defeasance"). If the Issuer exercises its legal defeasance option or its covenant defeasance option, each Subsidiary Guarantor will be released from all of its obligations with respect to its Subsidiary Note Guarantee.

The Issuer may exercise its legal defeasance option notwithstanding its prior exercise of its covenant defeasance option. If the Company exercises its legal defeasance option, payment of the Notes may not be accelerated because of an Event of Default with respect thereto. If the Issuer exercises its covenant defeasance option, payment of the Notes may not be accelerated because of an Event of Default specified in clause (iv), (v) (as it relates to the covenants described under "—Certain Covenants" above), (vi), (vii), (viii) (but only with respect to events of bankruptcy, insolvency or reorganization of a Subsidiary of the Company other than the Issuer), (ix) or (x) under "—Events of Default" above or because of the failure of the Company to comply with clause (iii), (iv) and (v) under "—Merger and Consolidation" above.

Either defeasance option may be exercised to any redemption date or to the maturity date for the Notes. In order to exercise either defeasance option, the Issuer must irrevocably deposit or cause to be deposited in trust (the "defeasance trust") with the Trustee money or U.S. Government Obligations, or a combination thereof, sufficient (without reinvestment), in the opinion of an independent firm of certified public accountants, to pay principal of, and premium (if any) and interest on, the Notes to redemption or maturity, as the case may be, and must comply with certain other conditions, including delivery to the Trustee of an Opinion of Counsel to the effect that beneficial owners of the Notes will not recognize income, gain or loss for U.S. federal income tax purposes as a result of such deposit and defeasance and will be subject to federal income tax on the same amount and in the same manner and at the same times as would have been the case if such deposit and defeasance had not occurred (and, in the case of legal defeasance only, such Opinion of Counsel (x) must be based on a ruling of the Internal Revenue Service or other change in applicable federal income tax law since the Issue Date and (y) need not be delivered if all Notes not theretofore delivered to the Trustee for cancellation have become due and payable, will become due and payable at their Stated Maturity within one year, or have been or are to be called for redemption within one year under arrangements reasonably satisfactory to the Trustee for the giving of notice of redemption by the Trustee in the name, and at the expense, of the Issuer).

Satisfaction and Discharge

The Indenture will be discharged and cease to be of further effect as to all outstanding Notes when (i) either (a) all Notes previously authenticated and delivered (other than certain lost, stolen or destroyed Notes, and certain Notes for which provision for payment was previously made and thereafter the funds have been released to the Issuer) have been delivered to the Trustee for cancellation or (b) all Notes not previously delivered to the Trustee for cancellation (x) have become due and payable, (y) will become due and payable at their Stated Maturity within one year or (z) have been or are to be called for redemption within one year under arrangements reasonably satisfactory to the Trustee for the giving of notice of redemption by the Trustee in the name, and at the expense, of the Issuer; (ii) the Issuer has irrevocably deposited or caused to be deposited with the Trustee money, U.S. Government Obligations, or a combination thereof, sufficient (without reinvestment) to pay and discharge the entire indebtedness on the Notes not previously delivered to the Trustee for cancellation, for principal, premium, if any, and interest to the date of redemption or their Stated Maturity, as the case may be; (iii) the Company has paid or caused to be paid all other sums payable under the Indenture by the Company; and (iv) the Company has delivered to the Trustee an Officer's Certificate and an Opinion of Counsel each to the effect that all conditions precedent under the "Satisfaction and Discharge" section of the Indenture relating to the satisfaction and discharge of the Indenture have been complied with, *provided* that any such counsel may rely on any Officer's Certificate as to matters of fact (including as to compliance with the foregoing clauses (i), (ii) and (iii)).

No Personal Liability of Directors, Officers, Employees, Incorporators and Stockholders

No past, present or future director, officer, employee, incorporator or stockholder of the Company, the Issuer, any Subsidiary Guarantor or any Subsidiary of any thereof shall have any liability for any obligation of the Company, the Issuer, or any Subsidiary Guarantor under the Indenture, the Notes or any Note Guarantee, or for any claim based on, in respect of, or by reason of, any such obligation or its creation. Each Holder, by accepting the Notes, waives and releases all such liability. The waiver and release are part of the consideration for issuance of the Notes. The waiver may not be effective to waive liabilities under the federal securities laws.

Concerning the Trustee

Wells Fargo Bank, National Association is the Trustee under the Indenture and is appointed by the Company as initial Registrar and Principal Paying Agent with regard to the Notes.

The Indenture provides that, except during the continuance of an Event of Default, the Trustee will perform only such duties as are set forth specifically in the Indenture. During the existence of an Event of Default, the Trustee will exercise such of the rights and powers vested in it under the Indenture and use the same degree of care and skill in its exercise as a prudent person would exercise under the circumstances in the conduct of such person's own affairs.

Judgment Currency

The U.S. Dollar is the sole currency of account and payment for all sums payable by the Issuer or any Guarantor under the Notes, any Note Guarantee thereof and the Indenture. Any payment on account of an amount that is payable in dollars which is made to or for the account of any Noteholder or the Trustee in lawful currency of any other jurisdiction (the "Judgment Currency"), whether as a result of any judgment or order or the enforcement thereof or the liquidation of the Issuer or any Guarantor, shall constitute a discharge of the Issuer or the Guarantor's obligation under the Indenture and the Notes or Note Guarantee, as the case may be, only to the extent of the amount of dollars, which such Noteholder or the Trustee, as the case may be, could purchase in the London foreign exchange markets with the amount of the Judgment Currency in accordance with normal banking procedures at the rate of exchange prevailing on the first Business Day following receipt of the payment in the Judgment Currency. If the amount of dollars that could be so purchased is less than the amount of dollars originally due to such Noteholder or the Trustee, as the case may be, the Issuer and the Guarantors shall indemnify and hold harmless the Noteholder or the Trustee, as the case may be, from and against all loss or damage arising out of, or as a result of, such deficiency. This indemnity shall constitute an obligation separate and independent from the other obligations contained in the Indenture or the Notes, shall give rise to a separate and independent cause of action, shall apply irrespective of any indulgence granted by any Noteholder or the Trustee from time to time and shall continue in full force and effect notwithstanding any judgment or order for a liquidated sum in respect of an amount due hereunder or under any judgment or order.

Transfer and Exchange

A Noteholder may transfer or exchange Notes in accordance with the Indenture. Upon any transfer or exchange, the Registrar and the Trustee may require such Noteholder, among other things, to furnish appropriate endorsements and transfer documents and the Company may require such Noteholder to pay any taxes or other governmental charges required by law or permitted by the Indenture. The Company is not required to transfer or exchange any Note selected for redemption or purchase or to transfer or exchange any Note for a period of 15 Business Days prior to the day of the mailing of the notice of redemption or purchase. No service charge will be made for any registration of transfer or exchange of the Notes, but the Company may require payment of a sum sufficient to cover any transfer tax or other governmental charge payable in connection with the transfer or exchange. The Notes will be issued in registered form and the Holder of a Note will be treated as the owner of such Note for all purposes.

Listing

Application has been made to the Irish Stock Exchange for the Notes to be admitted to the official list and to trading on the Global Exchange Market of the Irish Stock Exchange. There can be no assurance that the application to list the Notes on the Irish Stock Exchange and to admit the Notes on the Global Exchange Market will be approved and settlement of the Notes is not conditioned on obtaining this listing.

Additional Information

Any Noteholder or prospective Noteholder who receives this Offering Memorandum may, following the Issue Date, obtain a copy of the Indenture without charge by writing to the Company at Dufry AG, Attention: Investor Relations, Hardstrasse 95, 4020 Basel, Switzerland.

So long as the Notes are listed on the Irish Stock Exchange and the rules of the Irish Stock Exchange so require, copies, current and future, of all of the Company's annual audited consolidated financial statements and the Company's unaudited consolidated interim financial statements may be obtained, free of charge, during normal business hours at the registered office of the Issuer.

Governing Law

The Indenture provides that it and the Notes will be governed by, and construed in accordance with, the laws of the State of New York, without regard to conflicts of laws principles.

Consent to Jurisdiction and Service of Process

The Indenture will provide that the Issuer and each Guarantor will appoint Dufry America Services Inc. at 10300 NW 19^{th} Street, Suite 114, Miami, Florida 33172, United States as its agent for service of process in any suit, action or proceeding with respect to the Indenture, the Notes and the Note Guarantees brought in any federal or state court located in the City of New York and will submit to such jurisdiction.

Enforceability of Judgments

Since a substantial portion of the assets of the Issuer and the Guarantors are outside the United States, any judgment obtained in the United States against the Issuer or any Guarantor, may not be collectable within the United States

Certain Definitions

"*2011 Term Loan Agreement*" means the $1,000,000,000 Multicurrency Term Facility Agreement, dated as of August 3, 2011, among the Company, the other borrowers and guarantors party thereto from time to time, the lenders party thereto from time to time, and ING Bank N.V., London Branch, as Agent, as such agreement may be amended, supplemented, waived or otherwise modified from time to time or refunded, refinanced, restructured, replaced, renewed, repaid, increased or extended from time to time (whether in whole or in part, whether with the original administrative agent and lenders or other agents and lenders or otherwise, and whether provided under the original 2011 Term Loan Agreement or other credit agreements or otherwise).

"*2011 Term Loan Facility*" means the collective reference to the 2011 Term Loan Agreement, any Finance Documents (as defined therein), any notes issued pursuant thereto and any guarantee and collateral agreement, patent and trademark security agreement, mortgages, and other guarantees, pledge agreements, security agreements and collateral documents, and other instruments and documents, executed and delivered pursuant to or in connection with any of the foregoing, in each case as the same may be amended, supplemented, waived or otherwise modified from time to time, or refunded, refinanced, restructured, replaced, renewed, repaid, increased or extended from time to time (whether in whole or in part, whether with the original agent and lenders or other agents and lenders or otherwise, and whether provided under the original 2011 Term Loan Agreement or one or more other credit agreements, indentures (including the Indenture) or financing agreements or otherwise). Without limiting the generality of the foregoing, the term "2011 Term Loan Facility" shall include any agreement (i) changing the maturity of any Indebtedness Incurred thereunder or contemplated thereby, (ii) adding Subsidiaries of the Company as additional borrowers or guarantors thereunder, (iii) increasing the amount of Indebtedness Incurred thereunder or available to be borrowed thereunder or (iv) otherwise altering the terms and conditions thereof.

"*2012 Revolving Credit Agreement*" means the CHF 650,000,000 Multicurrency Revolving Credit Facility Agreement, dated as of October 8, 2012, among the Company, the other borrowers and guarantors party thereto from time to time, the lenders party thereto from time to time, and ING Bank N.V., London Branch, as Agent, as such agreement may be amended, supplemented, waived or otherwise modified from time to time or refunded, refinanced, restructured, replaced, renewed, repaid, increased or extended from time to time (whether in whole or in part, whether with the original administrative agent and lenders or other agents and lenders or otherwise, and whether provided under the original 2012 Revolving Credit Agreement or other credit agreements or otherwise).

"*2012 Revolving Credit Facility*" means the collective reference to the 2012 Revolving Credit Agreement, any Finance Documents (as defined therein), any notes and letters of credit issued pursuant thereto and any guarantee and collateral agreement, patent and trademark security agreement, mortgages, letter of credit applications and other guarantees, pledge agreements, security agreements and collateral documents, and other instruments and documents, executed and delivered pursuant to or in connection with any of the foregoing, in each case as the same may be amended, supplemented, waived or otherwise modified from time to time, or refunded, refinanced, restructured, replaced, renewed, repaid, increased or extended from time to time (whether in whole or in part, whether with the original agent and lenders or other agents and lenders or otherwise, and whether provided under the original 2012 Revolving Credit Agreement or one or more other credit agreements, indentures (including the Indenture) or financing agreements or otherwise). Without limiting the generality of the foregoing, the term "2012 Revolving Credit Facility" shall include any agreement (i) changing the maturity of any Indebtedness Incurred thereunder or contemplated thereby, (ii) adding Subsidiaries of the Company as additional borrowers or guarantors thereunder, (iii) increasing the amount of Indebtedness Incurred thereunder or available to be borrowed thereunder or (iv) otherwise altering the terms and conditions thereof.

"*Acquired Indebtedness*" means Indebtedness of a Person (i) existing at the time such Person becomes a Subsidiary or (ii) assumed in connection with the acquisition of assets from such Person, in each case other than Indebtedness Incurred in connection with, or in contemplation of, such Person becoming a Subsidiary or such acquisition. Acquired Indebtedness shall be deemed to be Incurred on the date of the related acquisition of assets from any Person or the date the acquired Person becomes a Subsidiary.

"*Affiliate*" of any specified Person means any other Person, directly or indirectly, controlling or controlled by or under direct or indirect common control with such specified Person. For the purposes of this definition, "*control*" when used with respect to any Person means the power to direct the management and policies of such Person, directly or indirectly, whether through the ownership of voting securities, by contract or otherwise; and the terms "*controlling*" and "*controlled*" have meanings correlative to the foregoing.

"*Bank Indebtedness*" means any and all amounts, whether outstanding on the Issue Date or thereafter incurred, payable under or in respect of any Credit Facility, including without limitation principal, premium (if any), interest (including interest accruing on or after the filing of any petition in bankruptcy or for reorganization relating to the Company or any Restricted Subsidiary whether or not a claim for post-filing interest is allowed in such proceedings), fees, charges, expenses, reimbursement obligations, guarantees, other monetary obligations of any nature and all other amounts payable thereunder or in respect thereof.

"*Beneficial Owner*" has the meaning assigned to such term in Rule 13d-3 and Rule 13d-5 under the Exchange Act, except that in calculating the beneficial ownership of any particular "person" (as that term is used in Section 13(d)(3) of the Exchange Act), such "person" will be deemed to have beneficial ownership of all securities that such "person" has the right to acquire by conversion or exercise of other securities, whether such right is currently exercisable or is exercisable only upon the occurrence of a subsequent condition. The terms "Beneficially Owns" and "Beneficially Owned" have a corresponding meaning.

"*Board of Directors*" means, for any Person, the board of directors or other governing body of such Person or, if such Person does not have such a board of directors or other governing body and is owned or managed by a single entity, the board of directors of such entity, or, in either case, any committee thereof duly authorized to act on behalf of such board of directors. Unless otherwise provided, "*Board of Directors*" means the Board of Directors of the Company.

"*Business Day*" means a day other than a Saturday, Sunday or other day on which commercial banking institutions are authorized or required by law to close in London, Luxembourg, New York City, Dublin or Zurich (or any other city in which a Paying Agent maintains its office).

"*Capital Stock*" of any Person means any and all shares of, rights to purchase, warrants or options for, or other equivalents of or interests in (however designated) equity of such Person, including any Preferred Stock, but excluding any debt securities convertible into such equity.

"*Capitalized Lease Obligation*" means an obligation that is required to be classified and accounted for as a capitalized lease for financial reporting purposes in accordance with IFRS. The Stated Maturity of any Capitalized Lease Obligation shall be the date of the last payment of rent or any other amount due under the related lease.

"*Cash Equivalents*" means any of the following: (*a*) securities issued or fully guaranteed or insured by the United States of America, a member state of the European Union, Switzerland, Brazil, Uruguay or Argentina or any agency or instrumentality of any thereof, (*b*) time deposits, certificates of deposit or bankers' acceptances of (*i*) any lender under the 2011 Senior Credit Agreement or any affiliate thereof or (*ii*) any commercial bank having capital and surplus in excess of $500,000,000 and the commercial paper of the holding company of which is rated at least A-1 or the equivalent thereof by S&P or at least P-1 or the equivalent thereof by Moody's (or if at such time neither is issuing ratings, then a comparable rating of another nationally recognized rating agency), (*c*) money market instruments, commercial paper or other short-term obligations rated at least A-1 or the equivalent thereof by S&P or at least P-1 or the equivalent thereof by Moody's (or if at such time neither is issuing ratings, then a comparable rating of another nationally recognized rating agency), (*d*) investments in money market funds subject to the risk limiting conditions of Rule 2a-7 or any successor rule of the SEC under the Investment Company Act of 1940, as amended and (*e*) investments similar to any of the foregoing denominated in foreign currencies approved by the Board of Directors.

"*CHF*" means Swiss francs, the lawful currency of Switzerland.

"*Code*" means the U.S. Internal Revenue Code of 1986, as amended.

"*Commodities Agreement*" means, in respect of a Person, any commodity futures contract, forward contract, option or similar agreement or arrangement (including derivative agreements or arrangements), as to which such Person is a party or beneficiary.

"*Consolidated Coverage Ratio*" as of any date of determination means the ratio of (i) the aggregate amount of Consolidated EBITDA for the period of the most recent four consecutive fiscal quarters ending prior to the date of such determination for which consolidated financial statements of the Company are available to (ii) Consolidated Interest Expense for such four fiscal quarters; *provided* that

(1) if since the beginning of such period the Company or any Restricted Subsidiary has Incurred any Indebtedness that remains outstanding on such date of determination or if the transaction giving rise to the need to calculate the Consolidated Coverage Ratio is an Incurrence of Indebtedness, Consolidated EBITDA and Consolidated Interest Expense for such period shall be calculated after giving effect on a pro forma basis to such Indebtedness as if such Indebtedness had been Incurred on the first day of such period (except that in making such computation, the amount of Indebtedness under any revolving credit facility outstanding on the date of such calculation shall be computed based on (A) the average daily balance of such Indebtedness during such four fiscal quarters or such shorter period for which such facility was outstanding or (B) if such facility was created after the end of such four fiscal quarters, the average daily balance of such Indebtedness during the period from the date of creation of such facility to the date of such calculation),

(2) if since the beginning of such period the Company or any Restricted Subsidiary has repaid, repurchased, redeemed, defeased or otherwise acquired, retired or discharged any Indebtedness that is no longer outstanding on such date of determination (each, a "Discharge") or if the transaction giving rise to the need to calculate the Consolidated Coverage Ratio involves a Discharge of Indebtedness (in each case other than Indebtedness Incurred under any revolving credit facility unless such Indebtedness has been permanently repaid), Consolidated EBITDA and Consolidated Interest Expense for such period shall be calculated after giving effect on a pro forma basis to such Discharge of such Indebtedness, including with the proceeds of such new Indebtedness, as if such Discharge had occurred on the first day of such period,

(3) if since the beginning of such period the Company or any Restricted Subsidiary shall have disposed of any company, any business or any group of assets constituting an operating unit of a business (any such disposition, a "*Sale*"), the Consolidated EBITDA for such period shall be reduced by an amount equal to the Consolidated EBITDA (if positive) attributable to the assets that are the subject of such Sale for such period or increased by an amount equal to the Consolidated EBITDA (if negative) attributable thereto for such period and Consolidated Interest Expense for such period shall be reduced by an amount equal to (A) the Consolidated Interest Expense attributable to any Indebtedness of the Company or any Restricted Subsidiary repaid, repurchased, redeemed, defeased or otherwise acquired, retired or discharged with respect to the Company and its continuing Restricted Subsidiaries in connection with such Sale for such period (including but not limited to through the assumption of such Indebtedness by another Person) plus (B) if the Capital Stock of any Restricted Subsidiary is sold, the Consolidated Interest Expense for such period attributable to the Indebtedness of such Restricted Subsidiary to the extent the Company and its continuing Restricted Subsidiaries are no longer liable for such Indebtedness after such Sale; *provided* that if such Sale constitutes "discontinued operations" in accordance with IFRS, Consolidated Net Income shall be reduced by an amount equal to the Consolidated Net Income (if positive) attributable to such operations for such period or increased by an amount equal to the Consolidated Net Income (if negative) attributable thereto for such period,

(4) if since the beginning of such period the Company or any Restricted Subsidiary (by merger, consolidation or otherwise) shall have made an Investment in any Person that thereby becomes a Restricted Subsidiary, or otherwise acquired any company, any business or any group of assets constituting an operating unit of a business, including any such Investment or acquisition occurring in connection with a transaction causing a calculation to be made hereunder (any such Investment or acquisition, a

"Purchase"), Consolidated EBITDA and Consolidated Interest Expense for such period shall be calculated after giving pro forma effect thereto (including the Incurrence of any related Indebtedness) as if such Purchase occurred on the first day of such period, and

(5) if since the beginning of such period any Person became a Restricted Subsidiary or was merged or consolidated with or into the Company or any Restricted Subsidiary, and since the beginning of such period such Person shall have Discharged any Indebtedness or made any Sale or Purchase that would have required an adjustment pursuant to clause (2), (3) or (4) above if made by the Company or a Restricted Subsidiary since the beginning of such period, Consolidated EBITDA and Consolidated Interest Expense for such period shall be calculated after giving pro forma effect thereto as if such Discharge, Sale or Purchase occurred on the first day of such period.

For purposes of this definition, whenever pro forma effect is to be given to any Sale, Purchase or other transaction, or the amount of income or earnings relating thereto and the amount of Consolidated Interest Expense associated with any Indebtedness Incurred or repaid, repurchased, redeemed, defeased or otherwise acquired, retired or discharged in connection therewith, the pro forma calculations in respect thereof (including without limitation in respect of anticipated cost savings or synergies relating to any such Sale, Purchase or other transaction which cost savings or synergies shall consist solely of operating expense reductions and other operating improvements or synergies reasonably expected to result from such Sale, Purchase or other transaction to the extent reasonably anticipated to be realized and supportable in the good faith judgment of the Company and actions necessary for realization thereof have been taken or are to be taken within 12 months of the applicable Sale, Purchase or other transaction and to the extent such actions shall not have been taken within such period, such cost savings and synergies shall not be given further effect) shall be as determined in good faith by the Chief Financial Officer or an authorized Officer of the Company. If any Indebtedness bears a floating rate of interest and is being given pro forma effect, the interest expense on such Indebtedness shall be calculated as if the rate in effect on the date of determination had been the applicable rate for the entire period (taking into account any Interest Rate Agreement applicable to such Indebtedness). If any Indebtedness bears, at the option of the Company or a Restricted Subsidiary, a rate of interest based on a prime or similar rate, a eurocurrency interbank offered rate or other fixed or floating rate, and such Indebtedness is being given pro forma effect, the interest expense on such Indebtedness shall be calculated by applying such optional rate as the Company or such Restricted Subsidiary may designate. If any Indebtedness that is being given pro forma effect was Incurred under a revolving credit facility, the interest expense on such Indebtedness shall be computed based upon the average daily balance of such Indebtedness during the applicable period. Interest on a Capitalized Lease Obligation shall be deemed to accrue at an interest rate determined in good faith by a responsible financial or accounting officer of the Company to be the rate of interest implicit in such Capitalized Lease Obligation in accordance with IFRS.

"*Consolidated EBITDA*" means, for any period, the Consolidated Net Income for such period (a) plus the following to the extent deducted in calculating such Consolidated Net Income, without duplication: (i) provision for all taxes (whether or not paid, estimated or accrued) based on income, profits or capital, (ii) Consolidated Interest Expense and any Special Purpose Financing Fees, (iii) depreciation, amortization (including but not limited to amortization of goodwill and intangibles and amortization and write-off of financing costs), impairment charge, asset write-off or write-down and all other non-cash charges or non-cash losses, (iv) the amount of any minority interest expense, (v) the amount of any restructuring charge or reserve or integration cost that is certified by the chief financial officer of the Company and deducted (and not added back) in such period in computing Consolidated Net Income, including any one-time costs incurred in connection with acquisitions after the Issue Date and costs related to the closure and/or consolidation of facilities; *provided* that the aggregate amount of all charges, expenses, costs and losses added back under this clause (v) in any period of four consecutive fiscal quarters shall not exceed 10.0% of Consolidated EBITDA for any period of four consecutive fiscal quarters, (vi) cash receipts (or any netting arrangements resulting in reduced cash expenditures) not representing

Consolidated EBITDA or Consolidated Net Income in any period to the extent non-cash gains relating to such income were deducted in the calculation of Consolidated EBITDA pursuant to clause (b) below for any previous period and not added back, (vii) rent expense as determined in accordance with IFRS not actually paid in cash during such period (net of rent expense paid in cash during such period over and above rent expense as determined in accordance with IFRS), (viii) realized foreign exchange losses resulting from the impact of foreign currency changes on the valuation of assets or liabilities on the balance sheet of the Company and its Restricted Subsidiaries, (ix) net realized losses from Hedging Obligations or embedded derivatives that require similar accounting treatment, including net realized losses resulting from the unwinding thereof, and (x) the amount of any loss attributable to a new store, distribution center or facility until the date that is 12 months after the date of commencement of construction or the date of acquisition or launch thereof, as the case may be; *provided* that (A) such losses are reasonably identifiable and factually supportable and certified by a responsible officer of the Company and (B) losses attributable to such new store, distribution center or facility after 12 months from the date of commencement of construction or the date of acquisition of such store, distribution center or facility, as the case may be, shall not be included in this clause (x); (b) decreased (without duplication) by: (I) non-cash gains increasing Consolidated Net Income of such Person for such period, excluding any non-cash gains to the extent they represent the reversal of an accrual or reserve for a potential cash item that reduced Consolidated EBITDA in any prior period and any non-cash gains with respect to cash actually received in a prior period so long as such cash did not increase Consolidated EBITDA in such prior period, (II) realized foreign exchange income or gains resulting from the impact of foreign currency changes on the valuation of assets or liabilities on the balance sheet of the Company and its Restricted Subsidiaries, (III) any net realized income or gains from Hedging Obligations or embedded derivatives that require similar accounting treatment, and (IV) rent expense actually paid in cash during such period (net of rent expense paid in cash during such period in an amount equal to rent expense determined in accordance with IFRS).

"*Consolidated Interest Expense*" means, for any period, (i) the total interest expense of the Company and its Restricted Subsidiaries to the extent deducted in calculating Consolidated Net Income, net of any interest income of the Company and its Restricted Subsidiaries, including without limitation any such interest expense consisting of (a) interest expense attributable to Capitalized Lease Obligations, (b) amortization of debt discount, (c) interest in respect of Indebtedness of any other Person that has been Guaranteed by the Company or any Restricted Subsidiary or secured by a Lien on assets of the Company or any Restricted Subsidiary, (d) non-cash interest expense, (e) the interest portion of any deferred payment obligation and (f) commissions, discounts and other fees and charges owed with respect to letters of credit and bankers' acceptance financing, *plus* (ii) Preferred Stock dividends paid in cash in respect of Disqualified Stock of the Company held by Persons other than the Company or a Restricted Subsidiary and *minus* (iii) to the extent otherwise included in such interest expense referred to in clause (i) above, amortization or write-off of financing costs, in each case under clauses (i) through (iii) as determined on a Consolidated basis in accordance with IFRS; *provided* that gross interest expense shall be determined after giving effect to any net payments made or received by the Company and its Restricted Subsidiaries with respect to Interest Rate Agreements.

"*Consolidated Net Income*" means, for any period, the net income (loss) of the Company and its Restricted Subsidiaries, determined on a consolidated basis in accordance with IFRS and before any reduction in respect of Preferred Stock dividends; *provided* that there shall not be included in such Consolidated Net Income:

(i) any net income (loss) of any Person if such Person is not a Restricted Subsidiary, except that (A) subject to the limitations contained in clause (iii) below, the Company's equity in the net income of any such Person for such period shall be included in such Consolidated Net Income up to the aggregate amount actually distributed by such Person during such period to the Company or a Restricted Subsidiary as a dividend or other distribution (subject, in the case of a dividend or other distribution to a Restricted Subsidiary, to the limitations contained in clause (ii) below) and (B) the Company's equity in the net loss of such Person shall be included to the extent of the aggregate Investment of the Company or any of its Restricted Subsidiaries in such Person,

(ii) solely for purposes of determining the amount available for Restricted Payments under clause (a)(3)(A) of the covenant described under "—Certain Covenants—Limitation on Restricted Payments," any net income (loss) of any Restricted Subsidiary that is not the Issuer or a Subsidiary Guarantor if such Restricted Subsidiary is subject to restrictions, directly or indirectly, on the payment of dividends or the making of similar distributions by such Restricted Subsidiary, directly or indirectly, to the Company by operation of the terms of such Restricted Subsidiary's charter or any agreement, instrument, judgment, decree, order, statute or governmental rule or regulation applicable to such Restricted Subsidiary or its stockholders (other than (x) restrictions that have been waived or otherwise released, (y) restrictions pursuant to the Notes, the Indenture, the 2011 Term Loan Agreement or the 2012 Revolving Credit Facility (in each case including any documents entered into in connection therewith) and (z) restrictions in effect on the Issue Date with respect to a Restricted Subsidiary and other restrictions with respect to such Restricted Subsidiary that taken as a whole are not materially less favorable to the Noteholders than such restrictions in effect on the Issue Date), except that (A) subject to the limitations contained in clause (iii) below, the Company's equity in the net income of any such Restricted Subsidiary for such period shall be included in such Consolidated Net Income up to the aggregate amount of any dividend or distribution that was or that could have been made by such Restricted Subsidiary during such period to the Company or another Restricted Subsidiary (subject, in the case of a dividend that could have been made to another Restricted Subsidiary, to the limitation contained in this clause) and (B) the net loss of such Restricted Subsidiary shall be included to the extent of the aggregate Investment of the Company or any of its other Restricted Subsidiaries in such Restricted Subsidiary,

(iii) any gain or loss realized upon the sale or other disposition of any asset of the Company or any Restricted Subsidiary (including pursuant to any sale/leaseback transaction) that is not sold or otherwise disposed of in the ordinary course of business (as determined in good faith by the Board of Directors),

(iv) any item classified as an extraordinary, unusual or nonrecurring gain, loss or charge (including fees, expenses and charges associated with any acquisition, merger or consolidation after the Issue Date),

(v) the cumulative effect of a change in accounting principles,

(vi) all deferred financing costs written off and premiums paid in connection with any early extinguishment of Indebtedness,

(vii) any unrealized gains or losses in respect of Currency Agreements,

(viii) any unrealized foreign currency transaction gains or losses in respect of Indebtedness of any Person denominated in a currency other than the functional currency of such Person,

(ix) any non-cash compensation charge arising from any grant of stock, stock options or other equity based awards,

(x) to the extent otherwise included in Consolidated Net Income, any unrealized foreign currency translation or transaction gains or losses in respect of Indebtedness or other obligations of the Company or any Restricted Subsidiary owing to the Company or any Restricted Subsidiary,

(xi) any non-cash charge, expense or other impact attributable to application of the purchase method of accounting (including the total amount of depreciation and amortization, cost of sales or other non-cash expense resulting from the write-up of assets to the extent resulting from such purchase accounting adjustments),

(xii) any impairment charge, asset write-off or write-down, in each case, pursuant to IFRS and the amortization of intangibles and other assets arising pursuant to IFRS,

(xiii) any fees and expenses incurred during such period, or any amortization thereof for such period, in connection with any acquisition, Investment, disposition, issuance or repayment of Indebtedness, issuance of Capital Stock, refinancing transaction or amendment or modification of any debt instrument (in each case, including any such transaction consummated prior to the Issue Date and any such transaction undertaken but not completed) and any charges or non-recurring costs incurred during such period as a result of any such transaction, and

(xiv) to the extent covered by insurance and actually reimbursed, or, so long as the Company has made a determination that there exists reasonable evidence that such amount will in fact be reimbursed by the insurer and only to the extent that such amount is (a) not denied by the applicable carrier in writing within 180 days and (b) in fact reimbursed within 365 days of the date of such evidence (with a deduction for any amount so added back to the extent not so reimbursed within 365 days), losses and expenses with respect to liability or casualty events or business interruption.

In the case of any unusual or nonrecurring gain, loss or charge not included in Consolidated Net Income pursuant to clause (iv) above in any determination thereof, the Company will deliver an Officer's Certificate to the Trustee promptly after the date on which Consolidated Net Income is so determined, setting forth the nature and amount of such unusual or nonrecurring gain, loss or charge. Notwithstanding the foregoing, for the purpose of clause (a)(3)(A) of the covenant described under "—Certain Covenants—Limitation on Restricted Payments" only, there shall be excluded from Consolidated Net Income, without duplication, any income consisting of dividends, repayments of loans or advances or other transfers of assets from Unrestricted Subsidiaries to the Company or a Restricted Subsidiary, and any income consisting of return of capital, repayment or other proceeds from dispositions or repayments of Investments consisting of Restricted Payments, in each case to the extent such income would be included in Consolidated Net Income and such related dividends, repayments, transfers, return of capital or other proceeds are applied by the Company to increase the amount of Restricted Payments permitted under such covenant pursuant to clause (a)(3)(C) or (D) thereof.

"*Consolidated Net Tangible Assets*" means, as of any date of determination, the total assets less the sum of intangible assets and current liabilities (excluding the current portion of long-term Indebtedness) in each case reflected on the consolidated balance sheet of the Company and its Restricted Subsidiaries as at the end of the most recently ended fiscal quarter of the Company for which such a balance sheet is available, determined on a Consolidated basis in accordance with IFRS (and, in the case of any determination relating to any Incurrence of Indebtedness or any Investment, on a pro forma basis including any property or assets being acquired in connection therewith).

"*Consolidated Total Indebtedness*" means, as of any date of determination, an amount equal to the aggregate amount of all outstanding Indebtedness of the Company and its Restricted Subsidiaries on a consolidated basis consisting of Indebtedness for borrowed money, Capitalized Lease Obligations and debt obligations evidenced by bonds, notes, debentures or similar instruments, as determined and calculated in accordance with IFRS.

"*Consolidated Total Leverage Ratio*" means, as of any date of determination, the ratio of (a) Consolidated Total Indebtedness to (b) the aggregate amount of Consolidated EBITDA for the period of the most recent four consecutive fiscal quarters ending prior to the date of such determination for which consolidated financial statements of the Company are available, in each case with such pro forma adjustments to Consolidated Total Indebtedness and Consolidated EBITDA as are appropriate and consistent with the pro forma adjustment provisions set forth in the definition of "Consolidated Coverage Ratio."

"*Consolidation*" means the consolidation of the accounts of each of the Restricted Subsidiaries with those of the Company in accordance with IFRS; *provided* that "Consolidation" will not include consolidation of the accounts of any Unrestricted Subsidiary, but the interest of the Company or any

Restricted Subsidiary in any Unrestricted Subsidiary will be accounted for as an investment. The term "Consolidated" has a correlative meaning.

"*Credit Facilities*" means one or more of (i) the 2011 Term Loan Facility, (ii) the 2012 Revolving Credit Facility and (iii) any other facilities or arrangements designated by the Company, in each case with one or more banks or other lenders or institutions providing for revolving credit loans, term loans, receivables financings (including without limitation through the sale of receivables to such institutions or to special purpose entities formed to borrow from such institutions against such receivables or the creation of any Liens in respect of such receivables in favor of such institutions), letters of credit or other Indebtedness, in each case, including all agreements, instruments and documents executed and delivered pursuant to or in connection with any of the foregoing, including but not limited to any notes and letters of credit issued pursuant thereto and any guarantee and collateral agreement, patent and trademark security agreement, mortgages or letter of credit applications and other guarantees, pledge agreements, security agreements and collateral documents, in each case as the same may be amended, supplemented, waived or otherwise modified from time to time, or refunded, refinanced, restructured, replaced, renewed, repaid, increased or extended from time to time (whether in whole or in part, whether with the original banks, lenders or institutions or other banks, lenders or institutions or otherwise, and whether provided under any original Credit Facility or one or more other credit agreements, indentures, financing agreements or other Credit Facilities or otherwise). Without limiting the generality of the foregoing, the term "Credit Facility" shall include any agreement (i) changing the maturity of any Indebtedness Incurred thereunder or contemplated thereby, (ii) adding Subsidiaries as additional borrowers or guarantors thereunder, (iii) increasing the amount of Indebtedness Incurred thereunder or available to be borrowed thereunder or (iv) otherwise altering the terms and conditions thereof.

"*Currency Agreement*" means, in respect of a Person, any foreign exchange contract, currency swap agreement or other similar agreement or arrangements (including derivative agreements or arrangements), as to which such Person is a party or a beneficiary.

"*De Minimis Guaranteed Amount*" means a principal amount of Indebtedness or Public Debt that does not exceed $25.0 million.

"*Default*" means any event or condition that is, or after notice or passage of time or both would be, an Event of Default.

"*Disqualified Stock*" means, with respect to any Person, any Capital Stock (other than Management Stock) that by its terms (or by the terms of any security into which it is convertible or for which it is exchangeable or exercisable) or upon the happening of any event (other than following the occurrence of a Change of Control or other similar event described under such terms as a "change of control") (i) matures or is mandatorily redeemable pursuant to a sinking fund obligation or otherwise, (ii) is convertible or exchangeable for Indebtedness or Disqualified Stock or (iii) is redeemable at the option of the holder thereof (other than following the occurrence of a Change of Control or other similar event described under such terms as a "change of control"), in whole or in part, in each case on or prior to the final Stated Maturity of the Notes.

"*Domestic Subsidiary*" means any Restricted Subsidiary of the Company other than a Foreign Subsidiary.

"*Exchange Act*" means the Securities Exchange Act of 1934, as amended.

"*Excluded Contribution*" means Net Cash Proceeds, or the Fair Market Value of property or assets, received by the Company as capital contributions to the Company after the Issue Date or from the issuance or sale (other than to a Restricted Subsidiary) of Capital Stock (other than Disqualified Stock) of the Company, in each case to the extent designated as an Excluded Contribution pursuant to an Officer's Certificate of the Company and not previously included in the calculation set forth in clause (a)(3)(B)(x) of the covenant described under "—Certain Covenants—Limitation on Restricted Payments" for purposes of determining whether a Restricted Payment may be made.

"*Fair Market Value*" means, with respect to any asset or property, the fair market value of such asset or property as determined in good faith by the Board of Directors, whose determination will be conclusive.

"*Financing Disposition*" means any sale, transfer, conveyance or other disposition of, or creation or incurrence of any Lien on, property or assets by the Company or any Subsidiary thereof to or in favor of any Special Purpose Entity, or by any Special Purpose Subsidiary, in each case in connection with the Incurrence by a Special Purpose Entity of Indebtedness, or obligations to make payments to the obligor on Indebtedness, which may be secured by a Lien in respect of such property or assets.

"*Foreign Subsidiary*" means (a) any Restricted Subsidiary of the Company that is not organized under the laws of the United States of America or any state thereof or the District of Columbia and (b) any Restricted Subsidiary of the Company that has no material assets other than securities or Indebtedness of one or more Foreign Subsidiaries (or Subsidiaries thereof), and other assets relating to an ownership interest in any such securities, Indebtedness or Subsidiaries.

"*Greek Programme Documents*" means the Programme, dated October 8, 2012, for the issuance of bonds in the maximum aggregate nominal amount of €335,000,000, among Hellenic Duty Paid Shops S.A., Folli Follie S.A., Dufry Cyprus (II) Ltd., Dufry Cyprus Holding Ltd. and Alpha Bank A.E. as bondholder agent and facility agent.

"*Greek Syndicated Credit Facility*" means the collective reference to the Greek Programme Documents and any notes issued pursuant thereto and any guarantee and collateral agreement, patent and trademark security agreement, mortgages, and other guarantees, pledge agreements, security agreements and collateral documents, and other instruments and documents, executed and delivered pursuant to or in connection with any of the foregoing, in each case as the same may be amended, supplemented, waived or otherwise modified from time to time. Without limiting the generality of the foregoing, the term "Greek Syndicated Credit Facility" shall include any agreement (i) changing the maturity of any Indebtedness Incurred thereunder or contemplated thereby, (ii) adding Subsidiaries of any of Dufry Cyprus (II) Ltd., Dufry Cyprus Holding Ltd. or Duty Paid Shops SA as additional borrowers or guarantors thereunder or (iii) otherwise altering the terms and conditions thereof.

"*Guarantors*" means each of Dufry AG, Dufry International AG, Dufry Holdings & Investments AG, Hudson Group (HG), Inc. and any other Subsidiary of the Company (including any Restricted Subsidiary that becomes a Guarantor at its option) that executes a supplemental indenture providing for a Note Guarantee in accordance with the provisions of the Indenture, and their respective successors and assigns, in each case, until the Note Guarantee of such Person has been released in accordance with the provisions of the Indenture.

"*Guarantee*" means any obligation, contingent or otherwise, of any Person directly or indirectly guaranteeing any Indebtedness or other obligation of any other Person; *provided* that the term "Guarantee" shall not include endorsements for collection or deposit in the ordinary course of business. The term "Guarantee" used as a verb has a corresponding meaning.

"*Guarantor Subordinated Obligations*" means, with respect to a Guarantor, any Indebtedness of such Guarantor (whether outstanding on the Issue Date or thereafter Incurred) that is expressly subordinated in right of payment to the obligations of such Guarantor under its Note Guarantee pursuant to a written agreement.

"*Hedging Obligations*" of any Person means the obligations of such Person pursuant to any Interest Rate Agreement, Currency Agreement or Commodities Agreement.

"*Holder*" or "*Noteholder*" means the Person in whose name a Note is registered in the Note Register.

"*IFRS*" means International Financial Reporting Standards as in effect on the Issue Date.

"*Incur*" means issue, assume, enter into any Guarantee of, incur or otherwise become liable for; and the terms "Incurs," "Incurred" and "Incurrence" shall have a correlative meaning; *provided* that any Indebtedness or Capital Stock of a Person existing at the time such Person becomes a Subsidiary (whether by merger, consolidation, acquisition or otherwise) shall be deemed to be Incurred by such Subsidiary at the time it becomes a Subsidiary. Accrual of interest, the accretion of accreted value and the payment of interest in the form of additional Indebtedness will not be deemed to be an Incurrence of Indebtedness. Any Indebtedness issued at a discount (including Indebtedness on which interest is payable through the issuance of additional Indebtedness) shall be deemed Incurred at the time of original issuance of the Indebtedness at the initial accreted amount thereof.

"*Indebtedness*" means, with respect to any Person on any date of determination (without duplication):

(i) the principal of indebtedness of such Person for borrowed money,

(ii) the principal of obligations of such Person evidenced by bonds, debentures, notes or other similar instruments,

(iii) all reimbursement obligations of such Person in respect of letters of credit, bankers' acceptances or other similar instruments (the amount of such obligations being equal at any time to the aggregate then undrawn and unexpired amount of such letters of credit, bankers' acceptances or other instruments plus the aggregate amount of drawings thereunder that have not then been reimbursed),

(iv) all obligations of such Person to pay the deferred and unpaid purchase price of property (except Trade Payables), which purchase price is due more than one year after the date of placing such property in final service or taking final delivery and title thereto,

(v) all Capitalized Lease Obligations of such Person,

(vi) the redemption, repayment or other repurchase amount of such Person with respect to any Disqualified Stock of such Person or (if such Person is a Subsidiary of the Company other than the Issuer or a Subsidiary Guarantor) any Preferred Stock of such Subsidiary, but excluding, in each case, any accrued dividends (the amount of such obligation to be equal at any time to the maximum fixed involuntary redemption, repayment or repurchase price for such Capital Stock, or if less (or if such Capital Stock has no such fixed price), to the involuntary redemption, repayment or repurchase price therefor calculated in accordance with the terms thereof as if then redeemed, repaid or repurchased, and if such price is based upon or measured by the fair market value of such Capital Stock, such fair market value shall be as determined in good faith by the Board of Directors or the board of directors or other governing body of the issuer of such Capital Stock),

(vii) all Indebtedness of other Persons secured by a Lien on any asset of such Person, whether or not such Indebtedness is assumed by such Person; *provided* that the amount of Indebtedness of such Person shall be the lesser of (A) the fair market value of such asset at such date of determination (as determined in good faith by the Company) and (B) the amount of such Indebtedness of such other Persons,

(viii) all Guarantees by such Person of Indebtedness of other Persons, to the extent so Guaranteed by such Person, and

(ix) to the extent not otherwise included in this definition, net Hedging Obligations of such Person (the amount of any such obligation to be equal at any time to the termination value of such agreement or arrangement giving rise to such Hedging Obligation that would be payable by such Person at such time).

The amount of Indebtedness of any Person at any date under clauses (i), (ii), (iv) and (v) above shall equal the amount thereof that would appear as a liability on a balance sheet of such Person (excluding any notes thereto) prepared in accordance with IFRS.

"*Interest Rate Agreement*" means, with respect to any Person, any interest rate protection agreement, future agreement, option agreement, swap agreement, cap agreement, collar agreement, hedge agreement or other similar agreement or arrangement (including derivative agreements or arrangements), as to which such Person is party or a beneficiary.

