Financial Statements 2017

HUDSON GROUP
Retail Specialists

A DUFRY Company

Combined Financial Statements of Hudson Group

COMBINED FINANCIAL STATEMENTS

COMBINED STATEMENTS OF COMPREHENSIVE INCOME
for the years ended December 31, 2017, 2016 and 2015

IN MILLIONS OF USD	NOTE	2017	2016	2015
Turnover	7	1,802.5	1,687.2	1,403.0
Cost of sales		(680.3)	(645.3)	(534.1)
Gross profit		**1,122.2**	**1,041.9**	**868.9**
Selling expenses	8	(421.2)	(395.7)	(325.7)
Personnel expenses	9	(371.3)	(337.4)	(279.5)
General expenses	10	(156.9)	(151.9)	(130.9)
Share of result of associates	11	(0.3)	(0.7)	1.7
Depreciation, amortization and impairment	12	(108.7)	(103.7)	(86.7)
Other operational result	13	(3.7)	(9.3)	(1.7)
Operating profit		**60.1**	**43.2**	**46.1**
Interest expenses	14	(30.2)	(29.8)	(25.4)
Interest income	14	1.9	2.1	1.6
Foreign exchange gain / (loss)		0.5	–	(0.2)
Earnings before taxes (EBT)		**32.3**	**15.5**	**22.1**
Income tax	15	(42.9)	34.3	(3.8)
Net earnings		**(10.6)**	**49.8**	**18.3**
OTHER COMPREHENSIVE INCOME				
Exchange differences on translating foreign operations		26.8	12.9	(35.9)
Items to be reclassified to net income in subsequent periods, net of tax		**26.8**	**12.9**	**(35.9)**
Total other comprehensive income / (loss), net of tax		**26.8**	**12.9**	**(35.9)**
Total comprehensive income / (loss), net of tax		**16.2**	**62.7**	**(17.6)**
NET EARNINGS ATTRIBUTABLE TO				
Equity holders of the parent		(40.4)	23.5	(7.7)
Non-controlling interests		29.8	26.3	26.0
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO				
Equity holders of the parent		(13.6)	36.4	(43.6)
Non-controlling interests		29.8	26.3	26.0

HUDSON GROUP

COMBINED STATEMENTS OF FINANCIAL POSITION
at December 31, 2017 and 2016

IN MILLIONS OF USD	NOTE	DEC 31, 2017	DEC 31, 2016
ASSETS			
Property, plant and equipment	17	264.9	256.3
Intangible assets	19	685.8	691.2
Investments in associates	11	3.1	2.4
Deferred tax assets	21	90.3	153.0
Other non-current assets	22	24.9	31.1
Non-current assets		**1,069.0**	**1,134.0**
Inventories	23	186.0	161.4
Trade receivables	24	4.6	8.2
Other accounts receivable	25	59.4	47.3
Income tax receivables		1.4	4.5
Cash and cash equivalents		137.4	187.6
Current assets		**388.8**	**409.0**
Total assets		**1,457.8**	**1,543.0**
LIABILITIES AND SHAREHOLDERS' EQUITY			
Equity attributable to equity holders of the parent		493.7	658.2
Non-controlling interests	28	78.7	72.2
Total equity		**572.4**	**730.4**
Financial debt	29	520.4	475.2
Deferred tax liabilities	21	50.1	71.8
Post-employment benefit obligations	31	0.9	–
Other non-current liabilities	30	–	1.1
Non-current liabilities		**571.4**	**548.1**
Trade payables		97.1	91.3
Financial debt	29	80.7	1.5
Income tax payables		4.1	3.8
Other liabilities	30	132.1	167.9
Current liabilities		**314.0**	**264.5**
Total liabilities		**885.4**	**812.6**
Total liabilities and shareholders' equity		**1,457.8**	**1,543.0**

COMBINED STATEMENTS OF CHANGES IN EQUITY
for the years ended December 31, 2017, 2016 and 2015