"*Investment*" in any Person by any other Person means any direct or indirect advance, loan or other extension of credit (other than to customers, airport authorities or other grantors of concessions for retail operations, landlords, dealers, licensees, franchisees, suppliers, service providers, directors, officers or employees of any Person in the ordinary course of business) or capital contribution (by means of any transfer of cash or other property to others or any payment for property or services for the account or use of others, other than to customers, airport authorities or other grantors of concessions for retail operations, landlords, dealers, licensees, franchisees, suppliers, service providers, directors, officers or employees of any Person in the ordinary course of business) to, or any purchase (other than to customers, airport authorities or other grantors of concessions for retail operations, landlords, dealers, licensees, franchisees, suppliers, service providers, directors, officers or employees of any Person in the ordinary course of business) or acquisition of Capital Stock, Indebtedness or other similar instruments issued by, such Person. For purposes of the definition of "Unrestricted Subsidiary" and the covenant described under "—Certain Covenants—Limitation on Restricted Payments" only, (i) "Investment" shall include the portion (proportionate to the Company's equity interest in such Subsidiary) of the Fair Market Value of the net assets of any Subsidiary of the Company at the time that such Subsidiary is designated an Unrestricted Subsidiary, provided that upon a redesignation of such Subsidiary as a Restricted Subsidiary, the Company shall be deemed to continue to have a permanent "Investment" in an Unrestricted Subsidiary in an amount (if positive) equal to (x) the Company's "Investment" in such Subsidiary at the time of such redesignation less (y) the portion (proportionate to the Company's equity interest in such Subsidiary) of the Fair Market Value of the net assets of such Subsidiary at the time of such redesignation, and (ii) any property transferred to or from an Unrestricted Subsidiary shall be valued at its Fair Market Value at the time of such transfer. Guarantees shall not be deemed to be Investments. The amount of any Investment outstanding at any time shall be the original cost of such Investment, reduced (at the Company's option) by any dividend, distribution, interest payment, return of capital, repayment or other amount or value received in respect of such Investment; *provided* that to the extent that the amount of Restricted Payments outstanding at any time pursuant to paragraph (a) of the covenant described under "—Certain Covenants—Limitation on Restricted Payments" is so reduced by any portion of any such amount or value that would otherwise be included in the calculation of Consolidated Net Income, such portion of such amount or value shall not be so included for purposes of calculating the amount of Restricted Payments that may be made pursuant to paragraph (a) of the covenant described under "—Certain Covenants—Limitation on Restricted Payments."

"*Investment Grade*" means a rating of Baa3 or better by Moody's (or its equivalent under any successor rating category of Moody's) and a rating of BBB- or better by S&P (or its equivalent under any successor rating category of S&P), and the equivalent investment grade credit rating from any replacement rating agency or rating agencies selected by us under the circumstances permitting us to select a replacement agency and in the manner for selecting a replacement agency, in each case as set forth in the definition of "Rating Agency."

"*Issue Date*" means the first date on which Notes are issued.

"*Liabilities*" means, collectively, any and all claims, obligations, liabilities, causes of actions, actions, suits, proceedings, investigations, judgments, decrees, losses, damages, fees, costs and expenses (including without limitation interest, penalties and fees and disbursements of attorneys, accountants, investment bankers and other professional advisors), in each case whether incurred, arising or existing with respect to third parties or otherwise at any time or from time to time.

"*Lien*" means any mortgage, pledge, security interest, encumbrance, lien or charge of any kind (including any conditional sale or other title retention agreement or lease in the nature thereof).

"*Management Advances*" means loans or advances made to, or Guarantees with respect to loans or advances made to, directors, officers or employees of the Company or any Restricted Subsidiary (x) in respect of travel, entertainment or moving-related expenses incurred in the ordinary course of business, (y) in respect of moving-related expenses incurred in connection with any closing or consolidation of any facility, or (z) in the ordinary course of business and (in the case of this clause (z)) not exceeding $25.0 million in the aggregate outstanding at any time.

"*Management Investors*" means the officers, directors, employees and other members of the management of the Company or any of their respective Subsidiaries, or family members or relatives thereof, or trusts, partnerships or limited liability companies for the benefit of any of the foregoing, or any of their heirs, executors, successors and legal representatives, who at any date beneficially own or have the right to acquire, directly or indirectly, Capital Stock of the Company.

"*Management Stock*" means Capital Stock of the Company (including any options, warrants or other rights in respect thereof) held by any of the Management Investors.

"*Moody's*" means Moody's Investors Service, Inc., and its successors and affiliates.

"*Net Cash Proceeds*," with respect to any issuance or sale of any securities of the Company or any Subsidiary by the Company or any Subsidiary, or any capital contribution, means the cash proceeds of such issuance, sale or contribution net of attorneys' fees, accountants' fees, underwriters' or placement agents' fees, discounts or commissions and brokerage, consultant and other fees actually incurred in connection with such issuance, sale or contribution and net of taxes paid or payable as a result thereof.

"*Notes*" means the promissory notes issued pursuant to the Indenture.

"*Obligations*" means, with respect to any Indebtedness, any principal, premium (if any), interest (including interest accruing on or after the filing of any petition in bankruptcy or for reorganization relating to the Company or any Restricted Subsidiary whether or not a claim for post-filing interest is allowed in such proceedings), fees, charges, expenses, reimbursement obligations, Guarantees of such Indebtedness (or of Obligations in respect thereof), other monetary obligations of any nature and all other amounts payable thereunder or in respect thereof.

"*Officer*" means, with respect to the Company or any other obligor upon the Notes, the Chairman of the Board, the President, the Chief Executive Officer, the Chief Financial Officer, any Vice President, the Controller, the Treasurer or the Secretary (a) of such Person or (b) if such Person is owned or managed by a single entity, of such entity (or any other individual designated as an "Officer" for the purposes of the Indenture by the Board of Directors).

"*Officer's Certificate*" means, with respect to the Company or any other obligor upon the Notes, a certificate signed by one Officer of such Person and delivered to the Trustee.

"*Opinion of Counsel*" means a written opinion from legal counsel who is reasonably acceptable to the Trustee. The counsel may be an employee of or counsel to the Company or the Trustee.

"*Permitted Investment*" means an Investment by the Company or any Restricted Subsidiary in, or consisting of, any of the following:

(i) a Restricted Subsidiary, the Company, or a Person that will, upon the making of such Investment, become a Restricted Subsidiary; *provided* that, so long as the Company or any Restricted Subsidiary (other than any of Dufry Cyprus (II) Ltd., Dufry Cyprus Holding Ltd. or Duty Paid Shops SA and their Subsidiaries) (on a pro forma basis after giving effect to such Investment) holds, directly or indirectly, less than 90% of the Capital Stock in any of Dufry Cyprus (II) Ltd., Dufry Cyprus Holding Ltd. or Duty Paid Shops SA, the aggregate amount of Investments in any of Dufry Cyrpus (II) Ltd., Dufry Cyprus Holding Ltd. or Duty Paid Shops SA and their Subsidiaries made by the Company and any of its Restricted Subsidiaries (other than any of Dufry Cyprus (II) Ltd., Dufry Cyprus Holding Ltd. or Duty Paid Shops SA and their Subsidiaries) pursuant to this clause (i) shall not exceed $35.0 million in an aggregate amount outstanding at any time; provided, further, however, that nothing in the immediately preceding proviso shall restrict the Company or any Restricted Subsidiary in consummating the acquisition of 51% of the travel retail operations of Folli Follie Group contemplated under "Summary—Recent Developments."

(ii) another Person if as a result of such Investment such other Person is merged or consolidated with or into, or transfers or conveys all or substantially all its assets to, or is liquidated into, the Company or a Restricted Subsidiary;

(iii) Temporary Cash Investments or Cash Equivalents;

(iv) receivables (including but not limited to credit and debit card receivables) owing to the Company or any Restricted Subsidiary, if created or acquired in the ordinary course of business;

(v) any securities or other Investments received as consideration in, or retained in connection with, sales or other dispositions of property or assets;

(vi) securities or other Investments received in settlement of debts created in the ordinary course of business and owing to, or of other claims asserted by, the Company or any Restricted Subsidiary, or as a result of foreclosure, perfection or enforcement of any Lien, or in satisfaction of judgments, including in connection with any bankruptcy proceeding or other reorganization of another Person;

(vii) Investments in existence or made pursuant to legally binding written commitments in existence on the Issue Date;

(viii) Currency Agreements, Interest Rate Agreements, Commodities Agreements and related Hedging Obligations, which obligations are Incurred in compliance with the covenant described under "—Certain Covenants—Limitation on Indebtedness";

(ix) pledges or deposits (x) provided to third parties in the ordinary course of business with respect to concessions for retail operations, licenses, leases or utilities or (y) otherwise described in the definition of "Permitted Liens" or made in connection with Liens permitted under the covenant described under "—Certain Covenants—Limitation on Liens";

(x) (1) Investments in or by any Special Purpose Subsidiary, or in connection with a Financing Disposition by or to or in favor of any Special Purpose Entity, including Investments of funds held in accounts permitted or required by the arrangements governing such Financing Disposition or any related Indebtedness, or (2) any promissory note issued by the Company;

(xi) bonds secured by assets leased to and operated by the Company or any Restricted Subsidiary that were issued in connection with the financing of such assets so long as the Company or any Restricted Subsidiary may obtain title to such assets at any time by paying a nominal fee, canceling such bonds and terminating the transaction;

(xii) any Notes;

(xiii) any Investment to the extent made using Capital Stock of the Company (other than Disqualified Stock) as consideration;

(xiv) Management Advances;

(xv) to the extent constituting an Investment, extensions of credit to or for the benefit of Subsidiaries, customers and suppliers of the Company or any of its Restricted Subsidiaries in the ordinary course of business; bid proposals to, or for the benefit of, airport authorities, landlords or other grantors of concessions or leases for retail operations in the ordinary course of business; upfront, key money, or similar payments made to, or for the benefit of, airport authorities, landlords or other grantors of concessions or leases for retail operations in the ordinary course of business; performance guarantees, guarantee deposits or other forms of Investments that have the effect of a guarantee in respect of the payment of concession or other fees to, or for the benefit of, airport authorities, landlords or other grantors of concessions or leases for retail operations in the ordinary course of business; letters of credit or other guarantees issued to, or for the benefit of, customs authorities in the ordinary course of business; and Indebtedness incurred in compliance with clause (xi) of the covenant described under "—Certain Covenants—Limitation on Indebtedness";

(xvi) Investments in Related Businesses in an aggregate amount outstanding at any time not to exceed the greater of $150.0 million and 22.0% of Consolidated Net Tangible Assets;

(xvii) other Investments in an aggregate amount outstanding at any time not to exceed the greater of $100.0 million and 11.0% of Consolidated Net Tangible Assets; and

(xviii) other Investments if, immediately after giving effect to such Investment (including the incurrence of any Indebtedness to finance such Investment) as if it had occurred at the beginning of the most recently ended four full fiscal quarters for which consolidated financial statements of the Company are available, the Consolidated Total Leverage Ratio would have been less than or equal to 3.25:1.00.

If any Investment pursuant to clause (xvi) or (xvii) above is made in any Person that is not a Restricted Subsidiary and such Person thereafter becomes a Restricted Subsidiary, such Investment shall thereafter be deemed to have been made pursuant to clause (i) above and not clause (xvi) or (xvii) above for so long as such Person continues to be a Restricted Subsidiary.

"*Permitted Liens*" means:

(i) Liens for Taxes not yet delinquent or the nonpayment of which in the aggregate would not reasonably be expected to have a material adverse effect on the Company and its Restricted Subsidiaries or that are being contested in good faith and by appropriate proceedings if adequate reserves with respect thereto are maintained on the books of the Company or a Subsidiary thereof, as the case may be, in accordance with IFRS;

(ii) carriers', vendors', warehousemen's, mechanics', landlords', materialmen's, repairmen's or other like Liens arising in the ordinary course of business in respect of obligations that are not overdue for a period of more than 60 days or that are bonded or that are being contested in good faith and by appropriate proceedings;

(iii) pledges, deposits or Liens in connection with workers' compensation, unemployment insurance and other social security and other similar legislation or other insurance-related obligations (including, without limitation, pledges or deposits securing liability to insurance carriers under insurance or self-insurance arrangements);

(iv) pledges, deposits or Liens to secure the performance of bids, tenders, trade, government or other contracts (other than for borrowed money), obligations for utilities, leases, licenses, statutory obligations, completion guarantees, surety, judgment, appeal or performance bonds, other similar bonds, instruments or obligations, or for the payment of rent, and other obligations of a like nature incurred in the ordinary course of business;

(v) survey exceptions, easements (including reciprocal easement agreements), rights-of-way, building, zoning and similar restrictions, utility agreements, covenants, reservations, restrictions, encroachments, charges, and other similar encumbrances or title defects incurred, or leases or subleases granted to others, in the ordinary course of business, which do not in the aggregate materially interfere with the ordinary conduct of the business of the Company and its Subsidiaries, taken as a whole;

(vi) Liens existing on, or provided for under written arrangements existing on, the Issue Date, or (in the case of any such Liens securing Indebtedness of the Company or any of its Subsidiaries existing or arising under written arrangements existing on the Issue Date) securing any Refinancing Indebtedness in respect of such Indebtedness so long as the Lien securing such Refinancing Indebtedness is limited to all or part of the same property or assets (plus improvements, accessions, proceeds or dividends or distributions in respect thereof) that secured (or under such written arrangements could secure) the original Indebtedness;

(vii) (1) mortgages, liens, security interests, restrictions, encumbrances or any other matters of record that have been placed by any developer, landlord or other third party on property over which the Company or any Restricted Subsidiary of the Company has easement rights or on any leased property and subordination or similar agreements relating thereto and (2) any condemnation or eminent domain proceedings affecting any real property;

(viii) Liens securing Indebtedness (including Liens securing any Obligations in respect thereof) consisting of Hedging Obligations, Purchase Money Obligations or Capitalized Lease Obligations Incurred in compliance with the covenant described under "—Certain Covenants—Limitation on Indebtedness";

(ix) Liens arising out of judgments, decrees, orders or awards in respect of which the Company shall in good faith be prosecuting an appeal or proceedings for review, which appeal or proceedings shall not have been finally terminated, or if the period within which such appeal or proceedings may be initiated shall not have expired;

(x) leases, subleases, licenses or sublicenses of property, including intellectual property, to third parties;

(xi) Liens securing Indebtedness (including Liens securing any Obligations in respect thereof) consisting of (1) Indebtedness Incurred in compliance with clause (b)(iv), (b)(v), (b)(vii), (b)(viii), (b)(ix) or (b)(xii) of the covenant described under "—Certain Covenants—Limitation on Indebtedness," or clause (b)(iii) thereof (other than the Notes and Refinancing Indebtedness Incurred in respect of Indebtedness described in paragraph (a) thereof), (2) Indebtedness Incurred in compliance with clause (b)(i) of the covenant described under "—Certain Covenants—Limitation on Indebtedness" in an aggregate principal amount not to exceed CHF 800.0 million, (3) the Notes, (4) Indebtedness of any Restricted Subsidiary that is not the Issuer or a Subsidiary Guarantor, (5) Indebtedness or other obligations of any Special Purpose Entity, or (6) obligations in respect of Management Advances; in each case including Liens securing any Guarantee of any thereof;

(xii) Liens existing on property or assets of a Person at the time such Person becomes a Subsidiary of the Company (or at the time the Company or a Restricted Subsidiary acquires such property or assets, including any acquisition by means of a merger or consolidation with or into the Company or any Restricted Subsidiary); *provided*, *however*, that such Liens are not created in connection with, or in contemplation of, such other Person becoming such a Subsidiary (or such acquisition of such property or assets), and that such Liens are limited to all or part of the same property or assets (plus improvements, accessions, proceeds or dividends or distributions in respect thereof) that secured (or, under the written arrangements under which such Liens arose, could secure) the obligations to which such Liens relate;

(xiii) Liens on Capital Stock, Indebtedness or other securities of an Unrestricted Subsidiary that secure Indebtedness or other obligations of such Unrestricted Subsidiary;

(xiv) any encumbrance or restriction (including, but not limited to, put and call agreements) with respect to Capital Stock of any joint venture or similar arrangement pursuant to any joint venture or similar agreement;

(xv) Liens securing Indebtedness (including Liens securing any Obligations in respect thereof) consisting of Refinancing Indebtedness Incurred in respect of any Indebtedness secured by, or securing any refinancing, refunding, extension, renewal or replacement (in whole or in part) of any other obligation secured by, any other Permitted Liens, provided that any such new Lien is limited to all or part of the same property or assets (plus improvements, accessions, proceeds or dividends or distributions in respect thereof) that secured (or, under the written arrangements under which the original Lien arose, could secure) the obligations to which such Liens relate;

(xvi) Liens (1) arising by operation of law (or by agreement to the same effect) in the ordinary course of business, (2) on property or assets under construction (and related rights) in favor of a contractor or developer or arising from progress or partial payments by a third party relating to such property or assets, (3) on receivables (including related rights), (4) on cash set aside at the time of the Incurrence of any Indebtedness or government securities purchased with such cash, in either case to the extent that such cash or government securities prefund the payment of interest on such Indebtedness and are held in an escrow account or similar arrangement to be applied for such purpose, (5) securing or arising by reason of any netting or set-off arrangement entered into in the ordinary course of banking or other trading activities, (6) in favor of the Company or any Restricted Subsidiary (other than Liens on property or assets of the Issuer, the Company or any Subsidiary Guarantor in favor of any Restricted Subsidiary that is not a Subsidiary Guarantor), (7) arising out of conditional sale, title retention, consignment or similar arrangements for the sale of goods entered into in the ordinary course of business, (8) relating to pooled deposit or sweep accounts to permit satisfaction of overdraft, cash pooling or similar obligations incurred in the ordinary course of business, (9) attaching to commodity trading or other brokerage accounts incurred in the ordinary course of business, (10) arising in connection with repurchase agreements permitted under the covenant described under "—Certain Covenants—Limitation on Indebtedness," on assets that are the subject of such repurchase agreements, (11) in favor of any Special Purpose Entity in connection with any Financing Disposition, (12) securing reimbursement obligations with respect to letters of credit that encumber documents and other property relating to such letters of credit and the proceeds thereof, (13) on assets pursuant to merger agreements, stock or asset purchase agreements and similar agreements in respect of the disposition of such assets, (14) on specific items of inventory or other goods and proceeds of any Person securing such Person's obligations in respect of bankers' acceptances or trade letters of credit issued or created for the account of such Person to facilitate the purchase, shipment or storage of such inventory or other goods or (15) in favor of customs and revenue authorities arising as a matter of law to secure payment of customs duties in connection with the importation of goods in the ordinary course of business; and

(xvii) other Liens securing obligations incurred in the ordinary course of business, which obligations do not exceed $75.0 million at any time outstanding.

"*Person*" means any individual, corporation, partnership, joint venture, association, joint-stock company, limited liability company, trust, unincorporated organization, government or any agency or political subdivision thereof or any other entity.

"*Preferred Stock*" as applied to the Capital Stock of any corporation means Capital Stock of any class or classes (however designated) that by its terms is preferred as to the payment of dividends, or as to the distribution of assets upon any voluntary or involuntary liquidation or dissolution of such corporation, over shares of Capital Stock of any other class of such corporation.

"*Public Debt*" means any Indebtedness consisting of bonds, debentures, notes or other similar debt securities that are capable of being listed, quoted or traded on an organized securities exchange or similar trading platform.

"*Purchase Money Obligations*" means any Indebtedness Incurred to finance or refinance the acquisition, leasing, construction or improvement of property (real or personal) or assets, and whether acquired through the direct acquisition of such property or assets or the acquisition of the Capital Stock of any Person owning such property or assets, or otherwise.

"*Rating Agency*" means Moody's or S&P or, if Moody's or S&P or all of them shall not make a rating on the Notes publicly available, a nationally recognized statistical rating agency or agencies, as the case may be, selected by the Company, which shall be substituted for Moody's or S&P or all of them, as the case may be.

"*Receivable*" means a right to receive payment pursuant to an arrangement with another Person pursuant to which such other Person is obligated to pay, as determined in accordance with IFRS.

"*refinance*" means refinance, refund, replace, renew, repay, modify, restate, defer, substitute, supplement, reissue, resell or extend (including pursuant to any defeasance or discharge mechanism); and the terms "refinances," "refinanced" and "refinancing" as used for any purpose in the Indenture shall have a correlative meaning.

"*Refinancing Indebtedness*" means Indebtedness of the Company or any Restricted Subsidiary that is Incurred to refinance any Indebtedness existing on the date of the Indenture or Incurred in compliance with the Indenture including Indebtedness that refinances Refinancing Indebtedness; *provided* that (1) if the Indebtedness being refinanced is Subordinated Obligations or Guarantor Subordinated Obligations, the Refinancing Indebtedness has a final Stated Maturity at the time such Refinancing Indebtedness is Incurred that is equal to or greater than the final Stated Maturity of the Indebtedness being refinanced (or if shorter, the Notes), (2) such Refinancing Indebtedness is Incurred in an aggregate principal amount (or if issued with original issue discount, an aggregate issue price) that is equal to or less than the sum of (x) the aggregate principal amount (or if issued with original issue discount, the aggregate accreted value) then outstanding of the Indebtedness being refinanced, *plus* (y) fees, underwriting discounts, premiums and other costs and expenses incurred in connection with such Refinancing Indebtedness and (3) Refinancing Indebtedness shall not include (x) Indebtedness of a Restricted Subsidiary that is not the Issuer or a Subsidiary Guarantor that refinances Indebtedness of the Company, the Issuer or a Subsidiary Guarantor that could not have been initially Incurred by such Restricted Subsidiary pursuant to the covenant described under "—Certain Covenants—Limitation on Indebtedness" or (y) Indebtedness of the Company or a Restricted Subsidiary that refinances Indebtedness of an Unrestricted Subsidiary.

"*Related Business*" means those businesses in which the Company or any of its Subsidiaries is engaged on the date of the Indenture, or that are similar, related, complementary, incidental or ancillary thereto or extensions, developments or expansions thereof.

"*Restricted Payment Transaction*" means any Restricted Payment permitted pursuant to the covenant described under "—Certain Covenants—Limitation on Restricted Payments," any Permitted Payment, any Permitted Investment, or any transaction specifically excluded from the definition of the term "Restricted Payment" (including pursuant to the exception contained in clause (i) and the parenthetical exclusions contained in clauses (ii) and (iii) of such definition).

"*Restricted Subsidiary*" means any Subsidiary of the Company other than an Unrestricted Subsidiary.

"*SEC*" means the U.S. Securities and Exchange Commission.

"*Senior Indebtedness*" means any Indebtedness of the Company or any Restricted Subsidiary other than, in the case of the Issuer, Subordinated Obligations and, in the case of any Guarantor, Guarantor Subordinated Obligations.

"*Significant Subsidiary*" means any Restricted Subsidiary that would be a "significant subsidiary" of the Company within the meaning of Rule 1-02 under Regulation S-X promulgated by the SEC, as such Regulation is in effect on the Issue Date.

"*Special Purpose Entity*" means (x) any Special Purpose Subsidiary or (y) any other Person that is engaged in the business of acquiring, selling, collecting, financing or refinancing Receivables, accounts (as defined in the Uniform Commercial Code as in effect in any jurisdiction from time to time), other accounts and/or other receivables, and/or related assets.

"*Special Purpose Financing*" means any financing or refinancing of assets consisting of or including Receivables of the Company or any Restricted Subsidiary that have been transferred to a Special Purpose Entity or made subject to a Lien in a Financing Disposition.

"*Special Purpose Financing Fees*" means distributions or payments made directly or by means of discounts with respect to any participation interest issued or sold in connection with, and other fees paid to a Person that is not a Restricted Subsidiary in connection with, any Special Purpose Financing.

"*Special Purpose Financing Undertakings*" means representations, warranties, covenants, indemnities, guarantees of performance and (subject to clause (y) of the proviso below) other agreements and undertakings entered into or provided by the Company or any of its Restricted Subsidiaries that the Company determines in good faith (which determination shall be conclusive) are customary or otherwise necessary or advisable in connection with a Special Purpose Financing or a Financing Disposition; *provided* that (x) it is understood that Special Purpose Financing Undertakings may consist of or include (i) reimbursement and other obligations in respect of notes, letters of credit, surety bonds and similar instruments provided for credit enhancement purposes or (ii) Hedging Obligations, or other obligations relating to Interest Rate Agreements, Currency Agreements or Commodities Agreements entered into by the Company or any Restricted Subsidiary, in respect of any Special Purpose Financing or Financing Disposition, and (y) subject to the preceding clause (x), any such other agreements and undertakings shall not include any Guarantee of Indebtedness of a Special Purpose Subsidiary by the Company or a Restricted Subsidiary that is not a Special Purpose Subsidiary.

"*Special Purpose Subsidiary*" means a Subsidiary of the Company that (a) is engaged solely in (x) the business of acquiring, selling, collecting, financing or refinancing Receivables, accounts (as defined in the Uniform Commercial Code as in effect in any jurisdiction from time to time) and other accounts and receivables (including any thereof constituting or evidenced by chattel paper, instruments or general intangibles), all proceeds thereof and all rights (contractual and other), collateral and other assets relating thereto, and (y) any business or activities incidental or related to such business, and (b) is designated as a "Special Purpose Subsidiary" by the Company.

"*S&P*" means Standard & Poor's Ratings Group, a division of The McGraw-Hill Companies, Inc., and its successors and affiliates.

"*Stated Maturity*" means, with respect to any security, the date specified in such security as the fixed date on which the payment of principal of such security is due and payable, including pursuant to any mandatory redemption provision (but excluding any provision providing for the repurchase of such security at the option of the holder thereof upon the happening of any contingency).

"*Subordinated Obligations*" means any Indebtedness of the Issuer (whether outstanding on the date of the Indenture or thereafter Incurred) that is expressly subordinated in right of payment to the Notes pursuant to a written agreement.

"*Subsidiary*" of any Person means (a) any corporation, association or other business entity (other than a partnership, joint venture, limited liability company or similar entity) of which more than 50% of the total ordinary voting power of shares of Capital Stock entitled (without regard to the occurrence of any contingency) to vote in the election of directors, managers or trustees thereof (or Persons performing similar functions) or (b) any partnership, joint venture, limited liability company or similar entity of which more than 50% of the capital accounts, distribution rights, total equity and voting interests or general or limited partnership interests, as applicable, is, in the case of clauses (a) and (b), at the time owned or controlled, directly or indirectly, by (1) such Person, (2) such Person and one or more Subsidiaries of such Person or (3) one or more Subsidiaries of such Person. Unless otherwise specified herein, each reference to a Subsidiary will refer to a Subsidiary of the Company.

"*Subsidiary Note Guarantee*" means any Note Guarantee that may from time to time be entered into by a Restricted Subsidiary of the Company on the Issue Date or after the Issue Date pursuant to the covenant described under "—Certain Covenants—Future Subsidiary Guarantors." As used in the Indenture, "Subsidiary Note Guarantee" refers to a Subsidiary Note Guarantee of the Notes.

"*Subsidiary Guarantor*" means any Restricted Subsidiary of the Company that enters into a Subsidiary Note Guarantee. As used in the Indenture, "Subsidiary Guarantor" refers to a Subsidiary Guarantor of the Notes.

"*Successor Company*" shall have the meaning assigned thereto in clause (a)(i) under "—Merger and Consolidation."

"*Tax*" means my tax, duty, import, assessment or other governmental charge (including penalties, interest and any additions thereto, and, for the avoidance of doubt, including any withholding or reduction for or on account thereof). "*Taxes*" shall be construed to have the corresponding meaning.

"*Temporary Cash Investments*" means any of the following: (i) any investment in (x) direct obligations of the United States of America, a member state of the European Union, Switzerland, Brazil, Uruguay, Argentina or any country in whose currency funds are being held pending their application in the making of an investment or capital expenditure by the Company or a Restricted Subsidiary in that country or with such funds, or any agency or instrumentality of any thereof or obligations Guaranteed by the United States of America, a member state of the European Union, Switzerland or any country in whose currency funds are being held pending their application in the making of an investment or capital expenditure by the

Company or a Restricted Subsidiary in that country or with such funds, or any agency or instrumentality of any of the foregoing, or obligations guaranteed by any of the foregoing or (y) direct obligations of any foreign country recognized by the United States of America rated at least "A" by S&P or "A-1" by Moody's (or, in either case, the equivalent of such rating by such organization or, if no rating of S&P or Moody's then exists, the equivalent of such rating by any nationally recognized rating organization), (ii) overnight bank deposits, and investments in time deposit accounts, certificates of deposit, bankers' acceptances and money market deposits (or, with respect to foreign banks, similar instruments) maturing not more than one year after the date of acquisition thereof issued by (x) any bank or other institutional lender under a Credit Facility or any affiliate thereof or (y) a bank or trust company that is organized under the laws of the United States of America, any state thereof or any foreign country recognized by the United States of America having capital and surplus aggregating in excess of $250.0 million (or the foreign currency equivalent thereof) and whose long term debt is rated at least "A" by S&P or "A-1" by Moody's (or, in either case, the equivalent of such rating by such organization or, if no rating of S&P or Moody's then exists, the equivalent of such rating by any nationally recognized rating organization) at the time such Investment is made, (iii) repurchase obligations with a term of not more than 30 days for underlying securities of the types described in clause (i) or (ii) above entered into with a bank meeting the qualifications described in clause (ii) above, (iv) Investments in commercial paper, maturing not more than 270 days after the date of acquisition, issued by a Person (other than that of the Company or any of its Subsidiaries), with a rating at the time as of which any Investment therein is made of "P-2" (or higher) according to Moody's or "A-2" (or higher) according to S&P (or, in either case, the equivalent of such rating by such organization or, if no rating of S&P or Moody's then exists, the equivalent of such rating by any nationally recognized rating organization), (v) Investments in securities maturing not more than one year after the date of acquisition issued or fully guaranteed by any state, commonwealth or territory of the United States of America, or by any political subdivision or taxing authority thereof, and rated at least "A" by S&P or "A" by Moody's (or, in either case, the equivalent of such rating by such organization or, if no rating of S&P or Moody's then exists, the equivalent of such rating by any nationally recognized rating organization), (vi) Preferred Stock (other than of the Company or any of its Subsidiaries) having a rating of "A" or higher by S&P or "A2" or higher by Moody's (or, in either case, the equivalent of such rating by such organization or, if no rating of S&P or Moody's then exists, the equivalent of such rating by any nationally recognized rating organization), (vii) investment funds investing 95% of their assets in securities of the type described in clauses (i)-(vi) above (which funds may also hold reasonable amounts of cash pending investment and/or distribution), (viii) any money market deposit accounts issued or offered by a domestic commercial bank or a commercial bank organized and located in a country recognized by the United States of America, in each case, having capital and surplus in excess of $250.0 million (or the foreign currency equivalent thereof), or investments in money market funds subject to the risk limiting conditions of Rule 2a-7 (or any successor rule) of the SEC under the Investment Company Act of 1940, as amended, and (ix) similar investments approved by the Board of Directors in the ordinary course of business.

"*Trade Payables*" means, with respect to any Person, any accounts payable or any indebtedness or monetary obligation to trade creditors created, assumed or guaranteed by such Person arising in the ordinary course of business in connection with the acquisition of goods or services.

"*Trustee*" means the party named as such in the Indenture until a successor replaces it and, thereafter, means the successor.

"*Unrestricted Subsidiary*" means (i) any Subsidiary of the Company that at the time of determination is an Unrestricted Subsidiary, as designated by the Board of Directors in the manner provided below, and (ii) any Subsidiary of an Unrestricted Subsidiary. The Board of Directors may designate any Subsidiary of the Company (including any newly acquired or newly formed Subsidiary of the Company but excluding the Issuer) to be an Unrestricted Subsidiary unless such Subsidiary or any of its Subsidiaries owns any Capital Stock or Indebtedness of, or owns or holds any Lien on any property of, the Company or any other Restricted Subsidiary of the Company that is not a Subsidiary of the Subsidiary to be so designated; *provided* that (A) such designation was made at or prior to the Issue Date, or (B) the Subsidiary to be so designated has total consolidated assets of $1,000 or less, or (C) if such Subsidiary has consolidated assets greater than $1,000, then such designation would be permitted under the covenant described under "—Certain Covenants—Limitation on Restricted Payments." The Board of Directors may designate any Unrestricted Subsidiary to be a Restricted Subsidiary; *provided* that immediately after giving effect to such designation (x) the Company could Incur at least $1.00 of additional Indebtedness under paragraph (a) in the covenant described under "—Certain Covenants—Limitation on Indebtedness" or (y) the Consolidated Coverage Ratio would be greater than it was immediately prior to giving effect to such designation or (z) such Subsidiary shall be a Special Purpose Subsidiary with no Indebtedness outstanding other than Indebtedness that can be Incurred (and upon such designation shall be deemed to be Incurred and outstanding) pursuant to paragraph (b) of the covenant described under "—Certain Covenants—Limitation on Indebtedness." Any such designation by the Board of Directors shall be evidenced to the Trustee by promptly filing with the Trustee a copy of the resolution of the Company's Board of Directors giving effect to such designation and an Officer's Certificate of the Company certifying that such designation complied with the foregoing provisions.

"*U.S. Government Obligation*" means (x) any security that is (i) a direct obligation of the United States of America for the payment of which the full faith and credit of the United States of America is pledged or (ii) an obligation of a Person controlled or supervised by and acting as an agency or instrumentality of the United States of America the payment of which is unconditionally guaranteed as a full faith and credit obligation by the United States of America, which, in either case under the preceding clause (i) or (ii), is not callable or redeemable at the option of the issuer thereof, and (y) any depositary receipt issued by a bank (as defined in Section 3(a)(2) of the Securities Act) as custodian with respect to any U.S. Government Obligation that is specified in clause (x) above and held by such bank for the account of the holder of such depositary receipt, or with respect to any specific payment of principal of or interest on any U.S. Government Obligation that is so specified and held, provided that (except as required by law) such custodian is not authorized to make any deduction from the amount payable to the holder of such depositary receipt from any amount received by the custodian in respect of the U.S. Government Obligation or the specific payment of principal or interest evidenced by such depositary receipt.

"*Voting Stock*" of an entity means all classes of Capital Stock of such entity then outstanding and normally entitled to vote in the election of directors or all interests in such entity with the ability to control the management or actions of such entity.

Global Notes and Book-Entry System

The Notes will be issued only in fully registered form, without interest coupons. The Notes will be issued only in minimum denominations of $200,000 and any integral multiple of $1,000 in excess thereof. The Notes will not be issued in bearer form.

The Notes will be represented by one or more global Notes (the "Global Notes") in definitive form. The Global Notes will be deposited on the date we issue the Notes with, or on behalf of, DTC and registered in the name of Cede & Co., as nominee of DTC (such nominee being referred to herein as the "Global Note Holder").

DTC has advised us as follows:

DTC is a limited-purpose trust company that was created to hold securities for its participating organizations, (collectively, the "Participants" or the "Depositary's Participants"), and to facilitate the clearance and settlement of transactions in these securities between Participants through electronic book-entry changes in accounts of its Participants. The Depositary's Participants include securities brokers and dealers (including the Initial Purchasers of the Notes), banks and trust companies, clearing corporations and certain other organizations. Access to DTC's system is also available to other entities such as banks, brokers, dealers and trust companies (collectively, the "Indirect Participants" or the "Depositary's Indirect Participants") that clear through or maintain a custodial relationship with a Participant, either directly or indirectly. Persons who are not Participants may beneficially own securities held by or on behalf of DTC only through the Depositary's Participants or the Depositary's Indirect

Participants. Pursuant to procedures established by DTC, ownership of the Notes will be shown on, and the transfer of ownership thereof will be effected only through, records maintained by DTC (with respect to the interests of the Depositary's Participants) and the records of the Depositary's Participants (with respect to the interests of the Depositary's Indirect Participants).

So long as the Global Note Holder is the registered owner of any Notes, the Global Note Holder will be considered the sole Holder of outstanding Notes represented by such Global Notes under the Indenture. Except as provided below, owners of Notes will not be entitled to have the Notes registered in their names and will not be considered the owners or holders thereof under the Indenture for any purpose, including with respect to the giving of any directions, instructions, or approvals to the Trustee thereunder. Neither we nor the Trustee will have any responsibility or liability for any aspect of the records relating to or payments made on account of Notes by DTC, or for maintaining, supervising or reviewing any records of DTC relating to such Notes.

Payments in respect of the principal of, premium, if any, and interest on any Notes registered in the name of a Global Note Holder on the applicable record date will be payable by the Paying Agent to or at the direction of such Global Note Holder in its capacity as the registered holder under the Indenture. Under the terms of the Indenture, we and the Paying Agent may treat the persons in whose names any Notes, including the Global Notes, are registered as the owners thereof for the purpose of receiving such payments and for any and all other purposes whatsoever. Consequently, neither we nor the Trustee or Paying Agent have or will have any responsibility or liability for the payment of such amounts to beneficial owners of the Notes (including principal, premium, if any, and interest). We believe, however, that it is currently the policy of DTC to immediately credit the accounts of the relevant Participants with such payments, in amounts proportionate to their respective beneficial interests in the relevant security as shown on the records of DTC. Payments by the Depositary's Participants and the Depositary's Indirect Participants to the beneficial owners of the Notes will be governed by standing instructions and customary practice and will be the responsibility of the Depositary's Participants or the Depositary's Indirect Participants.

Notes in definitive, fully registered form will be issued and delivered to each person that the Depositary identifies as a beneficial owner of the related Note only if (1) the Depositary notifies us in writing that DTC is no longer willing or able to act as a depositary or if at any time the Depositary ceases to be a "clearing agency" registered under the Exchange Act, and we are unable to locate a qualified successor within 90 days or (2) we, at our option, notify the Trustee in writing that we elect to cause the issuance of the Notes in definitive form under the Indenture.

Neither we nor the Trustee will be liable for any delay by the Global Note Holder or DTC in identifying the beneficial owners of the Notes and we and the Trustee may conclusively rely on, and will be protected in relying on, instructions from the Global Note Holder or DTC for all purposes.

CERTAIN TAXATION CONSIDERATIONS

Prospective investors should consult their professional advisers on the tax consequences of buying, holding or selling any Notes in light of their own particular circumstances, including the effect of the laws of their country of citizenship, residence or domicile. The discussions that follow for each jurisdiction are based upon the applicable laws and interpretations thereof as of the date hereof, all of which laws and interpretations are subject to change or differing interpretations, which changes or differing interpretations could apply retroactively.

Luxembourg Tax Considerations

Please be aware that the residence concept used under the respective headings below applies for Luxembourg income tax and net wealth tax assessment purposes only. Any reference in the present section to a tax, duty, levy, impost or other charge or withholding of a similar nature refers to Luxembourg tax law or concepts only. Also, please note that a reference to Luxembourg income tax generally encompasses corporate income tax (*impôt sur le revenu des collectivités*), municipal business tax (*impôt commercial communal*), a solidarity surcharge (*contribution au fonds pour l'emploi*) as well as personal income tax (*impôt sur le revenu*). Investors may further be subject to net wealth tax (*impôt sur la fortune*) as well as other duties, levies or taxes. Corporate income tax, municipal business tax as well as the solidarity surcharge invariably apply to most corporate taxpayers resident of Luxembourg for tax purposes. Individual taxpayers are generally subject to personal income tax and the solidarity surcharge. Under certain circumstances, where an individual taxpayer acts in the course of the management of a professional or business undertaking, municipal business tax may apply as well.

Withholding Tax

Non-resident investors in the Notes ("Noteholders")

Under Luxembourg general tax laws currently in force and subject to the laws of June 21, 2005 (the "Laws") (i) implementing the European Union Savings Directive (Council Directive 2003/48/EC of June 3, 2003 on taxation of savings income in the form of interest payments, the "European Union Savings Directive") and (ii) ratifying the treaties entered into by Luxembourg and certain dependent and associated territories of European Union ("E.U.") Member States, there is no withholding tax on payments of principal, premium or interest made under the Notes, nor on accrued but unpaid interest in respect of the Notes, nor is any Luxembourg withholding tax payable upon redemption or repurchase of the Notes held by non-resident Noteholders.

Under the European Union Savings Directive and the Laws, a Luxembourg based paying agent (within the meaning of the European Union Savings Directive) is required since July 1, 2005 to withhold tax on interest and other similar income (within the meaning of the Laws) paid by it to (or, under certain circumstances, for the benefit of) an individual resident in another Member State of the E.U. or a residual entity ("Residual Entity") in the sense of Article 4.2. of the European Union Savings Directive (i.e. an entity without legal personality and whose profits are not taxed under the general arrangements for the business taxation and that is not, or has not opted to be considered as, an undertaking for collective investment in transferrable securities or UCITS recognized in accordance with Council Directive 85/611/EEC), resident or established in another Member State of the E.U., unless the beneficiary of the payment of interest or similar income elects for an exchange of information or provides a specific tax certificate to the Luxembourg paying agent. The same regime applies to payments by a Luxembourg based paying agent to (or, under certain circumstances, for the benefit of) individuals or Residual Entities resident or established in certain dependant or associated territories (including Jersey, Guernsey, Isle of Man, Montserrat, British Virgin Islands, Curaçao, Saba, Saint Eustatius, Bonaire, Saint Maarten and Aruba).

The withholding tax rate is 35%. The tax withholding system will only apply during a transitional period, the ending of which depends on the conclusion of certain agreements relating to information exchange with certain other countries.

Investors should note that the E.U. Commission announced proposals to amend the European Union Savings Directive. If implemented, the proposed amendments would, inter alia, extend the scope of the European Union Savings Directive to (i) payments made through certain intermediate structures (whether or not established in a Member State of the E.U.) for the ultimate benefit of an E.U. resident individual and (ii) a wider range of income similar to interest (for more information, please refer to the paragraph below entitled "European Union Savings Directive").

Resident Noteholders

Under Luxembourg general tax laws currently in force and subject to the law of December 23, 2005, as amended (the "Law"), mentioned below, there is no withholding tax on payments of principal, premium or interest made to Luxembourg resident Noteholders, nor on accrued but unpaid interest in respect of the Notes nor is any Luxembourg withholding tax payable upon redemption or repurchase of Notes held by Luxembourg resident Noteholders.

Under the Law, payments of interest or similar income on debt instruments made or deemed made by a paying agent (within the meaning of the Law) established in Luxembourg to or for the benefit of an individual Luxembourg resident who is the beneficial owner of such payment may be subject to a final tax of 10%. Such tax will be in full discharge of income tax if the individual beneficial owner is an individual acting in the course of the management of his private wealth. Responsibility for the withholding and payment of the tax will be assumed by the Luxembourg paying agent.

An individual beneficial owner of interest or similar income (within the meaning of the Law) who is a resident of Luxembourg and acts in the course of the management of his private wealth may opt in accordance with the Law for a final tax of 10% when he receives or is deemed to receive such interest or similar income from a paying agent established in another Member State of the E.U., in a member state of the European Economic Area which is not a member state of the E.U. or in a state which has concluded a treaty directly in connection with the European Union Savings Directive. In such case, the 10% levy is calculated on the same amounts as for the payments made by Luxembourg resident paying agents. The option for the 10% final levy must cover all payments of interest or similar income made by the paying agents to the Luxembourg resident beneficial owner or, under certain circumstances, to a Residual Entity established in another Member State of the E.U., during the entire year. The individual resident that is the beneficial owner of interest is responsible for the declaration and the payment of the 10% final tax.

Income Taxation

Non-resident Noteholders

Non-resident Noteholders, not having a permanent establishment, a permanent representative, or a fixed place of business in Luxembourg to which the Notes or income thereon are attributable, are not subject to Luxembourg income taxes on income accrued or received, redemption premiums or issue discounts, under the Notes nor on capital gains realized on the disposal or redemption of the Notes. Non-residents holders who have a permanent establishment, a permanent representative, or a fixed place of business in Luxembourg to which the Notes or income therefrom are attributable are subject to Luxembourg income tax on interest accrued or received, redemption premiums or issue discounts, under the notes and on any gains realized upon the sale or disposal of the Notes.

Resident Noteholders

Individuals

A resident Noteholder, acting in the course of the management of his private wealth, is subject to Luxembourg income tax in respect of interest or similar income received, redemption premiums or issue discounts, under the Notes, except if tax has been levied on such payments in accordance with the Law.

A gain realized by an individual Noteholder, acting in the course of the management of his private wealth, upon the sale or disposal, in any form whatsoever, of Notes is not subject to Luxembourg income tax, provided this sale or disposal took place more than six months after the notes were acquired. However, any portion of such gain corresponding to accrued but unpaid interest income is subject to Luxembourg income tax, except if tax has been levied on such interest in accordance with the Law.

Corporations

A corporate resident Noteholder must include any interest accrued or received, any redemption premium or issue discount, as well as any gain realized on the sale or disposal, in any form whatsoever, of the Notes, in its taxable income for Luxembourg income tax assessment purposes.

A Noteholder that is governed by the law of May 11, 2007, on family estate management companies (as amended), or by the law of December 17, 2010, on undertakings for collective investment, or the law of February 13, 2007 on specialized investment funds (as amended) is neither subject to Luxembourg income tax in respect of interest accrued or received, any redemption premium, nor on gains realized on the sale or disposal, in any form whatsoever, of the Notes.

Net Wealth Taxation

A Luxembourg resident corporate Noteholder as well as a non-Luxembourg resident Noteholder which maintains a permanent establishment, fixed place of business or a permanent representative in Luxembourg to which such Notes or income thereon are attributable, are subject to Luxembourg wealth tax on such Notes, except if the Noteholder is a family estate management company (*société de gestion de patrimoine familial*) introduced by the law of May 11, 2007 (as amended), an undertaking for collective investment governed by the law of December 17, 2010 (as amended), a securitization vehicle governed by and compliant with the law of March 22, 2004 on securitization (as amended), a company governed by and compliant with the law of June 15, 2004 (as amended) on venture capital vehicles, or a specialized investment fund governed by the law of February 13, 2007 on specialized investment funds (as amended).

An individual Noteholder, whether he/she is resident of Luxembourg or not, is not subject to Luxembourg wealth tax on such Notes.

Other Taxes

Neither the issuance nor the transfer of Notes will give rise to any Luxembourg stamp duty, value added tax, issuance tax, registration tax, transfer tax or similar taxes or duties, provided that the relevant issue or transfer agreement is not submitted to registration in Luxembourg which is not mandatory.

Where a Noteholder is a resident of Luxembourg for tax purposes at the time of his death, the Notes are included in his taxable estate for inheritance tax assessment purposes.

Gift tax may be due on a gift or donation of Notes if embodied in a Luxembourg deed or recorded in Luxembourg.

European Union Savings Directive

On June 3, 2003, the European Union Savings Directive was adopted. Under the European Union Savings Directive, each Member State of the E.U. is required to provide to the tax authorities of another Member State of the E.U. details of payments of interest within the meaning of the European Union Savings Directive or other similar income paid by a paying agent within the meaning of the European Union Savings Directive, to an individual resident or Residual Entities established in that other Member State of the E.U. (or certain dependent or associated territories). For a transitional period, however, Luxembourg is permitted to apply a withholding tax system whereby if a beneficial owner, within the meaning of the European Union Savings Directive, does not opt for exchange of information or does not provide a specific tax certificate reporting, the relevant Member State of the E.U. will levy a withholding tax on payments to such beneficial owner. The tax rate of the withholding is 35%. The transitional period is to terminate at the end of the first full fiscal year following agreement by certain non-E.U. Member States to the exchange of information relating to such payments.

Also with effect from July 1, 2005, a number of non-E.U. Member States (Switzerland, Andorra, Liechtenstein, Monaco and San Marino) and certain dependent or associated territories (including Jersey, Guernsey, Isle of Man, Montserrat, British Virgin Islands, Curaçao, Saba, Saint Eustatius, Bonaire, St. Maarten, Aruba, Cayman Islands, Turks and Caicos Islands and Anguilla) have agreed to adopt similar measures (either provision of information or transitional withholding) in relation to payments made by a paying agent (within the meaning of the European Union Savings Directive) within its jurisdiction to, or collected by such a paying agent for, an individual resident or a Residual Entity established in a Member State of the E.U. In addition, Luxembourg has entered into reciprocal provision of information or transitional withholding arrangements with certain of those dependent or associated territories in relation to payments made by a paying agent (within the meaning of the European Union Savings Directive) in Luxembourg to, or collected by such a paying agent for, an individual resident or a Residual Entity established in one of those territories.

The European Commission has announced on November 13, 2008 proposals to amend the European Union Savings Directive. If implemented, the proposed amendments would, *inter alia*, (i) extend the scope of the European Union Savings Directive to payments made through certain intermediate structures (whether or not established in a Member State of the E.U.) for the ultimate benefit of E.U. resident individuals and (ii) provide for a wider definition of interest subject to the European Union Savings Directive. The European Parliament approved an amended version of this proposal on April 24, 2009. Discussions are still ongoing at Council level, building on unanimous conclusions adopted on December 2, 2008 and on June 9, 2009. Investors who are in any doubt as to their position should consult their professional advisers.

Switzerland Tax Considerations

The following discussion is a summary of certain material Swiss tax considerations and describes certain taxes withheld by Switzerland for foreign countries based on the legislation as of the date of this Offering Memorandum. It does not aim to be a comprehensive description of all the Swiss tax considerations that may be relevant for a decision to invest in Notes. The tax treatment for each investor depends on the particular situation. All investors are advised to consult with their professional tax advisors as to the respective Swiss tax consequences of the purchase, ownership, disposition, lapse, exercise or redemption of Notes in light of their particular circumstances.

Swiss Federal Withholding Tax

Payments by the Issuer, of interest on, and repayment of principal of, the Notes, and payments by Dufry AG or the other Swiss Guarantors to the holders of Notes under the Guarantees will not be subject to Swiss federal withholding tax.

On August 24, 2011, the Swiss Federal Council issued draft legislation, which, if enacted, may require a paying agent in Switzerland to deduct Swiss withholding tax at a rate of 35% on any payment of interest in respect of a debt security to an individual resident in Switzerland or to a person resident outside of Switzerland. A Swiss Guarantor may be considered as a Swiss paying agent in this respect even if there are no payments under the Guarantee. If this legislation or similar legislation were enacted and an amount of, or in respect of, Swiss withholding tax were to be deducted or withheld from that payment, it is possible that neither the Issuer nor any paying agent nor any other person would pursuant to the terms of the Notes be obliged to pay additional amounts with respect to any debt security as a result of the deduction or imposition of such withholding tax.

Swiss Federal Stamp Taxes

The issue and redemption of Notes by the Issuer are not subject to Swiss federal stamp duty on the issue of securities.

Purchases or sales of Notes where a Swiss domestic bank or a Swiss domestic securities dealer (as defined in the Swiss federal stamp duty act) is a party, or acts as an intermediary, to the transaction may be subject to Swiss federal stamp duty on dealings in securities at a rate of up to 0.3% of the purchase price of the Notes. Where both the seller and the purchaser of the Notes are non-residents of Switzerland or the Principality of Liechtenstein, no Swiss federal stamp duty on dealing in securities is payable.

Income Taxation on Principal or Interest

Notes Held by Non-Swiss Holders

Payments by the Issuer or the Guarantors of interest and repayment of principal to, and gain realized on the sale or redemption of Notes by, a holder of Notes who is not a resident of Switzerland and who during the relevant taxation year has not engaged in a trade or business through a permanent establishment or a fixed place of business in Switzerland to which the Notes are attributable and who is not subject to income taxation in Switzerland for any other reason will not be subject to any Swiss federal, cantonal or communal income tax.

Notes Held by Swiss Holders as Private Assets

An individual who resides in Switzerland and privately holds a Note the yield-to-maturity of which predominantly derives from periodic interest payments and not from a one-time-interest-payment such as an original issue discount or a repayment premium, is required to include all payments of interest received on such Note in his or her personal income tax return for the relevant tax period and is taxable on the net taxable income (including the payment of interest on the Note) for such tax period at the then prevailing tax rates.

Capital gains and losses

Swiss resident individuals who sell or otherwise dispose of privately held Notes realize either a tax-free private capital gain or a non-tax-deductible capital loss. See "Notes Held as Swiss Business Assets" below for a summary on the tax treatment of individuals classified as "professional securities dealers."

Notes Held as Swiss Business Assets

Individuals who hold Notes as part of a business in Switzerland and Swiss-resident corporate taxpayers and corporate taxpayers residing abroad holding Notes as part of a permanent establishment or fixed place of business in Switzerland are required to recognize the payments of interest and any capital gain or loss realized on the sale or other disposition of such Notes in their income statement for the respective tax period and will be taxable on any net taxable earnings for such tax period. The same taxation treatment also applies to Swiss-resident individuals who, for income tax purposes, are classified as "professional securities dealers" for reasons of, inter alia, frequent dealings and leveraged transactions in securities.

Taxes withheld by Switzerland for other countries

European Savings Tax

On October 26, 2004, the European Community and Switzerland entered into an agreement on the taxation of savings income pursuant to which Switzerland will adopt measures equivalent to those of the European Directive 2003/48/EC of 3 June 2003 on the taxation of savings income in the form of interest payments. The agreement came into force as of July 1, 2005.

In accordance with this agreement under the Swiss law, Swiss paying agents have to withhold tax at a rate of 35% on interest payments made under the Notes to a beneficial owner who is an individual and resident of an EU member state, with the option of the individual to have the paying agent and Switzerland provide to the tax authorities of the EU member state the details of the interest payments in lieu of the withholding.

Foreign Final Withholding Tax

The Swiss Federal Council recently signed treaties with Germany, the United Kingdom and Austria providing, inter alia, for a final withholding tax. The treaties, which are in the process of legislative approval in these respective contracting states, may enter into force on January 1, 2013 and might be followed by similar treaties with other European countries.

According to the treaties, a Swiss paying agent may levy a final withholding tax on capital gains and on certain income items deriving, inter alia, from Notes. The final withholding tax will replace the ordinary income tax due by an individual resident of a contracting state on such gains and income items. In lieu of the final withholding, individuals may opt for a voluntary disclosure of the relevant capital gains and income items to the tax authorities of their state of residency.

As regards the regularization of specific assets defined in the treaties and held by individuals of a contracting state with a Swiss paying agent prior to the entry into force of the treaties (regularization of the past), such individuals may opt either for a one-off payment replacing the tax liability in the state of residency with regard to such assets or for the voluntary disclosure of such assets to the tax authority of the state of residency.

Holders of Notes who might be within the scope of the abovementioned treaties should consult their own tax adviser as to the tax consequences relating to their particular circumstances.

Certain U.S. Federal Income Tax Considerations

This disclosure is limited to the U.S. federal tax issues addressed herein. Additional issues may exist that are not addressed in this disclosure and that could affect the U.S. federal tax treatment of the Notes. This tax disclosure was written in connection with the promotion or marketing of the Notes by the Issuer, and it cannot be used for the purpose of avoiding penalties that may be asserted under the Internal Revenue Code of 1986, as amended (the "Code"). Prospective investors should seek their own advice based on their particular circumstances from an independent tax adviser.

The following is a description of certain U.S. federal income tax consequences to the U.S. Holders described below of owning and disposing of Notes, but it does not purport to be a comprehensive description of all tax considerations that may be relevant to your decision to acquire the Notes. This discussion applies only to initial U.S. Holders that (i) purchase Notes in this offering at their "issue price," which will be the first price at which a substantial amount of Notes is sold to the public and (ii) hold the Notes as capital assets for U.S. federal income tax purposes.

This discussion does not describe all of the tax consequences that may be relevant to you in light of your particular circumstances, including alternative minimum tax consequences and differing tax consequences applicable to U.S. Holders subject to special rules, such as:

- certain financial institutions;
- insurance companies;
- dealers or certain traders in securities;
- persons holding Notes as part of a hedge, "straddle" or integrated transaction;
- persons whose functional currency for U.S. federal income tax purposes is not the U.S. dollar;
- entities classified as partnerships for U.S. federal income tax purposes or investors therein;
- certain U.S. expatriates;
- tax-exempt entities; or
- persons holding Notes in connection with a trade or business conducted outside of the United States.

If you are an entity that is classified as a partnership for U.S. federal income tax purposes, the U.S. federal income tax treatment of your partners will generally depend on the status of your partners and your activities. Partnerships owning Notes and partners in such partnerships should consult their tax advisers as to the particular U.S. federal income tax consequences to them of owning and disposing of the Notes.

This discussion is based on the Code, administrative pronouncements, judicial decisions, and Treasury Regulations, all as of the date hereof, any of which is subject to change, possibly with retroactive effect. This discussion does not address any aspect of state, local or non-U.S. taxation, or any aspect of U.S. federal taxes other than income taxes (e.g., estate or gift taxes), or the potential application of the Medicare contribution tax. If you are considering the purchase of Notes, you should consult your tax adviser with regard to the application of the U.S. federal tax laws to your particular situation, as well as any tax consequences arising under the laws of any state, local or foreign taxing jurisdiction.

You are a U.S. Holder if, for U.S. federal income tax purposes, you are a beneficial owner of a Note that is:

- an individual who is a citizen or resident of the United States;
- a corporation, or other entity taxable as a corporation, created or organized under the laws of the United States, any state therein or the District of Columbia; or
- an estate or trust the income of which is subject to U.S. federal income taxation regardless of its source.

Possible Alternative Treatments of the Notes

We believe it is reasonable to treat the Notes as debt obligations for U.S. federal income tax purposes. However, such treatment of the Notes is not binding on the Internal Revenue Service (the "IRS") or the courts, and there is no guarantee that the IRS may not challenge such treatment. If the IRS were to successfully challenge such treatment, the timing, amount and character of income inclusions on the Notes may be affected.

In certain circumstances (e.g., as described under "Description of Notes—Change of Control"), we might be required to make payments on a Note that would increase the yield of the Note. We do not intend to treat the Notes as "contingent payment debt instruments" for U.S. federal income tax purposes as a result of the possibility of such payments. If the IRS were to take a contrary position, you may be required to accrue interest income based upon a "comparable yield" (as defined in the applicable Treasury Regulations) and any income on the sale, exchange, redemption, retirement or other taxable disposition of the Notes may be treated as ordinary income rather than as capital gain.

Prospective purchasers of Notes should consult their tax advisers regarding the U.S. federal income tax consequences of an investment in the Notes (including under any alternative characterization). The remainder of this discussion assumes that for U.S. federal income tax purposes the Notes are debt obligations that are not "contingent payment debt instruments."

Payments of Interest

Interest on a Note will be taxable to you as ordinary interest income at the time it accrues or is received, in accordance with your method of accounting for U.S. federal income tax purposes. It is expected, and this discussion assumes, that the Notes will be issued without original issue discount for U.S. federal income tax purposes. If, however, the Notes' principal amount exceeds the issue price by at least a *de minimis* amount, as determined under applicable Treasury Regulations, you will be required to include such excess in income as original issue discount, as it accrues, in accordance with a constant-yield method based on a compounding of interest before the receipt of cash payments attributable to such original issue discount.

Sale or Other Taxable Disposition of the Notes

Upon the sale or other taxable disposition of a Note (including a redemption or retirement), you will recognize taxable gain or loss equal to the difference between the amount realized on the sale or other taxable disposition and your tax basis in the Note. Your tax basis in a Note will generally equal the cost of your Note. Gain or loss, if any, will generally be U.S.-source income for purposes of computing your foreign tax credit limitation. For these purposes, the amount realized does not include any amount attributable to accrued interest, which is treated as described under "Payments of Interest" above.

Gain or loss realized on the sale or other taxable disposition of a Note will generally be capital gain or loss and will be long-term capital gain or loss if, at the time of the sale or other taxable disposition, the Note has been held for more than one year. Long-term capital gains recognized by non-corporate taxpayers are subject to reduced tax rates. The deductibility of capital losses is subject to limitations.

Backup Withholding and Information Reporting

Information returns may be required to be filed with the IRS in connection with payments on the Notes and proceeds received from a sale or other disposition of the Notes unless you are an exempt recipient. You may also be subject to backup withholding on these reportable payments in respect of your Notes unless you provide the payor with your taxpayer identification number and otherwise comply with applicable requirements of the backup withholding rules, or you provide proof of an applicable exemption. Amounts withheld under the backup withholding rules are not additional taxes and may be refunded or credited against your U.S. federal income tax liability, provided the required information is timely furnished to the IRS.

PLAN OF DISTRIBUTION

Subject to the terms and conditions set forth in a purchase agreement (the "Purchase Agreement"), dated as of the date hereof, by and among the Issuer, the Guarantors and each of Credit Suisse Securities (Europe) Limited, as representative (the "Representative") for itself and Banco Bilbao Vizcaya Argentaria, S.A., Credit Agricole Securities (USA) Inc., Goldman, Sachs & Co., ING Bank N.V., London Branch, HSBC Securities (USA) Inc., Merrill Lynch, Pierce, Fenner & Smith Incorporated, Morgan Stanley & Co. LLC, Raiffeisen Bank International AG, RBS Securities Inc., Banco Santander, S.A., UBS Limited and UniCredit Bank AG (collectively, the "Initial Purchasers"), the Issuer has agreed to sell to each Initial Purchaser, and each Initial Purchaser has agreed, severally and not jointly, to purchase from the Issuer, together with all other Initial Purchasers, Notes in an aggregate principal amount of $500.0 million.

The Purchase Agreement provides that the obligations of the Initial Purchasers to pay for and accept delivery of the Notes are subject to, among other conditions, the delivery of certain legal opinions by their counsel.

The Initial Purchasers propose to offer the Notes initially at the prices indicated on the cover page hereof. After the initial offering of the Notes, the offering price and other selling terms of the Notes may from time to time be varied by the Initial Purchasers without notice. Sales of Notes in the United States may be made through certain affiliates of the Initial Purchasers. One or more of the Initial Purchasers may use affiliates or other appropriately licensed entities for sales of the Notes in jurisdictions in which such Initial Purchasers are not otherwise permitted.

Persons who purchase Notes from the Initial Purchasers may be required to pay stamp duty, taxes and other charges in accordance with the laws and practice of the country of purchase in addition to the offering price set forth on the cover page hereof.

The Purchase Agreement provides that the Issuer and each Guarantor will indemnify the Initial Purchasers against certain liabilities, including liabilities under the Securities Act, and will contribute to payments that the Initial Purchasers may be required to make in respect thereof.

We have agreed, subject to certain limited exceptions, that during the period from the date hereof through and including the date that is 90 days after the date the Notes are issued, to not, and to cause our subsidiaries to not, without having received the prior written consent provided for in the Purchase Agreement, offer, sell, contract to sell or otherwise dispose of any securities that are substantially similar to the Notes.

The Notes have not been and will not be registered under the Securities Act. The Initial Purchasers have agreed that they will only offer or sell the Notes (A) in the United States to qualified institutional buyers in reliance on Rule 144A under the Securities Act, and (B) outside the United States to non-U.S. persons in offshore transactions in reliance on Regulation S under the Securities Act. Terms used above have the meanings given to them by Rule 144A and Regulation S under the Securities Act.

In connection with sales outside the United States, the Initial Purchasers have agreed that they will not offer, sell or deliver the Notes to, or for the account or benefit of, U.S. persons (i) as part of the Initial Purchasers' distribution at any time or (ii) otherwise until 40 days after the later of the commencement of the offering or the date the Notes are originally issued. The Initial Purchasers will send to each distributor, dealer or person to whom they sell such Notes during such 40-day period a confirmation or other notice setting forth the restrictions on offers and sales of the Notes within the United States or to, or for the account or benefit of, U.S. persons.

In addition, with respect to Notes initially sold pursuant to Regulation S, until 40 days after the later of the commencement of this offering or the date the Notes are originally issued, an offer or sale of such Notes within the United States by a dealer that is not participating in the Offering may violate the registration requirements of the Securities Act.

No action has been taken in any jurisdiction, including the United States and the United Kingdom, by us, the Guarantors or the Initial Purchasers that would permit a public offering of the Notes or the possession, circulation or distribution of this Offering Memorandum or any other material relating to us, the Guarantors or the Notes in any jurisdiction where action for this purpose is required. Accordingly, the Notes may not be offered or sold, directly or indirectly, and neither this Offering Memorandum nor any other offering material or advertisements in connection with the Notes may be distributed or published, in or from any country or jurisdiction, except in compliance with any applicable rules and regulations of any such country or jurisdiction. This Offering Memorandum does not constitute an offer to sell or a solicitation of an offer to purchase in any jurisdiction where such offer or solicitation would be unlawful. Persons into whose possession this Offering Memorandum comes are advised to inform themselves about and to observe any restrictions relating to the offering of the Notes, the distribution of this Offering Memorandum and resale of the Notes.

We have also agreed that we will not at any time offer, sell, contract to sell, pledge or otherwise dispose of, directly or indirectly, any securities under circumstances in which such offer, sale, pledge, contract or disposition would cause the exemption afforded by Section 4(a)(2) of the Securities Act or the safe harbor of Rule 144A and Regulation S under the Securities Act to cease to be applicable to the offer and sale of the Notes.

The Notes will constitute a new class of securities with no established trading market. Application has been made to the Irish Stock Exchange for the Notes to be admitted to the official list and to trading on the Global Exchange Market of the Irish Stock Exchange. However, there can be no assurance that the prices at which the Notes will sell in the market after this offering will not be lower than the initial offering price or that an active trading market for the Notes will develop and continue after this offering.

The Initial Purchasers have advised us that they intend to make a market in the Notes as permitted by applicable law. The Initial Purchasers are not obligated, however, to make a market in the Notes, and any market-making activity may be discontinued at any time at the sole discretion of the Initial Purchasers without notice. In addition, any such market-making activity will be subject to the limits imposed by the Securities Act and the Exchange Act. Accordingly, we cannot assure you that any market for the Notes will develop, that it will be liquid if it does develop, or that you will be able to sell any Notes at a particular time or at a price which will be favorable to you. See "Risk Factors—Risks Relating to the Notes—There is no active public trading market for the Notes and therefore your ability to transfer them will be limited."

In connection with the issue of the Notes, the Stabilizing Manager or persons acting on its behalf may over-allot Notes or effect transactions with a view to supporting the market price of the Notes at a level higher than that which might otherwise prevail. However, there is no assurance that the Stabilizing Manager or persons acting on its behalf will undertake stabilization action. Any stabilization action may begin on or after the date on which adequate public disclosure of the terms of the offer of Notes is made and, if begun, may be ended at any time, but it must end no later than the earlier of 30 days after the issue date of the Notes and 60 days after the date of the allotment of the Notes.

The Initial Purchasers and their respective affiliates are full service financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment management, principal investment, hedging, financing and brokerage activities. Certain of the Initial Purchasers and their respective affiliates have, from time to time, performed, and may in future perform, various financial advisory and investment banking services for the Company and its subsidiaries, for which they received or will receive customary fees and expenses. In addition, affiliates of certain Initial Purchasers are agents or lenders under the 2008 Senior Credit Facilities, which we intend to repay with the gross proceeds from the sale of the Notes, the 2011 Senior Term Facility and the 2012 Revolving Credit Facility. Furthermore, an affiliate of Credit Suisse Securities (Europe) Limited holds approximately 4.45% of our share capital.

Certain of the Initial Purchasers or their affiliates that have a lending relationship with us routinely hedge their credit exposure to us consistent with their customary risk management policies. Typically, such

Initial Purchasers and their affiliates would hedge such exposure by entering into transactions which consist of either the purchase of credit default swaps or the creation of short positions in our securities, including potentially the Notes offered hereby. Any such short positions could adversely affect future trading prices of the Notes offered hereby.

Banco Bilbao Vizcaya Argentaria, S.A. is participating in the offering of Notes only outside of the United States in reliance upon Regulation S under the Securities Act.

Banco Santander, S.A. is not a broker-dealer registered with the SEC and therefore may not make sales of any of the Notes in the United States or to U.S. persons except in compliance with applicable U.S. laws and regulations. To the extent that Banco Santander, S.A. intends to effect sales of any of the Notes in the United States, Banco Santander, S.A. will do so only through Santander Investment Securities Inc. or one or more U.S. registered broker-dealers or otherwise, as permitted by applicable U.S. law.

We expect to deliver the Notes against payment for the Notes on or about October 26, 2012, which will be the fifth business day following the date of the pricing of the Notes. Under Rule 15c6-1 of the Exchange Act, trades in the secondary market generally settle in three business days, unless the parties to a trade expressly agree otherwise. Accordingly, purchasers who wish to trade Notes on the date of pricing or the next succeeding business day will be required, by virtue of the fact that the Notes initially will settle in T+5, to specify alternative settlement arrangements to prevent a failed settlement. Purchasers of Notes who wish to trade Notes on the date of pricing or the next succeeding business day should consult their advisor.

NOTICE TO INVESTORS

The Notes are subject to restrictions on transfer as summarized below. By purchasing Notes, you will be deemed to have made the following acknowledgements, representations to and agreements with us and the Initial Purchasers:

(1) You acknowledge that:

- the Notes have not been registered under the Securities Act or any other securities laws and are being offered for resale in transactions that do not require registration under the Securities Act or any other securities laws; and
- unless so registered, the Notes may not be offered, sold or otherwise transferred except under an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act or any other applicable securities laws, and in each case in compliance with the conditions for transfer set forth in paragraph (4) below.

(2) You represent that you are not an affiliate (as defined in Rule 144 under the Securities Act) of ours, that you are not acting on our behalf and that either:

- you are a qualified institutional buyer (as defined in Rule 144A under the Securities Act) and are purchasing Notes for your own account or for the account of another qualified institutional buyer, and you are aware that the Initial Purchasers are selling the Notes to you in reliance on Rule 144A; or
- you are not a U.S. person (as defined in Regulation S under the Securities Act) or purchasing for the account or benefit of a U.S. person, other than a distributor, and you are purchasing Notes in an offshore transaction in accordance with Regulation S.

(3) You acknowledge that neither we nor the Initial Purchasers nor any person representing us or the Initial Purchasers has made any representation to you with respect to us or the offering of the Notes, other than the information contained in this Offering Memorandum. You represent that you are relying only on this Offering Memorandum in making your investment decision with respect to the Notes. You agree that you have had access to such financial and other information concerning us and the Notes as you have deemed necessary in connection with your decision to purchase Notes, including an opportunity to ask questions of and request information from us.

(4) You represent that you are purchasing Notes for your own account, or for one or more investor accounts for which you are acting as a fiduciary or agent, in each case not with a view to, or for offer or sale in connection with, any distribution of the Notes in violation of the Securities Act, subject to any requirement of law that the disposition of your property or the property of that investor account or accounts be at all times within your or their control and subject to your or their ability to resell the Notes pursuant to Rule 144A or any other available exemption from registration under the Securities Act. You agree on your own behalf and on behalf of any investor account for which you are purchasing Notes, and each subsequent holder of the Notes by its acceptance of the Notes will agree, that until the end of the Resale Restriction Period (as defined below), the Notes may be offered, sold or otherwise transferred only:

(a) to us;

(b) under a registration statement that has been declared effective under the Securities Act;

(c) for so long as the Notes are eligible for resale under Rule 144A, to a person the seller reasonably believes is a qualified institutional buyer that is purchasing for its own account or for the account of another qualified institutional buyer and to whom notice is given that the transfer is being made in reliance on Rule 144A;

(d) through offers and sales that occur outside the United States within the meaning of Regulation S under the Securities Act;

(e) to an institutional accredited investor (within the meaning of Rule 501(a)(l), (2), (3) or (7) under the Securities Act) that is not a qualified institutional buyer and that is purchasing for its own account or for the account of another institutional accredited investor, in each case in a minimum principal amount of Notes of $250,000; or

(f) under any other available exemption from the registration requirements of the Securities Act;

subject in each of the above cases to any requirement of law that the disposition of the seller's property or the property of an investor account or accounts be at all times within the seller or account's control.

You also acknowledge that:

- the above restrictions on resale will apply from the closing date until the date that is one year (in the case of Rule 144A Notes) or 40 days (in the case of Regulation S Notes) after the later of the closing date and the last date that we or any of our affiliates was the owner of the Notes or any predecessor of the Notes (the "Resale Restriction Period"), and will not apply after the applicable Resale Restriction Period ends;
- if a holder of Notes proposes to resell or transfer Notes under clause (e) above before the applicable Resale Restriction Period ends, the seller must deliver to us and the Trustee a letter from the purchaser in the form set forth in the indenture which must provide, among other things, that the purchaser is an institutional accredited investor that is acquiring the Notes not for distribution in violation of the Securities Act;
- we and the Trustee reserve the right to require in connection with any offer, sale or other transfer of Notes under clauses (c), (d), (e) and (f) above the delivery of an opinion of counsel, certifications or other information satisfactory to us and the Trustee; and
- each Note will contain a legend substantially to the following effect:

  THIS SECURITY HAS NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR THE SECURITIES LAWS OF ANY STATE OR OTHER JURISDICTION. NEITHER THIS SECURITY NOR ANY INTEREST OR PARTICIPATION HEREIN MAY BE REOFFERED, SOLD, ASSIGNED, TRANSFERRED, PLEDGED, ENCUMBERED OR OTHERWISE DISPOSED OF IN THE ABSENCE OF SUCH REGISTRATION OR UNLESS SUCH TRANSACTION IS EXEMPT FROM, OR NOT SUBJECT TO, SUCH REGISTRATION. THE HOLDER OF THIS SECURITY, BY ITS ACCEPTANCE HEREOF, AGREES ON ITS OWN BEHALF AND ON BEHALF OF ANY INVESTOR ACCOUNT FOR WHICH IT HAS PURCHASED SECURITIES, TO OFFER, SELL OR OTHERWISE TRANSFER SUCH SECURITY, PRIOR TO THE DATE (THE "RESALE RESTRICTION TERMINATION DATE") THAT IS [IN THE CASE OF RULE 144A NOTES: ONE YEAR] [IN THE CASE OF REGULATIONS NOTES: 40 DAYS] AFTER THE LATER OF THE ORIGINAL ISSUE DATE HEREOF AND THE LAST DATE ON WHICH THE COMPANY OR ANY AFFILIATE OF THE COMPANY WAS THE OWNER OF THIS SECURITY (OR ANY PREDECESSOR OF SUCH SECURITY), ONLY (A) TO THE COMPANY OR ITS SUBSIDIARIES, (B) PURSUANT TO A REGISTRATION STATEMENT THAT HAS BEEN DECLARED EFFECTIVE UNDER THE SECURITIES ACT, (C) FOR SO LONG AS THE SECURITIES ARE ELIGIBLE FOR RESALE PURSUANT TO RULE 144A UNDER THE SECURITIES ACT, TO A PERSON IT REASONABLY BELIEVES IS A "QUALIFIED INSTITUTIONAL BUYER" AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT THAT PURCHASES FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QUALIFIED INSTITUTIONAL BUYER TO WHOM NOTICE IS GIVEN THAT THE TRANSFER IS BEING MADE IN RELIANCE ON RULE 144A, (D) PURSUANT TO OFFERS AND SALES THAT OCCUR OUTSIDE THE UNITED STATES WITHIN THE MEANING OF REGULATION S UNDER THE SECURITIES ACT, (E) TO AN

INSTITUTIONAL "ACCREDITED INVESTOR" WITHIN THE MEANING OF RULE 501(a)(1), (2), (3) OR (7) UNDER THE SECURITIES ACT THAT IS AN INSTITUTIONAL ACCREDITED INVESTOR ACQUIRING THE SECURITY FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF SUCH AN INSTITUTIONAL ACCREDITED INVESTOR, IN EACH CASE IN A MINIMUM PRINCIPAL AMOUNT OF THE SECURITIES OF $250,000, FOR INVESTMENT PURPOSES AND NOT WITH A VIEW TO OR FOR OFFER OR SALE IN CONNECTION WITH ANY DISTRIBUTION IN VIOLATION OF THE SECURITIES ACT, OR (F) PURSUANT TO ANOTHER AVAILABLE EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT, SUBJECT TO THE COMPANY'S AND THE TRUSTEE'S RIGHT PRIOR TO ANY SUCH OFFER, SALE OR TRANSFER PURSUANT TO CLAUSES (C), (D), (E) OR (F) TO REQUIRE THE DELIVERY OF AN OPINION OF COUNSEL, CERTIFICATION OR OTHER INFORMATION SATISFACTORY TO EACH OF THEM. THIS LEGEND WILL BE REMOVED UPON THE REQUEST OF THE HOLDER AFTER THE RESALE RESTRICTION TERMINATION DATE.

EACH PURCHASER OR TRANSFEREE OF A NOTE WILL BE DEEMED TO HAVE REPRESENTED AND WARRANTED THAT EITHER (I) NO PORTION OF THE ASSETS USED BY SUCH PURCHASER OR TRANSFEREE TO PURCHASE AND HOLD A NOTE CONSTITUTES ASSETS OF ANY EMPLOYEE BENEFIT PLAN SUBJECT TO TITLE I OF THE U.S. EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974, AS AMENDED ("ERISA"), ANY PLAN, INDIVIDUAL RETIREMENT ACCOUNT OR OTHER ARRANGEMENT SUBJECT TO SECTION 4975 OF THE INTERNAL REVENUE CODE OF 1986, AS AMENDED ("CODE") OR PROVISIONS UNDER ANY FEDERAL, STATE, LOCAL, NON-U.S. OR OTHER LAWS OR REGULATIONS THAT ARE SIMILAR TO SUCH PROVISIONS OF ERISA OR THE CODE ("SIMILAR LAWS"), OR ANY ENTITY WHOSE UNDERLYING ASSETS ARE CONSIDERED TO INCLUDE "PLAN ASSETS" OF ANY SUCH PLAN, ACCOUNT OR ARRANGEMENT OR (II) THE PURCHASE, HOLDING AND SUBSEQUENT DISPOSITION OF A NOTE BY SUCH PURCHASER OR TRANSFEREE WILL NOT CONSTITUTE OR RESULT IN A NON-EXEMPT PROHIBITED TRANSACTION UNDER SECTION 406 OF ERISA OR SECTION 4975 OF THE CODE OR A VIOLATION UNDER ANY APPLICABLE SIMILAR LAW.

(5) You represent that either (1) no portion of the assets used by you to acquire and hold the Notes constitutes assets of (i) any employee benefit plan that is subject to Title I of the Employee Retirement Income Security Act of 1974, as amended ("ERISA"), (ii) any plan, individual retirement account, or other arrangement that is subject to Section 4975 of the Internal Revenue Code of 1986, as amended ("Code") or provisions under any federal, state, local, non-U.S. or other laws or regulations that are similar to such provisions of ERISA or the Code ("Similar Laws") or (iii) any entity whose underlying assets are considered to include "plan assets" of any such plan, account or arrangement, or (2) the purchase, holding and subsequent disposition of the Notes by you will not constitute or result in a non-exempt prohibited transaction under Section 406 of ERISA or Section 4975 of the Code or a violation under any provision of Similar Law.

(6) You acknowledge that we, the Initial Purchasers, and others will rely upon the truth and accuracy of the above acknowledgments, representations, and agreements. You agree that if any of the acknowledgments, representations or agreements you are deemed to have made by your purchase of Notes is no longer accurate, you will promptly notify us and the initial purchases. If you are purchasing any Notes as a fiduciary or agent for one or more investor accounts, you represent that you have sole investment discretion with respect to each of those accounts and that you have full power to make the above acknowledgments, representations and agreements on behalf of each account.

LEGAL MATTERS

The validity of the Notes offered by this Offering Memorandum and certain U.S. legal matters will be passed upon for us by Davis Polk & Wardwell LLP, our U.S. counsel. Certain Swiss legal matters will be passed upon for us by Homburger AG, our Swiss counsel, and certain Luxembourg legal matters will be passed upon for us by NautaDutilh Avocats Luxembourg. Certain U.S. legal matters in connection with the Notes will be passed upon for the Initial Purchasers by Cahill Gordon & Reindel LLP, U.S. counsel for the Initial Purchasers. Certain Swiss legal matters will be passed upon for the Initial Purchasers by Niederer Kraft & Frey AG, Swiss counsel for the Initial Purchasers.

INDEPENDENT AUDITORS

Our consolidated financial statements as of and for the years ended December 31, 2011 and 2010 included elsewhere in this Offering Memorandum, have been audited by Ernst & Young Ltd, Basel, Member of the Swiss Institute of Certified Accountants and Tax Consultants, our independent auditors, as stated in their reports appearing therein. Our consolidated financial statements as of and for the year ended December 31, 2009 were included as the comparative period in the consolidated financial statements as of and for the year ended December 31, 2010.

ENFORCEMENT OF CIVIL LIABILITIES

The Issuer is organized under the laws of Luxembourg and the Guarantors are organized under the laws Switzerland and the United States. None of the directors of the Issuer are residents of the United States, and many of the directors, officers and other executives of the Issuer and the Guarantors are neither residents nor citizens of the United States. All or a substantial portion of the Issuer's and the Guarantors' assets and the assets of the Issuer's and the Guarantors' non-U.S. resident directors and officers are located outside the United States. As a result, it may not be possible for investors to effect service of process in the United States upon the Issuer or the Guarantors or such persons in courts in jurisdictions inside the United States, in each case, in any action, including any actions predicated upon the civil liability provisions of the securities laws of the United States or any state or territory within the United States. In addition, there is doubt as to the enforceability, in original actions brought in courts in jurisdictions located outside the United States, of liabilities predicated upon securities laws of the United States or of any state or territory within the United States. Awards of punitive damages in actions brought in the United States or elsewhere may be unenforceable in Luxembourg or Switzerland.

Luxembourg

It may be possible for investors to effect service of process upon the Issuer within Luxembourg provided that The Hague Convention on the Service Abroad of Judicial and Extrajudicial Documents in Civil or Commercial Matters of November 15, 1965 is complied with.

A valid judgment with respect to the Notes, obtained against a company organized and established in Luxembourg from a court of competent jurisdiction in the United States, remains in full force and effect after all available appeals in the relevant State or Federal jurisdiction in compliance with the enforcement (*exequatur*) procedures set out at Articles 678 et seq. of the Luxembourg New Code of Civil Procedure (*Nouveau Code de Procedure Civile*), being:

- the U.S. court has applied the substantive law as designated by the Luxembourg conflict of laws rules;
- the U.S. court has acted in accordance with its own procedural laws;
- the U.S. court order or judgment must not result from an evasion of Luxembourg law (*fraude à la loi*);

- the U.S. court awarding the judgment has jurisdiction to adjudicate the respective matter under its applicable laws, and such jurisdiction is recognized by Luxembourg private international and local law;
- the judgment is enforceable in the jurisdiction where the decision has been rendered;
- the judgment was granted following proceedings where the defendant had the opportunity to appear, was granted the necessary time to prepare its case and, if it appeared, could present a defense; and
- the considerations of the foreign order as well as the judgment do not contravene international public policy as understood under the laws of Luxembourg or has been given in proceedings of a criminal or tax nature.

If an original action is brought in Luxembourg, a court of competent jurisdiction may refuse to apply the designated law if its application contravenes Luxembourg's international public policy and, if such action is brought on the basis of U.S. Federal or State securities laws, may not have the requisite power to grant the remedies sought.

Switzerland

There is doubt as to the enforceability in Switzerland of civil liabilities based on the securities laws of the United States, either in an original action or in an action to enforce a judgment obtained in U.S. courts. The United States and Switzerland currently do not have a treaty providing for the reciprocal recognition and enforcement of judgments, other than arbitration awards, in civil and commercial matters. Consequently, a final judgment for payment given by a court in the United States, whether or not predicated solely upon U.S. securities laws, may not be enforceable in Switzerland.

However, if a person has obtained a final and conclusive judgment rendered by a U.S. court which is enforceable in the United States and files a claim with the competent Swiss court, the Swiss court may be expected to acknowledge the judgment rendered by the U.S. court, provided that such judgment has not been rendered in violation of elementary principles of fair trial and is not contrary to the public policy of Switzerland and has been rendered by a court which has established its jurisdiction vis-à-vis the relevant party on the basis of a valid submission by such party to the jurisdiction of such U.S. court.

In particular, a Swiss court or authority will refuse recognition and enforcement for the following reasons only and may not otherwise review the non-Swiss judgment, including a U.S. judgment, as to its merits: (i) if recognition and enforcement would be irreconcilable with Swiss public policy; or (ii) if a party proves that: it was not duly summoned pursuant to the law of its domicile or ordinary residence unless it made an appearance in the proceedings without objecting to jurisdiction; or (iii) the decision was rendered in violation of fundamental principles of Swiss procedural law, in particular the right to be heard; or (iv) a proceeding between the same parties in the same subject matter was first brought or adjudicated in Switzerland, or that it was earlier adjudicated in a third country and such decision is recognizable in Switzerland.

Further, valid submission to the jurisdiction of the U.S. court or authority is established (i) if a provision of the Swiss Federal Act on Private International Law (*Bundesgesetz vom 18. Dezember 1987 über das Internationale Privatrecht*) so provides or, in the absence of such provision the defendant had his legal domicile in the country in which the decision was rendered; or (ii) if the parties, in a pecuniary dispute, entered into an agreement valid under the Swiss Federal Act on Private International Law submitting their dispute to the jurisdiction of the court or authority which rendered the judgment; or (iii) if the defendant, in a pecuniary dispute, proceeded on the merits without objecting to jurisdiction; or (iv) if, in the event of a counterclaim, the court or authority which rendered the decision had jurisdiction over the principal claim and if there is a factual connection between the principal claim and the counterclaim. It is uncertain whether this practice extends to default judgments as well. Swiss courts may deny the recognition and enforcement of punitive damages or other awards.

Moreover, a Swiss court may reduce the amount of damages granted by a U.S. court and recognize damages only to the extent that they are necessary to compensate actual losses or damages. Enforcement and recognition of judgments of U.S. courts in Switzerland are solely governed by the provisions of the Swiss Civil Procedure Code.

Swiss civil procedure differs substantially from U.S. civil procedure in a number of respects. Insofar as the production of evidence is concerned, U.S. law and the laws of several other jurisdictions based on common law provide for pre-trial discovery, a process by which parties to the proceedings may prior to trial compel the production of documents by adverse or third parties and the deposition of witnesses. Evidence obtained in this manner may be decisive in the outcome of any proceeding. No such pre-trial discovery process exists under Swiss law.

GENERAL INFORMATION

The issue of the Notes was authorized by a resolution of the General Partner of the Issuer dated October 10, 2012. The Notes have been accepted for clearance and settlement through DTC. The CUSIP and ISIN numbers for the Rule 144A Notes are as follows: 26433UAA3 and US26433UAA34. The CUSIP and ISIN numbers for the Regulation S Notes are as follows: L2660RAA2 and USL2660RAA25.

The expenses in relation to the admission of the Notes to trading on the GEM of the ISE will be approximately €4,940.

Arthur Cox Listing Services Limited is acting solely in its capacity as listing agent for the Issuer in connection with the Notes and is not itself seeking admission of the Notes to trading on the GEM of the ISE.

If and for so long as the Notes are listed on the ISE and the rules of such stock exchange require, electronic copies of the of our consolidated financial statements as of and for the years ended December 31, 2011, 2010 and 2009, the Indenture, specimen Global Notes, as well as copies of the Issuer's and our articles of association may be inspected and obtained free of charge during the normal business hours on any business day at the office of the Trustee.