IN MILLIONS OF USD	NOTE	SHAREHOLDER'S EQUITY	NON-CONTROLLING INTERESTS	TOTAL EQUITY
Balance at January 1, 2015		**282.6**	**60.6**	**343.2**
Net earnings / (loss)		(7.7)	26.0	18.3
Other comprehensive income / (loss)		(35.9)	–	(35.9)
Total comprehensive income / (loss) for the period		**(43.6)**	**26.0**	**(17.6)**
TRANSACTIONS WITH OR DISTRIBUTIONS TO SHAREHOLDERS				
Dividends to non-controlling interests		–	(28.7)	(28.7)
Business combination	6	380.3	5.2	385.5
Share-based payment		0.6	–	0.6
Tax effect on equity transactions		0.2	–	0.2
Total transactions with or distributions to owners		**381.1**	**(23.5)**	**357.6**
CHANGES IN OWNERSHIP INTERESTS IN SUBSIDIARIES				
Changes in participation of non-controlling interests		–	4.7	4.7
Balance at December 31, 2015		**620.1**	**67.8**	**687.9**
Net earnings / (loss)		23.5	26.3	49.8
Other comprehensive income / (loss)		12.9	–	12.9
Total comprehensive income / (loss) for the period		**36.4**	**26.3**	**62.7**
TRANSACTIONS WITH OR DISTRIBUTIONS TO SHAREHOLDERS				
Dividends to non-controlling interests		–	(27.4)	(27.4)
Share-based payment	26	1.2	–	1.2
Tax effect on equity transactions		0.5	–	0.5
Total transactions with or distributions to owners		**1.7**	**(27.4)**	**(25.7)**
CHANGES IN OWNERSHIP INTERESTS IN SUBSIDIARIES				
Changes in participation of non-controlling interests	27	–	5.5	5.5
Balance at December 31, 2016		**658.2**	**72.2**	**730.4**
Net earnings / (loss)		(40.4)	29.8	(10.6)
Other comprehensive income / (loss)		26.8	–	26.8
Total comprehensive income / (loss) for the period		**(13.6)**	**29.8**	**16.2**
TRANSACTIONS WITH OR DISTRIBUTIONS TO SHAREHOLDERS				
Dividends to non-controlling interests		–	(34.3)	(34.3)
Common control transaction	29	(154.7)	–	(154.7)
Share-based payment	26	4.6	–	4.6
Tax effect on equity transactions		(0.2)	–	(0.2)
Total transactions with or distributions to owners		**(150.3)**	**(34.3)**	**(184.6)**
CHANGES IN OWNERSHIP INTERESTS IN SUBSIDIARIES				
Changes in participation of non-controlling interests	27	(0.6)	11.0	10.4
Balance at December 31, 2017		**493.7**	**78.7**	**572.4**

COMBINED STATEMENTS OF CASH FLOWS
for the years ended December 31, 2017, 2016 and 2015

IN MILLIONS OF USD	NOTE	2017	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES				
Earnings before taxes (EBT)		**32.3**	**15.5**	**22.1**
ADJUSTMENTS FOR				
Depreciation, amortization and impairment	12	108.7	103.7	86.7
Loss / (gain) on sale of non-current assets		3.3	1.9	(0.1)
Increase / (decrease) in allowances and provisions		5.0	(2.0)	2.0
Loss / (gain) on unrealized foreign exchange differences		(0.5)	6.4	(0.3)
Other non-cash items		4.6	1.2	0.7
Share of result of associates	11	0.3	0.7	(1.7)
Interest expense	14	30.2	29.8	25.4
Interest income	14	(1.9)	(2.1)	(1.6)
Cash flow before working capital changes		**182.0**	**155.1**	**133.2**
Decrease / (increase) in trade and other accounts receivable		6.2	(9.1)	(2.2)
Decrease / (increase) in inventories	23	(26.9)	(14.2)	(17.1)
Increase / (decrease) in trade and other accounts payable		(26.9)	41.3	5.8
Dividends received from associates	11	–	0.2	1.2
Cash generated from operations		**134.4**	**173.3**	**120.9**
Income taxes received / (paid) *		(3.6)	(3.5)	(15.5)
Net cash flows from operating activities		**130.8**	**169.8**	**105.4**
CASH FLOW USED IN INVESTING ACTIVITIES				
Purchase of property, plant and equipment	18	(79.6)	(88.3)	(49.4)
Purchase of intangible assets	20	(8.2)	(5.7)	(3.0)
Net purchase of interest in associates	11	(1.0)	–	–
Proceeds from sale of property, plant and equipment		0.6	0.4	1.8
Interest received		2.1	1.2	1.2
Net cash acquired in business combinations	6	–	–	4.4
Proceeds from sale of interests in subsidiaries and associates		–	–	30.0
Net cash flows used in investing activities		**(86.1)**	**(92.4)**	**(15.0)**
CASH FLOW FROM FINANCING ACTIVITIES				
Proceeds from financial debt		15.0	–	–
Repayment of financial debt		(43.0)	(7.3)	(10.0)
Change of financial debt, net	**29**	**(28.0)**	**(7.3)**	**(10.0)**
Proceeds from / (repayment of) 3rd party loans		(3.3)	12.8	31.4
Dividends paid to non-controlling interest		(34.3)	(27.4)	(28.7)
Net contributions from / (purchase of) non-controlling interests		–	(0.1)	1.2
Interest paid		(30.2)	(29.3)	(25.5)
Net cash flows used in financing activities		**(95.8)**	**(51.3)**	**(31.6)**
Currency translation on cash		0.9	1.1	(2.9)
(Decrease) / increase in cash and cash equivalents		**(50.2)**	**27.2**	**55.9**
CASH AND CASH EQUIVALENTS AT THE				
– beginning of the period		187.6	160.4	104.5
– end of the period		137.4	187.6	160.4