INDEX TO FINANCIAL INFORMATION

Dufry AG

As of and for the period ended June 30, 2012 and 2011

As of and for the years ended December 31, 2011 and 2010

As of and for the years ended December 31, 2010 and 2009

Interim Consolidated Income Statement

IN MILLIONS OF CHF	Note	Unaudited 6M 2012	Unaudited 6M 2011	Unaudited Q2 2012	Unaudited Q2 2011
Net sales		1,473.7	1,145.8	770.3	592.2
Advertising income		43.7	35.5	23.2	17.5
Turnover		**1,517.4**	**1,181.3**	**793.5**	**609.7**
Cost of sales		(625.7)	(496.6)	(323.9)	(254.5)
Gross profit		**891.7**	**684.7**	**469.6**	**355.2**
Selling expenses		(331.1)	(260.7)	(173.2)	(134.0)
Personnel expenses		(234.6)	(192.5)	(120.3)	(97.4)
General expenses		(105.9)	(83.2)	(54.1)	(42.2)
EBITDA(1)		**220.1**	**148.3**	**122.0**	**81.6**
Depreciation, amortization and impairment		(82.2)	(57.5)	(42.1)	(27.7)
Other operational result		(6.9)	(6.1)	(4.3)	(3.7)
Earnings before interest and taxes (EBIT)		**131.0**	**84.7**	**75.6**	**50.2**
Interest expenses		(38.8)	(17.0)	(19.5)	(8.1)
Interest income		2.5	2.0	1.2	0.9
Foreign exchange gain / (loss)		0.3	(0.6)	(0.6)	0.8
Earnings before taxes (EBT)		**95.0**	**69.1**	**56.7**	**43.8**
Income taxes	6	(17.1)	(12.0)	(10.6)	(8.1)
Net earnings		**77.9**	**57.1**	**46.1**	**35.7**
Attributable to:					
Equity holders of the parent		62.3	46.2	37.2	29.5
Non-controlling interests		15.6	10.9	8.9	6.2
Earnings per share attributable to equity holders of the parent					
Basic earnings per share		2.32	1.72	1.38	1.10
Diluted earnings per share		2.29	1.70	1.37	1.09
Weighted average number of outstanding shares in thousands		26,868	26,878	26,868	26,877

(1) EBITDA before other operational result

Interim Consolidated Statement of Comprehensive Income

IN MILLIONS OF CHF	Note	Unaudited 6M 2012	Unaudited 6M 2011	Unaudited Q2 2012	Unaudited Q2 2011
Net earnings		**77.9**	**57.1**	**46.1**	**35.7**
Other comprehensive income:					
Items reclassified subsequently to net income upon derecognition					
Exchange differences on translating foreign operations		38.9	(96.8)	96.7	(82.8)
Net gain / (loss) on hedge of net investment in foreign operations		(24.8)	15.7	(47.4)	12.2
Changes in the fair value of interest rate swaps held as cash flow hedges		1.4	0.4	0.9	0.2
Other comprehensive income before taxes		**15.5**	**(80.7)**	**50.2**	**(70.4)**
Income tax relating to net gain / (loss) on hedge of net investment		3.0	(1.9)	5.7	(1.5)
Income tax on cash flow hedges		(0.2)	(0.1)	(0.1)	(0.1)
Income tax relating to components of other comprehensive income		**2.8**	**(2.0)**	**5.6**	**(1.6)**
Total other comprehensive income for the year, net of tax		**18.3**	**(82.7)**	**55.8**	**(72.0)**
Total comprehensive income for the year, net of tax		**96.2**	**(25.6)**	**101.9**	**(36.3)**
ATTRIBUTABLE TO:					
Equity holders of the parent		80.6	(31.1)	89.9	(37.3)
Non-controlling interests		15.6	5.5	12.0	1.0

Interim Consolidated Statement of Financial Position

IN MILLIONS OF CHF	Note	Unaudited 30.06.2012	Audited 31.12.2011
ASSETS			
Property, plant and equipment		259.5	246.1
Intangible assets		2,128.6	2,078.6
Deferred tax assets		145.5	146.5
Other non-current assets		36.7	37.8
Non-current assets		**2,570.3**	**2,509.0**
Inventories		430.4	432.0
Trade and credit card receivables		72.1	47.0
Other accounts receivable		123.0	127.3
Income tax receivables		7.5	3.4
Cash and cash equivalents		176.5	199.1
Current assets		**809.5**	**808.8**
Total assets		**3,379.8**	**3,317.8**
LIABILITIES AND SHAREHOLDERS' EQUITY			
Equity attributable to equity holders of the parent		955.4	870.0
Non-controlling interests		120.1	84.1
Total equity		**1,075.5**	**954.1**
Financial debt		1,484.1	1,529.8
Deferred tax liabilities		160.1	168.5
Provisions		40.0	39.5
Post-employment benefit obligations		6.2	6.0
Other non-current liabilities		10.3	11.3
Non-current liabilities		**1,700.7**	**1,755.1**
Trade payables		268.0	301.1
Financial debt		39.0	30.6
Income tax payables		18.8	14.2
Provisions		8.5	7.1
Other liabilities		269.3	255.6
Current liabilities		**603.6**	**608.6**
Total liabilities		**2,304.3**	**2,363.7**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**3,379.8**	**3,317.8**

Interim Consolidated Statement of Changes in Equity

Unaudited 6M 2012

IN MILLIONS OF CHF	Attributable to equity holders of the parent								
	Share capital	Share premium	Treasury shares	Hedging & revaluation reserves	Translation reserves	Retained earnings	Total	Non-controlling interests	Total equity
Balance at January 1, 2012	**134.9**	**934.5**	**(13.5)**	**(0.9)**	**(176.6)**	**(8.4)**	**870.0**	**84.1**	**954.1**
Net earnings	—	—	—	—	—	62.3	62.3	15.6	77.9
Other comprehensive income (note 8)	—	—	—	1.2	17.1	—	18.3	—	18.3
Total comprehensive income for the period	**—**	**—**	**—**	**1.2**	**17.1**	**62.3**	**80.6**	**15.6**	**96.2**
Transactions with or distributions to shareholders:									
Dividends to non-controlling interests	—	—	—	—	—	—	—	(16.8)	(16.8)
Share-based payment	—	—	—	—	—	4.8	4.8	—	4.8
Total transactions with or distributions to owners	**—**	**—**	**—**	**—**	**—**	**4.8**	**4.8**	**(16.8)**	**(12.0)**
Changes in ownership interests in subsidiaries:									
Acquisitions (see note 4)	—	—	—	—	—	—	—	35.1	35.1
Other	—	—	—	—	—	—	—	2.1	2.1
Balance at June 30, 2012	**134.9**	**934.5**	**(13.5)**	**0.3**	**(159.5)**	**58.7**	**955.4**	**120.1**	**1,075.5**

Unaudited 6M 2011

IN MILLIONS OF CHF	Attributable to equity holders of the parent								
	Share capital	Share premium	Treasury shares	Hedging & revaluation reserves	Translation reserves	Retained earnings	Total	Non-controlling interests	Total equity
Balance at January 1, 2011	**134.9**	**934.2**	**(28.7)**	**(1.9)**	**(199.0)**	**(105.8)**	**733.7**	**81.1**	**814.8**
Net earnings	—	—	—		—	46.2	46.2	10.9	57.1
Other comprehensive income (note 8)	—	—	—	0.3	(77.6)	—	(77.3)	(5.4)	(82.7)
Total comprehensive income for the period	**—**	**—**	**—**	**0.3**	**(77.6)**	**46.2**	**(31.1)**	**5.5**	**(25.6)**
Transactions with or distributions to shareholders:									
Dividends to non-controlling interests	—	—	—	—	—	—	—	(13.8)	(13.8)
Purchase of treasury shares	—	—	(12.5)	—	—	—	(12.5)	—	(12.5)
Tax effect on equity transactions	—	—	—	—	—	1.1	1.1	—	1.1
Distribution of treasury shares	—	—	27.7	—	—	(27.7)	—	—	—
Share-based payment	—	—	—	—	—	7.3	7.3	—	7.3
Total transactions with or distributions to owners	**—**	**—**	**15.2**	**—**	**—**	**(19.3)**	**(4.1)**	**(13.8)**	**(17.9)**
Changes in ownership interests in subsidiaries:									
Changes in participation of non-controlling interests	—	—	—	—	—	—	—	1.6	1.6
Balance at June 30, 2011	**134.9**	**934.2**	**(13.5)**	**(1.6)**	**(276.6)**	**(78.9)**	**698.5**	**74.4**	**772.9**

Interim Consolidated Statement of Cash Flows

IN MILLIONS OF CHF	Note	Unaudited 6M 2012	Unaudited 6M 2011	Unaudited Q2 2012	Unaudited Q2 2011
Cash flows from operating activities					
Earnings before taxes (EBT)		**95.0**	**69.1**	**56.7**	**43.8**
Adjustments for:					
Depreciation, amortization and impairment		82.2	57.5	42.1	27.7
Increase / (decrease) in allowances and provisions		7.9	8.2	2.5	5.5
Loss / (gain) on unrealized foreign exchange differences		0.9	(1.4)	4.8	6.7
Other non-cash items		4.9	7.6	2.4	3.6
Interest expense		38.8	17.0	19.5	8.1
Interest income		(2.5)	(2.0)	(1.2)	(0.9)
Cash flow before working capital changes(2)		**227.2**	**156.0**	**126.8**	**94.5**
Decrease / (increase) in trade and other accounts receivable		(14.6)	(29.8)	(20.9)	(20.1)
Decrease / (increase) in inventories		5.9	(44.5)	(27.0)	(34.7)
Increase / (decrease) in trade and other accounts payable		(20.2)	50.3	47.2	51.6
Cash generated from operations(3)		**198.3**	**132.0**	**126.1**	**91.3**
Income taxes paid		(34.7)	(14.3)	(20.7)	(8.3)
Net cash flows from operating activities		**163.6**	**117.7**	**105.4**	**83.0**
Cash flow from investing activities					
Purchase of property, plant and equipment		(42.4)	(29.1)	(18.4)	(13.6)
Purchase of intangible assets		(10.4)	(11.5)	(6.9)	(6.9)
Proceeds from sale of property, plant and equipment		0.2	1.2	0.1	1.0
Interest received		2.4	1.9	1.1	0.9
Business combinations, net of cash	4	(47.1)	(1.2)	(1.8)	—
Proceed from sale of interest in subsidiaries, net of cash		0.9	0.6	—	0.6
Net cash flows used in investing activities		**(96.4)**	**(38.1)**	**(25.9)**	**(18.0)**
Free cash flow(4)		**113.4**	**80.2**	**81.3**	**64.4**

(2) Comprise cash flows generated by earnings before taxes adjusted for all non cash items, i.e. up to interest income

(3) Comprise net cash flows from operating activities before income taxes paid

(4) Comprise net cash flows from operating activities and the cash flows from investing activities related to property plant and equipment, intangible assets and interest received

Interim Consolidated Statement of Cash Flows (Continued)

IN MILLIONS OF CHF	Note	Unaudited 6M 2012	Unaudited 6M 2011	Unaudited Q2 2012	Unaudited Q2 2011
Cash flow from financing activities					
Proceeds from borrowings		8.3	48.1	—	(49.5)
Repayment of borrowings		(64.3)	(44.4)	(20.4)	—
Proceeds from / (repayment of) loans		0.5	2.5	0.9	1.2
Dividends paid to non-controlling interest		(16.8)	(13.8)	(11.9)	(10.6)
Purchase of treasury shares		—	(12.5)	—	(1.4)
Share capital contributions by non-controlling interests		0.7	—	0.7	—
Share issuance costs paid		—	(1.0)	—	(0.6)
Interest paid		(25.9)	(15.2)	(6.7)	(5.4)
Net cash flows (used in) / from financing activities		**(97.5)**	**(36.3)**	**(37.4)**	**(66.3)**
Currency translation on cash		7.7	(24.8)	10.5	(28.7)
(Decrease) / Increase in cash and cash equivalents		**(22.6)**	**18.5**	**52.6**	**(30.0)**
Cash and cash equivalents at the					
—beginning of the period		199.1	80.6	123.9	129.1
—end of the period		176.5	99.1	176.5	99.1

Notes to the Interim Consolidated Financial Statements

1. Corporate information

Dufry AG ('Dufry' or 'the Company') is a limited liability company domiciled in Basel, Switzerland, whose shares are listed on the Swiss Stock Exchange (SIX) and its Brazilian Depository Receipts on the BM&FBOVESPA in Sâo Paulo. The Company is the world's leading travel retailer with more than 1,200 shops on five continents.

The interim consolidated financial statements of Dufry AG and its subsidiaries for the six months ended June 30, 2012 were authorized for issue in accordance with a resolution of the Board of Directors on July 27, 2012.

2. Accounting policies

Basis of preparation

The interim consolidated financial statements for the six months ended June 30, 2012 have been prepared in accordance with IAS 34 Interim Financial Reporting.

The interim consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements as of December 31, 2011.

Significant accounting policies

The accounting policies adopted in the preparation of the interim consolidated financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended December 31, 2011, except for the following new Standards and Interpretations adopted:

Standards and Interpretations affecting the reported financial performance and/or financial position

The group has not adopted any new or revised Standards and Interpretations during the current period that would affect the amounts reported in these financial statements.

Standards and Interpretations affecting presentation and disclosure only

- *IFRS 7* Financial Instruments: Disclosures—Enhanced Derecognition Disclosure Requirements (effective July 1, 2011).

The amendment requires additional disclosure about financial assets that have been transferred but not derecognized to enable the user of the Group's financial statements to understand the relationship with those assets that have not been derecognized and their associated liabilities. In addition, the amendment requires disclosures about continuing involvement in derecognized assets to enable the user to evaluate the nature of, and risks associated with, the entity's continuing involvement in those derecognized assets. The amendment affects disclosure only and has no impact on the Group's financial position or performance.

2. Accounting policies (Continued)

Standards and Interpretations adopted with no material effect on the financial statements during the current reporting period

The following new or revised Interpretation has been adopted in these financial statements. Its adoption has not had a significant impact on the amounts reported in these financial statements but may affect the accounting for future transactions or arrangements.

- *IAS 12* Deferred tax—Recovery of underlying assets amendments to IAS 12 (effective January 1, 2012):

IAS 12 has been updated to include a presumption that deferred tax on investment property measured using the fair value model in IAS 40 and on non-depreciable assets measured using the revaluation model in IAS 16, should always be measured on a sale basis. Dufry has not accounted for any investment property.

3. Principal foreign exchange rates applied for valuation and translation

	Average rates		Closing rates
	Q2 2012	6M 2012	30.06.12
1 USD	0.9365	0.9289	0.9494
1 EUR	1.2014	1.2046	1.2010

	Q2 2011	6M 2011	30.06.11	31.12.11
1 USD	0.8701	0.9054	0.8404	0.9387
1 EUR	1.2523	1.2697	1.2187	1.2167

4. Business combinations

Acquisition of Regstaer Sheremetjevo Duty Free, Russia

On January 10, 2012 Dufry took control by acquiring 51% of the shares of Dufry Staer Holding Group (DSH) for a total consideration of CHF 44.7 million. Its main subsidiary, Regstaer Ltd, is a travel retailer operating Duty Free Shops at the Muscovite airport of Sheremetyevo in Russia. The acquired business complements Dufry's existing operations at site adding 1,200 square meters in nine duty free shops across several terminals.

Synergies are expected to be achieved among others when Dufry integrates the 200 Regstaer employees into its local organization, introduces the standard corporate procedures and integrates the logistics into its global supply chain.

The acquisition has been accounted for using the acquisition method. The total transaction costs in relation with this acquisition amount to CHF 1.0 million, whereof CHF 0.2 million are included in the other operational result of the current period 2012.

These financial statements include the results of Dufry Staer Holding and its subsidiaries as of January, 2012.

The resulting goodwill is not amortized and will be subject to annual impairment testing. The fair value of the identifiable assets and liabilities of the acquired group at the date of acquisition and the

4. Business combinations (Continued)

resulting goodwill were determined preliminary as the company is in the process of verifying the valuation of the intangible assets identified as follows:

Dufry Staer Holding (Group)

IN MILLIONS OF CHF	January 10, 2012 Preliminary fair value
Inventories	7.5
Other current assets	3.3
Property, plant and equipment	6.4
Other non current assets	1.0
Concession rights	68.7
Deferred tax liability	(13.7)
Other liabilities	(1.5)
Identifiable net assets	**71.7**
Dufry's share in the net assets (51%)	36.6
Goodwill	8.1
Total consideration	**44.7**

In the period ended June 30, 2012 these operations contributed CHF 22.5 million in net sales to the consolidated income statement of the Group.

Reconciliation of cash flows used for business combinations, net of cash

IN MILLIONS OF CHF	Total consideration	Net cash acquired	Subtotal	Changes in accounts payable	NET CASH FLOW
Regstaer Ltd	(44.7)	0.8	(43.9)	—	(43.9)
Puerto Rico	—	—	—	(0.9)	(0.9)
Sovenex SAS	—	—	—	(2.3)	(2.3)
TOTAL	**(44.7)**	**0.8**	**(43.9)**	**(3.2)**	**(47.1)**

5. Segment information

Segment information 6M

6M 2012 IN MILLIONS OF CHF	Net sales third party	Advertising income	Net sales-intercompany	Turnover	EBITDA(1)
Europe	149.6	2.4	—	152.0	7.4
Africa	73.5	0.6	—	74.1	9.6
Eurasia	144.4	1.9	—	146.3	15.9
Central America & Caribbean	191.5	2.1	—	193.6	14.7
South America	534.9	11.8	—	546.7	75.8
North America	374.5	12.2	—	386.7	43.3
Distribution Centers	5.3	12.7	364.7	382.7	53.4
Eliminations	—	—	(364.7)	(364.7)	—
Dufry Group	**1,473.7**	**43.7**	**—**	**1,517.4**	**220.1**

6M 2011 IN MILLIONS OF CHF	Net sales third party	Advertising income	Net sales-intercompany	Turnover	EBITDA(1)
Europe	147.4	2.3	—	149.7	5.7
Africa	62.3	0.6	—	62.9	7.0
Eurasia	93.9	1.4	—	95.3	5.7
Central America & Caribbean	177.0	2.1	—	179.1	12.6
South America	334.8	9.9	—	344.7	59.2
North America	330.2	10.9	—	341.1	34.0
Distribution Centers	0.2	8.3	252.4	260.9	24.1
Eliminations	—	—	(252.4)	(252.4)	—
Dufry Group	**1,145.8**	**35.5**	**—**	**1,181.3**	**148.3**

Segment information Q2

Q2 2012 IN MILLIONS OF CHF	Net sales third party	Advertising income	Net sales-intercompany	Turnover	EBITDA(1)
Europe	78.5	1.2	—	79.7	4.5
Africa	41.7	0.3	—	42.0	6.1
Eurasia	78.9	1.0	—	79.9	9.8
Central America & Caribbean	90.0	1.2	—	91.2	6.0
South America	273.0	6.4	—	279.4	39.6
North America	204.0	5.9	—	209.9	28.1
Distribution Centers	4.2	7.2	190.1	201.5	27.9
Eliminations	—	—	(190.1)	(190.1)	—
Dufry Group	**770.3**	**23.2**	**—**	**793.5**	**122.0**

(1) EBITDA before other operational result

5. Segment information (Continued)

Q2 2011 IN MILLIONS OF CHF	Net sales third party	Advertising income	Net sales-intercompany	Turnover	EBITDA(1)
Europe	77.5	1.1	—	78.6	3.7
Africa	34.4	0.2	—	34.6	4.2
Eurasia	50.2	0.8	—	51.0	4.5
Central America & Caribbean	85.1	1.0	—	86.1	5.2
South America	170.8	5.1	—	175.9	29.9
North America	174.0	5.2	—	179.2	21.4
Distribution Centers	0.2	4.1	133.1	137.4	12.7
Eliminations	—	—	(133.1)	(133.1)	—
Dufry Group	**592.2**	**17.5**	**—**	**609.7**	**81.6**

(1) EBITDA before other operational result

Segment assets and liabilities

	30.06.2012		31.12.2011	
IN MILLIONS OF CHF	ASSETS	LIABILITIES	ASSETS	LIABILITIES
Europe	203.4	100.5	203.2	96.7
Africa	74.9	41.2	66.8	37.8
Eurasia	192.6	74.8	108.3	52.8
Central America & Caribbean	412.0	69.3	429.3	83.8
South America	1,089.6	244.4	1,097.0	273.7
North America	567.9	113.7	553.9	103.4
Distribution Centers	354.7	174.8	351.5	182.7
Unallocated positions	484.7	1,485.6	507.8	1,532.8
DUFRY GROUP	**3,379.8**	**2,304.3**	**3,317.8**	**2,363.7**

6. Income taxes

IN MILLIONS OF CHF	UNAUDITED 6M 2012	UNAUDITED 6M 2011	UNAUDITED Q2 2012	UNAUDITED Q2 2011
Current income tax	(35.0)	(17.1)	(20.1)	(6.5)
Deferred income tax	17.9	5.1	9.5	(1.6)
TOTAL INCOME TAXES	**(17.1)**	**(12.0)**	**(10.6)**	**(8.1)**

7. Authorized and conditional share capital

AUTHORIZED SHARE CAPITAL	Number of shares	In thousands of CHF
Balance at December 31, 2011	—	—
Increase of authorized share capital	5,395,241	26,976
Balance at June 30, 2012	5,395,241	26,976

7. Authorized and conditional share capital (Continued)

CONDITIONAL SHARE CAPITAL	Number of shares	In thousands of CHF
Balance at December 31, 2011	567,296	2,836
Increase of conditional share capital	2,130,324	10,652
Balance at June 30, 2012	2,697,620	13,488

As per Dufry's Ordinary General Meeting held on May 2, 2012 the shareholders approved the increase of

- the authorized share capital by CHF 26'976'205
- the existing conditional share capital to CHF 13'488'100.

8. Components of other comprehensive income

6M 2012

	Attributable to equity holders of the parent				
IN MILLIONS OF CHF	Hedging & revaluation reserves	Translation reserves	TOTAL	Non-controlling interests	Total equity
Exchange differences on translating foreign operations	**—**	**38.9**	**38.9**	**—**	**38.9**
Net gain / (loss) on hedge of net investment in foreign operations	—	(24.8)	(24.8)	—	(24.8)
Income tax effect	—	3.0	3.0	—	3.0
Subtotal	**—**	**(21.8)**	**(21.8)**	**—**	**(21.8)**
Changes in the fair value of interest rate swaps held as cash flow hedges	1.4	—	1.4	—	1.4
Income tax effect	(0.2)	—	(0.2)	—	(0.2)
Subtotal	**1.2**	**—**	**1.2**	**—**	**1.2**
Other comprehensive income	**1.2**	**17.1**	**18.3**	**—**	**18.3**

8. Components of other comprehensive income (Continued)

6M 2011

IN MILLIONS OF CHF	Attributable to equity holders of the parent: Hedging & revaluation reserves	Translation reserves	TOTAL	Non-controlling interests	Total equity
Exchange differences on translating foreign operations	**—**	**(91.4)**	**(91.4)**	**(5.4)**	**(96.8)**
Net gain / (loss) on hedge of net investment in foreign operations	—	15.7	15.7	—	15.7
Income tax effect	—	(1.9)	(1.9)	—	(1.9)
Subtotal	**—**	**13.8**	**13.8**	**—**	**13.8**
Changes in the fair value of interest rate swaps held as cash flow hedges	0.4	—	0.4	—	0.4
Income tax effect	(0.1)	—	(0.1)	—	(0.1)
Subtotal	**0.3**	**—**	**0.3**	**—**	**0.3**
Other comprehensive income	**0.3**	**(77.6)**	**(77.3)**	**(5.4)**	**(82.7)**

9. Related parties

Dufry and Inmobiliaria Fumisa SA de CV, the airport operator of the International Airport Benito Juarez of Ciudad de Mexico have reached an agreement in May 2012 to amend the present agreement setting new terms and conditions for the years 2012 and 2013 for the shop rental. In October 2010 Fumisa granted lower fees until end of 2011, than the ones due on the original contract from November 2009, as palliative after the slow down caused when Mexicana Airlines ceased operations in August 2010. This year, even though traffic development is currently improving, Fumisa agreed to still offer Dufry better conditions than the original terms of the agreement. During the current period 2012 the local operations amortized prepaid concessions in the value of CHF 1.4 million and accrued concession fees of CHF 8.8 million (2011: CHF 6.9 million). In this context, both parties also agreed to waive the receivables and payables existing at such date. As a consequence Dufry derecognized prepaid concessions fees in the amount of CHF 7.3 million in the current period 2012 through profit and loss.

10. Seasonality

Dufry does not have distinctive sales seasonality as the combined effect of the different regions is well balanced, but in terms of EBITDA the last two quarters are normally the strongest.

Ernst & Young Ltd
Aeschengraben 9
CH-4051 Basel

Phone +41 58 286 86 86
Fax +41 58 286 86 00
www.ey.com/ch

To the Board of Directors of

Dufry AG, Basel

Basel, 27 July 2012

Report on review of interim condensed consolidated financial statements

Introduction

As independent auditors we have reviewed the interim condensed consolidated financial statements of Dufry AG as of 30 June 2012, comprising of the interim consolidated statement of financial position as of 30 June 2012 and the related interim consolidated statements of income, comprehensive income, changes in equity and cash flows for the six- and the three-month period then ended and explanatory notes (pages F-2 to F-14). The Board of Directors is responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with International Financial Reporting Standard IAS 34 "Interim Financial Reporting" ("IAS 34"). Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing. Consequently, it does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim condensed consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34.

Ernst & Young Ltd

/s/ PATRICK FAWER	/s/ DAVID HALDIMANN
Patrick Fawer Licensed audit expert (Auditor in charge)	David Haldimann Licensed audit expert

CONSOLIDATED INCOME STATEMENT

for the year ended December 31, 2011

IN MILLIONS OF CHF	Note	2011	2010
		CHF	CHF
Net sales	7	2,560.9	2,533.5
Advertising income		76.8	76.7
Turnover		**2,637.7**	**2,610.2**
Cost of sales	8	(1,102.4)	(1,108.3)
Gross profit		**1,535.3**	**1,501.9**
Selling expenses	9	(579.7)	(584.8)
Personnel expenses	11	(402.6)	(398.9)
General expenses	12	(182.1)	(175.1)
EBITDA(1)		**370.9**	**343.1**
Depreciation, amortization and impairment	13	(131.5)	(129.5)
Other operational result	14	(26.9)	(15.7)
Earnings before interest and taxes (EBIT)		**212.5**	**197.9**
Interest expenses	15	(55.2)	(37.0)
Interest income	15	4.1	4.8
Foreign exchange gain / (loss)		1.7	—
Earnings before taxes (EBT)		**163.1**	**165.7**
Income taxes	16	(28.2)	(20.9)
Net earnings		**134.9**	**144.8**
Attributable to:			
Equity holders of the parent		111.9	116.6
Non-controlling interests		23.0	28.2
Earnings per share attributable to equity holders of the parent	17		
Basic earnings per share		4.16	4.63
Diluted earnings per share		4.16	4.58
EPS adjusted for amortization (cash EPS)		6.30	6.54
Weighted average number of outstanding shares in thousands		26,873	25,166

(1) EBITDA before other operational result

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the year ended December 31, 2011

IN MILLIONS OF CHF	2011 CHF	2010 CHF
NET EARNINGS	**134.9**	**144.8**
Other comprehensive income:		
Exchange differences on translating foreign operations	98.2	(105.9)
Net gain / (loss) on hedge of net investment in foreign operations	(82.7)	20.9
Changes in the fair value of interest rate swaps held as cash flow hedges	1.1	(2.2)
Other comprehensive income before taxes	**16.6**	**(87.2)**
Income tax relating to net gain / (loss) on hedge of net investment	9.9	(6.3)
Income tax on cash flow hedges	(0.1)	0.3
Income tax relating to components of other comprehensive income	**9.8**	**(6.0)**
TOTAL OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX	**26.4**	**(93.2)**
TOTAL COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX	**161.3**	**51.6**
ATTRIBUTABLE TO:		
Equity holders of the parent	135.3	2.9
Non-controlling interests	26.0	48.7

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

at December 31, 2011

IN MILLIONS OF CHF	Note	31.12.2011 CHF	31.12.2010 CHF
ASSETS			
Property, plant and equipment	19	246.1	225.9
Intangible assets	21	2,078.6	1,188.6
Deferred tax assets	23	146.5	137.8
Other non-current assets	24	37.8	38.4
Non-current assets		**2,509.0**	**1,590.7**
Inventories	25	432.0	306.1
Trade and credit card receivables	26	47.0	50.8
Other accounts receivable	27	127.3	104.9
Income tax receivables		3.4	6.1
Cash and cash equivalents	28	199.1	80.6
Current assets		**808.8**	**548.5**
TOTAL ASSETS		**3,317.8**	**2,139.2**
LIABILITIES AND SHAREHOLDERS' EQUITY			
Equity attributable to equity holders of the parent		870.0	733.7
Non-controlling interests		84.1	81.1
Total equity		**954.1**	**814.8**
Financial debt	32	1,529.8	683.1
Deferred tax liabilities	23	168.5	146.3
Provisions	33	39.5	3.1
Post-employment benefit obligations	34	6.0	6.4
Other non-current liabilities	35	11.3	9.6
Non-current liabilities		**1,755.1**	**848.5**
Trade payables		301.1	203.9
Financial debt	32	30.6	35.3
Income tax payables		14.2	11.7
Provisions	33	7.1	2.4
Other liabilities	35	255.6	222.6
Current liabilities		**608.6**	**475.9**
Total liabilities		**2,363.7**	**1,324.4**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**3,317.8**	**2,139.2**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
for the year ended December 31, 2011

2011		Attributable to equity holders of the parent								
IN MILLIONS OF CHF	Note	Share capital	Share premium	Treasury shares	Hedging & revaluation reserves	Translation reserves	Retained earnings	Total	Non-controlling interests	Total equity
Balance at January 1, 2011		**134.9**	**934.2**	**(28.7)**	**(1.9)**	**(199.0)**	**(105.8)**	**733.7**	**81.1**	**814.8**
Net earnings		—	—	—	—	—	111.9	111.9	23.0	134.9
Other comprehensive income (loss)	18	—	—	—	1.0	22.4	—	23.4	3.0	26.4
Total comprehensive income for the period		**—**	**—**	**—**	**1.0**	**22.4**	**111.9**	**135.3**	**26.0**	**161.3**
Contributions by and distributions to owners:										
Dividends to non-controlling interests		—	—	—	—	—	—	—	(25.0)	(25.0)
Release of share issuance costs	29.1	—	2.6	—	—	—	—	2.6	—	2.6
Purchase of treasury shares	30.2	—	—	(12.5)	—	—	—	(12.5)	—	(12.5)
Tax effect on equity transactions	16	—	—	—	—	—	1.3	1.3	—	1.3
Distribution of treasury shares	30.2	—	—	27.7	—	—	(27.7)	—	—	—
Share-based payment	30	—	—	—	—	—	9.6	9.6	—	9.6
Reclassification	30	—	(2.3)	—	—	—	2.3	—	—	—
Total contributions by and distributions to owners		**—**	**0.3**	**15.2**	**—**	**—**	**(14.5)**	**1.0**	**(25.0)**	**(24.0)**
Changes in ownership interests in subsidiaries:										
Changes in participation of non-controlling interests	31	—	—	—	—	—	—	—	2.0	2.0
Balance at December 31, 2011		**134.9**	**934.5**	**(13.5)**	**(0.9)**	**(176.6)**	**(8.4)**	**870.0**	**84.1**	**954.1**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
for the year ended December 31, 2011

2010

IN MILLIONS OF CHF	Note	Attributable to equity holders of the parent								
		Share capital	Share premium	Treasury shares	Hedging & revaluation reserves	Translation reserves	Retained earnings	Total	Non-controlling interests	Total equity
Balance at January 1, 2010		**96.1**	**391.4**	**(18.2)**	**—**	**(87.2)**	**292.4**	**674.5**	**323.1**	**997.6**
Net earnings		—	—	—		—	116.6	116.6	28.2	144.8
Other comprehensive income (loss)	18	—	—	—	(1.9)	(111.8)	—	(113.7)	20.5	(93.2)
Total comprehensive income for the period		**—**	**—**	**—**	**(1.9)**	**(111.8)**	**116.6**	**2.9**	**48.7**	**51.6**
Contributions by and distributions to owners:										
Issue of share capital	29	38.8	565.2	—	—	—	—	604.0	—	604.0
Dividends to non-control ling interests(1)	6.4	—	—	—	—	—	—	—	(175.2)	(175.2)
Transaction costs of share issuance	29.1	—	(22.4)	—	—	—	—	(22.4)	—	(22.4)
Purchase of treasury shares	30.2	—	—	(28.5)	—	—	—	(28.5)	—	(28.5)
Tax effect on equity transactions	16	—	—	—	—	—	4.4	4.4	—	4.4
Distribution of treasury shares	30.2	—	—	18.0	—	—	(18.0)	—	—	—
Share-based payment	30	—	—	—	—	—	12.0	12.0	—	12.0
Total contributions by and distributions to owners		**38.8**	**542.8**	**(10.5)**	**—**	**—**	**(1.6)**	**569.5**	**(175.2)**	**394.3**
Changes in owner ship interests in subsidiaries:										
Changes in participation of non-controlling interests	31	—	—	—	—	—	(513.2)	(513.2)	(115.5)	(628.7)
Balance at December 31, 2010		**134.9**	**934.2**	**(28.7)**	**(1.9)**	**(199.0)**	**(105.8)**	**733.7**	**81.1**	**814.8**

(1) Dividends to non-controlling interests for the year ended December 31, 2010 include CHF 158.0 million in respect of the Dufry South America Ltd Merger (see note 6.4)

CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended December 31, 2011

IN MILLIONS OF CHF	Note	2011	2010
		CHF	CHF
Earnings before taxes (EBT)		**163.1**	**165.7**
Adjustments for			
Depreciation, amortization and impairment	13	131.5	129.5
Increase / (decrease) in allowances and provisions		15.8	3.6
Loss / (gain) on unrealized foreign exchange differences		(2.7)	28.7
Other non-cash items		9.5	13.1
Interest net	15	51.1	32.2
Cash flow before working capital changes		**368.3**	**372.8**
Decrease / (increase) in trade and other accounts receivable		9.8	(23.6)
Decrease / (increase) in inventories	25	(69.9)	(32.7)
Increase / (decrease) in trade and other accounts payable		68.4	46.0
Cash flow from changes in working capital		**8.3**	**(10.3)**
Cash flow generated from operations		**376.6**	**362.5**
Income tax paid		(39.8)	(35.5)
Net cash flows from operating activities		**336.8**	**327.0**
Cash flow from investing activities			
Purchase of property, plant and equipment	20	(65.0)	(76.4)
Purchase of intangible assets	22	(30.0)	(22.4)
Projects development in progress		—	(1.7)
Proceeds from sale of fixed assets		3.2	2.6
Interest received		3.9	4.7
Cash flows from ordenary investing activities		**(87.9)**	**(93.2)**
Free cash flow		**248.9**	**233.8**
Business combinations, net of cash	6.3	(743.2)	(24.9)
Proceed from sale of interest in subsidiaries, net of cash		0.6	0.7
Cash flows from other investing activities		**(742.6)**	**(24.2)**
Net cash flows used in investing activities		**(830.5)**	**(117.4)**
Cash flow from financing activities			
Proceeds from borrowings		773.4	115.2
Repayment of borrowings		(87.9)	(344.8)
Proceeds from / (repayment of) loans		3.8	3.5
Dividends paid to non-controlling interest		(25.0)	(175.2)
Purchase of treasury shares		(12.5)	(28.5)
Share capital contributions by non-controlling interests	31.1	0.7	—
Share issuance costs paid		(0.9)	(18.8)
Bank arrangement fees paid		(15.0)	(3.0)
Interest paid		(41.1)	(37.7)
Net cash flows (used in) / from financing activities		**595.5**	**(489.3)**
Currency translation in cash		16.7	(45.0)
(Decrease) / Increase in cash and cash equivalents		**118.5**	**(324.7)**
Cash and cash equivalents at the			
—beginning of the period		80.6	405.3
—end of the period		199.1	80.6

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
for the year ended December 31, 2011

1. Corporate information

Dufry AG ('Dufry' or 'the Company') is a publicly listed company with headquarters in Basel, Switzerland. The Company is the world's leading travel retail company. It operates over 1,200 shops worldwide. The shares of the Company are listed on the Swiss Stock Exchange (SIX) and its Brazilian Depository Receipts on the BM&FBOVESPA in Sao Paulo.

The consolidated financial statements of Dufry AG and its subsidiaries ('the Group') for the year ended December 31, 2011 were authorized for public disclosure in accordance with a resolution of the Board of Directors of the Company dated March 6, 2012.

2. Accounting policies

2.1 Basis of preparation

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

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

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

2.2 Basis of consolidation

The consolidated financial statements incorporate the financial statements of Dufry AG and entities controlled by Dufry (its subsidiaries) as at December 31, 2011 and the respective comparative information.

Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date when such control is lost. The financial statements of the subsidiaries are prepared for the same reporting period as the parent company, using uniform accounting policies. All intra-group balances, transactions, unrealized gains and losses resulting from intra-group transactions and 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 the Group loses control over a subsidiary, it

(i) 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

(ii) recognizes the fair value of the consideration received, recognizes the fair value of any investment retained as well as recognizes any surplus or deficit in the income statement and

(iii) reclassifies the parent's share of components previously recognized in other comprehensive income to the income statement or retained earnings, as appropriate.

2. Accounting policies (Continued)

2.3 Summary of significant accounting policies

a) Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. For each business combination, the Group elects 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 costs incurred are expensed and included in the 'other operational result'.

When the Group 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.

If a business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through the income statement.

Any contingent consideration to be transferred by the acquirer will be recognized at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability will be recognized either in the income statement or as a change to other comprehensive income. If the contingent consideration is classified as equity, it will not be remeasured. Subsequent settlement is accounted for within equity. In instances where the contingent consideration is not a financial instrument, it is measured in accordance with the appropriate IFRS.

The Group measures goodwill at the acquisition date as:

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

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

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill forms part of a cash-generating unit and part of the operation within that unit 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.

2. Accounting policies (Continued)

b) Investments in associates and jointly controlled entities (equity-accounted investees)

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

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

During the year ended December 31, 2011 and December 31, 2010 the Company did not hold any equity accounted investments.

c) Revenue recognition

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

- **Net sales**

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

- **Advertising income**

Advertising income is recognized when the services have been rendered.

d) Foreign currency translation

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

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

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

At the reporting date, the assets and liabilities of all subsidiaries reporting in foreign currency are translated into the presentation currency of Dufry (Swiss francs) using the exchange rate at the reporting date. The income statement is translated using the average exchange rates of the respective month in

2. Accounting policies (Continued)

which the transactions occurred. The net translation differences are recognized in the 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 consolidated income statement as gain or loss on sale of subsidiaries.

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

Principal foreign exchange rates applied for valuation and translation

	1.1.11-31.12.11 Average rates	1.1.10-31.12.10 Average rates	31.12.11 Closing rates	31.12.10 Closing rates
1 USD—US Dollar	0.8868	1.0427	0.9387	0.9352
1 EUR—Euro	1.2329	1.3821	1.2167	1.2518

e) Borrowing costs

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

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

f) Pension and other post-employment benefit obligations

- **Pension obligations**

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

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

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

- **Termination benefits**

Termination benefits are payable when employment is terminated before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for the benefits. The Group

2. Accounting policies (Continued)

recognizes termination benefits when it is demonstrably committed to either, terminating the employment of current employees according to a detailed formal plan without the possibility of withdrawal; or providing termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after reporting date are discounted to present value.

g) Share-based payments

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

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

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

h) Taxation

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

- **Current income tax**

Current income tax assets and liabilities 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 the Group operates and generates taxable income.

Current income tax relating to items recognized in other comprehensive income is recognized in the same statement. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

- **Deferred tax**

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and 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

2. Accounting policies (Continued)

- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, 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 and any unused 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, associates and interests in joint ventures, 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.

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

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Tax benefits acquired as part of a business combination, but not satisfying the criteria for separate recognition at that date, would be recognized subsequently if new information about facts and circumstances changed. The adjustment would either be treated as a reduction of goodwill (as long as it does not exceed goodwill) if it was noted during the measurement period or afterwards in the income statement.

i) 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:

- Buildings 15 to 20 years

2. Accounting policies (Continued)

- Leasehold improvements 5 to 10 years
- Furniture, fixture and vehicles 4 to 10 years
- Computer hardware 5 years

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

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

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

j) Intangible assets

- **Intangible assets acquired (separately or from a business combination)**

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

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

k) Impairment of non-financial assets

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

2. Accounting policies (Continued)

l) Inventories

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

m) Provisions

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

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

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

- **Onerous contracts**

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

- **Restructurings**

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

- **Contingent liabilities acquired in a business combination**

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

2. Accounting policies (Continued)

n) Financial instruments

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

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

- **Effective interest method**

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

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

o) Financial assets

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

- **Financial assets at FVTPL (fair value thought profit & loss)**

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

A financial asset is classified as held for trading if:

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

2. Accounting policies (Continued)

A financial asset other than a financial asset held for trading may be designated as at FVTPL upon initial recognition if:

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

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

- **Held-to-maturity investments**

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

- **Available-for-sale financial assets (AFS financial assets)**

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

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

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

- **Loans and receivables**

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables (including trade and credit cards receivables, other

2. Accounting policies (Continued)

accounts receivable, cash and cash equivalents) are measured at amortized cost using the effective interest method, less any impairment.

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

- **Impairment of financial assets**

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

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

For all other financial assets, objective evidence of impairment could include:

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

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

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

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

In respect of AFS equity securities, impairment losses previously recognized in the income statement are not reversed through the income statement. Any increase in fair value subsequent to an impairment loss is recognized in other comprehensive income and accumulated in the hedging and revaluation reserves. In respect of AFS debt securities, impairment losses are subsequently reversed through the

2. Accounting policies (Continued)

income statement if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

- **Derecognition of financial assets**

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

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

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

p) Financial liabilities and equity instruments

- **Classification as debt or equity**

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

- **Equity instruments**

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

q) Financial liabilities

Financial liabilities are classified as either financial liabilities 'at FVTPL' or 'other financial liabilities'.

2. Accounting policies (Continued)

- **Financial liabilities at FVTPL**

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

A financial liability is classified as held for trading if:

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

A financial liability other than a financial liability held for trading may be designated as at FVTPL upon initial recognition if:

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

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

- **Other financial liabilities**

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

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

- **Financial guarantee contracts**

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

2. Accounting policies (Continued)

Financial guarantee contracts issued by the Group are initially measured at their fair values and, if not designated as at FVTPL, are subsequently measured at the higher of:

- the amount of the obligation under the contract, as determined in accordance with IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*; and
- the amount initially recognized less, where appropriate, cumulative amortization recognized in accordance with the revenue recognition policies.

- **Derecognition of financial liabilities**

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

r) Derivative financial instruments

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

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

s) Embedded derivatives

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

t) Hedge accounting

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

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

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

2. Accounting policies (Continued)

- **Fair value hedges**

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

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

- **Cash flow hedges**

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

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

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

- **Hedges of net investments in foreign operations**

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

2. Accounting policies (Continued)

2.4 Changes in accounting policy and disclosures

New and amended standards and interpretations

The accounting policies adopted are consistent with those of the previous financial year, except for the following new and amended IFRS and IFRIC interpretations:

- **IAS 24** *Related Party Disclosures (amendment)* (effective 1 January 2011)

The IASB issued an amendment to IAS 24 that clarifies the definitions of a related party. The new definitions emphasize a symmetrical view of related party relationships and clarify the circumstances in which persons and key management personnel affect related party relationships of an entity. In addition, the amendment introduces an exemption from the general related party disclosure requirements for transactions with government and entities that are controlled, jointly controlled or significantly influenced by the same government as the reporting entity. The adoption of the amendment did not have any impact on the financial position or performance of the Group.

- **IAS 32** *Financial Instruments: Presentation (amendment)* (effective 1 February 2010)

The IASB issued an amendment that alters the definition of a financial liability in IAS 32 to enable entities to classify rights issues and certain options or warrants as equity instruments. The amendment is applicable if the rights are given pro rata to all of the existing owners of the same class of an entity's non-derivative equity instruments, to acquire a fixed number of the entity's own equity instruments for a fixed amount in any currency. The amendment has had no effect on the financial position or performance of the Group because the Group does not have this type of instruments.

- **IFRIC 14** *Prepayments of a Minimum Funding Requirement (amendment)* (effective 1 January 2011)

The amendment removes an unintended consequence when an entity is subject to minimum funding requirements and makes an early payment of contributions to cover such requirements. The amendment permits a prepayment of future service cost by the entity to be recognized as a pension asset. The Group is not subject to minimum funding requirements, therefore the amendment of the interpretation has neither affected the financial position nor the performance of the Group.

- **IFRIC 19** *Extinguishing Financial Liabilities with Equity Instruments* (effective July 1, 2010)

Dufry has not entered into this type of agreements.

Improvements to IFRSs (May 2010)

In May 2010, the IASB issued its third omnibus of amendments to its standards, primarily with a view to removing inconsistencies and clarifying wording. There are separate transitional provisions for each standard. The adoption of the following amendments resulted in changes to accounting policies, but no impact on the financial position or performance of the Group.

2. Accounting policies (Continued)

- **IAS 1** *Presentation of Financial Statements*—The amendment clarifies that an entity may present an analysis of each component of other comprehensive income either in the statement of changes in equity or in the notes to the financial statements. The Group provides this analysis in Note 18.

- **IFRIC 13** *Customer Loyalty Programs* (effective January 1, 2011)

Fair value of award credit: The amendment clarifies that when the fair value of awards credits is measured based on the value of the awards for which they could be redeemed, the amount of discounts or incentives otherwise granted to customers not participating in the awards credit scheme, is to be taken into account.

Other amendments resulting from improvements to IFRSs to the following standards did not have any significant impact on the accounting policies, financial position or performance of the Group:

- **IFRS 3** *Business Combinations*
  - The measurement options available for non-controlling interest (NCI) were amended.
  - Contingent consideration arising from business combination prior to adoption of IFRS 3 (as revised in 2008).
  - Un-replaced and voluntarily replaced share-based payment awards.
- **IFRS 7** *Financial Instruments—Disclosures:* The amendment was intended to simplify the disclosures provided by reducing the volume of disclosures around collateral held and improving disclosures by requiring qualitative information to put the quantitative information in context.
- **IAS 27** Consolidated and Separate Financial Statements

3. Critical accounting judgments and key sources of estimation uncertainty

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

Key sources of estimation uncertainty

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

- **Concession rights**

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

3. Critical accounting judgments and key sources of estimation uncertainty (Continued)

- **Brands and Goodwill**

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

- **Income taxes**

The Group is subject to income taxes in numerous jurisdictions. Significant judgment is required in determining the worldwide provision for income taxes. There are many transactions and calculations for which the ultimate tax assessment is uncertain. The Group recognizes liabilities for tax audit issues based on estimates of whether additional taxes will be payable. Where the final tax outcome is different from the amounts that were initially recorded, such differences will impact the income tax or deferred tax provisions in the period in which such assessment is made. Further details are given in note 16.

- **Deferred tax assets**

Deferred tax assets are recognized for all unused tax losses and deductible temporary differences to the extent that it is probable that taxable profit will be available against which the losses can be utilized. Management judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and level of future taxable profits together with future tax planning strategies. Further details are given in note 23.

- **Provisions**

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

- **Share-based payments**

The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the grant date. Estimating fair value requires determining the most appropriate valuation model for a grant of equity instruments, which depends on the terms and conditions of the grant. This also requires determining the most appropriate inputs to the valuation model including the expected life of the option, volatility and dividend yield and making assumptions about them. The assumptions and models used are disclosed in note 30.

- **Pension and other post-employment benefit obligations**

The cost of defined benefit pension plans is determined using actuarial valuations. The actuarial valuation involves assumptions about discount rates, expected rates of return on assets, future salary increases, mortality rates and future pension increases. Due to the long-term nature of these plans, such estimates are subject to significant uncertainty. Further details are given in note 34.

- **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

3. Critical accounting judgments and key sources of estimation uncertainty (Continued)

the inputs to this model are partially based on assumptions and judgments and any changes thereof would affect the reported values (see note 6).

4. New and revised standards and interpretations in issue but not yet adopted/effective

The Group will apply the following standards or changes to standards for the first time following the dates stated in the respective standard.

Standards and interpretations that are relevant for the Group and whose effects are currently being evaluated

- **IAS 1** *Financial Statement Presentation*—Presentation of Items of Other Comprehensive Income (effective July 1, 2012).

The amendments to IAS 1 change the grouping of items presented in other comprehensive income. Items that could be reclassified (or 'recycled') to the income statement at a future point in time (for example, upon derecognition or settlement) would be presented separately from items that will never be reclassified. The amendment affects presentation only and has no impact on the Group's financial position or performance.

- **IAS 19** *Employee Benefits (Amendment)* (effective January 1, 2013).

The IASB has issued numerous amendments to IAS 19. These range from fundamental changes such as removing the corridor mechanism and the concept of expected returns on plan assets to simple clarifications and re-wording. If the amendments would have been adopted in 2011 the equity in the consolidated financial statements would have been lower by approximately CHF 8.3 million representing the unrealized actuarial losses whereas the income statement would have been impacted by additional expenses of CHF 0.7 million.

- **IFRS 7** *Financial Instruments: Disclosures*—Enhanced Derecognition Disclosure Requirements (effective July 1, 2011).

The amendment requires additional disclosure about financial assets that have been transferred but not derecognized to enable the user of the Group's financial statements to understand the relationship with those assets that have not been derecognized and their associated liabilities. In addition, the amendment requires disclosures about continuing involvement in derecognized assets to enable the user to evaluate the nature of, and risks associated with, the entity's continuing involvement in those derecognized assets. The amendment affects disclosure only and has no impact on the Group's financial position or performance.

- **IFRS 9** *Financial instruments* (effective January 1, 2015)

IFRS 9 as issued reflects the first phase of the IASBs work on the replacement of IAS 39 and applies to classification and measurement of financial assets and financial liabilities as defined in IAS 39. In subsequent phases, the IASB will address hedge accounting and impairment of financial assets. The adoption of the first phase of IFRS 9 will have an effect on the classification and measurement of the Group's financial assets, but will potentially have no impact on classification and measurements of

4. New and revised standards and interpretations in issue but not yet adopted/effective (Continued)

financial liabilities. The Group will quantify the effect in conjunction with the other phases, when issued, to present a comprehensive picture.

- **IFRS 10** *Consolidated Financial Statements* (effective January 1, 2013)

IFRS 10 replaces the portion of IAS 27 Consolidated and Separate Financial Statements that addresses the accounting for consolidated financial statements. IFRS 10 establishes a single control model that applies to all entities including special purpose entities. The changes introduced by IFRS 10 will require management to exercise significant judgment to determine which entities are controlled, and therefore, are required to be consolidated by a parent, compared with the requirements that were in IAS 27.

- **IFRS 12** *Disclosure of Involvement with Other Entities* (effective January 1, 2013)

IFRS 12 includes all of the disclosures that were previously in IAS 27 related to consolidated financial statements, as well as all of the disclosures that were previously included in IAS 31 and IAS 28. These disclosures relate to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. A number of new disclosures are also required.

- **IFRS 13 Fair Value Measurement** (effective January 1, 2013)

IFRS 13 establishes a single source of guidance under IFRS for all fair value measurements. IFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under IFRS when fair value is required or permitted. The Group is currently assessing the impact that this standard will have on the financial position and performance.

Further new and revised standards and interpretations of no practical relevance

- **IAS 12** *Deferred tax: Recovery of underlying assets amendments to IAS 12* (effective January 1, 2012)

IAS 12 has been updated to include a presumption that deferred tax on investment property measured using the fair value model in IAS 40 and on non-depreciable assets measured using the revaluation model in IAS 16, should always be measured on a sale basis.

- **IAS 27** *Separate Financial Statements (as revised in 2011)* (effective January 1, 2013)

As a consequence of the new IFRS 10 and IFRS 12, what remains of IAS 27 is limited to accounting for subsidiaries, jointly controlled entities, and associates in separate financial statements. The Group does not present separate financial statements.

- **IAS 28** *Investments in Associates and Joint Ventures (as revised in 2011)* (effective January 1, 2013).

As a consequence of the new IFRS 11 and IFRS 12, IAS 28 has been renamed IAS 28 Investments in Associates and Joint Ventures, and describes the application of the equity method to investments in joint ventures in addition to associates.

4. New and revised standards and interpretations in issue but not yet adopted/effective (Continued)

- **IAS 32 (amendments)** *Offsetting Financial Assets and Financial Liabilities* (effective January 1, 2014)

The amendments address inconsistencies in current practice when applying the offsetting criteria in IAS 32 Financial Instruments: Presentation. The amendments clarify: a) the meaning of 'currently has a legally enforceable right of set-off'; and b) that some gross settlement systems may be considered equivalent to net settlement.

- **IFRS 7 Financial instruments: Disclosures (amendment)** *Offsetting Financial Assets and Financial liabilities* (effective January 1, 2013)

These disclosures will provide users with information that is useful in (a) evaluating the effect or potential effect of netting arrangements on an entity's financial position and (b) analyzing and comparing financial statements prepared in accordance with IFRSs and US GAAP.

- **IFRS 11** *Joint Arrangements* (effective January 1, 2013)

IFRS 11 replaces IAS 31 Interests in Joint Ventures and SIC-13 Jointly-controlled Entities— Non-monetary Contributions by Venturers. IFRS 11 removes the option to account for jointly controlled entities (JCEs) using proportionate consolidation. Instead, JCEs that meet the definition of a joint venture must be accounted for using the equity method.

- **IFRIC 20** *The Interpretation clarifies when production stripping of a surface mine should lead to the recognition of an asset and how that asset should be measured, both initially and in subsequent periods*. (effective January 1, 2013)

5. Segment information

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

The Group's risks and returns are predominantly affected by the fact that it operates in different countries. Therefore, the Group reports segmental information as it does internally to the group executive

5. Segment information (Continued)

committee, using geographical segments. The activities of the distribution centers are reported as a separate segment.

2011 IN MILLIONS OF CHF	Net sales third party	Advertising income	Net sales-intercompany	Turnover	EBITDA(1)
Europe	299.8	4.5	—	304.3	12.3
Africa	136.9	1.2	—	138.1	18.6
Eurasia	212.4	3.0	—	215.4	17.3
Central America & Caribbean	364.2	4.1	—	368.3	28.9
South America	864.7	21.2	—	885.9	139.2
North America	677.1	23.4	—	700.5	77.0
Distribution Centers	5.8	19.4	690.2	715.4	77.6
Eliminations	—	—	(690.2)	(690.2)	—
Dufry Group	**2,560.9**	**76.8**	**—**	**2,637.7**	**370.9**

2010 IN MILLIONS OF CHF	Net sales third party	Advertising income	Net sales-intercompany	Turnover	EBITDA(1)
Europe	306.0	4.8	—	310.8	7.4
Africa	182.3	1.8	—	184.1	29.3
Eurasia	225.1	4.0	—	229.1	11.2
Central America & Caribbean	395.5	4.5	—	400.0	23.6
South America	693.3	20.0	—	713.3	136.5
North America	730.7	25.1	—	755.8	78.9
Distribution Centers	0.6	16.5	515.1	532.2	56.2
Eliminations	—	—	(515.1)	(515.1)	—
Dufry Group	**2,533.5**	**76.7**	**—**	**2,610.2**	**343.1**

(1) EBITDA before other operational result

5. Segment information (Continued)

The share in net sales to third parties of the Group generated in Switzerland (domicile) represents about 1.2% (2010: 1.3%) of the total.

2011 IN MILLIONS OF CHF	Total assets	Total liabilities	Income tax expense	Capital expenditure paid	Depreciation and Amortization(1)	Other non-cash items
Europe	203.2	96.7	1.8	(14.2)	14.2	3.5
Africa	66.8	37.8	(1.4)	(1.4)	4.9	1.9
Eurasia	108.3	52.8	2.2	(4.6)	8.2	(0.5)
Central America & Caribbean	429.3	83.8	0.6	(15.8)	23.9	3.0
South America	1,097.0	273.7	(29.3)	(27.0)	34.7	4.7
North America	553.9	103.4	(0.5)	(19.9)	40.3	0.4
Distribution Centers	351.5	182.7	(1.2)	(0.5)	1.0	4.9
Unallocated positions	507.8	1,532.8	(0.4)	(11.6)	4.3	4.6
Dufry Group	**3,317.8**	**2,363.7**	**(28.2)**	**(95.0)**	**131.5**	**22.5**

2010 IN MILLIONS OF CHF	Total assets	Total liabilities	Income tax expense	Capital expenditure paid	Depreciation and Amortization(2)	Other non-cash items
Europe	213.4	104.8	(1.0)	(21.3)	12.7	2.1
Africa	72.1	49.1	(1.8)	(2.3)	6.0	0.8
Eurasia	86.6	40.5	0.2	(9.4)	10.0	2.3
Central America & Caribbean	402.9	72.4	(3.1)	(14.4)	28.3	1.2
South America	535.6	229.4	(19.4)	(11.5)	20.1	3.0
North America	545.0	93.3	8.3	(36.4)	46.8	0.4
Distribution Centers	194.0	118.3	(1.7)	(1.0)	1.8	(0.9)
Unallocated positions	89.6	616.6	(2.4)	(2.5)	3.8	36.6
Dufry Group	**2,139.2**	**1,324.4**	**(20.9)**	**(98.8)**	**129.5**	**45.5**

(1) 2011 includes impairments of CHF 1.3 million in Region Europe.

(2) 2010 includes impairments of CHF 0.1 million in Region Europe.

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

6. Business combinations

2011 Transactions

6.1 Acquisition of Interbaires and other companies in Armenia, Ecuador and Uruguay

On August 4, 2011, continuing with its strategy of investing in emerging markets, the Group acquired 100% of the shares and obtained control of several companies in South America and in Armenia, for a

6. Business combinations (Continued)

total consideration of CHF 753.9 million (USD 987.2 million). The main companies incorporated into the group are:

- Interbaires SA: The exclusive retailer operating duty free shops at both international airports of Buenos Aires plus the airports of Cordoba, Mendoza and other smaller destinations in Argentina,
- Navinten SA and Blaicor SA: Two Uruguayan retailers operating duty free shops at the international airports of Montevideo and Punta del Este respectively,
- ADF Shops CJSC: An Armenian retailer operating exclusively the duty free shops at the international airport of Yerevan,
- Ecuador Duty Free SA: A retailer in Ecuador operating duty free shops at the international airport of Guayaquil, and
- International Operation & Services Corp, an Uruguayan distribution platform delivering duty free products to the above mentioned retailers.

As a result of the acquisition the Group achieved a leading position in the Duty Free market in South America. The Group is integrating the new businesses into its existing organization and in this way generating considerable synergies.

The acquisitions have been accounted for using the acquisition method. The financial statements of the Group include the results of all the above mentioned companies as well as some intermediate holding entities as from the acquisition date.

The fair value of the identifiable assets and liabilities of the acquired companies at the date of acquisition and the resulting goodwill were determined preliminary as follows:

IN MILLIONS OF USD Recognized amounts of identifiable assets acquired and liabilities assumed	Aug. 4, 2011 Preliminary fair value
Inventories	71.8
Other assets	62.4
Property, plant and equipment	20.3
Intangible assets, mainly concession rights	596.3
Net deferred tax liability	(40.6)
Provisions and contingent liabilities	(41.2)
Liabilities	(82.0)
Identifiable net assets	**587.0**
Goodwill	400.2
Total consideration	**987.2**

6. Business combinations (Continued)

Cash flow on the acquisition	2011
Total consideration	**(987.2)**
Cash acquired with the transaction	24.7
Subtotal	**(962.5)**
Payables for this acquisition at the end of the period	—
Net cash outflow	**(962.5)**

Acquisition related expenses, included in the 'other operational result' in the income statement for the period ended December 31, 2011 amounted to CHF 11.1 million (USD 12.5 million).

In the period ended December 31, 2011 these operations contributed CHF 171.4 million (USD 195.6 million) in turnover and CHF 34.4 million (USD 39.2 million) in EBITDA[1] to the consolidated income statement of the Group.

6.2 Acquisition of Sovenex SAS, Martinique

On September 14, 2011, the Group acquired through a share deal 100% of the shares of Sovenex SAS, a retailer operating the duty free shops at the international airport of Martinique (France) for a total consideration of CHF 7.0 million (EUR 6.1 million). As a result of the acquisition, the Group expects to increase its presence in the French Caribbean and to improve profitability through economies of scale. The goodwill will not be deductible for tax purposes.

The acquisition has been accounted for using the acquisition method. These financial statements include the results of Sovenex SAS as of September, 2011. The fair value of the identifiable assets and liabilities of the acquired company at the date of acquisition and the resulting goodwill were determined preliminary as follows:

IN MILLIONS OF EUR	Sep. 14, 2011
Cash	5.4
Contingent consideration	0.7
Total consideration	**6.1**

Recognized amounts of identifiable assets acquired and liabilities assumed	Preliminary fair value
Inventories	0.6
Other assets	2.3
Property, plant and equipment	0.1
Concession rights	5.2
Net deferred tax liability	(1.7)
Current liabilities	(1.1)
Identifiable net assets	**5.4**
Goodwill	0.7
Total consideration	**6.1**

6. Business combinations (Continued)

Cash flow on the acquisition	2011
Total consideration	(6.1)
Cash acquired with the transaction	2.0
Subtotal	**(4.1)**
Payables for this acquisition at the end of the period	1.9
Net cash outflow	**(2.2)**

Acquisition related expenses, included in the 'other operational result' in the income statement for the period ended December 31, 2011 amounted to CHF 0.2 million (EUR 0.2 million).

In the period ended December 31, 2011 this operation contributed CHF 2.8 million (EUR 2.3 million) in net sales and CHF 0.4 million (EUR 0.4 million) in EBITDA[1] to the consolidated income statement of the Group.

If all business combinations of 2011 would have occurred as of the beginning of the current reporting year, the Group would have generated a turnover of CHF 2,855.8 million and an operative result of CHF 413.0 million

6.3 Reconciliation of cash flows (used for)/from business combinations (BC), net of cash

2011 IN MILLIONS OF CHF	Cost of the acquisition	Net cash acquired	Subtotal	Changes in accounts payables	Net cash flow
Interbaires and other companies	(753.9)	18.9	(735.0)	—	(735.0)
Sovenex SAS, Martinique (France)	(7.0)	2.3	(4.7)	2.2	(2.5)
Network Italia Edicole	—		—	(4.4)	(4.4)
Puerto Rico	—		—	(0.9)	(0.9)
Other	(0.4)		(0.4)		(0.4)
Total	(761.3)	21.2	(740.1)	(3.1)	(743.2)

2010 Transactions

6.4 Merger with Dufry South America Ltd

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

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

6. Business combinations (Continued)

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

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

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

6.5 Dufry (Shanghai) Commercial Co. Ltd., China

Dufry founded in February 2010 Dufry (Shanghai) Commercial Co. Ltd. Thereafter Dufry signed a 7-year contract with Shanghai Hongqiao International Airport to operate 20 duty paid stores, distributed over an area of 1,500 m^2, in the new West Terminal. Serving mainly domestic destinations, Hongqiao International Airport handles more than 23 million passengers per year and is considered one of the two main gates for travelers arriving to and departing from Shanghai. The West Terminal, and thus our 20 shops, became operational end of March 2010, just ahead of the opening of the Shanghai 2010 World Expo.

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

6.6 Global Service Retail Group

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

6. Business combinations (Continued)

6.7 Reconciliation of cash flows (used for) / from business combinations (BC), net of cash

2010 IN MILLIONS OF CHF	Cost of the acquisition	Net cash acquired	Subtotal	Changes in accounts payables	Net cash flow
Global Retail Services	(2.8)	—	(2.8)	—	(2.8)
Operadora Aero-Boutiques (LDF)	—	—	—	(18.2)	(18.2)
Network Italia Edicole	—	—	—	(2.6)	(2.6)
Puerto Rico	—	—	—	(1.1)	(1.1)
Other	—	—	—	(0.2)	(0.2)
Total	(2.8)	—	(2.8)	(22.1)	(24.9)

7. Net sales

Different breakdowns of net sales are as follows:

Net sales by product categories:

IN MILLIONS OF CHF	2011	2010
Perfumes and Cosmetics	656.6	588.9
Confectionery, Food and Catering	426.7	441.2
Wine and Spirits	416.3	383.4
Literature and Publications	236.0	291.2
Watches, Jewelry and Accessories	242.9	249.4
Fashion, Leather and Baggage	213.2	199.0
Tobacco goods	180.4	192.1
Electronics	81.7	85.4
Toys, Souvenirs and other goods	107.1	102.9
Total	**2,560.9**	**2,533.5**

Net sales by market sector:

IN MILLIONS OF CHF	2011	2010
Duty free	1,690.3	1,604.5
Duty paid	870.6	929.0
Total	**2,560.9**	**2,533.5**

7. Net sales (Continued)

Net sales by channel:

IN MILLIONS OF CHF	2011	2010
Airports	2,258.2	2,213.5
Cruise liners and seaports	98.0	113.0
Railway stations and other	118.0	118.4
Downtown hotels and resorts	86.7	88.6
Total	**2,560.9**	**2,533.5**

8. Cost of sales

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

9. Selling expenses

IN MILLIONS OF CHF	2011	2010
Concession fees and rents	(558.8)	(572.8)
Credit card commissions	(31.2)	(29.5)
Advertising and commission expenses	(13.9)	(12.9)
Packaging materials	(8.6)	(8.4)
Other selling expenses	(10.9)	(6.4)
Selling expenses	**(623.4)**	**(630.0)**
Concession and rental income	14.6	19.7
Commission income	2.0	2.5
Commercial services and other selling income	27.1	23.0
Selling income	**43.7**	**45.2**
Total	**(579.7)**	**(584.8)**

10. Number of retail shop concessions

Dufry Group operates around 1,200 retail shops in 45 countries at the reporting date. Dufry has entered into concession arrangements with operators of airports, seaports, railway stations etc. to operate these retail shops.

The concession providers grant the right to sell a pre-defined assortment of products to travelers during the concession period as defined in the respective arrangements.

The arrangements typically define among other aspects:

- duration
- nature of remuneration

10. Number of retail shop concessions (Continued)

- assortment of products to be sold
- location

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

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

11. Personnel expenses

IN MILLIONS OF CHF	2011	2010
Salaries and wages	(302.5)	(303.2)
Social security expenses	(56.6)	(54.4)
Retirement benefits (defined contribution plans)	(3.2)	(3.4)
Retirement benefits (defined benefit plans)	(1.8)	(1.3)
Other personnel expenses	(38.5)	(36.6)
Total	**(402.6)**	**(398.9)**
Number of full time equivalents at year-end	13,874	11,892

12. General expenses

IN MILLIONS OF CHF	2011	2010
Repairs, maintenance and utilities	(33.6)	(32.9)
Legal, consulting and audit fees	(35.1)	(31.2)
Premises	(20.8)	(22.2)
Office and administration	(16.3)	(17.1)
Travel, car, entertainment and representation	(16.1)	(16.1)
EDP and IT expenses	(18.0)	(14.9)
Franchise fees and commercial services	(10.7)	(11.3)
Taxes, other than income taxes	(12.1)	(9.3)
PR and advertising	(9.4)	(9.7)
Insurances	(5.4)	(6.6)
Bank expenses	(4.6)	(3.8)
Total	**(182.1)**	**(175.1)**

13. Depreciation, amortization and impairment

IN MILLIONS OF CHF	2011	2010
Depreciation	(55.2)	(63.6)
Impairment	(3.6)	(0.1)
Total property plant and equipment (note 19)	**(58.8)**	**(63.7)**
Amortization	(72.4)	(65.8)
Impairment	(0.3)	—
Total intangible assets (note 21)	**(72.7)**	**(65.8)**
Total	**(131.5)**	**(129.5)**

14. Other operational result

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

IN MILLIONS OF CHF	2011	2010
Transaction costs	(11.3)	—
Consulting fees and expenses related to projects, as well as start-up expenses	(6.3)	(7.3)
Closing or rebranding of shops	(3.2)	(4.1)
Expenses for provisions	(2.2)	(0.8)
Impairment of financial assets	(1.2)	(1.1)
Losses on sale of non-current assets	(0.3)	(0.6)
Other expenses	(4.6)	(4.3)
Subtotal other operational expenses	**(29.1)**	**(18.2)**

IN MILLIONS OF CHF	2011	2010
Gain on sale of non-current assets	1.7	0.6
Recovery of write offs / release of allowances	—	0.5
Release of project costs	—	0.1
Other income	0.5	1.3
Subtotal other operational income	**2.2**	**2.5**

IN MILLIONS OF CHF	2011	2010
Other operational expenses	(29.1)	(18.2)
Other operational income	2.2	2.5
Other operational result	**(26.9)**	**(15.7)**

15. Interest

IN MILLIONS OF CHF	2011	2010
Interest income on short-term deposits	4.1	4.3
Other interest and finance income	—	0.5
Total interest income	**4.1**	**4.8**
Interest on bank debt	(42.2)	(31.3)
Amortization of credit arrangement fees	(6.9)	(4.8)
Discounted interest on financial liabilities	(0.2)	(0.3)
Other finance expenses	(5.9)	(0.5)
Interest expense on financial liabilities	**(55.2)**	**(36.9)**
Interest on non-financial instruments	—	(0.1)
Total interest expense	**(55.2)**	**(37.0)**

16. Income taxes

IN MILLIONS OF CHF	2011	2010
Consolidated income statement		
Current income taxes	(41.7)	(41.9)
of which corresponding to the current period	(43.1)	(41.3)
of which adjustments recognized in relation to prior years	1.4	(0.6)
Deferred income taxes	13.5	21.0
of which related to the origination or reversal of temporary differences	13.5	16.0
of which adjustments recognized in relation to prior years	0.3	5.2
of which adjustments due to change in tax rates	(0.3)	(0.2)
Total	**(28.2)**	**(20.9)**

IN MILLIONS OF CHF	2011	2010
Consolidated earnings before income tax (EBT)	**163.1**	**165.7**
Expected tax rate in %	29.5%	28.0%
Tax at the expected rate	(48.1)	(46.4)
Effect of:		
Income not subject to income tax	14.4	14.9
Different tax rates of subsidiaries in other jurisdictions	26.3	26.5
Different tax regime for sale of subsidiaries	0.4	0.2
Non deductible expenses	(14.6)	(6.1)
Unused tax loss carry-forwards not recognized	(0.7)	(8.3)
Non recoverable withholding taxes	(6.7)	(1.9)
Adjustments recognized in relation to prior year	1.4	4.6
Other items	(0.7)	(4.4)
Total	**(28.2)**	**(20.9)**

The expected tax rate used for 2011 is 29.5% (2010: 28.0%). The tax rate approximates the weighted average based on net sales of the countries where Dufry is active. The increase in the expected tax rate

16. Income taxes (Continued)

comes from Ghana +8%, Bolivia +9% and the mix effect from the newly incorporated companies, i.e. Argentina 35%, Uruguay 25%, Ecuador 25% and Armenia 20%.

Current tax assets and liabilities

IN MILLIONS OF CHF	31.12.11	31.12.10
Income tax refunds receivable	3.4	6.1
Income tax payable	14.2	11.7
Total	**(10.8)**	**(5.6)**

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

Income tax recognized directly in equity

IN MILLIONS OF CHF	2011	2010
Current tax		
Current tax effect on share based payments	3.5	2.4
Subtotal	**3.5**	**2.4**
Deferred tax		
Tax effect on share based payments	(3.8)	1.4
Tax effect on treasury shares	1.5	0.6
Subtotal	**(2.3)**	**2.0**
Total	**1.3**	**4.4**

Deferred income tax recognized in other comprehensive income

IN MILLIONS OF CHF	2011	2010
Arising on income and expenses recognized in other comprehensive income:		
Net gain / (loss) on hedge of net investment	9.9	(6.3)
Cash flow hedges	(0.1)	0.3
Total	**9.8**	**(6.0)**

17. Earnings per share

Basic

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

IN MILLIONS OF CHF / quantity	2011	2010
Net earnings attributable to equity holders of the parent	111.9	116.6
Weighted average number of ordinary shares outstanding	26,873	25,166
Basic earnings per share in CHF	**4.16**	**4.63**

Diluted

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

IN MILLIONS OF CHF / quantity	2011	2010
Net earnings attributable to equity holders of the parent	111.9	116.6
Weighted average number of ordinary shares outstanding adjusted for the effect of dilution	26,873	25,447
Diluted earnings per share in CHF	**4.16**	**4.58**

Earnings per share adjusted for amortization (cash EPS)

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

IN MILLIONS OF CHF / quantity	2011	2010
Net earnings attributable to equity holders of the parent	111.9	116.6
adjusted for:		
Dufry's share of the amortization in respect of acquisitions	57.3	47.9
Adjusted net earnings	169.2	164.5
Weighted average number of ordinary shares outstanding	26,873	25,166
EPS adjusted for amortization (cash EPS) in CHF	**6.30**	**6.54**

17. Earnings per share (Continued)

Weighted average number of ordinary shares

In thousands	2011	2010
Outstanding shares	26,976	25,254
Less treasury shares	(103.4)	(88.0)
Used for calculation of basic earnings per share	26,873	25,166
Effect of dilution:		
Share options	—	281.4
Used for calculation of earning per share adjusted for the effect of dilution	**26,873**	**25,447**

For movements in shares see note 29.1 Equity, 30.1 Share-based payment and 30.3 Treasury shares.

18. Components of other comprehensive income

2011 IN MILLIONS OF CHF	Attributable to equity holders of the parent				
	Hedging & revaluation reserves	Translation reserves	TOTAL	Non-controlling interests	Total equity
Exchange differences on translating foreign operations	**—**	**95.2**	**95.2**	**3.0**	**98.2**
Net gain / (loss) on hedge of net investment in foreign operations	—	(82.7)	(82.7)	—	(82.7)
Income tax effect	—	9.9	9.9	—	9.9
Subtotal	**—**	**(72.8)**	**(72.8)**	**—**	**(72.8)**
Changes in the fair value of interest rate swaps held as cash flow hedges	1.1	—	1.1	—	1.1
Income tax effect	(0.1)	—	(0.1)	—	(0.1)
Subtotal	**1.0**	**—**	**1.0**	**—**	**1.0**
Other comprehensive income (loss)	**1.0**	**22.4**	**23.4**	**3.0**	**26.4**

18. Components of other comprehensive income (Continued)

2010 IN MILLIONS OF CHF	Attributable to equity holders of the parent Hedging & revaluation reserves	Translation reserves	TOTAL	Non-controlling interests	Total equity
Exchange differences on translating foreign operations	**—**	**(126.4)**	**(126.4)**	**20.5**	**(105.9)**
Net gain / (loss) on hedge of net investment in foreign operations	—	20.9	20.9	—	20.9
Income tax effect	—	(6.3)	(6.3)	—	(6.3)
Subtotal	**—**	**14.6**	**14.6**	**—**	**14.6**
Changes in the fair value of interest rate swaps held as cash flow hedges	(2.2)	—	(2.2)	—	(2.2)
Income tax effect	0.3	—	0.3	—	0.3
Subtotal	**(1.9)**	**—**	**(1.9)**	**—**	**(1.9)**
Other comprehensive income (loss)	**(1.9)**	**(111.8)**	**(113.7)**	**20.5**	**(93.2)**

19. Property, plant and equipment

IN MILLIONS OF CHF	Leasehold improvements	Furniture fixture	Computer hardware	Vehicles	Work in progress	TOTAL
At cost						
Balance at January 1, 2011	205.2	156.9	43.4	7.0	16.0	**428.5**
Business combinations	6.6	0.8	0.8	0.1	7.2	**15.5**
Additions (note 20)	17.6	12.4	6.8	0.9	25.5	**63.2**
Disposals	(7.7)	(6.1)	(0.5)	(0.6)	(0.4)	**(15.3)**
Reclassification within classes	11.5	8.1	0.6	—	(20.2)	**—**
Reclassification to intangible assets	—	—	—	—	(0.1)	**(0.1)**
Currency translation adjustment	0.4	0.6	0.3	—	1.3	**2.6**
Balance at December 31, 2011	**233.6**	**172.7**	**51.4**	**7.4**	**29.3**	**494.4**
Accumulated depreciation						
Balance at January 1, 2011	(83.7)	(83.5)	(29.3)	(4.7)	—	**(201.2)**
Additions (note 13)	(25.3)	(23.0)	(6.0)	(0.9)	—	**(55.2)**
Disposals	7.2	5.5	0.4	0.6	—	**13.7**
Currency translation adjustment	—	(0.3)	—	(0.1)	—	**(0.4)**
Balance at December 31, 2011	**(101.8)**	**(101.3)**	**(34.9)**	**(5.1)**	**—**	**(243.1)**
Impairment						
Balance at January 1, 2011	(1.1)	(0.1)	(0.2)	—	—	**(1.4)**
Impairment (note 13)	(2.0)	(0.8)	(0.4)	—	(0.4)	**(3.6)**
Currency translation adjustments	0.1	(0.3)	—	—	—	**(0.2)**
Balance at December 31, 2011	**(3.0)**	**(1.2)**	**(0.6)**	**—**	**(0.4)**	**(5.2)**

19. Property, plant and equipment (Continued)

IN MILLIONS OF CHF	Leasehold improvements	Furniture fixture	Computer hardware	Vehicles	Work in progress	TOTAL
At cost						
Balance at January 1, 2010	199.1	174.1	43.1	7.9	8.9	**433.1**
Additions (note 20)	22.7	11.0	7.0	0.8	35.2	**76.7**
Disposals	(10.1)	(16.7)	(3.0)	(0.8)	(0.1)	**(30.7)**
Reclassification within classes	12.8	11.7	0.8	—	(25.3)	**—**
Reclassification to intangible assets	—	—	—	—	(0.3)	**(0.3)**
Currency translation adjustment	(19.3)	(23.2)	(4.5)	(0.9)	(2.4)	**(50.3)**
Balance at December 31, 2010	**205.2**	**156.9**	**43.4**	**7.0**	**16.0**	**428.5**
Accumulated depreciation						
Balance at January 1, 2010	(68.5)	(86.9)	(29.7)	(4.9)	—	**(190.0)**
Additions (note 13)	(28.6)	(27.9)	(5.9)	(1.2)	—	**(63.6)**
Disposals	8.7	16.0	2.9	0.7	—	**28.3**
Currency translation adjustment	4.7	15.3	3.4	0.7	—	**24.1**
Balance at December 31, 2010	**(83.7)**	**(83.5)**	**(29.3)**	**(4.7)**	**—**	**(201.2)**
Impairment						
Balance at January 1, 2010	(1.2)	(0.1)	(0.2)	—	—	**(1.5)**
Impairment (note 13)	(0.1)	—	—	—	—	**(0.1)**
Currency translation adjustment	0.2	—	—	—	—	**0.2**
Balance at December 31, 2010	**(1.1)**	**(0.1)**	**(0.2)**	**—**	**—**	**(1.4)**
Carrying amount:						
At December 31, 2011	**128.8**	**70.2**	**15.9**	**2.3**	**28.9**	**246.1**
At December 31, 2010	**120.4**	**73.3**	**13.9**	**2.3**	**16.0**	**225.9**

19.1 Impairment

The impairment loss in 2011 relates to certain shops in Europe (CHF 1.3 million) and USA (CHF 1.7 million)

20. Cash flow used for purchase of property, plant and equipment

IN MILLIONS OF CHF	2011	2010
Payables for capital expenditure at the beginning of the period	(14.0)	(15.8)
Business combinations	(2.9)	—
Additions of property, plant and equipment (note 19)	(63.2)	(76.7)
Payables for capital expenditure at the end of the period	15.0	14.0
Currency translation adjustment	0.1	2.1
Total Cash Flow	**(65.0)**	**(76.4)**

21. Intangible assets

IN MILLIONS OF CHF	Concession rights: Indefinite lives	Concession rights: Finite lives	Brands	Goodwill	Other	TOTAL
At cost						
Balance at January 1, 2011	62.5	769.2	158.9	338.5	58.1	**1,387.2**
Business combinations	—	460.7	—	306.3	0.7	**767.7**
Additions (see note 22)	—	1.2	—	—	22.7	**23.9**
Disposals	—	(0.8)	—	—	(1.3)	**(2.1)**
Reclassifications from property, plant and equipment	—	—	—	—	0.1	**0.1**
Currency translation adjustment	(1.3)	106.9	—	70.5	1.2	**177.3**
Balance at December 31, 2011	**61.2**	**1,337.2**	**158.9**	**715.3**	**81.5**	**2,354.1**
Accumulated amortization						
Balance at January 1, 2011	—	(168.4)	—	—	(29.1)	**(197.5)**
Additions (note 13)	—	(61.5)	—	—	(10.9)	**(72.4)**
Disposals	—	0.3	—	—	1.0	**1.3**
Currency translation adjustment	—	(5.0)	—	—	(0.7)	**(5.7)**
Balance at December 31, 2011	**—**	**(234.6)**	**—**	**—**	**(39.7)**	**(274.3)**
Impairment						
Balance at January 1, 2011	—	(0.3)	—	(0.8)	—	**(1.1)**
Additions (note 13)	—	—	—	—	(0.3)	**(0.3)**
Disposals	—	—	—	—	0.2	**0.2**
Currency translation adjustment	—	(0.1)	—	—	0.1	**—**
Balance at December 31, 2011	**—**	**(0.4)**	**—**	**(0.8)**	**—**	**(1.2)**

21. Intangible assets (Continued)

IN MILLIONS OF CHF	Concession rights Indefinite lives	Concession rights Finite lives	Brands	Goodwill	Other	TOTAL
At cost						
Balance at January 1, 2010	132.1	787.5	149.9	389.8	52.7	**1,512.0**
Additions (see note 22)	—	17.2	6.6	—	11.6	**35.4**
Disposals	—	0.4	—	—	(1.9)	**(1.5)**
Reclassification	(54.7)	54.7	—	—	0.3	**0.3**
Currency translation adjustment	(14.9)	(90.6)	2.4	(51.3)	(4.6)	**(159.0)**
Balance at December 31, 2010	**62.5**	**769.2**	**158.9**	**338.5**	**58.1**	**1,387.2**
Accumulated amortization						
Balance at January 1, 2010	—	(139.2)	—	—	(21.1)	**(160.3)**
Additions (note 13)	—	(54.1)	—	—	(11.7)	**(65.8)**
Disposals	—	(0.4)	—	—	1.6	**1.2**
Currency translation adjustment	—	25.3	—	—	2.1	**27.4**
Balance at December 31, 2010	**—**	**(168.4)**	**—**	**—**	**(29.1)**	**(197.5)**
Impairment						
Balance at January 1, 2010	(0.2)	(0.1)	—	(0.9)	—	**(1.2)**
Reclassification	0.2	(0.2)	—	—	—	**—**
Currency translation adjustment	—	—	—	0.1	—	**0.1**
Balance at December 31, 2010	**—**	**(0.3)**	**—**	**(0.8)**	**—**	**(1.1)**
Carrying amount:						
At December 31, 2011	**61.2**	**1,102.2**	**158.9**	**714.5**	**41.8**	**2,078.6**
At December 31, 2010	**62.5**	**600.5**	**158.9**	**337.7**	**29.0**	**1,188.6**

21.1 Goodwill recognized from business combinations in 2011

Interbaires and other companies in Armenia, Ecuador and Uruguay: On August 4, 2011, continuing with its strategy of investing in emerging markets, the Group acquired 100% of the shares and obtained control of several companies in South and Central America and Asia, for a total consideration of CHF 753.9 million (USD 987.2 million). The goodwill resulting from the purchase price allocation was CHF 305.4 million (USD 400.2 million).

Sovenex SAS: On September 14, 2011, the Group acquired through a share deal 100% of the shares of Sovenex SAS, a retailer operating the duty free shops at the international airport of Martinique (France) for a total consideration of CHF 7.0 million (EUR 6.1 million). The goodwill resulting from the purchase price allocation was CHF 0.9 million (EUR 0.7 million).

21.2 Goodwill recognized from business combinations in 2010

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

21. Intangible assets (Continued)

21.3 Impairment test

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

21.3.1 Impairment test of goodwill

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

IN MILLIONS OF CHF	31.12.11	31.12.10
Europe	15.3	13.8
Africa	24.1	23.5
Eurasia	25.8	26.3
Central America & Caribbean	55.9	56.6
South America	517.0	141.1
North America	76.4	76.4
Total carrying amount of goodwill	**714.5**	**337.7**

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

Cash flows beyond that five-year period have been extrapolated using a steady growth rate that does not exceed the long-term average growth rate for the respective markets in which these CGU's operate. The discounted cash flow model uses net sales as a basis to determine the free cash flow and the value assigned. Net sales projections are based on actual net sales achieved in the year 2011 and latest estimations for the projected years.

	Post tax discount rates		Pre-tax discount rates		Growth rates for net sales	
Goodwill in %	2011	2010	2011	2010	2011	2010
Europe	6.30%	6.34%	8.48%	8.80%	4.5-9.3%	5.2 - 9.0%
Africa	8.10%	8.63%	9.15%	9.00%	6.0-11.7%	6.3 - 7.0%
Eurasia	6.22%	7.65%	6.78%	8.85%	8.0-22.0%	7.9 - 9.0%
Central America & Caribbean	7.21%	7.78%	8.21%	8.70%	4.5-12.0%	5.0 - 11.4%
South America	7.60%	8.31%	9.12%	12.68%	5.2-38.1%	5.9 - 11.1%
North America	5.03%	6.00%	6.83%	7.67%	2.4-10.9%	2.9 - 5.0%

As basis for the calculation of these discount rates, the following risk free interest rates have been used (derived from prime 10-year bonds rates): CHF 0.73%, EUR 1.87%, USD 1.97% (2010: CHF 1.72%, EUR 2.96%, USD 3.30%).

21. Intangible assets (Continued)

Sensitivity to changes in assumptions

Management believes that any reasonably possible change in the key assumptions, on which the recoverable amounts are based, would not cause the respective carrying amount to exceed its recoverable amount. The key assumptions used for the determination of the value-in-use are the same as the ones described below for concession rights.

21.3.2 Impairment test of concession rights with indefinite useful lives

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

IN MILLIONS OF CHF	31.12.11	31.12.10
Europe	48.8	50.2
Africa	0.1	0.1
Eurasia	12.3	12.2
Total carrying amount of concession rights	**61.2**	**62.5**

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

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

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

Cash flows beyond that five-year period have been extrapolated using a steady growth rate that does not exceed the long-term average growth rate for the respective markets in which these CGU's operate. The discounted cash flow model uses net sales as a basis to determine the free cash flow and subsequently the value assigned. Net sales projections are based on actual net sales achieved in year 2011 and latest estimations for the years thereafter.

21. Intangible assets (Continued)

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

	Post tax discount rates(1)		Pre-tax discount rates(1)		Growth rates for net sales	
Concession Rights in %	**2011**	**2010**	**2011**	**2010**	**2011**	**2010**
Europe	6.19%	6.34%	7.40%	7.59%	1.9-5.9%	4.2 - 5.8%
Africa	7.71%	8.82%	8.36%	9.75%	5.0-7.6%	9.0 - 14.5%
Eurasia	6.09%	7.10%	6.09%	7.10%	8.9-9.7%	9.3 - 13.8%

(1) Depending on the country in which the concession is operated.

Sensitivity to changes in assumptions

The actual recoverable amount for the CGU's subject to impairment testing exceeds its carrying amount by CHF 434.0 million (2010: CHF 458.3 million). With regard to the assessment of value-in-use of these CGU's, management believes that no reasonably possible change in any of the above key assumptions would cause the carrying value of the concession rights to materially exceed its recoverable amount.

21.3.3 Key assumptions used for value-in-use calculations

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

- Sales growth
- Gross margin and suppliers prices
- Concession fee levels
- Discount rates

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

Gross margins—The expected gross margins are based on average product assortment values estimated by the management for the budget 2012. These values are maintained over the planning period or where specific actions are planned, these values have been increased or decreased by up to 1% over the 5 planned years compared to the historical precedents. The gross margin is also affected by supplier's prices. Estimates are obtained from global negotiations held with the main suppliers for the products and countries for which products are sourced, as well as data relating to specific commodities during the months before the reporting date.

Concession fee levels—These assumptions are important because, as well as using specific economic sector data for growth rates (as noted below), management assesses how the position of the CGU, relative

21. Intangible assets (Continued)

to its competitors, might change over the projected period. For the CGU's subject to a value-in-use calculation, management expects the competitive position to remain stable over the budget period.

Discount rates—Several factors affect the discount rates.

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

The same methodology is used by 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.

21.3.4 Brands

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

The recoverable amount is determined based on the Relief from the Royalty method that considers a steady royalty stream of 0.3% post tax of the net sales projected of Dufry (without Hudson) and a steady royalty stream of 0.9% post tax of the net sales projected of Hudson. The net sales projections cover a period of five years (2012-2016) with a year on year growth rate between 4.7% and 21.0% (budget). This growth rate does not exceed the long-term average growth rate for Dufry Group. The discount rate of 5.0% (2010: 6.0%) represents the weighted average cost of capital (WACC) at Group level. The recoverable amount exceeds the carrying amount by CHF 221.6 million (2010: CHF 202.1 million).

22. Cash flows used for purchase of intangible assets

IN MILLIONS OF CHF	2011	2010
Payables for capital expenditure at January 1	(12.8)	(0.8)
Additions of intangible assets (note 21)(1)	(23.9)	(35.4)
Payables for capital expenditure at December 31	6.9	12.8
Currency translation adjustment	(0.2)	1.0
Total Cash Flow	**(30.0)**	**(22.4)**

(1) The additions in 2011 are mainly comprised of CHF 8.7 million for usufruct Italy and software purchases for Dufry do Brasil of CHF 5.3 million, Italy CHF 3.7 million, Hudson Group CHF 2.1 million and Dufry Management CHF 2.0 million.

23. Deferred tax assets and liabilities

Temporary differences arise from the following positions:

IN MILLIONS OF CHF	31.12.11	31.12.10
Deferred tax assets		
Property plant and equipment	8.5	8.5
Intangible assets	79.0	81.2
Provisions and other payables	19.9	15.8
Tax loss carryforward	38.6	24.3
Other	16.3	20.7
Total	**162.3**	**150.5**
Deferred tax liabilities		
Property plant and equipment	(1.3)	(0.5)
Intangible assets	(160.7)	(127.8)
Provisions and other payables	(16.6)	(26.0)
Other	(5.7)	(4.7)
Total	**(184.3)**	**(159.0)**
Deferred tax liabilities net	**(22.0)**	**(8.5)**

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

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

IN MILLIONS OF CHF	31.12.11	31.12.10
Deferred tax assets	146.5	137.8
Deferred tax liabilities	(168.5)	(146.3)
Balance at the end of the period	**(22.0)**	**(8.5)**

Reconciliation of movements to the deferred taxes:

IN MILLIONS OF CHF	31.12.11	31.12.10
Changes in deferred tax assets	8.7	(3.1)
Changes in deferred tax liabilities	(22.2)	17.2
Business combinations	33.1	—
Currency translation adjustment	(6.1)	6.9
Deferred tax income (expense) at the end of the period	**13.5**	**21.0**

Tax loss carry-forwards

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

23. Deferred tax assets and liabilities (Continued)

Deferred tax assets relating to tax loss carry-forwards or temporary differences are recognized when it is probable that such tax credits can be utilized in the future in accordance with the budget 2012 approved by the Board of Directors and the projections prepared by management for these entities.