* The amounts for Income taxes received / (paid) only include payments made on behalf of companies in the scope of these combined financial statements as described in section 2.1 BASIS OF PREPARATION

HUDSON GROUP

NOTES TO THE COMBINED FINANCIAL STATEMENTS

1. CORPORATE INFORMATION

Hudson Group ("Hudson" or the "Group") operates in the Duty Paid and Duty Free travel retail markets and operated 996 stores in 88 locations, throughout the continental United States and Canada.

All entities combined in these financial statements are directly or indirectly owned subsidiaries of Dufry AG (Dufry), the world's leading travel retail company which is headquartered in Basel, Switzerland. Dufry's shares are listed on the Swiss Stock Exchange (SIX) in Zurich, Switzerland and its Brazilian Depository Receipts (BDR) on the BM&FBOVESPA in Sao Paolo, Brazil.

Hudson Ltd. was incorporated on May 30, 2017 in Hamilton, Bermuda as a wholly owned subsidiary of Dufry. The initial public offering (IPO) took place on February 1, 2018 and Hudson's Class A shares have been listed on the New York Stock Exchange, refer to note 36 Events after reporting date. Hudson Ltd. has had no operations, only nominal assets and no liabilities or contingencies since inception.

After the IPO, Dufry retained control of Hudson Ltd., as the shares offered through the IPO represented less than 50 % of the total shares outstanding or voting rights.

2. ACCOUNTING POLICIES

2.1 BASIS OF PREPARATION

These combined financial statements have been prepared for the purpose of integration in the Form 20-F of Hudson Ltd. They have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standard Board (IASB).

For the purpose of these combined financial statements, Hudson Group comprises all entities and operations directly or indirectly owned by Dufry which have been transferred to Hudson Ltd. after the reporting date, but prior to its initial listing at the NYSE: Refer to note 36 Events after reporting date; refer to List of subsidiaries for an overview of entities included in the scope of combination. The combined financial statements have been prepared based on the financial reporting packages that were used for the preparation of the consolidated financial statements of Dufry. Hudson Group uses the same accounting policies and principles in these combined financial statements as were used for the preparation of the consolidated financial statements of Dufry.

The combined financial statements have been prepared based on historical costs, except for eventual available-for-sale financial assets, other financial assets and liabilities (including derivative instruments), which are measured at fair value, as explained in the accounting policies below. Historical costs are generally based on the fair value of the consideration given in exchange for assets. The combined financial statements are presented in millions of US dollars (USD). All values are rounded to the nearest one hundred thousand, except when indicated otherwise.

For the purpose of these combined financial statements, income taxes have been calculated using the separate return method.

The combined financial statements were authorized for issue on March 6, 2018 by the management of Dufry International AG.

2.2 PRINCIPLES OF COMBINATION

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

Transactions with subsidiaries of Dufry outside the scope of combination of Hudson Group have not been eliminated and are reported as related party transactions in these combined financial statements, refer to note 32.