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

IN MILLIONS OF CHF	2011	2010
Expiring within 1 to 3 years	4.0	2.9
Expiring within 4 to 7 years	42.6	32.2
Expiring after 7 years	82.3	77.9
With no expiration limit	15.0	27.2
Total	**143.9**	**140.2**

24. Other non-current assets

IN MILLIONS OF CHF	31.12.11	31.12.10
Guarantee deposits	12.9	12.9
Loans and contractual receivables	18.3	20.3
Other	8.5	7.2
Subtotal	**39.7**	**40.4**
Allowances	(1.9)	(2.0)
Total	**37.8**	**38.4**

Other non-current assets have maturities exceeding 12 months from initial recognition.

Movement in allowances:

IN MILLIONS OF CHF	2011	2010
Balance at the beginning of the period	(2.0)	(1.4)
Creation	—	(0.7)
Unused amounts reversed	0.1	—
Currency translation adjustment	—	0.1
Balance at the end of the period	**(1.9)**	**(2.0)**

25. Inventories

IN MILLIONS OF CHF	31.12.11	31.12.10
Purchased inventories at cost	453.8	314.9
Inventory allowances	(21.8)	(8.8)
Total	**432.0**	**306.1**

25. Inventories (Continued)

Cash Flow used for / from increase / decrease in inventories:

IN MILLIONS OF CHF	2011	2010
Balance at the beginning of the period	(314.9)	(315.7)
Balance at the end of the period	(453.8)	(314.9)
Gross change	**(138.9)**	**0.8**
Business combinations	63.9	—
Currency translation adjustment	5.1	(33.5)
Cash Flow—(Increase) / decrease in inventories	**(69.9)**	**(32.7)**

Cost of sales includes inventories written down to net realizable value and inventory differences of CHF 17.0 million (2010: CHF 13.6 million).

26. Trade and credit card receivables

IN MILLIONS OF CHF	31.12.11	31.12.10
Trade receivables	23.7	12.7
Credit card receivables	24.1	38.5
Gross	**47.8**	**51.2**
Allowances	(0.8)	(0.4)
Net	**47.0**	**50.8**

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

Aging analysis of trade receivables:

IN MILLIONS OF CHF	31.12.11	31.12.10
Not due	12.8	6.5
Overdue:		
Up to 30 days	5.8	5.5
31 to 60 days	1.7	0.1
61 to 90 days	1.6	0.1
More than 90 days	1.8	0.5
Total overdue	**10.9**	**6.2**
Trade receivables, gross	**23.7**	**12.7**

26. Trade and credit card receivables (Continued)

Movement in allowances

IN MILLIONS OF CHF	2011	2010
Balance at the beginning of the period	(0.4)	(0.4)
Creation	(0.4)	—
Balance at the end of the period	**(0.8)**	**(0.4)**

27. Other accounts receivable

IN MILLIONS OF CHF	31.12.11	31.12.10
Sales tax and other taxes	41.7	41.6
Refund from suppliers and concessionaires	30.8	24.6
Receivables from subtenants and local business partners	14.5	7.6
Prepayments	13.4	10.4
Accrued concession fees and rents	13.3	9.4
Personnel receivables	1.9	2.8
Guarantee deposits	1.7	1.5
Accrued income	1.1	1.0
Derivative financial assets(1)	0.4	0.4
Loans receivable	0.2	2.3
Other	12.2	4.9
Total	**131.2**	**106.5**
Allowances	(3.9)	(1.6)
Total	**127.3**	**104.9**

(1) See note 38 "Financial instruments"

Movement in allowances

IN MILLIONS OF CHF	2011	2010
Balance at the beginning of the period	(1.6)	(1.7)
Creation	(2.0)	(0.3)
Release	—	0.2
Utilized	(0.4)	0.1
Currency translation adjustment	0.1	0.1
Balance at the end of the period	**(3.9)**	**(1.6)**

28. Cash and Cash equivalents

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

28. Cash and Cash equivalents (Continued)

Cash and cash equivalents at the end of the reporting period include CHF 6.1 million (2010: CHF 6.4 million) held by subsidiaries operating in countries with exchange controls or other legal restrictions on money transfer.

29. Equity

29.1 Issued capital

IN MILLIONS OF CHF	31.12.11	31.12.10
Share capital	134.9	134.9
Share premium	934.5	934.2
Total	1,069.4	1,069.1

29.1.1 Fully paid ordinary shares

IN MILLIONS OF CHF	Number of shares	Share capital	Share premium
Balance at January 1, 2010	19,213,954	96.1	391.4
Issue of shares	7,762,249	38.8	565.2
Share issue costs	—	—	(22.4)
Balance at December 31, 2010	26,976,203	134.9	934.2
Reversal of accrued share issuance costs	—	—	2.6
Reclassification to reserves	—	—	(2.3)
Balance at December 31, 2011	26,976,203	134.9	934.5

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

For share options granted under the Company's specific restricted stock unit ('RSU') plans see note 30.

29.2 Reserves

IN MILLIONS OF CHF	31.12.11	31.12.10
Hedging and revaluation reserves	(0.9)	(1.9)
Translation reserves	(176.6)	(199.0)
Retained earnings	(8.4)	(105.8)
Total	(185.9)	(306.7)

29. Equity (Continued)

29.2.1 Hedging and revaluation reserves

IN MILLIONS OF CHF	31.12.11	31.12.10
Balance at beginning of year	(1.9)	—
Gain/(loss) arising on changes in fair value of financial instruments:		
—Interest rate swaps entered for as cash flow hedges	1.1	(2.2)
Income tax related to gains/losses on changes in fair value of interest rate swaps	(0.1)	0.3
Balance at end of year	(0.9)	(1.9)

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

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

29.2.2 Translation reserves

IN MILLIONS OF CHF	31.12.11	31.12.10
Balance at beginning of year	(199.0)	(87.2)
Exchange differences arising on translating the foreign operations	95.2	(126.4)
Loss on hedging instruments designated in hedges of the net assets of foreign operations	(82.7)	20.9
Income tax related to loss on hedge of the net assets of foreign operations	9.9	(6.3)
Balance at end of year	(176.6)	(199.0)

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

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.

29. Equity (Continued)

29.2.3 Retained earnings

IN MILLIONS OF CHF	31.12.11	31.12.10
Balance at beginning of year	(105.8)	292.4
Net earnings attributable to equity holders of the parent	111.9	116.6
Distribution of treasury shares	(27.7)	(18.0)
Share-base payment	9.6	12.0
Tax effect on equity transactions	1.3	4.4
Transactions with non-controlling interests	—	(513.2)
Reclassification from share premium	2.3	—
Balance at end of year	(8.4)	(105.8)

On May 11, 2011, the Ordinary General Assembly has approved not to distribute dividends for 2011 (same as for 2010).

30. Share-based payment

Restricted Stock Unit Plan (RSU)

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

30.1 RSU Plans of Dufry AG

On January 1, 2010, the participants of Dufry's RSU plan were granted the right to receive on January 1, 2011, free of charge, up to 291,102 RSU's on aggregate, based on the price of CHF 68.76 per share ('the RSU Awards 2010'). Under this RSU Awards 2010 281,362 RSUs vested on January 1, 2011 as the average price of the Company's shares on the SIX for the ten previous trading days reached CHF 125.80 and consequently the market condition was met. All restrictions on the RSU Award 2010 lapsed on January 1, 2011, and the RSU Awards 2010 were converted into shares of the Company and given to the RSU plan participants free of restrictions.

The 86 participants of Dufry's RSU award 2011 have been granted the right to receive on January 1, 2013, free of charge, 349,322 RSU's on aggregate, based on the market value of the Company's shares on the Swiss Stock Exchange (SIX) on December 14, 2011 (i.e. CHF 85.65 per share) ('the RSU Awards 2011'). The RSU Awards 2011 contain two vesting conditions to be met: a) the participants must be employed by the Company from January 1, 2011 until January 1, 2013 and b) the average price of the Company's shares on the SIX for the ten previous trading days to January 1, 2013 must be 1% higher than at grant date.

The fair value of the RSU Awards 2011 has been estimated at the grant date using a binominal pricing model, taking into account the terms and conditions (risk free interest rate of 0.7% and a volatility of 42%) upon which the awards were granted. The contractual life of the awards 2011 is two years. The expected volatility reflects assumptions, that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome. There are no cash settlement alternatives. In 2011, the accrued cost

30. Share-based payment (Continued)

based on a fair value of CHF 55.11 per RSU (2010: CHF 41.26 per RSU) is CHF 9.6 million (2010: CHF 12.0 million) and has been recorded in the income statement against a reserve in equity.

30.2 Treasury Shares

At the beginning of 2011 Dufry hold 289'059 treasury shares with a book value of CHF 28.7 million (2010: 269,134 shares at CHF 18.2 million). During the period the Company distributed to RSU holders 281.362 shares with a value of CHF 27.7 million (2010: 266,810 shares with a value of CHF 18.0 million) and purchased 100'419 shares to CHF 12.5 million (2010: 286,735 to CHF 28.5 million). At the end of the year Dufry hold 108,116 treasury shares with a book value of CHF 13.5 million.

31. Breakdown of transactions with non-controlling interests

31.1 Changes in participations of non-controlling interests

Recognized in equity attributable to non-controlling interests:

IN MILLIONS OF CHF	2011	2010
Founding of Shanghai Huaihai Dufry Trading Co. Ltd with 50% non-controlling interest	0.7	—
Increase in the non-controlling interests of subsidiaries of the Hudson Group	1.7	5.6
Merger with Dufry South America Limited	—	(117.6)
Acquisition of 49% interest in the Global Retail Services Group	—	(1.6)
Other	(0.4)	(1.9)
Total	**2.0**	**(115.5)**

31.2 Equity reserve for transactions with non-controlling interests

Recognized in equity attributable to holders of the parent:

IN MILLIONS OF CHF	2011	2010
Balance at the beginning of the year	(513.2)	—
Changes from transactions with non-controlling interests:		
Merger with Dufry South America Ltd	—	(511.8)
Acquisition of 49% interest in the Global Retail Services Group	—	(1.2)
Other	—	(0.2)
Balance at the end of the year	**(513.2)**	**(513.2)**

32. Financial debt

IN MILLIONS OF CHF	31.12.11	31.12.10
Bank debt	28.5	34.3
Loans	2.1	1.0
Financial debt, short-term	**30.6**	**35.3**
Bank debt	1,525.5	678.8
Loans	4.3	4.3
Financial debt, long-term	**1,529.8**	**683.1**
Total	**1,560.4**	**718.4**
of which are:		
Bank debt	1,554.0	713.1
Loans payable	6.4	5.3

During Q3 2011, Dufry acquired several companies in South and Central America and Armenia and financed these transactions with an additional syndicated credit facility of CHF 763.7 million (USD 1,000.0 million).

Bank debt

IN MILLIONS OF CHF	31.12.11	31.12.10
Loans denominated in:		
US Dollar	1,475.6	456.5
Swiss Franc	30.4	172.5
Euro	56.7	88.6
Other currencies	12.2	11.9
Subtotal	**1,574.9**	**729.5**
Deferred bank arrangement fees	(20.9)	(16.4)
Total	**1,554.0**	**713.1**

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

At December 31, 2011 the Group's main credit facilities amounted to CHF 602.8 million and USD 1,435.0 million (2010: CHF 687 million and USD 435 million).

The main credit facilities are granted by two bank syndicates with the London Branch of ING N.V. acting as agent for both bank syndicates.

The facilities consist of three term loans and one revolving credit facility.

- The first term loan includes an amortization schedule and was reduced by CHF 87.9 million during 2011 (CHF 82.3 million in 2010) in accordance with the credit agreement. The term loan is scheduled to be fully repaid in August 2013.
- The second term loan as well as the revolving credit facility is structured with a bullet repayment at the expiry of the contract in August 2013.

32. Financial debt (Continued)

- Finally the new term loan entered into in August 2011 includes an amortization schedule with repayments scheduled between August 2014 and August 2016.

During 2010 and 2011, Dufry complied with the financial covenants and conditions contained in the bank credit agreements. The agreements contain covenants and conditions customary to this type of financing.

The borrowings under these credit facilities bear interest at a floating rate (EURIBOR or LIBOR) plus spread. At December 31, 2011 the overall weighted average interest rate was 2.5% (2010: 2.0%), consisting of USD borrowings at 2.5% (2010: 2.0%), EUR borrowings at 3.2% (2010: there was no draw down in EUR) and CHF borrowings at 1.9% (2010: 1.7%).

In addition the operations in the Caribbean (Duty Free Caribbean Ltd, Emeralds Distributors Ltd, Young Caribbean Jewelers Distributors Ltd and CEI Barbados Ltd) maintain credit facilities from the First Caribbean International Bank for an amount of USD 23.3 million (2010: USD 14.8 million) which are guaranteed with their respective fixed and floating assets.

Hedge of net investments in foreign operations

At December 31, 2011 an amount of USD 707.3 million (December 31, 2010: USD 243.0 million) included in the financial debt has been designated as hedge in net investment held in Dufry do Brasil, Alliance Inc., Interbaires SA, Navinten SA, Blaicor SA, International Operation & Services Corp. and Duty Free Ecuador SA .

Additionally, Dufry granted the following long-term loans to subsidiaries, which have been designated as hedge in net investment:

in millions Subsidiary	Currency	31.12.11	31.12.10
Dufry America Holding Inc. (USD)	USD	20.4	21.5
Dufry Mexico SA de CV	USD	52.5	—
Dufry Hispanosuiza SL	EUR	5.1	—

The Group uses the above hedges to reduce the translation risk.

At December 31, 2011, a loss in the amount of CHF 82.7 million (2010: gain of CHF 20.9 million) was recognized in other comprehensive income to compensate corresponding movements in the translation reserve.

33. Provisions

IN MILLIONS OF CHF	Contingent liabilities	Law suits and duties	Dispute on contracts	Labor disputes	Other	Total
Balance at January 1, 2011	**—**	**1.8**	**0.4**	**3.2**	**0.1**	**5.5**
Business combinations	30.0	—	—	0.1	1.4	**31.5**
Charge for the year	—	3.2	—	0.1	2.8	**6.1**
Utilized	—	—	(0.4)	(0.3)	(0.1)	**(0.8)**
Unused amounts reversed	—	—	—	(0.1)	(2.7)	**(2.8)**
Currency translation adjustment	6.7	(0.1)	—	—	0.5	**7.1**
Balance at December 31, 2011	**36.7**	**4.9**	**—**	**3.0**	**2.0**	**46.6**
Thereof:						
—current	**—**	**4.9**	**—**	**0.2**	**2.0**	**7.1**
—non-current	**36.7**	**—**	**—**	**2.8**	**—**	**39.5**
Balance at January 1, 2010	**—**	**1.8**	**—**	**3.5**	**0.3**	**5.6**
Charge for the year	—	0.3	0.4	0.2	0.1	**1.0**
Utilized	—	—	—	(0.2)	(0.2)	**(0.4)**
Unused amounts reversed	—	—	—	—	—	**—**
Currency translation adjustment	—	(0.3)	—	(0.3)	(0.1)	**(0.7)**
Balance at December 31, 2010	**—**	**1.8**	**0.4**	**3.2**	**0.1**	**5.5**
Thereof:						
—current	**—**	**1.8**	**0.4**	**0.1**	**0.1**	**2.4**
—non-current	**—**	**—**	**—**	**3.1**	**—**	**3.1**

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

Contingent liabilities

Different contingent liabilities with a fair value of CHF 30 million at the date of acquisition were determined during the due diligence process made for the acquisition of the companies in South and Central America and Asia. IFRS 3 Business combinations requires to reflect these liabilities with uncertain amount in the statement of financial position although the risk exposure for some of these positions has been regarded as medium or low. The identified risks include a variety of potential liabilities from past periods, mainly related to the import and sale of merchandise by entities under common control or regarding contributions owed based on the contractual situation of employees. As the identified risks implied in these contingent liabilities is subject to interpretations and uncertainties in the respective regulations the management made an estimation of the fair value.

Labor disputes

The provision of CHF 3.0 million (2010: 3.2 million) relates mainly to claims presented by sales staff due to the termination of temporary labor contracts in Brazil.

33. Provisions (Continued)

Law suits and duties

The CHF 4.9 million (2010: 1.8 million) provision covers uncertainties related to the outcome of several law suits in relation to taxes, duties or other claims in several countries. In 2011 the increase relates to cases in Brazil, Tunisia and Côte d'Ivoire. These claims are subject to arbitration where the final outcome can take several years. No cases were settled in 2011.

The expected timing of the related cash outflows of non-current provisions as of December 31, 2011 is currently projected as follows:

IN MILLIONS OF CHF	Expected cash outflows
2013	0.1
2014	15.0
2015	0.1
2016+	24.3
Total non-current	**39.5**

34. Post-employment benefit obligations

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

34.1 Switzerland

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

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

Net pension costs:

IN MILLIONS OF CHF	2011	2010
Current service costs	(1.8)	(1.5)
Past service costs	—	—
Interest costs	(0.9)	(0.7)
Net actuarial loss recognized in year under §92 ff.	(0.1)	—
Expected return on plan assets	1.0	0.9
Pension expenses	**(1.8)**	**(1.3)**

34. Post-employment benefit obligations (Continued)

The total of the pension expenses of the Group is included in personnel expenses (retirement benefits). The actual return of plan assets in 2011 was a gain of CHF 0.29 million (2010: CHF 0.71 million).

In 2012, Dufry expects to contribute CHF 2.0 million to this defined benefit pension plan.

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

The principal assumptions for the actuarial computation are as follows:

in %	2011	2010
Discount rates	2.25%	2.50%
Expected return on plan assets	3.00%	3.25%
Future salary increases	1.50%	1.50%
Future pension increases	1.00%	1.00%
Average retirement age (in years)	**64**	**64**

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

Funded status:

IN MILLIONS OF CHF	2011	2010
Fair value of plan assets at beginning of period	31.7	22.5
Expected return	0.9	0.9
Contributions paid by employer	2.0	1.7
Contributions paid by employees	1.2	1.0
Benefits paid	1.0	5.8
Expected fair value of plan assets at end of period	**36.8**	**31.9**
Actuarial gains / (losses)	(0.7)	(0.2)
Fair value of plan assets at end of period	**36.1**	**31.7**
Defined benefit obligation (PBO) at beginning of period	35.2	24.2
Current service costs	1.8	1.5
Contributions paid by employees	1.2	1.0
Interest costs	0.9	0.7
Benefits paid	1.0	5.8
Expected defined benefit obligation at end of period	**40.1**	**33.2**
Actuarial loss (gain) on obligation	3.4	2.0
Defined benefit obligation (PBO) at end of period	**43.5**	**35.2**
Funded status	(7.4)	(3.5)
Unrecognized actuarial loss (gain)	8.3	4.2
Net asset in balance sheet	**0.9**	**0.7**

34. Post-employment benefit obligations (Continued)

Reconciliation to the consolidated statement of financial position

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

IN MILLIONS OF CHF	2011	2010
Net asset at beginning of period	0.7	0.3
Pension expenses	(1.8)	(1.3)
Contributions paid by employer	2.0	1.7
Net asset at end of period	**0.9**	**0.7**

Amounts for the current and previous periods are as follows:

IN MILLIONS OF CHF	2011	2010	2009	2008	2007
Defined benefit obligation (PBO)	43.5	35.2	24.2	22.2	18.3
Plan assets	36.1	31.7	22.5	19.1	19.2
(Deficit) surplus	**(7.4)**	**(3.5)**	**(1.7)**	**(3.1)**	**0.9**
Experience adjustments on plan liabilities	1.3	(1.6)	(0.1)	(0.1)	0.2
Effect of changes in actuarial assumptions on plan liabilities	2.1	(3.5)	—	1.9	0.8
Experience adjustments on plan assets	(0.7)	(0.2)	1.4	(2.7)	(0.5)

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

in %	2011	2010	2009	2008	2007
Shares	24%	25%	24%	19%	27%
Bonds	44%	44%	46%	50%	45%
Rented properties	26%	25%	26%	26%	23%
Other	6%	6%	4%	5%	5%
Total	**100%**	**100%**	**100%**	**100%**	**100%**

34.2 Italy and other countries

Post-employment benefit obligations

IN MILLIONS OF CHF	31.12.11	31.12.10
Italy	4.6	5.2
Other countries	1.4	1.2
Total	**6.0**	**6.4**

34. Post-employment benefit obligations (Continued)

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

in %	31.12.11	31.12.10
discount rate	4.5%	4.5%
expected salary increase	3.0%	3.0%
Inflation rate	2.0%	2.0%

35. Other liabilities

IN MILLIONS OF CHF	31.12.11	31.12.10
Concession fee payables	71.5	67.2
Personnel payables	62.0	50.7
Other service related vendors	54.3	34.5
Sales tax and other taxes	23.3	14.6
Payables for capital expenditure (see note 20 / 22)	23.3	26.8
Interest payables	11.2	4.2
Payables for acquisitions	5.4	8.5
Payables to local business partners	5.2	6.2
Accrued liabilities	4.2	7.1
Financial derivative liabilities	1.8	2.3
Other payables	4.7	10.1
Total	**266.9**	**232.2**
Thereof:		
—non-current liabilities	11.3	9.6
—current liabilities	255.6	222.6
Total	**266.9**	**232.2**

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

36. Related parties and related party transactions

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

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

Dufry Group purchased during 2011, goods from the following related parties: Hudson Wholesale for CHF 23.2 million (2010: CHF 37.4 million), from Hudson RPM CHF 4.6 million (2010: CHF 5.4 million) and finished his relationship with MDI (2010: CHF 2.2 million). The purchase prices used in these

36. Related parties and related party transactions (Continued)

transactions were at arm's length. At December 31, 2011, the Dufry Group had open invoices with the following related parties: Hudson Wholesale CHF 2.4 million (2010: CHF 2.2 million) and with Hudson RPM CHF 0.5 million (2010: CHF 0.5 million).

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

In 2011, the Company operates shops at the international airport in Mexico City under concession agreement with Fumisa. During 2011 Fumisa charged CHF 16.2 million (2010: CHF 22.5 million) to the Company in concept of rent, and Dufry has advanced to Fumisa CHF 4.2 million (2010: CHF 4.2 million) as prepaid rent.

Inversiones Tunc SA operates shops at several airports in the Dominican Republic under concession agreements with Aerodom. According to these agreements, Inversiones Tunc SA compensated through monthly rental fees the right to use the commercial areas leased to them by Aerodom. In 2011, the total sales based rent for Inversiones Tunc SA amounted to CHF 5.1 million (2010: CHF 4.5 million).

On January 15, 2010 Transportes Aereos de Xalapa SA de CV, a subsidiary of Aerodom agreed to provide during two years air transport services to Dufry for at least USD 2.1 million per year. During 2011 Dufry received services for CHF 2.6 million (2010: CHF 1.9 million).

On June 14, 2011 Dufry International AG purchased back the usufruct right granted to Gestione Spazi Attrezzati Srl (GSA) which permitted the benefits of share ownership, including the receipt of dividends on 10% of the shares of Dufry Shop Finance Srl, which otherwise would have expired in May 4, 2041 for EUR 4.5 million. After this transaction GSA keeps the usufruct right acquired in 2002, on 6% of the shares of Dufrital SpA, which are held by Dufry Shop Finance Srl. Upon expiration of these rights in May-41 GSA shall be entitled to receive 6% of the undistributed retained earnings of Dufrital SpA. GSA is a company controlled by Mr. Dante Marro, Chief Operating Officer of region Europe and member of the Group Executive Committee of the Company. In 2011, no charge (2010: CHF 0.5 million) was recognized as usufruct in the income statement.

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

In 2011 the remuneration for the Board members was CHF 1.4 million (2010: CHF 0.9 million). In addition Mr. Xavier Bouton (member) received CHF 0.3 million (2010: CHF 0.3 million) for strategic consulting services provided to the Group.

In 2011 the total compensation to members of the Group Executive Committee recognized in personnel expenses and including all short-term employee benefits was CHF 15.7 million (2010: CHF 14.6 million). This amount includes: a) 181,541 stock options (RSU's) of the biannual award 2011 (2010: 142,750 RSU's of the annual award 2010) of Dufry AG, b) a cash compensation of CHF 8.8 million (2010: CHF 7.3 million), c) employer's contribution to the pension and other post-employment benefits of CHF 2.0 million (2010: CHF 1.5 million). The expenses accrued in relation to the restricted stock unit plan

36. Related parties and related party transactions (Continued)

2011 which covers a two years period 2011/2012 was CHF 5.0 million (2010: CHF 5.9 million) and is included in the short-term employee benefits mentioned above.

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

37. Commitments and Contigencies

Guarantee commitments

The Group enters into long-term agreements with airport authorities, seaport authorities and other landlords. The concessionaires use to require a minimum annual guarantee, which can be based on sales, number of passengers or other indicators of operational activity to guarantee the performance of Dufry's obligations. In case of an early termination, the operation can be required to compensate the concessionaire for lost earnings. The Group or their subsidiaries have granted these guaranties regarding the performance of the above mentioned long-term contracts directly or through third parties. As per December 31, 2011 and December 31, 2010, no request for fulfillment of such contingent liabilities was pending.

Some of these long-term concession agreements Dufry has entered into include clauses to prevent the early termination, such as obligations to fulfill guaranteed minimal payments during the full term of the agreement. The conditions for an onerous contract will be met, when such operation presents a non-profitable outlook. In this event a provision based on the present value of the future net cash flows needs to be created. At the reporting date of 2011 and 2010 no such onerous concession exists.

Contingent liabilities

The group has recognized a provision for a contingent liability of CHF 36.7 million as of December 31, 2011 in the course of the acquisition of the companies in South and Central America and Asia. Refer to note 6 business combinations for additional information.

38. Financial instruments

38.1 Capital risk management

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

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

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

No changes were made in the objectives, policies or processes during 2011 or 2010.

38. Financial instruments (Continued)

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

38.1.1 Gearing ratio

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

IN MILLIONS OF CHF	31.12.11	31.12.10
Cash and cash equivalents	(199.1)	(80.6)
Financial debt, short-term	30.6	35.3
Financial debt, long-term	1,529.8	683.1
Net debt	**1,361.3**	**637.8**
Equity attributable to equity holders of the parent	870.0	733.7
Translation reserve, hedging and revaluation reserves(1)	(26.5)	(98.2)
Total capital	**843.5**	**635.5**
Gearing ratio	**61.7%**	**50.1%**

(1) This position is included in the translation reserves (CHF 27.4 million) as well as in the hedging and revaluation reserves (-CHF 0.9 million) in the statement of changes in equity

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

Significant accounting policies

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

38.2 Categories of financial instruments

At December 31, 2011	Financial assets					
IN MILLIONS OF CHF	Loans and receivables	at FVTPL(1)	Held-to-Maturity Investments	Subtotal	Non-financial assets(3)	Total
Cash and cash equivalents	199.1	—	—	199.1	—	199.1
Trade and credit card receivables	47.0	—	—	47.0	—	47.0
Other accounts receivable	52.0	0.4	—	52.4	74.9	127.3
Other non-current assets	33.3	—	—	33.3	4.5	37.8
Total	**331.4**	**0.4**	**—**	**331.8**		

38. Financial instruments (Continued)

At December 31, 2011 IN MILLIONS OF CHF	Financial liabilities at Amortized cost	at FVTOCI(2)	at FVTPL(1)	Subtotal	Non-financial liabilities(3)	Total
Trade payables	301.1	—	—	301.1	—	301.1
Financial debt, short-term	30.6	—	—	30.6	—	30.6
Other liabilities	225.7	1.0	0.8	227.5	28.1	255.6
Financial debt, long-term	1,529.9	—	—	1,529.9	(0.1)	1,529.8
Other non-current liabilities	11.3	—	—	11.3	—	11.3
Total	**2,098.6**	**1.0**	**0.8**	**2,100.4**		

At December 31, 2010 IN MILLIONS OF CHF	Financial assets Loans and receivables	at FVTPL(1)	Held-to-maturity investments	Subtotal	Non-financial assets(3)	Total
Cash and cash equivalents	80.6	—	—	80.6	—	80.6
Trade and credit card receivables	50.8	—	—	50.8	—	50.8
Other accounts receivable	40.0	0.4	—	40.4	64.5	104.9
Other non-current assets	36.2	—	—	36.2	2.2	38.4
Total	**207.6**	**0.4**	**—**	**208.0**		

At December 31, 2010 IN MILLIONS OF CHF	Financial liabilities at amortized cost	at FVTOCI(2)	at FVTPL(1)	Subtotal	Non-financial liabilities(3)	Total
Trade payables	203.9	—	—	203.9	—	203.9
Financial debt, short-term	35.3	—	—	35.3	—	35.3
Other liabilities	198.6	2.2	0.1	200.9	21.7	222.6
Financial debt, long-term	683.1	—	—	683.1	—	683.1
Other non-current liabilities	9.4	—	—	9.4	0.2	9.6
Total	**1,130.3**	**2.2**	**0.1**	**1,132.6**		

(1) Financial assets and liabilities at fair value through income statement

(2) Financial liabilities at fair value through other comprehensive income

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

38. Financial instruments (Continued)

38.2.1 Net income by IAS 39 valuation category

Financial Assets at December 31, 2011

IN MILLIONS OF CHF	Loans and receivables	at FVTPL	Held-to-maturity investments	Total
Interest income (expenses)	4.1	—	—	4.1
Other finance income (expenses)	—	—	—	—
From interest	**4.1**	**—**	**—**	**4.1**
Fair values gain (loss)	—	0.4	—	0.4
Foreign exchange gain (loss)(1)	163.9	—	—	163.9
Impairments / allowances(2)	(3.7)	—	—	(3.7)
Total—from subsequent valuation	**160.2**	**0.4**	**—**	**160.6**
Net income	**164.3**	**0.4**	**—**	**164.7**

Financial Liabilities at December 31, 2011

IN MILLIONS OF CHF	at amortized cost	at FVTOCI	at FVTPL	Total
Interest income (expenses)	(49.3)	—	—	(49.3)
Other finance income (expenses)	(5.9)	—	—	(5.9)
From interest	**(55.2)**	**—**	**—**	**(55.2)**
Fair values gain (loss)	—	—	(0.8)	(0.8)
Foreign exchange gain (loss)(1)	(161.8)	—	—	(161.8)
Impairments / allowances(2)	—	—	—	—
Total—from subsequent valuation	**(161.8)**	**—**	**(0.8)**	**(162.6)**
Net income	**(217.0)**	**—**	**(0.8)**	**(217.8)**

38. Financial instruments (Continued)

Net financial assets and liabilities at December 31, 2011

IN MILLIONS OF CHF	Financial Assets	Financial liabilities	Net
Interest income (expenses)	4.1	(49.3)	(45.2)
Other finance income (expenses)	—	(5.9)	(5.9)
From interest	**4.1**	**(55.2)**	**(51.1)**
Fair values gain (loss)	0.4	(0.8)	(0.4)
Foreign exchange gain (loss)(1)	163.9	(161.8)	2.1
Impairments / allowances(2)	(3.7)	—	(3.7)
Total—from subsequent valuation	**160.6**	**(162.6)**	**(2.0)**
Net income	**164.7**	**(217.8)**	**(53.1)**

Financial Assets at December 31, 2010

IN MILLIONS OF CHF	Loans and receivables	at FVTPL	Held-to-maturity investments	Total
Interest income (expenses)	4.3	—	—	4.3
Other finance income (expenses)	0.5	—	—	0.5
From interest	**4.8**	**—**	**—**	**4.8**
Fair values gain (loss)	—	0.4	—	0.4
Foreign exchange gain (loss)(1)	(67.5)	—	—	(67.5)
Impairments / allowances(2)	(1.9)	—	—	(1.9)
Total—from subsequent valuation	**(69.4)**	**0.4**	**—**	**(69.0)**
Net income	**(64.6)**	**0.4**	**—**	**(64.2)**

Financial Liabilities at December 31, 2010

IN MILLIONS OF CHF	at amortized cost	at FVTOCI	at FVTPL	Total
Interest income (expenses)	(36.4)	—	—	(36.4)
Other finance income (expenses)	(0.5)	—	—	(0.5)
From interest	**(36.9)**	**—**	**—**	**(36.9)**
Fair values gain (loss)	—	—	(0.1)	(0.1)
Foreign exchange gain (loss)(1)	67.5	—	—	67.5
Impairments / allowances(2)	—	—	—	—
Total—from subsequent valuation	**67.5**	**—**	**(0.1)**	**67.4**
Net income	**30.6**	**—**	**(0.1)**	**30.5**

38. Financial instruments (Continued)

Net financial assets and liabilities at December 31, 2010

IN MILLIONS OF CHF	Financial Assets	Financial liabilities	Net
Interest income (expenses)	4.3	(36.4)	(32.1)
Other finance income (expenses)	0.5	(0.5)	—
From interest	**4.8**	**(36.9)**	**(32.1)**
Fair values gain (loss)	0.4	(0.1)	0.3
Foreign exchange gain (loss)(1)	(67.5)	67.5	—
Impairments / allowances(2)	(1.9)	—	(1.9)
Total—from subsequent valuation	**(69.0)**	**67.4**	**(1.6)**
Net income	**(64.2)**	**30.5**	**(33.7)**

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

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

38.3 Financial risk management objectives

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

Dufry continuously monitors the market risk, such as foreign currency risk, interest rate risk, credit risk, liquidity risk and capital risk. The Group 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 to enter or trade financial instruments for speculative purposes.

38.4 Market risk

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

The Group 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.

38. Financial instruments (Continued)

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

38.5 Interest rate risk management

The following table shows the contracts or underlying principal amounts and fair values of derivative financial instruments. Contracts or underlying principal amounts indicate the volume of business outstanding at 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, 2011.

December 31, 2011 IN MILLIONS OF CHF	Contract or underlying principal amount	Positive Fair Values	Negative Fair Values
Foreign exchange forward contracts and options	67.5	0.5	0.8
Interest rate related instruments(1)	280.6	—	1.0
Total		**0.5**	**1.8**

December 31, 2010 IN MILLIONS OF CHF	Contract or underlying principal amount	Positive Fair Values	Negative Fair Values
Foreign exchange forward contracts and options	12.2	0.4	0.1
Interest rate related instruments(1)	280.6	—	2.2
Total		**0.4**	**2.3**

(1) These instruments are designated as cash flow hedges. The changes in fair value are recognized through other comprehensive income.

38.6 Foreign currency risk management

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

38.6.1 Foreign currency sensitivity analysis

Among various methodologies to analyze and manage risk, Dufry utilizes a system based on sensitivity analyses. 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.

38. Financial instruments (Continued)

Foreign Currency Exposure

IN MILLIONS OF CHF	USD	EURO	BRL	OTHER	TOTAL
At December 31, 2011					
Monetary assets	983.5	121.7	15.7	43.1	1,164.0
Monetary liabilities	1,591.3	143.7	53.5	65.2	1,853.7
Net exposure before hedging	**(607.8)**	**(22.0)**	**(37.8)**	**(22.1)**	**(689.7)**
Hedging	634.4	(5.1)	—	—	629.3
Net exposure after hedging	**26.6**	**(27.1)**	**(37.8)**	**(22.1)**	**(60.4)**
At December 31, 2010					
Monetary assets	494.2	115.0	38.2	39.9	687.3
Monetary liabilities	683.9	142.8	43.8	17.8	888.3
Net exposure before hedging	**(189.7)**	**(27.8)**	**(5.6)**	**22.1**	**(201.0)**
Hedging	222.1	—	—	—	222.1
Net exposure after hedging	**32.4**	**(27.8)**	**(5.6)**	**22.1**	**21.1**

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, which are not likely to be settled in the foreseeable future as being part of the net investment in such subsidiary. Consequently, the related exchange differences are recognized in other comprehensive income and presented within translation reserve in equity.

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

A positive result indicates a profit in the income statement or in the hedging and revaluation reserves when the CHF strengthens against the relevant currency.

IN MILLIONS OF CHF	31.12.11	31.12.10
Net earnings—profit (loss) of USD	0.5	(5.2)
Other comprehensive income—profit (loss) of USD	29.8	14.7
Net earnings—profit (loss) of EUR	1.4	1.4
Other comprehensive income—profit (loss) of EUR	(0.3)	—

38. Financial instruments (Continued)

Reconciliation to categories of financial instruments

IN MILLIONS OF CHF	31.12.11	31.12.10
Financial assets		
Total financial assets held in foreign currencies (see above)	1,164.0	687.3
less intercompany financial assets in foreign currencies	(1,097.0)	(626.6)
Third party financial assets held in foreign currencies	67.0	60.7
Third party financial assets held in reporting currencies	264.8	147.3
TOTAL THIRD PARTY FINANCIAL ASSETS(1)	**331.8**	**208.0**

IN MILLIONS OF CHF	31.12.11	31.12.10
Financial liabilities		
Total financial liabilities held in foreign currencies (see above)	1,853.7	888.3
less intercompany financial liabilities in foreign currencies	(113.0)	(115.2)
Third party financial liabilities held in foreign currencies	1,740.7	773.1
Third party financial liabilities held in reporting currencies	359.7	359.5
TOTAL THIRD PARTY FINANCIAL LIABILITIES(1)	**2,100.4**	**1,132.6**

(1) see note 38.2 'categories of financial instruments'

38.6.2 Forward foreign exchange contracts at fair value

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

As at December, 2011 the Group had open contracts with a notional value of CHF 67.5 million (2010: CHF 12.2 million). The loss of CHF 0.3 million (2010: CHF 0.3 million) resulting from the subsequent valuation at fair values is included as foreign exchange gain / (loss) in the income statement to compensate corresponding foreign exchange positions in the opposite direction.

38.7 Interest rate risk management

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

38.7.1 Interest rate sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to interest rates 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.

38. Financial instruments (Continued)

If interest rates had been 100 basis points higher whereas all other variables were held constant, the Group's net earnings for the year 2011 would decrease by CHF 7.4 million (2010: decrease by CHF 6.5 million).

38.7.2 Interest rate swap contracts

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

During the second quarter of 2010 the Group entered into a payer swap agreement with a notional value of USD 300 million which was designated as a cash flow hedge. The net loss of CHF 1.0 million per December 31, 2011 (2010: CHF 2.2 million) resulting from the subsequent valuation at fair value was recorded in other comprehensive income and does not affect the income statement.

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

December 31, 2011 IN MILLIONS OF CHF	Average contracted fixed interest rate	Notional principal value	Fair value assets (liabilities)
Less than 1 year	0.9982%	280.6	1.0
1 to 2 years	—	—	—
Total		280.6	**1.0**

December 31, 2010 IN MILLIONS OF CHF	Average contracted fixed interest rate	Notional principal value	Fair value assets (liabilities)
Less than 1 year	—	—	—
1 to 2 years	0.9982%	280.6	2.2
Total		280.6	**2.2**

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

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

38. Financial instruments (Continued)

38.7.3 Allocation of financial assets and liabilities to interest classes

At December 31, 2011	average variable interest rate in %	average fixed interest rate in %	IN MILLIONS OF CHF Variable interest rate	Fixed interest rate	Total interest bearing	Non-interest bearing	Total
Cash and cash equivalents	1.1%	2.6%	139.6	2.2	141.8	57.3	199.1
Trade and credit card receivables			—	—	—	47.0	47.0
Other accounts receivable			(0.1)	0.1	—	52.4	52.4
Other non-current assets	0.1%	11.7%	3.4	1.7	5.1	28.2	33.3
Financial assets			**142.9**	**4.0**	**146.9**	**184.9**	**331.8**
Trade payables			—	—	—	301.1	301.1
Financial debt. short-term	4.5%	2.0%	27.9	2.7	30.6	—	30.6
Other liabilities			0.1	—	0.1	227.4	227.5
Financial debt. long-term	2.5%	4.2%	1,525.6	4.2	1,529.8	0.1	1,529.9
Other non-current liabilities			—	—	—	11.3	11.3
Financial liabilities			1,553.6	**6.9**	1,560.5	**539.9**	**2,100.4**
Net financial liability			**1,410.7**	**2.9**	**1,413.6**	**355.0**	**1,768.6**

At December 31, 2010	average variable interest rate in %	average fixed interest rate in %	IN MILLIONS OF CHF Variable interest rate	Fixed interest rate	Total interest bearing	Non-interest bearing	Total
Cash and cash equivalents	0.7%	2.4%	49.0	3.2	52.2	28.4	80.6
Trade and credit card receivable	—	—	—	—	—	50.8	50.8
Other accounts receivable	—	5.8%	—	0.8	0.8	39.6	40.4
Other non-current assets	0.2%	7.2%	2.2	6.4	8.6	27.6	36.2
Financial assets			**51.2**	**10.4**	**61.6**	**146.4**	**208.0**
Trade payables	—	—	—	—	—	203.9	203.9
Financial debt, short-term	2.1%	5.0%	33.0	2.3	35.3	—	35.3
Other liabilities	—	6.8%	—	3.3	3.3	197.6	200.9
Financial debt, long-term	3.0%	4.4%	678.7	4.4	683.1	—	683.1
Other non-current liabilities	.	7.3%	—	6.1	6.1	3.3	9.4
Financial liabilities			711.7	**16.1**	727.8	**404.8**	**1,132.6**
Net financial liability			**660.5**	**5.7**	**666.2**	**258.4**	**924.6**

38.8 Credit risk management

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

Almost all Groups' 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 subtenants of concessions or holders of minority interests.

38. Financial instruments (Continued)

The credit risk on liquid funds and derivative financial instruments relates to financial institutions with high credit-ratings. The Group does not expect defaults from non-performance of these counterparties.

38.8.1 Maximum credit risk

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

38.9 Liquidity risk management

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

38.9.1 Remaining Maturities for non-derivative financial assets and liabilities

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

At December 31, 2011

IN MILLIONS OF CHF	1-6 months	6-12 months	1-2 years	More than 2 years	Total
Cash and cash equivalents	199.9	0.5	—	—	200.4
Trade and credit card receivables	47.0	—	—	—	47.0
Other accounts receivable	51.9	0.5	—	0.1	52.5
Other non-current assets	—	—	0.1	33.4	33.5
Total cash inflows	**298.8**	**1.0**	**0.1**	**33.5**	**333.4**
Trade payables	301.1	—	—	—	301.1
Financial debt, short-term	39.6	9.0	—	—	48.6
Other liabilities	223.2	2.6	—	—	225.8
Financial debt, long-term	64.4	64.3	844.5	709.2	1,682.4
Other non-current liabilities	—	—	—	11.3	11.3
Total cash outflows	**628.3**	**75.9**	**844.5**	**720.5**	**2,269.2**

38. Financial instruments (Continued)

At December 31, 2010

IN MILLIONS OF CHF	1-6 months	6-12 months	1-2 years	More than 2 years	Total
Cash and cash equivalents	80.6	—	—	—	80.6
Trade and credit card receivables	50.8	—	—	—	50.8
Other accounts receivable	39.1	0.8	0.1	—	40.0
Other non-current assets	—	—	0.4	38.3	38.7
Total cash inflows	**170.5**	**0.8**	**0.5**	**38.3**	**210.1**
Trade payables	203.9	—	—	—	203.9
Financial debt, short-term	35.3	—	—	—	35.3
Other liabilities	192.3	4.0	1.9	0.9	199.1
Financial debt, long-term	44.4	44.4	177.8	433.0	699.6
Other non-current liabilities	—	—	—	9.4	9.4
Total cash outflows	**475.9**	**48.4**	**179.7**	**443.3**	**1,147.3**

38.9.2 Remaining maturities for derivative financial instruments

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

December 31, 2011

IN MILLIONS OF CHF	Less than 3 months	3-6 months	6 months to 1 year	1 year +
Net settled:				
—interest rate swaps	(0.5)	(0.6)		
—foreign exchange forward contracts	0.3	—		
Gross settled:				
—foreign exchange forward contracts	0.3	0.1	0.1	
	0.1	**(0.5)**	**0.1**	**—**

December 31, 2010

IN MILLIONS OF CHF	Less than 3 months	3-6 months	6 months to 1 year	1 year +
Net settled:				
—interest rate swaps	(0.5)		(1.3)	(0.3)
—foreign exchange forward contracts	—		—	—
Gross settled:				
—foreign exchange forward contracts	0.3	0.1	—	—
	(0.2)	**0.1**	**(1.3)**	**(0.3)**

38. Financial instruments (Continued)

38.10 Fair value of financial instruments

38.10.1 Fair value of financial instruments carried at amortized cost

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

	31.12.11		31.12.10	
IN MILLIONS OF CHF	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets				
Loans and receivables:				
—credit card receivables	24.1	23.8	38.5	38.0

38.10.2 Valuation techniques and assumptions applied for the purposes of measuring fair value

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

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

38.10.3 Fair value measurements recognized in the consolidated statement of financial position

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

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

38. Financial instruments (Continued)

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

December 31, 2011

IN MILLIONS OF CHF	Level 1	Level 2	Level 3	Total
Assets measured at fair value(1)				
Foreign exchange related derivative financial instruments	—	0.5	—	**0.5**
Interest rate related derivative financial instruments	—	—	—	**—**
Total	**—**	**0.5**	**—**	**0.5**
Liabilities measured at fair value(2)				
Foreign exchange related derivative financial instruments	—	0.8	—	**0.8**
Interest rate related derivative financial instruments	—	1.0	—	**1.0**
Total	**—**	**1.8**	**—**	**1.8**

December 31, 2010

IN MILLIONS OF CHF	Level 1	Level 2	Level 3	Total
Assets measured at fair value(1)				
Foreign exchange related derivative financial instruments	—	0.4	—	**0.4**
Interest rate related derivative financial instruments	—	—	—	**—**
Total	**—**	**0.4**	**—**	**0.4**
Liabilities measured at fair value(2)				
Foreign exchange related derivative financial instruments	—	0.1	—	**0.1**
Interest rate related derivative financial instruments	—	2.2	—	**2.2**
Total	**—**	**2.3**	**—**	**2.3**

(1) Included in the position "other accounts receivable" in the statement of financial position

(2) Included in the position "other liabilities" in the statement of financial position

During the years ended December 31, 2011 and 2010, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into and out of Level 3 fair value measurements.

39. Events after reporting date

On January 10, 2012 Dufry expanded its presence at Sheremetyevo Airport in Moscow, Russia by taking control (51% of the issued shares) of Regstaer Sheremetjevo Duty Free, a local travel retail operator for a total consideration of CHF 46.9 million. In 2011 this operation generated a turnover of about USD 60 million. The Group is in the process of preparing a purchase price allocation as to determine the fair values involved in this transaction. The estimated transaction costs are CHF 0.9 million.

The acquired business complements the existing operations at site and adds 1'200 square meters in nine duty free shops across several terminals of the airport. Synergies are expected to be achieved among others when Dufry integrates the 200 Regstaer employees into its local organization, introduces the standard corporate procedures and incorporates these shops to its global supply chain. In 2011

39. Events after reporting date (Continued)

Sheremetyevo International Airport was the second busiest airport in Russia with 14 million international passengers. It is also one of the fastest growing airports in Europe and recorded a passenger growth of close to 20% in the last twelve months.

40. Most important affiliated companies

as of December 31, 2011	Location	Country	Type	Ownership	Share Capital	Currency
				in percentage		in thousands of
EUROPE						
Dufry International Ltd	Basel	Switzerland	H	100	1,000	CHF
Dufry Holdings & Investments Ltd	Basel	Switzerland	H	100	1,000	CHF
Dufry Basel-Mulhouse Ltd	Basel	Switzerland	R	100	100	CHF
Dufry Samnaun Ltd	Samnaun	Switzerland	R	100	100	CHF
Dufrital SpA	Milan	Italy	R	60	258	EUR
Cid Italia SpA	Milan	Italy	R	60	208	EUR
Dufry Italia SpA	Milan	Italy	R	100	251	EUR
Network Italia Edicole	Milan	Italy	R	100	20	EUR
Dufry Islas Canarias SL	Tenerife	Spain	R	100	333	EUR
Dufry France SA	Nice	France	R	100	3,491	EUR
Dufry Hellas Ltd	Athens	Greece	R	99	147	EUR
AFRICA						
Dufry Tunisie SA	Tunis	Tunisia	R	100	2,300	EUR
Dufry Maroc Sarl	Casablanca	Morocco	R	80	2,500	MAD
Dufry Egypt LLC	Sharm-el-Sheikh	Egypt	R	80	450	USD
Dufry & G.T.D.C. Ltd	Accra	Ghana	R	63	413	USD
Dufry Aeroport d'Alger Sarl	Alger	Algeria	R	80	20,000	DZD
Dufry Côte d'Ivoire SA	Abidjan	Ivory Coast	R	100	2,810	EUR
EURAS IA						
Dufry East OOO	Moscow	Russia	R	100	712	USD
Dufry Moscow Sheremetyevo	Moscow	Russia	R	69	420	USD
Dufry Singapore Pte. Ltd.	Singapore	Singapore	R	100	13,300	SGD
Dufry Cambodia Ltd	Phnom Pen	Cambodia	R	80	1,231	USD
Dufry (Shanghai) Commercial Co. Ltd.	Shanghai	China	R	100	19,497	CNY
ADF Shops CJSC	Yerevan	Armenia	R	100	553,834	AMD
Dufry Sharjah Fzc	Sharjah	U. Arab Emirates	R	51	2,054	AED
Dufry d.o.o.	Belgrade	Serbia	R	100	693,078	RSD
CENTRAL AMERICA & CARIBBEAN						
Dufry Mexico SA de CV	Mexico City	Mexico	R	100	27,429	USD
Alliance Duty Free, Inc.	San Juan	Puerto Rico	R	100	2,213	USD
Dufry Aruba N.V.	Oranjestad	Aruba	R	80	1,000	USD
Inversiones Tunc, SA	Santo Domingo	Dominican Republic	R	100	0	USD
Duty Free Caribbean Ltd	Bridgetown	Barbados	R	60	5,000	USD
Flagship Retail Services Inc.	Charlestown	St. Kitts & Nevis	R	100	0	USD
Colombian Emeralds International Ltd	Castries	St. Lucia	R	60	0	USD

40. Most important affiliated companies (Continued)

as of December 31, 2011	Location	Country	Type	Ownership	Share Capital	Currency
				in percentage		in thousands of
SOUTH AMERICA						
Interbaires S.A.	Buenos Aires	Argentina	R	100	293	USD
Navinten S.A.	Montevideo	Uruguay	R	100	126	USD
Duty Free Ecuador S.A.	Guayaquil	Ecuador	R	100	401	USD
Dufry do Brasil Duty Free Shop Ltda.	Rio de Janeiro	Brazil	R	100	4,146	USD
EMAC Comercio Importaçao Ltda	Rio de Janeiro	Brazil	R	100	0	BRL
NORTH AMERICA						
Dufry America, Inc.	Miami	USA	H	100	5	USD
Hudson News Company Inc.	East Rutherford	USA	H / R	100	0	USD
Dufry Newark, Inc.	Newark	USA	R	100	1,501	USD
Dufry Houston Duty Free and Retail Partnership	Houston	USA	R	75	1	USD
AMS-CV Newark, JV	Newark	USA	R	80	0	USD
Airport Management Services, LLC	New York	USA	H / R	100	0	USD
AMS-Olympic Nashville, JV	Nashville	USA	R	83	0	USD
Hudson News O'Hare, JV	Springfield	USA	R	70	0	USD
Hudson Retail-Neu News JV	New York	USA	R	80	0	USD
JFK Air Ventures	New York	USA	R	80	0	USD
National Air Ventures	Dallas	USA	R	70	0	USD
Seattle Air Ventures	Olympia	USA	R	75	0	USD
AMS-TEI Miami, JV	Miami	USA	R	70	0	USD
AMS Hudson Las Vegas, JV	Las Vegas	USA	R	73	0	USD
Hudson Group Canada, Inc.	Vancouver	Canada	R	100	0	CAD
DISTRIBUTION CENTERS						
Dufry Travel Retail Ltd	Basel	Switzerland	D	100	5,000	CHF
Dufry America Services, Inc.	Miami	USA	D	100	398	USD
International Operation & Services Corp.	Montevideo	Uruguay	D	100	50	USD
Eurotrade Corporation (II) Limited	Nassau	Bahamas	D	100	5,580	USD

H = Holding R = Retail D = Distribution Center

To the General Meeting of
Dufry AG, Basel

Basel, 6 March 2012

Report of the statutory auditor on the consolidated financial statements

As statutory auditor, we have audited the consolidated financial statements of Dufry AG, Basel, which comprise the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of financial position, consolidated statement of cash flows, consolidated statement of changes in equity and notes (pages F-16 to F-97) for the year ended 31 December 2011.

Board of Directors' responsibility

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

Auditor's responsibility

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

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

Opinion

In our opinion, the consolidated financial statements for the year ended 31 December 2011 give a true and fair view of the financial position, the results of operations and the cash flows in accordance with IFRS and comply with Swiss law.

Report on Other Legal Requirements

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

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

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

Ernst & Young Ltd

Patrick Fawer Licensed audit expert (Auditor in charge)	David Haldimann Licensed audit expert

CONSOLIDATED INCOME STATEMENT
for the year ended December 31, 2010

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the year ended December 31, 2010

in millions of CHF	2010	2009
Net earnings	**144.8**	**97.3**
Other comprehensive income:		
Net gain / (loss) on hedge of net investment in foreign operation	20.9	16.5
Changes in the fair value of interest rate swaps held as cash flow hedges	(2.2)	—
Exchange differences on translating foreign operations	(105.9)	(31.4)
Other comprehensive income before taxes	**(87.2)**	**(14.9)**
Income tax relating to net gain / (loss) on hedge of net investment	(6.3)	(1.6)
Income tax on cash flow hedges	0.3	—
Income tax relating to components of other comprehensive income	**(6.0)**	**(1.6)**
Total other comprehensive income for the year, net of tax	**(93.2)**	**(16.5)**
Total comprehensive income for the year, net of tax	**51.6**	**80.8**
Attributable to:		
Equity holders of the parent	2.9	28.3
Non-controlling interests	48.7	52.5

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

at December 31, 2010

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended December 31, 2010

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

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended December 31, 2009

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

CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended December 31, 2010

in millions of CHF	Note	2010	2009
Earnings before taxes (EBT)		165.7	120.0
Adjustments for			
Depreciation, amortization and impairment	13	129.5	123.0
Increase / (decrease) in allowances and provisions		3.6	1.4
Loss / (gain) on unrealized foreign exchange differences		28.7	22.9
Other non-cash items		13.1	6.1
Interest expenses	15	37.0	46.2
Interest income	16	(4.8)	(5.7)
Cash flow before working capital changes		**372.8**	**313.9**
Decrease / (increase) in trade and other accounts receivable		(23.6)	5.6
Decrease / (increase) in inventories	25	(32.7)	41.7
Increase / (decrease) in trade and other accounts payable		46.0	58.2
Cash flow generated from operations		**362.5**	**419.4**
Income tax paid		(35.5)	(30.0)
Net cash flows from operating activities		**327.0**	**389.4**
Cash flow from investing activities			
Business combinations, net of cash	6	(24.9)	(17.7)
Sale of interest in subsidiaries, net of cash		0.7	1.2
Purchase of intangible assets	22	(22.4)	(10.7)
Purchase of property, plant and equipment	20	(76.4)	(58.3)
Projects development in progress		(1.7)	(0.8)
Proceeds from sale of property, plant and equipment		2.6	1.8
Interest received		4.7	6.5
Net cash flows used in investing activities		**(117.4)**	**(78.0)**

CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

for the year ended December 31, 2010

in millions of CHF	2010	2009
Cash flow from financing activities		
Proceeds from borrowings	115.2	40.4
Repayment of borrowings(1)	(344.8)	(92.6)
Proceeds from / (repayment of) loans	3.5	(8.2)
Dividends paid to non-controlling interest	(175.2)	(28.1)
Purchase of treasury shares	(28.5)	(18.2)
Share issuance costs paid	(18.8)	—
Bank arrangement fees paid	(3.0)	—
Interest paid	(37.7)	(35.7)
Net cash flows (used in) / from financing activities	**(489.3)**	**(142.4)**
Currency translation in cash	(45.0)	(27.4)
(Decrease) / Increase in cash and cash equivalents	**(324.7)**	**141.6**
Cash and cash equivalents at the		
—beginning of the period	405.3	263.7
—end of the period	80.6	405.3

(1) Thereof: Global cash pool effect—CHF 310.0 million (see note 28)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended December 31, 2010

1. Corporate information

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

The consolidated financial statements of Dufry AG and its subsidiaries ('the Group') for the year ended December 31, 2010 were authorized for public disclosure in accordance with a resolution of the Board of Directors of the Company dated March 10, 2011.

2. Significant accounting policies

2.1 Statement of compliance

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

2.2 Basis of preparation

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

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

2.3 Basis of consolidation

2.3.1 Basis of consolidation from January 1, 2010

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

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

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

2. Significant accounting policies (Continued)

Changes in the Group's ownership interests in existing subsidiaries

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

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

2.3.2 Basis of consolidation prior to January 1, 2010

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

2.4 Business combinations

2.4.1 Business combinations from January 1, 2010

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

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

- deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognized and measured in accordance with IAS 12 *Income Taxes* and IAS 19 *Employee Benefits* respectively;
- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment

2. Significant accounting policies (Continued)

arrangements of the acquiree are measured in accordance with IFRS 2 *Share-based Payment* at the acquisition date (see 2.16); and

- assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations are measured in accordance with that Standard.

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

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

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

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

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

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

2. Significant accounting policies (Continued)

2.4.2 Business combinations prior to January 1, 2010

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

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

2.5 Investments in associates and jointly controlled entities (equity-accounted investees)

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

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

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

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

The requirements of IAS 39 are applied to determine whether it is necessary to recognize any impairment loss with respect to the Group's investment in an equity-accounted investee. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with IAS 36 Impairment of Assets as a single asset by comparing its recoverable amount (higher of value in

2. Significant accounting policies (Continued)

use and fair value less costs to sell) with its carrying amount, Any impairment loss recognized forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognized in accordance with IAS 36 to the extent that the recoverable amount of the investment subsequently increases.

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

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

2.6 Jointly controlled operations

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

2.7 Financial investments

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

- **Available-for-sale assets (AFS)**

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

- **Financial assets held for trading (HFT)**

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

2.8 Goodwill

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

2. Significant accounting policies (Continued)

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

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

The Group's policy for goodwill arising on the acquisition of an associate is described at 2.6 above.

2.9 Non-current assets held for sale

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

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

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

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

2.10 Revenue recognition

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

- **Net sales**

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

- **Advertising income**

Advertising income is recognized when the services have been rendered.

2. Significant accounting policies (Continued)

2.11 Leasing

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

2.11.1 The Group as lessee

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

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

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

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

2.11.2 The Group as lessor

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

2.12 Foreign currency translation

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

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

2. Significant accounting policies (Continued)

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

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

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

Principal foreign exchange rates applied for valuation and translation

	1.1.10–31.12.10 Average rates	1.1.09–31.12.09 Average rates	31.12.10 Closing rates	31.12.09 Closing rates
1 USD–US Dollar	1.0427	1.0852	0.9352	1.0352
1 EUR–Euros	1.3821	1.5099	1.2518	1.4835

2.13 Borrowing costs

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

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

2.14 Government Grants

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

2.15 Pension and other post-employment benefit obligations

- **Pension obligations**

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

2. Significant accounting policies (Continued)

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

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

- **Termination benefits**

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

2.16 Share-based payments

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

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

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

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

2.17 Taxation

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

2. Significant accounting policies (Continued)

- **Current tax**

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

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

- **Deferred tax**

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

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

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

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

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

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

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

2.18 Property, plant and equipment

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

2. Significant accounting policies (Continued)

The useful lives applied are as follows:

- Buildings 15 to 20 years
- Leasehold improvements 5 to 10 years
- Furniture, fixture and vehicles 4 to 10 years
- Computer hardware 5 years

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

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

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

2.19 Intangible assets

- **Intangible assets acquired (separately or from a business combination)**

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

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

2.20 Impairment of non-financial assets

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

2. Significant accounting policies (Continued)

2.21 Inventories

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

2.22 Provisions

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

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

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

- **Onerous contracts**

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

- **Restructurings**

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

- **Contingent liabilities acquired in a business combination**

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

2. Significant accounting policies (Continued)

2.23 Financial instruments

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

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

2.23.1 Effective interest method

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

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

2.24 Financial assets

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

2.24.1 Financial assets at FVTPL (fair value thought profit & loss)

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

A financial asset is classified as held for trading if:

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

2. Significant accounting policies (Continued)

A financial asset other than a financial asset held for trading may be designated as at FVTPL upon initial recognition if:

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

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

2.24.2 Held-to-maturity investments

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

2.24.3 Available-for-sale financial assets (AFS financial assets)

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

AFS financial assets are stated at fair value at the end of each reporting period. Fair value is determined in the manner described in note 39. Changes in the carrying amount of AFS monetary financial assets relating to changes in foreign currency rates (see below), interest income calculated using the effective interest method and dividends on AFS equity investments are recognized in profit or loss. Other changes in the carrying amount of available-for-sale financial assets are recognized in other comprehensive income and accumulated in the hedging and revaluation reserves. Where the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the hedging and revaluation reserves is reclassified to profit or loss.

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

2.24.4 Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables (including trade and other receivables, bank

2. Significant accounting policies (Continued)

balances and cash) are measured at amortized cost using the effective interest method, less any impairment.

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

2.24.5 Impairment of financial assets

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

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

For all other financial assets, objective evidence of impairment could include:

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

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

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

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

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

2. Significant accounting policies (Continued)

2.24.6 Derecognition of financial assets

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

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

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

2.25 Financial liabilities and equity instruments

2.25.1 Classification as debt or equity

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

2.25.2 Equity instruments

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

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

2.25.3 Financial liabilities

Financial liabilities are classified as either financial liabilities 'at FVTPL' or 'other financial liabilities'.

2. Significant accounting policies (Continued)

2.25.3.1 Financial liabilities at FVTPL

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

A financial liability is classified as held for trading if:

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

A financial liability other than a financial liability held for trading may be designated as at FVTPL upon initial recognition if:

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

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

2.25.3.2 Other financial liabilities

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

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

2.25.3.3 Financial guarantee contracts

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

2. Significant accounting policies (Continued)

Financial guarantee contracts issued by the Group are initially measured at their fair values and, if not designated as at FVTPL, are subsequently measured at the higher of:

- the amount of the obligation under the contract, as determined in accordance with IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*; and
- the amount initially recognized less, where appropriate, cumulative amortization recognized in accordance with the revenue recognition policies.

2.25.3.4 Derecognition of financial liabilities

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

2.26 Derivative financial instruments

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

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

2.26.1 Embedded derivatives

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

2.27 Hedge accounting

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

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

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

2. Significant accounting policies (Continued)

2.27.1 Fair value hedges

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

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

2.27.2 Cash flow hedges

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

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

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

2.27.3 Hedges of net investments in foreign operations

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

3. Adoption of new and revised International Financial Reporting Standards (IFRSs)

3.1 Standards and Interpretations affecting amounts reported in the current period (and/or prior periods)

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

Standards affecting the reported results or financial position

- **IAS 27 (as revised in 2008)** *Consolidated and Separate Financial Statements* (effective for annual periods beginning on or after July 1, 2009)

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

- **IFRS 3 (as revised in 2008)** *Business Combinations* (effective for annual periods beginning on or after July 1, 2009)

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

- to allow a choice on a transaction-by-transaction basis for the measurement of non-controlling interests (previously referred to as 'minority' interests) either at fair value or at the non-controlling

3. Adoption of new and revised International Financial Reporting Standards (IFRSs) (Continued)

interests' share of the fair value of the identifiable net assets of the acquiree. If the Group decides to measure at fair value then consequently, the goodwill recognized in respect of that acquisition reflects the impact of the difference between the fair value of the non-controlling interests and their share of the fair value of the identifiable net assets of the acquiree;

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

New and revised Standards affecting presentation and disclosure only

- **IFRS 8** *Operating segments* (effective for annual periods beginning on or after January 1, 2010)

An amendment made to the disclosures of information about the reported segment profit or loss, including certain specified revenues and expenses included in segment profit or loss, segment assets and segment liabilities, and the basis of measurement (see note 5).

3.2 Standards and Interpretations adopted with no effect on financial statements

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

- **IFRS 2** *Share-based payment* (effective for annual periods beginning on or after January 1, 2010)

An entity that receives goods or services in a share-based payment arrangement must account for those goods or services no matter which entity in the Group settles the transaction, and no matter whether the transaction is settled in shares or cash.

3. Adoption of new and revised International Financial Reporting Standards (IFRSs) (Continued)

• **IFRS 5** *Non-current assets held for sale and discontinued operations* (effective for annual periods beginning on or after January 1, 2010)

Providing guidance in respect of disclosures of non-current assets held for sale (or disposal groups) and discontinued operations required by IFRS 5. The disclosure requirements in Standards other than IFRS 5 do not generally apply to non-current assets classified as held for sale and discontinued operations.

• **IAS 1** *Presentation of financial statements* (effective for annual periods beginning on or after January 1, 2010)

The classification of convertible instruments as either non-current or current is clarified.

• **IAS 17** *Leases* (effective for annual periods beginning on or after January 1, 2010)

Leases of land and building need to be considered separately for all transactions. In establishing whether the land component is an operating or finance lease the entity should take into account that the land has an indefinite economic life.

• **IAS 39** *Financial instruments: Recognition and measurement* (effective for annual periods beginning on or after January 1, 2010)

The amendments relate to: the scope of exemption for business combination contracts; treating loan prepayment penalties as closely related embedded derivatives; cash flow hedge accounting.

• **IFRIC 9** *Reassessment of Embedded Derivatives* (effective for annual periods beginning on or after July 1, 2009)

Scope of IFRIC 9 and IFRS 3: IFRIC 9 does not apply to possible reassessment at the date of acquisition to embedded derivatives in contracts acquired in a combination between entities or businesses under common control or the formation or a joint venture.

• **IFRIC 17** *Distribution of non-cash assets to owners* (effective for annual periods beginning on or after July 1, 2009)

This interpretation provides guidance on accounting for arrangements whereby an entity distributes non-cash assets to shareholders either as a distribution of reserves or as dividends. The interpretation has no effect on the financial position or performance of the Group.

3.3 New and revised standards and interpretations in issue but not yet adopted/effective

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

Standards and interpretations which might have a significant impact on the presentation, disclosure, financial position and performance of the group

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

3. Adoption of new and revised International Financial Reporting Standards (IFRSs) (Continued)

Other standards and interpretations that are relevant for the Group and whose effects are currently being evaluated

- **IFRS 7** *Financial Instruments: Disclosures*—New disclosures for derecognition of financial instruments (effective for annual periods beginning on or after July 1, 2011).

Additional disclosure requirements for assets that have been "transferred" as defined in IAS 39:

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

- **IFRS 9** *Financial instruments* (effective for annual periods beginning on or after January 1, 2013)

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

- **IFRIC 14 IAS 19** *The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction* (effective for annual periods beginning on or after January 1, 2011)

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

Further new and revised standards and interpretations of no practical relevance

- **IFRS 7** *Financial Instruments: Disclosures*—Improvements to IFRSs 2010: Clarification of disclosures (effective for annual periods beginning on or after January 1, 2011).

Emphasis the interaction between quantitative and qualitative disclosures and the nature and extent of risks associated with financial instruments. Amendments and qualitative and credit risk disclosures are as follows:

- Clarify that only financial assets whose carrying amount does not reflect the maximum exposure to credit risk need to provide further disclosure of the amount that represents the maximum exposure to such risk.

3. Adoption of new and revised International Financial Reporting Standards (IFRSs) (Continued)

- Requires, for all financial assets, disclosure of the financial effect of collateral held as security and other credit enhancements regarding the amount that best represents the maximum exposure to credit risk (e.g., a description of the extent to which collateral mitigates credit risk).
- Remove disclosure of the collateral held as security, other credit enhancements and an estimate of their fair value for financial assets that are past due but not impaired, and financial assets that are individually determined to be impaired.
- Remove the requirement to specifically disclose financial assets renegotiated to avoid becoming past due or impaired.
- Clarify that the additional disclosure required for financial assets obtained by taking possession of collateral or other credit enhancements are only applicable to assets still held at the reporting date.

- **IAS 12** *Deferred tax: Recovery of underlying assets amendments to IAS 12* (effective for annual periods beginning on or after January 1, 2012)

IAS 12 has been updated to include a presumption that deferred tax on investment property measured using the fair value model in IAS 40 and that on non-depreciable assets measured using the revaluation model in IAS 16, should always be measured on a sale basis.

- **IAS 24** *Related Parties* (effective for annual periods beginning on or after January 1, 2011)

The amendments provide an exemption from disclosure requirements for transactions between entities controlled, jointly controlled or significantly influenced by the same state ('state-controlled entities') and changes the definitions of a related party and of a related party transaction to clarify the intended meaning and remove some inconsistencies.

- **IAS 32** *Financial Instruments: Presentation—Amendment on the classification of rights issues, options or warranties denominated in a foreign* currency (effective for annual periods beginning on or after February 1, 2010)

The amendment alters the definition of a financial liability to classify rights issues and certain options or warrants as equity instruments if the rights are given pro rata to all of the existing owners of the same class of equity instruments. By changing the definition of a liability, these rights are no longer considered derivative instruments. Therefore, their fair value will no longer impact profit and loss.

- **IFRIC 13** Customer Loyalty Programs (effective for annual periods beginning on or after January 1, 2011)

Fair value of award credit: The amendment clarifies that when the fair value of awards credits is measured based on the value of the awards for which they could be redeemed, the amount of discounts or incentives otherwise granted to customers not participating in the awards credit scheme, is to be taken into account.

3. Adoption of new and revised International Financial Reporting Standards (IFRSs) (Continued)

- **IFRIC 19** *Extinguishing Financial Liabilities with Equity Instruments* (effective for annual periods beginning on or after July 1, 2010)

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

4. Critical accounting judgments and key sources of estimation uncertainty

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

Key sources of estimation uncertainty

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

- **Concession rights**

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

- **Brands and Goodwill**

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

- **Income taxes**

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

4. Critical accounting judgments and key sources of estimation uncertainty (Continued)

- **Deferred tax assets**

Deferred tax assets are recognized for all unused tax losses and deductible temporary differences to the extent that it is probable that taxable profit will be available against which the losses can be utilized. Management judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and level of future taxable profits together with future tax planning strategies. Further details are given in note 23.

- **Provision**

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

- **Share-based payments**

The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. Estimating fair value requires determining the most appropriate valuation model for a grant of equity instruments, which is dependent on the terms and conditions of the grant. This also requires determining the most appropriate inputs to the valuation model including the expected life of the option, volatility and dividend yield and making assumptions about them. The assumptions and models used are disclosed in note 30.

- **Pension and other post-employment benefit obligations**

The cost of defined benefit pension plans is determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, expected rates of return on assets, future salary increases, mortality rates and future pension increases. Due to the long-term nature of these plans, such estimates are subject to significant uncertainty. Further details are given in note 34.

5. Segment information

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

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

5. Segment information (Continued)

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

Company	Previous segment	Current segment
Dufry Travel Retail AG	Europe	Distribution Centers
Flagship Retail Services Inc.	South America	Central America & Caribbean
Eurotrade Corporation Ltd.	South America	Distribution Centers
Dufry Houston DF & Retail Partnership	Central America & Caribbean	North America
Dufry Newark Inc.	Central America & Caribbean	North America
Dufry New York Retail Partnership	Central America & Caribbean	North America
Dufry America Services, Inc.	Central America & Caribbean	Distribution Centers

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

2010 in millions of CHF	Net sales third party	Advertising income	Net sales-intercompany	Turnover	EBITDA(1)
Europe	306.0	4.8	—	310.8	7.4
Africa	182.3	1.8	—	184.1	29.3
Eurasia	225.1	4.0	—	229.1	11.2
Central America & Caribbean	395.5	4.5	—	400.0	23.6
South America	693.3	20.0	—	713.3	136.5
North America	730.7	25.1	—	755.8	78.9
Distribution Centers	0.6	16.5	515.1	532.2	56.2
Eliminations	—	—	(515.1)	(515.1)	—
Dufry Group	**2,533.5**	**76.7**	**—**	**2,610.2**	**343.1**

2009 in millions of CHF	Net sales third party	Advertising income	Net sales-intercompany	Turnover	EBITDA(1)
Europe	312.1	4.7	—	316.8	9.2
Africa	190.1	0.1	—	190.2	29.7
Eurasia	228.5	3.6	—	232.1	23.6
Central America & Caribbean	388.6	3.5	—	392.1	14.9
South America	512.8	17.2	—	530.0	92.2
North America	674.5	25.1	—	699.6	80.9
Distribution Centers	0.5	17.4	435.3	453.2	50.6
Eliminations	—	—	(435.3)	(435.3)	—
Dufry Group	**2,307.1**	**71.6**	**—**	**2,378.7**	**301.1**

(1) EBITDA before other operational result.

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

5. Segment information (Continued)

2010 in millions of CHF	**Total assets**	**Total liabilities**	**Income tax expense**	**Capital expenditure paid**	**Depreciation and Amortization(1)**	**Other non-cash items**
Europe	213.4	104.8	(1.0)	(21.3)	12.7	2.1
Africa	72.1	49.1	(1.8)	(2.3)	6.0	0.8
Eurasia	86.6	40.5	0.2	(9.4)	10.0	2.3
Central America & Caribbean	402.9	72.4	(3.1)	(14.4)	28.3	1.2
South America	535.6	229.4	(19.4)	(11.5)	20.1	3.0
North America	545.0	93.3	8.3	(36.4)	46.8	0.4
Distribution Centers	194.0	118.3	(1.7)	(1.0)	1.8	(0.9)
Unallocated Liabilities	89.6	616.6	(2.4)	(2.5)	3.8	36.6
Dufry Group	**2,139.2**	**1,324.4**	**(20.9)**	**(98.8)**	**129.5**	**45.5**

2009 in millions of CHF	**Total assets**	**Total liabilities**	**Income tax expense**	**Capital expenditure paid**	**Depreciation and Amortization(2)**	**Other non-cash items**
Europe	212.3	108.7	(3.0)	(9.9)	10.9	1.8
Africa	64.9	43.1	(1.1)	(2.3)	6.8	1.1
Eurasia	86.8	37.1	(0.3)	9.7	7.8	3.4
Central America & Caribbean	424.0	90.5	1.0	(13.2)	23.2	1.9
South America	620.7	159.6	(10.4)	(2.1)	21.5	(0.2)
North America	740.7	93.3	(2.8)	(36.7)	47.4	(0.4)
Distribution Centers	190.9	115.0	(3.8)	(0.6)	1.9	(3.5)
Unallocated Liabilities	309.8	1,005.2	(2.3)	(13.9)	3.5	27.7
Dufry Group	**2,650.1**	**1,652.5**	**(22.7)**	**(69.0)**	**123.0**	**31.8**

(1) 2010 includes impairments of CHF 0.1m in Region Europe.

(2) 2009 includes impairments of CHF 0.3m in Region Europe and CHF 0.5m in Region Central America & Caribbean.

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

6. Changes in operations

2010 Transactions

6.1 Merger with Dufry South America Ltd

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

6. Changes in operations (Continued)

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

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

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

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

6.2 Dufry (Shanghai) Commercial Co. Ltd., China

Dufry founded in February 2010 Dufry (Shanghai) Commercial Co. Ltd. Thereafter Dufry signed a 7-year contract with Shanghai Hongqiao International Airport to operate 20 duty paid stores, distributed over an area of 1,500 m^2, in the new West Terminal. Serving mainly domestic destinations, Hongqiao International Airport handles more than 23 million passengers per year and is considered one of the two main gates for travelers arriving to and departing from Shanghai. The West Terminal, and thus our 20 shops, became operational end of March 2010, just ahead of the opening of the Shanghai 2010 World Expo.

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

6. Changes in operations (Continued)

6.3 Global Service Retail Group

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

6.4 Reconciliation of Cash Flows (used for) / from Business Combinations (BC), net of Cash

2010 in millions of CHF	Cost of the acquisition	Net cash acquired	Subtotal	Changes in accounts payables	Net cash flow
Global Retail Services	(2.8)	—	(2.8)	—	(2.8)
Operadora Aero-Boutiques (LDF)	—	—	—	(18.2)	(18.2)
Network Italia Edicole	—	—	—	(2.6)	(2.6)
Puerto Rico	—	—	—	(1.1)	(1.1)
Other	—	—	—	(0.2)	(0.2)
Total	**(2.8)**	**—**	**(2.8)**	**(22.1)**	**(24.9)**

2009 Transactions

6.5 Acquisition of the duty free operations of Operadora Aero-Boutiques, S.A. de C.V (LDF)

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

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

in thousands of CHF	Fair value recognized on acquisition	Previous carrying value in accordance with IFRS
Inventories	6,980	9,344
Concession rights	7,683	8,746
Fixed assets (incl. software)	4,663	4,214
NET ASSETS	**19,326**	**22,303**
Dufry's share in the net assets	19,326	
Goodwill arising on acquisition	—	
TOTAL ACQUISITION COSTS	**19,326**	

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

6. Changes in operations (Continued)

6.6 Acquisition of Network Italia Edicole S.r.l.

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

The value of the identifiable assets and liabilities of the acquired company are considered to be fair at the date of the acquisition and to be final.The fair value of the identifiable assets and liabilities of the acquired business at the date of acquisition and was determined as follows:

in millions of EUR	Fair value recognized on acquisition
Concession rights	17.5
Deferred tax liabilities	(5.5)
NET ASSETS	**12.0**
Dufry's share in the net assets (100%)	12.0
Goodwill arising on acquisition	—
TOTAL ACQUISITION COSTS	**12.0**

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

6.7 Acquisition of remaining interests in Food Village (Schiphol) B.V.

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

6. Changes in operations (Continued)

6.8 Reconciliation of Cash Flows (used for) / from Business Combinations (BC), net of Cash

2009 in millions of CHF	Cost of the acquisition	Net cash acquired	Subtotal	Changes in accounts payables	Net cash flow
Operadora Aero-Boutiques (LDF)	(19.3)	—	(19.3)	18.6	**(0.7)**
Network Edicole	(18.1)	—	(18.1)	8.4	**(9.7)**
Food village	(1.4)	—	(1.4)	—	**(1.4)**
BC in prior years(1)	—	—	—	(5.9)	**(5.9)**
Total	**(38.8)**	—	(38.8)	21.1	**(17.7)**

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

6.9 Sale of Caribworld (Barbados) Limited

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

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

in thousands of CHF	Carrying amount at January 1, 2009
Property, plant and equipment	1
Current assets	42
Current liabilities	(34)
NET ASSETS	**9**
Sales price	—
Loss on sale of subsidiary	**9**

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

7. Net sales

Different breakdowns of net sales are as follows:

Net sales by product categories:

in millions of CHF	2010	2009
Perfumes and Cosmetics	588.9	511.5
Confectionery, Food and Catering	441.2	401.9
Wine and Spirits	383.4	325.4
Literature and Publications	291.2	286.2
Watches, Jewelry and Accessories	249.4	242.1
Fashion, Leather and Baggage	199.0	172.1
Tobacco goods	192.1	192.6
Electronics	85.4	73.1
Toys, Souvenirs and other goods	102.9	102.2
Total	**2,533.5**	**2,307.1**

Net sales by market sector:

in millions of CHF	2010	2009
Duty free	1,604.5	1,444.5
Duty paid	929.0	862.6
Total	**2,533.5**	**2,307.1**

Net sales by channel:

in millions of CHF	2010	2009
Airports	2,213.5	1,969.4
Cruise liners and seaports	113.0	129.6
Railway stations and other	118.4	116.5
Downtown hotels and resorts	88.6	91.6
Total	**2,533.5**	**2,307.1**

8. Cost of sales

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

9. Selling expenses

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

10. Number of retail shop concessions

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

The concession providers grant the right to sell a pre-defined assortment of products to travelers during the concession period as defined in the respective arrangements.

The arrangements typically define among other aspects:

- duration
- nature of remuneration
- assortment of products to be sold
- location

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

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

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

Shops with concession agreements existing at December 31:	2010	2011	2012	2013	2014	2015
with fixed fees and proportional fees	927	824	729	638	518	450
with proportional fees to sales	134	126	125	115	103	96
with fixed fees	79	76	67	62	61	60
Total	**1,140**	**1,026**	**921**	**815**	**682**	**606**

11. Personnel expenses

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

12. General expenses

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

13. Depreciation, amortization and impairment

in millions of CHF	2010	2009
Depreciation	(63.6)	(63.7)
Impairment	(0.1)	(0.2)
Subtotal (note 19)	**(63.7)**	**(63.9)**
Amortization	(65.8)	(58.6)
Impairment	—	(0.5)
Subtotal (note 21)	**(65.8)**	**(59.1)**
Total	**(129.5)**	**(123.0)**

14. Other operational result

in millions of CHF	2010	2009
Other operational expenses	(18.2)	(24.5)
Other operational income	2.5	9.8
Other operational result	**(15.7)**	**(14.7)**

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

14.1 Other operational expenses

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

(1) In 2010, loss related to closing of shops includes Dufrital CHF 1.1 million, Duty Free Caribbean CHF 1.0 million and Singapore CHF 0.8 million.

14.2 Other operational income

in millions of CHF	2010	2009
Gain on sale of non-current assets	0.6	—
Recovery of write offs / release of allowances	0.5	4.8
Release of project costs	0.1	1.4
Release of provisions	—	0.7
Other	1.3	2.9
Total	**2.5**	**9.8**

15. Interest expenses

in millions of CHF	2010	2009
Interest on bank debt	(36.1)	(44.6)
Discounted interest on financial liabilities	(0.3)	(0.7)
Other finance expenses	(0.5)	(0.9)
Finance expenses related to financial liabilities(1)	**(36.9)**	**(46.2)**
Interest on non-financial liabilities	(0.1)	—
Total	**(37.0)**	**(46.2)**

(1) See note 38.3.1

16. Interest income

in millions of CHF	2010	2009
Interest income on short-term deposits	4.3	5.7
Other interest and finance income	0.5	—
Total(1)	**4.8**	**5.7**

(1) See note 38.3.1

17. Income taxes

in millions of CHF	2010	2009
Consolidated income statement		
Current income taxes	(41.9)	(26.3)
of which corresponding to the current period	(41.3)	(26.5)
of which adjustments recognized in relation to prior years	(0.6)	0.2
Deferred income taxes	21.0	3.6
of which related to the origination or reversal of temporary differences	16.0	3.6
of which adjustments recognized in relation to prior years	5.2	—
of which adjustments due to change in tax rates	(0.2)	—
Total	**(20.9)**	**(22.7)**

17. Income taxes (Continued)

in millions of CHF	2010	2009
Consolidated earnings before income tax (EBT)	**165.7**	**120.0**
Expected tax rate in %	28.0%	25.0%
Tax at the expected rate	(46.4)	(30.0)
Effect of:		
Income not subject to income tax	14.9	23.8
Different tax rates of subsidiaries in other jurisdictions	26.5	21.4
Different tax regime for sale of subsidiaries	0.2	(0.4)
Non deductible expenses	(6.1)	(16.7)
Unused tax loss carry-forwards not recognized	(8.3)	(10.7)
Non recoverable withholding taxes	(1.9)	(5.8)
Adjustments recognized in relation to prior year	4.6	0.2
Other items	(4.4)	(4.5)
Total	**(20.9)**	**(22.7)**

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

Current tax assets and liabilities

in millions of CHF	31.12.10	31.12.09
Income tax refunds receivable	6.1	14.8
Income tax payable	11.7	17.0
Total	**(5.6)**	**(2.2)**

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

17. Income taxes (Continued)

Income tax recognized directly in equity

in millions of CHF	31.12.10	31.12.09
Current tax		
Tax effect on share based payments	2.4	—
Subtotal	**2.4**	**—**
Deferred tax		
Tax effect on share based payments	1.4	—
Arising on transactions with shares:		
Treasury shares	0.6	(0.4)
Share issue expenses deductible over 5 years	—	0.5
Subtotal	**0.6**	**0.1**
Total	**4.4**	**0.1**

Deferred income tax recognized in other comprehensive income

in millions of CHF	31.12.10	31.12.09
Arising on income and expenses recognized in other comprehensive income:		
Net gain / (loss) on hedge of net investment	(6.3)	(1.6)
Cash flow hedges	0.3	—
Total	**(6.0)**	**(1.6)**

18. Earnings per share

Basic

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

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

Diluted

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

18. Earnings per share (Continued)

weighted average number of ordinary shares that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares.

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

Earnings per share adjusted for amortization (cash EPS)

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

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

Weighted average number of ordinary shares

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

For movements in shares see note 30.1 Equity, 31.1 Share-based payment and 31.3 Treasury shares.