A change in the ownership of a subsidiary, without a loss of control, is accounted for as an equity transaction. If Hudson Group loses control over a subsidiary, it

- derecognizes the assets (including goodwill) and liabilities of the subsidiary, derecognizes the carrying amount of any non-controlling interest as well as derecognizes the cumulative translation differences recorded in equity,
- recognizes the fair value of the consideration received, recognizes the fair value of any investment retained as well as recognizes any surplus or deficit in the statement of comprehensive income and
- reclassifies the parent's share of components previously recognized in other comprehensive income to the statement of comprehensive income or retained earnings, as appropriate.

For the accounting treatment of associated companies refer to note 2.3.

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, Hudson selects whether it measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition related transaction costs are expensed and included in other operational result. When Hudson acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date.

Any contingent consideration to be transferred by the acquirer will be recognized at fair value at the acquisition date. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of IAS 39 Financial Instruments: Recognition and Measurement, is measured at fair value with the changes in contingent considerations recognized in the statement of comprehensive income.

Hudson measures goodwill at the acquisition date as:

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

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

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 Hudson's group of cash-generating units that are expected to benefit from the combination.

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

b) Turnover

Turnover is composed of net sales and advertising income. Sales are measured at the fair value of the consideration received, excluding sales taxes or duties. Retail sales are settled in cash or credit card, whereas advertising income is recognized when the services are rendered.

c) Cost of sales
Cost of sales are recognized when the Group sells a product and comprise the purchase price and the cost incurred until the product arrives at the warehouse, i. e. import duties and transport as well as inventory valuation adjustments, inventory differences and supplier rebates or discounts.

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

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

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

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

Principal foreign exchange rates applied for valuation and translation:

	AVERAGE RATE			CLOSING RATE		
IN USD	2017	2016	2015	DEC 31, 2017	DEC 31, 2016	DEC 31, 2015
1 CAD	0.7714	0.7552	0.7832	0.7951	0.7446	0.7232

e) 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 Hudson's own equity instruments is recognized and deducted directly in equity. No gain or loss is recognized in the statement of comprehensive income on the purchase, sale, issue or cancellation of Hudson's own equity instruments.

f) Share capital

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

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

g) Leases

Leases of property, plant and equipment where the Group, as lessee, has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalized at the leases' inception at the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in other short-term and long-term payables. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to the statement of comprehensive income over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases is depreciated over the asset's useful life or over the shorter of the asset's useful life and the lease term if there is no reasonable certainty that the Group will obtain ownership at the end of the lease term.

Leases in which a significant portion of the risks and rewards of ownership are not transferred to the Group as lessee are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to profit or loss on a straight-line basis over the period of the lease.

h) Share-based payments

Equity settled share based payments to employees and other third parties providing services are measured at the fair value of the equity instruments at grant date. The fair value determined at grant date of the equity-settled share-based payments is expensed on a pro rata basis over the vesting period, based on the estimated number of equity instruments that will eventually vest. At the end of each reporting period, Hudson revises its estimate of the number of equity instruments expected to vest.

The impact of the revision of the original estimates, if any, is recognized in the statement of comprehensive income such that the cumulative expense reflects the revised estimate.

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

i) Taxation

Income tax expense represents the sum of the current income tax and deferred tax. Income tax positions not relating to items recognized in the statement of comprehensive income, are recognized in correlation to the underlying transaction either in other comprehensive income or equity.

Current income tax

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

Income tax relating to items recognized in other comprehensive income is recognized there as well.

Deferred tax

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

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

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

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

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

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

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

j) Property, plant and equipment
These are stated at cost less accumulated depreciation and any impairment in fair value. Depreciation is computed on a straight-line basis over the shorter of the estimated useful life of the asset or the lease term. The useful lives applied are as follows:
- Real estate (buildings) 20 to 40 years
- Leasehold improvements the shorter of the lease term or 10 years
- Furniture and fixtures the shorter of the lease term or 5 years
- Motor vehicles the shorter of the lease term or 5 years
- Computer hardware the shorter of the lease term or 5 years

k) Intangible assets
These assets mainly comprise of concession rights. Intangible assets acquired separately are capitalized at cost and those from business combinations 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. Intangible assets with an indefinite useful life are reviewed annually to determine whether the indefinite life assessment continues to be supportable. If not, any changes are made on a prospective basis.