19. Property, plant and equipment

in millions of CHF	Leasehold improvements	Furniture fixture	Computer hardware	Vehicles	Work in progress	TOTAL
At cost						
Balance at January 1, 2010	199.1	174.1	43.1	7.9	8.9	**433.1**
Additions (note 20)	22.7	11.0	7.0	0.8	35.2	**76.7**
Disposals	(10.1)	(16.7)	(3.0)	(0.8)	(0.1)	**(30.7)**
Reclassification within classes	12.8	11.7	0.8	—	(25.3)	**—**
Reclassification to intangible assets	—	—	—	—	(0.3)	**(0.3)**
Currency translation adjustment	(19.3)	(23.2)	(4.5)	(0.9)	(2.4)	**(50.3)**
Balance at December 31, 2010	**205.2**	**156.9**	**43.4**	**7.0**	**16.0**	**428.5**
Accumulated depreciation						
Balance at January 1, 2010	(68.5)	(86.9)	(29.7)	(4.9)	—	**(190.0)**
Additions (note 13)	(28.6)	(27.9)	(5.9)	(1.2)	—	**(63.6)**
Disposals	8.7	16.0	2.9	0.7	—	**28.3**
Currency translation adjustment	4.7	15.3	3.4	0.7	—	**24.1**
Balance at December 31, 2010	**(83.7)**	**(83.5)**	**(29.3)**	**(4.7)**	**—**	**(201.2)**
Impairment						
Balance at January 1, 2010	(1.2)	(0.1)	(0.2)	—	—	**(1.5)**
Impairment (note 13)	(0.1)	—	—	—	—	**(0.1)**
Currency translation adjustment	0.2	—	—	—	—	**0.2**
Balance at December 31, 2010	**(1.1)**	**(0.1)**	**(0.2)**	**—**	**—**	**(1.4)**

19. Property, plant and equipment (Continued)

in millions of CHF	Leasehold improvements	Furniture fixture	Computer hardware	Vehicles	Work in progress	TOTAL
At cost						
Balance at January 1, 2009	175.9	159.6	42.4	8.0	10.6	**396.5**
Business combinations	2.2	1.8	0.6	0.1	—	**4.7**
Additions (note 20)	24.4	22.1	3.1	0.6	9.0	**59.2**
Disposals	(7.6)	(7.9)	(2.2)	(0.5)	(0.3)	**(18.5)**
Reclassification within classes	6.2	2.9	0.3	(0.1)	(9.3)	**—**
Reclassification to intangible assets	—	—	(0.4)	—	(1.1)	**(1.5)**
Currency translation adjustment	(2.0)	(4.4)	(0.7)	(0.2)	—	**(7.3)**
Balance at December 31, 2009	**199.1**	**174.1**	**43.1**	**7.9**	**8.9**	**433.1**
Accumulated depreciation						
Balance at January 1, 2009	(46.3)	(68.6)	(26.1)	(4.2)	—	**(145.2)**
Additions (note 13)	(27.8)	(28.0)	(6.5)	(1.4)	—	**(63.7)**
Disposals	6.1	6.7	2.0	0.4	—	**15.2**
Reclassification to intangible assets	—	—	0.1	—	—	**0.1**
Currency translation adjustment	(0.5)	3.0	0.8	0.3	—	**3.6**
Balance at December 31, 2009	**(68.5)**	**(86.9)**	**(29.7)**	**(4.9)**	**—**	**(190.0)**
Impairment						
Balance at January 1, 2009	(1.2)	(0.1)	(0.2)	—	—	**(1.5)**
Impairment (note 13)	(0.1)	(0.1)	—	—	—	**(0.2)**
Currency translation adjustment	0.1	0.1	—	—	—	**0.2**
Balance at December 31, 2009	**(1.2)**	**(0.1)**	**(0.2)**	**—**	**—**	**(1.5)**
Carrying amount:						
At December 31, 2010	**120.4**	**73.3**	**13.9**	**2.3**	**16.0**	**225.9**
At December 31, 2009	**129.4**	**87.1**	**13.2**	**3.0**	**8.9**	**241.6**

20. Cash Flow used for purchase of property, plant and equipment

in millions of CHF	2010	2009
Payables for capital expenditure at the beginning of the period	(15.8)	(14.6)
Additions of property, plant and equipment (note 19)	(76.7)	(59.2)
Payables for capital expenditure at the end of the period	14.0	15.8
Currency translation adjustment	2.1	(0.3)
Total Cash Flow	**(76.4)**	**(58.3)**

21. Intangible assets

in millions of CHF	Concession rights Indefinite lives	Concession rights Finite lives	Brands	Goodwill	Other	TOTAL
At cost						
Balance at January 1, 2010	132.1	787.5	149.9	389.8	52.7	1,512.0
Additions (see note 22)	—	17.2	6.6	—	11.6	35.4
Disposals	—	0.4	—	—	(1.9)	(1.5)
Reclassifications	(54.7)	54.7	—	—	0.3	0.3
Currency translation adjustment	(14.9)	(90.6)	2.4	(51.3)	(4.6)	(159.0)
Balance at December 31, 2010	**62.5**	**769.2**	**158.9**	**338.5**	**58.1**	**1,387.2**
Accumulated amortization						
Balance at January 1, 2010	—	(139.2)	—	—	(21.1)	(160.3)
Additions (note 13)	—	(54.1)	—	—	(11.7)	(65.8)
Disposals	—	(0.4)	—	—	1.6	1.2
Currency translation adjustment	—	25.3	—	—	2.1	27.4
Balance at December 31, 2010	**—**	**(168.4)**	**—**	**—**	**(29.1)**	**(197.5)**
Impairment						
Balance at January 1, 2010	(0.2)	(0.1)	—	(0.9)	—	(1.2)
Reclassifications	0.2	(0.2)	—	—	—	—
Currency translation adjustment	—	—	—	0.1	—	0.1
Balance at December 31, 2010	**—**	**(0.3)**	**—**	**(0.8)**	**—**	**(1.1)**

21. Intangible assets (Continued)

in millions of CHF	Concession rights Indefinite lives	Concession rights Finite lives	Brands	Goodwill	Other	TOTAL
At cost						
Balance at January 1, 2009	132.6	785.1	153.5	401.5	46.4	**1,519.1**
Business combinations	—	25.8	—	1.4	—	**27.2**
Additions (see note 22)	—	0.1	—	—	5.9	**6.0**
Disposals	—	(1.1)	—	(4.5)	(0.2)	**(5.8)**
Reclassification from PP&E	—	—	—	—	1.5	**1.5**
Currency translation adjustment	(0.5)	(22.4)	(3.6)	(8.6)	(0.9)	**(36.0)**
Balance at December 31, 2009	**132.1**	**787.5**	**149.9**	**389.8**	**52.7**	**1,512.0**
Accumulated amortization						
Balance at January 1, 2009	—	(94.5)	—	—	(12.3)	**(106.8)**
Additions (note 13)	—	(49.3)	—	—	(9.3)	**(58.6)**
Disposals	—	0.2	—	—	0.1	**0.3**
Reclassification from PP&E	—	—	—	—	(0.1)	**(0.1)**
Currency translation adjustment	—	4.4	—	—	0.5	**4.9**
Balance at December 31, 2009	**—**	**(139.2)**	**—**	**—**	**(21.1)**	**(160.3)**
Impairment						
Balance at January 1, 2009	(0.2)	(0.8)	—	(0.4)	—	**(1.4)**
Additions (note 13)	—	—	—	(0.5)	—	**(0.5)**
Disposals	—	0.7	—	—	—	**0.7**
Balance at December 31, 2009	**(0.2)**	**(0.1)**	**—**	**(0.9)**	**—**	**(1.2)**
Carrying amount:						
At December 31, 2010	**62.5**	**600.5**	**158.9**	**337.7**	**29.0**	**1,188.6**
At December 31, 2009	**131.9**	**648.2**	**149.9**	**388.9**	**31.6**	**1,350.5**

21.1 Goodwill changes in 2010

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

21.2 Goodwill recognized from business combinations in 2009

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

21. Intangible assets (Continued)

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

21.3 Impairment test

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

21.3.1 Impairment test of goodwill

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

in millions of CHF	31.12.10	31.12.09
Europe	13.8	17.8
Africa	23.5	31.0
Eurasia	26.3	33.7
Central America & Caribbean	56.6	69.6
South America	141.1	156.7
North America	76.4	80.1
Total carrying amount of goodwill	**337.7**	**388.9**

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

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

	Post tax discount rates		Pre-tax discount rates		Growth rates for net sales	
Goodwill in %	2010	2009	2010	2009	2010	2009
Europe	6.34%	6.44%	8.80%	8.45%	5.2 - 9.0%	5.6 - 25.2%
Africa	8.63%	8.79%	9.00%	9.14%	6.3 - 7.0%	3.2 - 11.9%
Eurasia	7.65%	7.94%	8.85%	9.06%	7.9 - 9.0%	8.7 - 13.3%
Central America & Caribbean	7.78%	8.55%	8.70%	9.58%	5.0 - 11.4%	7.0 - 15.4%
South America	8.31%	8.18%	12.68%	11.44%	5.9 - 11.1%	4.1 - 14.5%
North America	6.00%	6.23%	7.67%	8.52%	2.9 - 5.0%	4.1 - 8.0%

21. Intangible assets (Continued)

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

Sensitivity to changes in assumptions

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

21.3.2 Impairment test of concession rights with indefinite useful lives

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

in millions of CHF	31.12.10	31.12.09
Europe	50.2	72.8
Africa	0.1	0.7
Eurasia	12.2	15.9
Central America & Caribbean	—	42.5
Total carrying amount of concession rights	**62.5**	**131.9**

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

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

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

21. Intangible assets (Continued)

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

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

	Post tax discount rates(1)		Pre-tax discount rates(1)		Growth rates for net sales	
Concession Rights in %	**2010**	**2009**	**2010**	**2009**	**2010**	**2009**
Europe	6.34%	6.56%	7.59%	7.86%	4.2 – 5.8%	5.7 – 12.3%
Africa	8.82%	9.00%	9.75%	9.96%	9.0 – 14.5%	9.0 – 13.8%
Eurasia	7.10%	7.47%	7.10%	7.47%	9.3 – 13.8%	9.3 – 13.9%
Central America & Caribbean	0%	8.16%	0%	9.51%	0%	2.1 – 7.8%

(1) Depending on the country in which the concession is operated.

Sensitivity to changes in assumptions

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

21.3.3 Key assumptions used for value-in-use calculations

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

- Sales growth
- Gross margin and suppliers prices
- Concession fee levels
- Discount rates

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

Gross margins—The expected gross margins are based on average product assortment values estimated by the management for the budget 2011 period. These values are maintained over the planning period or where specific actions are planned, these values have been increased or decreased by up to 3%

21. Intangible assets (Continued)

over the 5 planned years compared to the historical precedents. The gross margin is also affected by supplier's prices. Estimates are obtained from global negotiations held with the main suppliers for the products and countries for which products are sourced, as well as data relating to specific commodities during the months before the reporting date.

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

Discount rates—Several factors affects the discount rates.

—For the financial debt part the rate is based on the yield of the respective currency for a ten-year government bond increased by the company's effective bank margin and adjusted by the effective blended tax rate of the respective CGU.

—For the equity part, a 5% equity risk premium was added to the rate commented above and adjusted by the Beta of Dufry's peer group.

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

21.3.4 Brands

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

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

22. Cash Flows used for purchase of intangible assets

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

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

23. Deferred tax assets and liabilities

Temporary differences arise from the following positions:

in millions of CHF	31.12.10	31.12.09
Deferred tax assets		
Property plant and equipment	8.5	40.1
Intangible assets	81.1	130.9
Provisions and other payables	15.8	7.2
Other	20.7	23.0
Tax loss carryforward	24.3	19.0
Total	150.5	220.2
Deferred tax liabilities		
Property plant and equipment	(0.5)	(36.1)
Intangible assets	(127.8)	(183.4)
Provisions and other payables	(26.0)	(20.5)
Other	(4.7)	(2.8)
Total	(159.0)	(242.8)
Deferred tax liabilities net	**(8.5)**	**(22.6)**

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

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

in millions of CHF	31.12.10	31.12.09
Deferred tax assets	137.8	140.9
Deferred tax liabilities	(146.3)	(163.5)
Balance at the end of the period	**(8.5)**	**(22.6)**

23. Deferred tax assets and liabilities (Continued)

Reconciliation of movements to the deferred taxes:

in millions of CHF	31.12.10	31.12.09
Changes in deferred tax assets	(3.1)	(1.9)
Changes in deferred tax liabilities	17.2	0.3
Currency translation adjustment	6.9	5.2
Deferred tax income (expense) at the end of the period	**21.0**	**3.6**

Tax loss carry-forwards

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

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

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

in millions of CHF	2010	2009
Expiring within 1 to 3 years	2.9	0.7
Expiring within 4 to 7 years	32.2	16.3
Expiring after 7 years	77.9	68.7
With no expiration limit	27.2	32.1
Total	**140.2**	**117.8**

24. Other non-current assets

in millions of CHF	31.12.10	31.12.09
Guarantee deposits	12.9	12.0
Loans and contractual receivables	20.3	22.9
Other	7.2	1.2
Subtotal	**40.4**	**36.1**
Allowances	(2.0)	(1.4)
Total	**38.4**	**34.7**

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

24. Other non-current assets (Continued)

Movement in allowances:

in millions of CHF	2010	2009
Balance at the beginning of the period	(1.4)	(6.0)
Creation	(0.7)	—
Unused amounts reversed	—	4.4
Currency translation adjustment	0.1	0.2
Balance at the end of the period	**(2.0)**	**(1.4)**

25. Inventories

in millions of CHF	31.12.10	31.12.09
Purchased inventories at cost	314.9	315.7
Inventory allowances	(8.8)	(9.2)
Total	**306.1**	**306.5**

Cash Flow used for / from increase / decrease in inventories:

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

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

26. Trade and credit card receivables

in millions of CHF	31.12.10	31.12.09
Trade receivables	12.7	9.9
Credit card receivables	38.5	38.7
Gross	**51.2**	**48.6**
Allowances	(0.4)	(0.4)
Net	**50.8**	**48.2**

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

26. Trade and credit card receivables (Continued)

Aging analysis of trade receivables:

in millions of CHF	31.12.10	31.12.09
Not due	6.5	6.6
Overdue:		
Up to 30 days	5.5	2.5
31 to 60 days	0.1	0.3
61 to 90 days	0.1	0.3
More than 90 days	0.5	0.2
Total overdue	**6.2**	**3.3**
Trade receivables, gross	**12.7**	**9.9**

Movement in allowances

in millions of CHF	2010	2009
Balance at the beginning of the period	(0.4)	(0.5)
Unused amounts reversed	—	0.2
Currency translation adjustment	—	(0.1)
Balance at the end of the period	**(0.4)**	**(0.4)**

27. Other accounts receivable

in millions of CHF	31.12.10	31.12.09
Sales tax and other taxes	41.6	46.8
Refund from suppliers and concessionaires	24.6	22.3
Prepayments	10.4	11.3
Accrued concession fees and rents	9.4	8.3
Receivables from subtenants and local business partners	7.6	5.8
Personnel receivables	2.8	3.3
Loans receivable	2.3	7.2
Guarantee deposits	1.5	0.7
Accrued income	1.0	0.4
Derivative financial assets (note 38.10.3)	0.4	—
Other	4.9	3.2
Total	**106.5**	**109.3**
Allowances	(1.6)	(1.7)
Total	**104.9**	**107.6**

27. Other accounts receivable (Continued)

Movement in allowances

in millions of CHF	2010	2009
Balance at the beginning of the period	(1.7)	(0.7)
Creation	(0.3)	(1.1)
Release	0.2	—
Utilized	0.1	—
Currency translation adjustment	0.1	0.1
Balance at the end of the period	**(1.6)**	**(1.7)**

28. Notional cash pool

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

in millions of CHF	Balances before global pooling	Set-off	31.12.2010 Net balances	31.12.2009
Cash on hand	7.1	—	7.1	9.2
Cash at bank	72.2	—	72.2	154.9
Short-term deposits	311.3	(310.0)	1.3	241.2
Cash and cash equivalents	**390.6**	**(310.0)**	**80.6**	**405.3**
Bank debt	344.3	(310.0)	34.3	212.1
Loans payable	1.0	—	1.0	4.3
Financial debt, short-term	**345.3**	**(310.0)**	**35.3**	**216.4**

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

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

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

29. Equity

29.1 Issued capital

in millions of CHF	31.12.10	31.12.09
Share capital	134.9	96.1
Share premium	934.2	391.4
Total	**1,069.1**	**487.5**

29. Equity (Continued)

29.1.1 Fully paid ordinary shares

in millions of CHF	Number of shares	Share capital	Share premium
Balance at January 1, 2009	19,213,954	96.1	391.4
Movements	—	—	—
Balance at December 31, 2009	19,213,954	96.1	391.4
Issue of shares	7,762,249	38.8	565.2
Share issue costs	—	—	(22.4)
Balance at December 31, 2010	**26,976,203**	**134.9**	**934.2**

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

29.1.2 Share options granted under the Company's specific restricted stock unit ('RSU') plans

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

29.2 Reserves

in millions of CHF	31.12.10	31.12.09
Hedging and revaluation reserves	(1.9)	—
Translation reserves	(199.0)	(87.2)
Retained earnings	(105.8)	292.4
Balance at end of year	**(306.7)**	**205.2**

29.2.1 Hedging and revaluation reserves

in millions of CHF	31.12.10	31.12.09
Balance at beginning of year	—	—
Gain/(loss) arising on changes in fair value of financial instruments:		
Interest rate swaps entered for as cash flow hedges	(2.2)	—
Income tax related to gains/losses on changes in fair value of interest rate swaps	0.3	—
Balance at end of year	**(1.9)**	**—**

The cash flow hedging reserve represents the cumulative effective portion of gains or losses arising on changes in fair value of hedging instruments entered into for cash flow hedges. The cumulative gain or loss arising on changes in fair value of the hedging instruments that are recognized and accumulated under the heading of cash flow hedging reserve will be reclassified to profit or loss only when the hedged transaction

29. Equity (Continued)

affects the profit or loss, or included as a basis adjustment to the non-financial hedged item, consistent with the relevant accounting policy.

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

29.2.2 Translation reserves

in millions of CHF	31.12.10	31.12.09
Balance at beginning of year	(87.2)	(77.0)
Exchange differences arising on translating the foreign operations	(126.4)	(25.1)
Loss on hedging instruments designated in hedges of the net assets of foreign operations	20.9	16.5
Income tax relating to loss on hedge of the net assets of foreign operations	(6.3)	(1.6)
Balance at end of year	**(199.0)**	**(87.2)**

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

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

29.2.3 Retained earnings

in millions of CHF	31.12.10	31.12.09
Balance at beginning of year	292.4	258.6
Net earnings attributable to equity holders of the parent	116.6	38.5
Distribution of treasury shares	(18.0)	(9.1)
Share-base payment	12.0	4.3
Transactions with non-controlling interests	(513.2)	—
Tax effect on equity transactions	4.4	0.1
Balance at end of year	**(105.8)**	**292.4**

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

30. Share-based payment

Restricted Stock Unit Plan (RSU)

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

30. Share-based payment (Continued)

30.1 RSU Plans of Dufry AG

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

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

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

30.2 Treasury Shares

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

31. Breakdown of transactions with non-controlling interests

31.1 Changes in participations of non-controlling interests

Recognized in equity attributable to non-controlling interests:

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

(1) Mainly relating to the non-controlling interests of subsidiaries of the Hudson Group

31.2 Equity reserve for transactions with non-controlling interests

Recognized in equity attributable to holders of the parent:

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

(1) Mainly relating to the non-controlling interests of subsidiaries of the Hudson Group

32. Financial debt

in millions of CHF	31.12.10	31.12.09
Bank debt(1)	34.3	212.1
Loans	1.0	4.3
Financial debt. short-term	**35.3**	**216.4**
Bank debt	678.8	793.9
Loans	4.3	4.7
Financial debt. long-term	**683.1**	**798.6**
Total	**718.4**	**1,015.0**
of which are:		
Bank debt	713.1	1,006.0
Loans payable	5.3	9.0

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

32. Financial debt (Continued)

Bank debt

in millions of CHF	31.12.10	31.12.09
Loans denominated in:		
US Dollar	456.5	770.0
Swiss Franc	172.5	159.4
Euro	88.6	94.8
Other currencies(1)	11.9	—
Subtotal	**729.5**	**1,024.2**
Deferred bank arrangement fees	(16.4)	(18.2)
Total	**713.1**	**1,006.0**

(1) mainly Chinese Yuan's

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

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

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

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

Hedge of net investments in foreign operations

An amount of USD 243.0 million (December 31, 2009: USD 325.2 million) included in bank debt at December 31, 2010, was designated as a hedge of the net investments held in Dufry America

32. Financial debt (Continued)

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

33. Provisions

in millions of CHF	Law suits and duties	Dispute on contracts	Labor disputes	Other	Total
Balance at January 1, 2010	**1.8**	**—**	**3.5**	**0.3**	**5.6**
Charge for the year	0.3	0.4	0.2	0.1	**1.0**
Utilized	—	—	(0.2)	(0.2)	**(0.4)**
Unused amounts reversed	—	—	—	—	**—**
Currency translation adjustment	(0.3)	—	(0.3)	(0.1)	**(0.7)**
Balance at December 31, 2010	**1.8**	**0.4**	**3.2**	**0.1**	**5.5**
Thereof:					
—current	**1.8**	**0.4**	**0.1**	**0.1**	**2.4**
—non-current	**—**	**—**	**3.1**	**—**	**3.1**
Total	**1.8**	**0.4**	**3.2**	**0.1**	**5.5**
Balance at January 1, 2009	**1.4**	**1.9**	**2.8**	**0.4**	**6.5**
Charge for the year	0.5	—	1.0	0.2	**1.7**
Utilized	(0.1)	(1.2)	(0.1)	(0.2)	**(1.6)**
Unused amounts reversed	—	(0.7)	(0.1)	(0.1)	**(0.9)**
Currency translation adjustment	—	—	(0.1)	—	**(0.1)**
Balance at December 31, 2009	**1.8**	**—**	**3.5**	**0.3**	**5.6**
Thereof:					
—current	**1.8**	**—**	**0.2**	**0.3**	**2.3**
—non-current	**—**	**—**	**3.3**	**—**	**3.3**
Total	**1.8**	**—**	**3.5**	**0.3**	**5.6**

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

Labor disputes

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

33. Provisions (Continued)

Law suits and duties

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

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

in millions of CHF	Expected cash outflows
2012	0.1
2013	2.2
2014	0.7
2015+	0.1
Total non-current	**3.1**

34. Post-employment benefit obligations

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

34.1 Switzerland

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

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

Net pension costs:

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

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

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

34. Post-employment benefit obligations (Continued)

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

The principal assumptions for the actuarial computation are as follows:

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

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

Funded status:

in millions of CHF	31.12.10	31.12.09
Fair value of plan assets at January 1	22.5	19.1
Expected return	0.9	0.8
Contributions paid by employer	1.7	1.4
Contributions paid by employees	1.0	0.9
Benefits paid / transferred	5.8	(1.1)
Expected fair value of plan assets at end of period	**31.9**	**21.1**
Actuarial gains / (losses)	(0.2)	1.4
Fair value of plan assets at end of period	**31.7**	**22.5**
Defined benefit obligation (PBO) at January 1	24.2	22.2
Current service costs	1.5	1.6
Contributions paid by employees	1.0	0.9
Interest costs	0.7	0.6
Benefits paid / transferred	5.8	(1.1)
Expected defined benefit obligation at end of period	**33.2**	**24.2**
Actuarial loss (gain) on obligation	2.0	—
Defined benefit obligation (PBO) at end of period	**35.2**	**24.2**
Funded status	(3.5)	(1.7)
Unrecognized actuarial loss (gain)	4.2	2.0
Net asset in balance sheet	**0.7**	**0.3**

34. Post-employment benefit obligations (Continued)

Reconciliation to the consolidated statement of financial position

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

in millions of CHF	31.12.10	31.12.09
Net asset at January 1	0.3	0.5
Pension expenses	(1.3)	(1.6)
Contributions paid by employer	1.7	1.4
Net asset at end of period	**0.7**	**0.3**

Amounts for the current and previous periods are as follows:

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

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

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

34.2 Italy and other countries

Post-employment benefit obligations

in millions of CHF	31.12.10	31.12.09
Italy	5.2	6.8
Other countries	1.2	1.1
Total	**6.4**	**7.9**

34. Post-employment benefit obligations (Continued)

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

in %	31.12.10	31.12.09
discount rate	4.5%	4.5%
expected employee turnover	3.0%	3.0%
Inflation rate	2.0%	2.0%

35. Other liabilities

in millions of CHF	31.12.10	31.12.09
Concession fee payables	67.2	59.2
Personnel payables	50.7	49.4
Other service related vendors	34.5	38.6
Payables for capital expenditure (see note 20 / 22)	26.8	16.6
Sales tax and other taxes	14.6	18.9
Payables for acquisitions	8.5	32.2
Accrued liabilities	7.1	5.8
Payables to local business partners	6.2	4.7
Interest payables	4.2	7.0
Financial derivative liabilities	2.3	—
Other payables	10.1	9.0
Total	**232.2**	**241.4**
Thereof:		
—non-current liabilities	9.6	5.1
—current liabilities	222.6	236.3
Total	**232.2**	**241.4**

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

36. Related parties and related party transactions

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

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

The Hudson Group purchased during 2010, goods from the following related parties: Hudson Wholesale for CHF 37.4 million (2009: CHF 19.5 million), from Hudson RPM CHF 5.4 million (2009: CHF 5.5 million) and from MDI for CHF 2.2 million (2009: CHF 6.9 million). The purchase prices used in

36. Related parties and related party transactions (Continued)

these transactions were at arm's length. At December 31, 2010, the Hudson Group had open invoices with the following related parties: Hudson Wholesale CHF 2.2 million (2009: CHF 1.6 million), with Hudson RPM CHF 0.5 million (2009: CHF 0.5 million) and with MDI CHF 0.0 million (2009: CHF 0.6 million).

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

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

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

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

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

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

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

In 2010, the total compensation to members of the Group Executive Committee recognized in personnel expenses and including all short-term employee benefits was CHF 14.6 million (2009: CHF 10.5 million). This amount is made of: a) 142,750 RSU's of Dufry AG (2009: 134,250 RSU's of Dufry

36. Related parties and related party transactions (Continued)

AG and 13,478 RSU's of Dufry South America Ltd), b) a cash compensation of CHF 7.3 million (2009: CHF 6.8 million), c) employer's contribution to the pension and other post-employment benefits CHF 1.5 million (2009: CHF 1.1 million). The expense related to the restricted stock unit plan 2010 was CHF 5.9 million (2009: CHF 2.5 million) and is included in the short-term employee benefits mentioned above.

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

37. Contingent liabilities

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

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

Some of these long-term concession agreements in which Dufry has entered includes clauses to prevent the early termination, such as obligations to fulfill guaranteed minimal payments during the full term of the agreement. The conditions for an onerous contract will be met, when such operation presents a non profitable outlook. In this event a provision based on the present value of the future net cash flows needs to be created. At the reporting date of 2010 and 2009 no such onerous concession agreements need to be recognized.

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

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

38. Financial instruments

38.1 Capital risk management

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

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

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

38. Financial instruments (Continued)

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

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

38.1.1 Gearing ratio

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

in millions of CHF	31.12.10	31.12.09
Cash and cash equivalents	(80.6)	(405.3)
Financial debt. short-term	35.3	216.4
Financial debt. long-term	683.1	798.6
Net debt	**637.8**	**609.7**
Equity attributable to equity holders of the parent	733.7	674.5
Hedging reserves(1)	(98.2)	(85.4)
Total capital	**635.5**	**589.1**
Gearing ratio	50.1%	50.9%

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

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

38.2 Significant accounting policies

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

38. Financial instruments (Continued)

38.3 Categories of financial instruments

At December 31, 2010

in millions of CHF	Financial assets: Loans and receivables	Financial assets: at FVTPL(1)	Financial assets: Held-to-maturity investments	Financial assets: Subtotal	Non-financial assets(3)	Total
Cash and cash equivalents	80.6	—	—	80.6	—	80.6
Trade and credit card receivables	50.8	—	—	50.8	—	50.8
Other accounts receivable	40.0	0.4	—	40.4	64.5	104.9
Other non-current assets	36.2	—	—	36.2	2.2	38.4
Total	**207.6**	**0.4**	**—**	**208.0**		

At December 31, 2010

in millions of CHF	Financial liabilities: at amortized cost	Financial liabilities: at FVTOCI(2)	Financial liabilities: at FVTPL(1)	Financial liabilities: Subtotal	Non-financial liabilities(3)	Total
Trade payables	203.9	—	—	203.9	—	203.9
Financial debt. short-term	35.3	—	—	35.3	—	35.3
Other liabilities	198.6	2.2	0.1	200.9	21.7	222.6
Financial debt. long-term	683.1	—	—	683.1	—	683.1
Other non-current liabilities	9.4	—	—	9.4	0.2	9.6
Total	**1,130.3**	**2.2**	**0.1**	**1,132.6**		

(1) Financial assets and liabilities at fair value through profit and loss, designated as such upon initial recognition

(2) Financial liabilities at fair value through other comprehensive income

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

38. Financial instruments (Continued)

At December 31, 2009

in millions of CHF	Financial assets Loans and receivables	Non-financial assets	Total
Cash and cash equivalents	405.3	—	405.3
Trade and credit card receivables	48.2	—	48.2
Other accounts receivable	39.4	68.2	107.6
Other non-current assets	34.3	0.4	34.7
Total	**527.2**		

At December 31, 2009

in millions of CHF	Financial liabilities Financial liabilities at amortized cost	Non-financial liabilities	Total
Trade payables	202.0	—	202.0
Financial debt. short-term	216.4	—	216.4
Other liabilities	211.4	24.9	236.3
Financial debt. long-term	798.6	—	798.6
Other non-current liabilities	5.1	—	5.1
Total	**1,433.5**		

38. Financial instruments (Continued)

38.3.1 Net income by IAS 39 valuation category

At December 31, 2010

	Financial assets			
in millions of CHF	**Loans and receivables**	**at FVTPL**	**Held-to-maturity investments**	**Total**
Interest income (expenses)	4.3	—	—	**4.3**
Other finance income (expenses)	0.5	—	—	**0.5**
From interest	**4.8**	**—**	**—**	**4.8**
Fair values gain (loss)	—	0.4	—	**0.4**
Foreign exchange gain (loss)(1)	(67.5)	—	—	**(67.5)**
Impairments / allowances(2)	(1.9)	—	—	**(1.9)**
Total—from subsequent valuation	**(69.4)**	**0.4**	**—**	**(69.0)**
Net income	**(64.6)**	**0.4**	**—**	**(64.2)**

At December 31, 2010

	Financial liabilities			
in millions of CHF	**at amortized cost**	**at FVTOCI**	**at FVTPL**	**Total**
Interest income (expenses)	(36.4)	—	—	**(36.4)**
Other finance income (expenses)	(0.5)	—	—	**(0.5)**
From interest	**(36.9)**	**—**	**—**	**(36.9)**
Fair values gain (loss)	—	—	(0.1)	**(0.1)**
Foreign exchange gain (loss)(1)	67.5	—	—	**67.5**
Impairments / allowances(2)	—	—	—	**—**
Total—from subsequent valuation	**67.5**	**—**	**(0.1)**	**67.4**
Net income	**30.6**	**—**	**(0.1)**	**30.5**

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

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

38. Financial instruments (Continued)

At December 31, 2009

	Financial assets			
in millions of CHF	**Loans and receivables**	**at FVTPL**	**Held-to-maturity investments**	**Total**
Interest income (expenses)	**5.7**	**—**	**—**	**5.7**
Other finance income (expenses)	—	—	—	—
From interest	**5.7**	**—**	**—**	**5.7**
Fair values gain (loss)	—	—	—	—
Foreign exchange gain (loss)(1)	(0.3)	—	—	(0.3)
Impairments / allowances(2)	0.7	—	—	0.7
Total—from subsequent valuation	**0.4**	**—**	**—**	**0.4**
Net income	**6.1**	**—**	**—**	**6.1**

At December 31, 2009

	Financial liabilities			
in millions of CHF	**at amortized cost**	**at FVTOCI**	**at FVTPL**	**Total**
Interest income (expenses)	(45.3)	—	—	**(45.3)**
Other finance income (expenses)	(0.9)	—	—	**(0.9)**
From interest	**(46.2)**	**—**	**—**	**(46.2)**
Fair values gain (loss)	—	—	—	**—**
Foreign exchange gain (loss)(1)	(2.6)	—	—	**(2.6)**
Impairments / allowances(2)	—	—	—	**—**
Total—from subsequent valuation	**(2.6)**	**—**	**—**	**(2.6)**
Net income	**(48.8)**	**—**	**—**	**(48.8)**

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

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

38.4 Financial risk management objectives

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

38. Financial instruments (Continued)

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

38.5 Market risk

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

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

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

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

December 31, 2010

in thousands of CHF	Contract or underlying principal amount	Positive Fair Values	Negative Fair Values
Foreign exchange forward contracts and options	12,198	403	67
Interest rate related instruments(1)	280,560	—	2,192
Total		**403**	**2,259**

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

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

38.6 Foreign currency risk management

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

38. Financial instruments (Continued)

38.6.1 Foreign currency sensitivity analysis

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

Foreign Currency Exposure

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

(1) before hedge of net investments

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

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

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

in millions of CHF	31.12.10	31.12.09
Net earnings—profit (loss) of USD	(5.2)	(1.0)
Other comprehensive income—loss of USD	14.7	16.6
Net earnings—profit (loss) of Euro	1.4	1.7
Other comprehensive income—loss of Euro	—	—

38. Financial instruments (Continued)

Reconciliation to categories of financial instruments

in millions of CHF	31.12.10	31.12.09
Financial assets		
Total financial assets held in foreign currencies (see above)	687.3	673.5
less intercompany financial assets in foreign currencies	(626.6)	(608.3)
Third party financial assets held in foreign currencies	60.7	65.2
Third party financial assets held in reporting currencies	147.3	462.0
TOTAL THIRD PARTY FINANCIAL ASSETS(1)	**208.0**	**527.2**
Financial liabilities		
Total financial liabilities held in foreign currencies (see above)	888.3	1,032.7
less intercompany financial liabilities in foreign currencies	(115.2)	(137.0)
Third party financial liabilities held in foreign currencies	773.1	895.7
Third party financial liabilities held in reporting currencies	359.5	537.8
TOTAL THIRD PARTY FINANCIAL LIABILITIES(1)	**1,132.6**	**1,433.5**

(1) see note 38.3 'categories of financial instruments'

38.6.2 Forward foreign exchange contracts at fair value

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

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

38.7 Interest rate risk management

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

38.7.1 Interest rate sensitivity analysis

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

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

38. Financial instruments (Continued)

38.7.2 Interest rate swap contracts

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

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

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

December 31, 2010

in thousands of CHF	Average contracted fixed interest rate	Notional principal value	Fair value assets (liabilities)
Less than 1 year	—	—	—
1 to 2 years	99.82%	280,560	2,192
2 to 5 years	—	—	—
5 years +	—	—	—
Total		**280,560**	**2,192**

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

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

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

38. Financial instruments (Continued)

38.7.3 Allocation of financial assets and liabilities to interest classes

At December 31, 2010	average variable interest rate in %	average fixed interest rate in %	Variable interest rate	Fixed interest rate	Total interest bearing	Non-interest bearing	Total
			in millions of CHF				
Cash and cash equivalents	0.7%	2.4%	49.0	3.2	52.2	28.4	80.6
Trade and credit card receivables	—	—	—	—	—	50.8	50.8
Other accounts receivable	—	5.8%	—	0.8	0.8	39.6	40.4
Other non-current assets	0.2%	7.2%	2.2	6.4	8.6	27.6	36.2
Financial assets			**51.2**	**10.4**	**61.6**	**146.4**	**208.0**
Trade payables	—	—	—	—	—	203.9	203.9
Financial debt. short-term	2.1%	5.0%	33.0	2.3	35.3	—	35.3
Other liabilities	—	6.8%	—	3.3	3.3	197.6	200.9
Financial debt. long-term	3.0%	4.4%	678.7	4.4	683.1	—	683.1
Other non-current liabilities	—	7.3%	—	6.1	6.1	3.3	9.4
Financial liabilities			**711.7**	**16.1**	**727.8**	**404.8**	**1,132.6**
Net financial liability			**660.5**	**5.7**	**666.2**	**258.4**	**924.6**

At December 31, 2009	average variable interest rate	average fixed interest rate	Variable interest rate	Fixed interest rate	Total interest bearing	Non-interest bearing	Total
			in millions of CHF				
Cash and cash equivalents	1.0%	3.0%	386.1	1.3	387.4	17.9	405.3
Trade and credit card receivables	—	—	0.1	—	0.1	48.1	48.2
Other accounts receivable	—	5.0%	0.1	1.2	1.3	38.1	39.4
Other non-current assets	0.2%	6.4%	2.1	5.8	7.9	26.4	34.3
Financial assets			**388.4**	**8.3**	**396.7**	**130.5**	**527.2**
Trade payables	—	—	—	—	—	202.0	202.0
Financial debt, short-term	2.0%	4.8%	212.1	4.3	216.4	—	216.4
Other liabilities	—	—	—	—	—	211.4	211.4
Financial debt, long-term	2.8%	4.6%	794.0	4.6	798.6	—	798.6
Other non-current liabilities	—	6.8%	—	4.4	4.4	0.7	5.1
Financial liabilities			**1,006.1**	**13.3**	**1,019.4**	**414.1**	**1,433.5**
Net financial liability			**617.7**	**5.0**	**622.7**	**283.6**	**906.3**

38.8 Credit risk management

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

Most of the Group's sales are retail sales and made against cash, or with internationally recognized credit cards or bank debit cards. Dufry has policies in place to ensure that other sales are only made to

38. Financial instruments (Continued)

customers with an appropriate credit history or that the credit risk is insured adequately. The remaining credit risk is in relation to subtenants of concessions or holders of minority interests.

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

38.8.1 Maximum credit risk

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

38.9 Liquidity risk management

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

38.9.1 Remaining Maturities for non-derivative financial assets and liabilities

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

At December 31, 2010

in millions of CHF	1-6 months	6-12 months	1-2 years	More than 2 years	Total
Cash and cash equivalents	80.6	—	—	—	80.6
Trade and credit card receivables	50.8	—	—	—	50.8
Other accounts receivable	39.1	0.8	0.1	—	40.0
Other non-current assets	—	—	0.4	38.3	38.7
Total cash inflows	**170.5**	**0.8**	**0.5**	**38.3**	**210.1**
Trade payables	203.9	—	—	—	203.9
Financial debt, short-term	35.3	—	—	—	35.3
Other liabilities	192.3	4.0	1.9	0.9	199.1
Financial debt, long-term	44.4	44.4	177.8	433.0	699.6
Other non-current liabilities	—	—	—	9.4	9.4
Total cash outflows	**475.9**	**48.4**	**179.7**	**443.3**	**1,147.3**

38. Financial instruments (Continued)

At December 31, 2009

in millions of CHF	1-6 months	6-12 months	1-2 years	More than 2 years	Total
Cash and cash equivalents	404.7	0.6	—	—	405.3
Trade and credit card receivables	48.2	—	—	—	48.2
Other accounts receivable	37.6	1.7	—	—	39.3
Other non-current assets	—	—	0.7	33.4	34.1
Total cash inflows	**490.5**	**2.3**	**0.7**	**33.4**	**526.9**
Trade payables	202.1	—	—	—	202.1
Financial debt, short-term	216.1	0.4	—	—	216.5
Other liabilities	189.2	9.5	12.7	—	211.4
Financial debt, long-term	38.3	34.0	102.1	642.5	816.9
Other non-current liabilities	1.0	—	2.2	2.6	5.8
Total cash outflows	**646.7**	**43.9**	**117.0**	**645.1**	**1,452.7**

38.9.2 Remaining maturities for derivative financial instruments

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

December 31, 2010

in thousands of CHF	Less than 1 month	1-3 months	3 months to 1 year	1-5 years	5+ years
Net settled:					
—interest rate swaps	(188)	(308)	(1,291)	(280)	—
—foreign exchange forward contracts	—	—	—	—	—
Gross settled:					
—foreign exchange forward contracts	152	186	(16)	—	—
—currency swaps	—	—	—	—	—
	(36)	**(122)**	**(1,307)**	**(280)**	**—**

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

38. Financial instruments (Continued)

38.10 Fair value of financial instruments

38.10.1 Fair value of financial instruments carried at amortized cost

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

in millions of CHF	31.12.10 Carrying amount	31.12.10 Fair value	31.12.09 Carrying amount	31.12.09 Fair value
Financial assets				
Loans and receivables:				
—credit card receivables	38.5	38.0	38.7	38.3

38.10.2 Valuation techniques and assumptions applied for the purposes of measuring fair value

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

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

38.10.3 Fair value measurements recognized in the consolidated statement of financial position

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

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

38. Financial instruments (Continued)

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

December 31, 2010

in thousands of CHF	Level 1	Level 2	Level 3	Total
Assets measured at fair value(1)				
Foreign exchange related derivative financial instruments	—	403	—	**403**
Interest rate related derivative financial instruments	—	—	—	**—**
Available-for-sale financial assets	—	—	—	**—**
Total	**—**	**403**	**—**	**403**
Liabilities measured at fair value(2)				
Foreign exchange related derivative financial instruments	—	67	—	**67**
Interest rate related derivative financial instruments	—	2,192	—	**2,192**
Total	**—**	**2,259**	**—**	**2,259**

(1) Included in the position "other accounts receivable" in the statement of financial position

(2) Included in the position "other liabilities" in the statement of financial position

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

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

38. Financial instruments (Continued)

MOST IMPORTANT AFFILIATED COMPANIES

H = Holding R = Retail D = Distribution Center

as of December 31, 2010	Location	Country	Type	Ownership in percentage	Share Capital in thousands of	Currency
EUROPE						
Dufry International Ltd	Basel	Switzerland	H	100	1,000	CHF
Dufry Holdings & Investments AG	Basel	Switzerland	H	100	1,000	CHF
Dufry Basel-Mulhouse Ltd	Basel	Switzerland	R	100	100	CHF
Dufry Samnaun Ltd	Samnaun	Switzerland	R	100	100	CHF
Dufrital SpA	Milan	Italy	R	60	258	EUR
Cid Italia SpA	Milan	Italy	R	60	208	EUR
Dufry Italia SpA	Milan	Italy	R	100	251	EUR
Network Italia Edicole	Milan	Italy	R	100	20	EUR
Food Village (Schiphol) BV	Amsterdam	Netherlands	R	100	681	EUR
Dufry Islas Canarias SL	Tenerife	Spain	R	100	333	EUR
Dufry France SA	Nice	France	R	100	1,000	EUR
Dufry Hellas Ltd	Athens	Greece	R	99	147	EUR
AFRICA						
Dufry Tunisie SA	Tunis	Tunisia	R	100	2,300	EUR
Dufry Côte d'Ivoire SA	Abidjan	Ivory Coast	R	100	2,810	EUR
Dufry & G.T.D.C. Ltd	Accra	Ghana	R	63	413	USD
Dufry Maroc Sarl	Casablanca	Morocco	R	80	2,500	MAD
Dufry Aeroport d'Alger Sarl	Alger	Algeria	R	80	140,000	DZD
Dufry Egypt LLC	Sharm-el-Sheikh	Egypt	R	80	450	USD
EURASIA						
Dufry East OOO	Moscow	Russia	R	100	712	USD
Dufry Moscow Sheremetyevo	Moscow	Russia	R	69	420	USD
Dufry Singapore Pte. Ltd.	Singapore	Singapore	R	100	13,300	SGD
Dufry Cambodia Ltd	Phnom Pen	Cambodia	R	80	1,231	USD
Dufry (Shanghai) Commercial Co. Ltd.	Shanghai	China	R	100	3,072	CNY
Dufry Sharjah Fzc	Sharjah	U. Arab Emirates	R	51	2,054	AED
Dufry d.o.o.	Belgrade	Serbia	R	100	693,078	RSD
CENTRAL AMERICA & CARIBBEAN						
Dufry Mexico SA de CV	Mexico City	Mexico	R	100	27,429	USD
Alliance Duty Free, Inc.	San Juan	Puerto Rico	R	100	2,213	USD
Dufry Aruba N.V.	Oranjestad	Aruba	R	80	1,000	USD
Inversiones Tunc, SA	Santo Domingo	Dominican Republic	R	100	—	USD
Duty Free Caribbean Ltd	Bridgetown	Barbados	R	60	5,000	USD
Flagship Retail Services Inc.	Charlestown	St. Kitts & Nevis	R	100	—	USD
Colombian Emeralds International (Barbados)	Bridgetown	Barbados	R	60	1,500	USD
SOUTH AMERICA						
Dufry do Brasil Duty Free Shop Ltda.	Rio de Janeiro	Brazil	R	100	4,146	USD
EMAC Comercio Importaçao Ltda	Rio de Janeiro	Brazil	R	100	9,858	BRL
Dufry Bolivia S.A.	La Paz	Bolivia	R	100	356	USD

38. Financial instruments (Continued)

H = Holding R = Retail D = Distribution Center

as of December 31, 2010	Location	Country	Type	Ownership in percentage	Share Capital in thousands of	Currency
NORTH AMERICA						
Dufry America, Inc.	Miami	USA	H	100	5	USD
Hudson News Company Inc.	East Rutherford	USA	H / R	100	—	USD
Dufry Newark, Inc.	Newark	USA	R	100	1,501	USD
Hudson-NEU-Newark C, JV	Newark	USA	R	80	—	USD
Airport Management Services, LLC	New York	USA	H / R	100	—	USD
AMS-Olympic Nashville, JV	Nashville	USA	R	83	—	USD
Hudson News O'Hare, JV	Springfield	USA	R	70	—	USD
Hudson Retail-Neu News JV	New York	USA	R	80	—	USD
JFK Air Ventures	New York	USA	R	80	—	USD
National Air Ventures	Dallas	USA	R	70	—	USD
Seattle Air Ventures	Olympia	USA	R	75	—	USD
AMS-TEI Miami, JV	Miami	USA	R	70	—	USD
AMS Hudson Las Vegas, JV	Las Vegas	USA	R	73	—	USD
Hudson Group Canada, Inc.	Vancouver	Canada	R	100	—	CAD
DISTRIBUTION CENTERS						
Dufry Travel Retail Ltd	Basel	Switzerland	D	100	5,000	CHF
Dufry America Services, Inc.	Miami	USA	D	100	398	USD
Eurotrade Corporation (II) Limited	Hamilton	Bermuda	D	100	5,580	USD

To the General Meeting of
Dufry AG, Basel

Basel, 10 March 2011

Report of the statutory auditor on the consolidated financial statements

As statutory auditor, we have audited the accompanying consolidated financial statements of Dufry AG, Basel, which comprise the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of financial position, consolidated statement of cash flows, consolidated statement of changes in equity and notes (pages F-100 to F-187) for the year ended 31 December 2010.

Board of Directors' responsibility

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

Auditor's responsibility

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

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

Opinion

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

Report on Other Legal Requirements

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

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

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

Ernst & Young Ltd

Bruno Chiomento Licensed audit expert (Auditor in charge)	Patrick Fawer Licensed audit expert

Registered Office of the Issuer
Dufry Finance SCA
17, rue des Jardiniers
L-1835 Luxembourg
Grand Duchy of Luxembourg

Registered Office of the Parent Guarantor
Dufry AG
Hardstrasse 95
4020 Basel
Switzerland

Representative of the Initial Purchasers

Credit Suisse Securities (Europe) Limited
One Cabot Square
London E14 4QJ
United Kingdom

Legal Advisors to the Issuer and Guarantors

Davis Polk & Wardwell LLP
450 Lexington Avenue
New York, New York 10017
United States
(as to U.S. and New York law)

Homburger AG
Hardstrasse 201
CH-8005 Zurich
Switzerland
(as to Swiss law)

NautaDutilh Avocats Luxembourg
2 rue Jean Bertholet
L-1233 Luxembourg
(as to Luxembourg law)

Richards, Layton & Finger, PA
One Rodney Square
920 North King Street
Wilmington, Delaware 19801
United States
(as to Delaware law)

Legal Advisors to the Initial Purchasers

Cahill Gordon & Reindel LLP
80 Pine Street
New York, New York 10005
United States
(as to U.S. and New York law)

Niederer Kraft & Frey AG
Bahnhofstrasse 13
CH-8001 Zurich
Switzerland
(as to Swiss law)

Legal Advisors to the Trustee
Drinker Biddle & Reath LLP
500 Campus Drive
Florham Park, NJ 07932-1047
United States

Independent Auditors
Ernst & Young Ltd
Aeschengraben 9, P.O. Box, 4002
4002 Basel,
Switzerland

Trustee, Registrar, Transfer Agent and Principal Paying Agent
Wells Fargo Bank, National Association
45 Broadway, 14th Floor
New York, NY 10006
United States

Luxembourg Paying Agent
Société Générale Bank & Trust
11 avenue Emile Reuter
L-2420 Luxembourg

Irish Listing Agent
Arthur Cox Listing Services Limited
Earlsfort Centre
Earlsfort Terrace
Dublin 2
Ireland

DUFRY