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

m) Associates
Associates are all entities over which Hudson has significant influence but not control, generally accompanying a shareholding of more than 20% but less than 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting. Under the equity method, the investment is initially recognized at cost. The carrying amount is increased or decreased to recognize the investor's share of the net earnings of the investee after the date of acquisition and decreased by dividends declared. Hudson's investment in associates includes goodwill identified on acquisition.

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

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

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

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

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

o) Trade receivables
This account includes receivables related to the sale of merchandise.

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

q) 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 Hudson will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

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

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

Contingent liabilities acquired in a business combination

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

r) Financial instruments

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 (FVTPL), are deducted from or added to 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 statement of comprehensive income.

Trade and other accounts receivable

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

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 financial asset have been affected. Certain categories of financial assets, such as trade receivables, are assessed for impairment individually. Subsequent recoveries of amounts previously written off are credited against the allowance accounts for these categories. Changes in the carrying amount of the allowance account are recognized in the statement of comprehensive income in the lines selling expenses or other operational result.

Derecognition of financial assets

Hudson 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 Hudson neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred as set, Hudson recognizes its retained interest in the asset and an associated liability for amounts it may have to pay. If Hudson retains substantially all the risks and rewards of ownership of a transferred financial asset, Hudson continues to recognize the financial asset and also recognizes a collateralized borrowing for the proceeds received.

Financial liabilities at FVTPL

These are stated at fair value, with any gains or losses arising on re-measurement recognized in the statement of comprehensive income. The net gain or loss recognized in the combined statement of comprehensive income incorporates any interest paid on the financial liability and is included in the financial result in the statement of comprehensive income. Fair value is determined in the manner described in note 34.

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

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

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

s) Derivative financial instruments
Hudson may enter into a variety of derivative financial instruments to manage its exposure to interest rate or 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 35.

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

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.

2.4 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 revised Standards and the Interpretations adopted in these financial statements (effective January 1, 2017).
- Disclosure initiative – amendments to IAS 7 Statement of cash flows: Requires additional disclosure of changes in liabilities arising from financing activities see note 35.
- IAS 12 Income taxes: Additional clarification on the recognition for deferred tax assets for unrealized losses on debt instruments measured at fair value. Hudson currently does not have debt valued at fair value

3. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

KEY SOURCES OF ESTIMATION UNCERTAINTY

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

Concession rights
Concession rights acquired in a business combination are measured at fair value as at the date of acquisition and amortized over the contract duration. Hudson annually assesses the concession rights with finite lives for impairment indications.

Goodwill
Hudson tests these items annually for impairment. The underlying calculation requires the use of estimates. The assumptions used are disclosed in note 19.1.

Income taxes
Hudson is subject to income taxes in the US, UK and Canada. 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. Hudson recognizes liabilities for tax audit issues based on estimates of whether additional taxes will be payable. Where the final tax outcome is different from the amounts that were initially recorded, such differences will impact the income tax or deferred tax provisions in the period in which such assessment is made.
Further details are given in notes 15 and 21.

The United States recently enacted a reform of the tax legislation that, among other things, reduces the corporate federal income tax (CIT) rate from 35 % to 21 % and imposes in addition a "base erosion and anti-abuse tax" ("BEAT") on domestic corporations for payments done to foreign related persons in connection with tax deductible expenses. The reduction of the U.S. CIT rate is expected to be beneficial to us in future years in which we have net income subject to U.S. tax. For the current year the reduction in the U.S. CIT rate resulted in a one-off net loss of $40.2 million on deferred tax assets and deferred tax liabilities in the US-entities, reflected also in a higher Group effective tax rate. There are a number of uncertainties and ambiguities as to the interpretation and application of many of the provisions in the Tax Reform Legislation, including the provisions relating to the BEAT. In the absence of guidance on these issues, we will use what we believe are reasonable interpretations and assumptions in interpreting and applying the Tax Reform Legislation for purposes of determining our income tax payable and results of operations, which may change as we receive additional clarification and implementation guidance. It is also possible that the Internal Revenue Service could issue subsequent guidance or take positions on audit that differ from the interpretations and assumptions that we previously made, which could have a material adverse effect on our cash tax liabilities, results of operations and financial condition. In addition, we may be subject to audits of our income, sales and other transaction taxes by U.K. tax authorities, U.S. federal and state authorities and Canadian national and provincial authorities. Outcomes from these audits could have an adverse impact on our operating results and financial condition.

Deferred tax assets
Deferred tax assets are recognized for unused tax losses and deductible temporary differences to the extent that it is probable that taxable profit will be available against which the losses can be utilized. Management judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and level of future taxable profits. Further details are given in note 21.

Share-based payments
Hudson measures the cost of equity settled transactions with employees by reference to the fair value of the equity instruments at the grant date. Estimating such fair values require determining the most appropriate valuation model for a grant of equity instruments, which depends on the terms and conditions of the grant, as well as the most appropriate inputs to the valuation model including the expected probability that the triggering clauses will be met. The result will be the expected quantity of shares to be assigned. The assumptions and models used are disclosed in note 26.

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

Consolidation of entities where Hudson has control, but holding only minority voting rights
Hudson considers controlling certain entities, even when it holds less than the majority of the voting rights, when it is exposed to or has the rights to variable returns from the involvements with the investee and has the ability to affect those returns through its power over the entity. These indicators are evaluated at the time of first consolidation and reviewed when there are changes in the statutes or composition of the executive board of these entities. Further details on non-controlling interests are disclosed in notes 27 and 28.

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

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

IFRS 9
Financial Instruments (effective January 1, 2018)
IFRS 9 addresses the classification, measurement and derecognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets.

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

The Group currently has no financial assets classified as available for sale, held-to-maturity or FVOCI. The financial assets and liabilities currently classified as FVPL will continue to meet the criteria for this as these do not include any non-derivatives. Hence there will be no change to the accounting for these assets and liabilities.

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

The new impairment model requires the recognition of impairment provisions based on expected credit losses (ECL) rather than only incurred credit losses as is the case under IAS 39. It applies to financial assets classified at amortized cost, debt instruments measured at FVOCI, contract assets under IFRS 15 Revenue from Contracts with Customers, lease receivables, loan commitments and certain financial guarantee contracts. Based on the assessments undertaken at the statement of financial position date, the Group does not expect a significant increase in the loss allowances.

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

As a general rule, more hedge relationships might be eligible for hedge accounting, as the standard introduces a more principles-based approach. The Group has confirmed that its current hedge relationships will qualify as continuing hedges upon the adoption of IFRS 9. In addition, the Group is considering to designate the intrinsic value of foreign currency option contracts as hedging instruments going forward. These are currently accounted as derivatives at FVPL. Changes in the fair value of foreign exchange forward contracts attributable to forward points, and in the time value of the option contracts, will in this case in future be deferred in new costs of hedging reserve (OCI) within equity. The deferred amounts will be recognized against the related hedged transaction when it occurs.

The Group has elected to apply the limited exemption in IFRS 9 paragraph 7.2.15 relating to the transition for classification and measurement and impairment, and accordingly will not be restating the 2017 comparative period, except in relation to changes in the fair value of foreign exchange forward contracts attributable to forward points, which will be recognized in the costs of hedging reserve (OCI) (the Group did not utilize these hedges during 2017).

This will mean that:

- any adjustments to carrying amounts of financial assets or liabilities will be recognized at the beginning of the next reporting period, with the difference recognized in opening retained earnings;
- financial assets will not be reclassified in the statement of financial position for the comparative period;
- allowances for impairment will not be restated in the comparative period;
- the transition will be a change in accounting policy, and disclosures required by IAS 8 will be illustrated;

- a third statement of financial position as at January 1, 2017 will not be presented. The retrospective application of the accounting for the forward element of forward contracts will not impact the statement of financial position for the year ended December 31, 2017, other than on retained earnings and reserves which are disclosed in the statement of changes in equity.
- disclosure requirements arising from the consequential amendments made to IFRS 7 by IFRS 9 will not be presented in relation to the comparative period.

The new standard also introduces expanded disclosure requirements and changes in presentation. These are expected to change the nature and extent of the Group's disclosures about its financial instruments particularly in the year of the adoption of the new standard.

Hudson expects that the reclassifications from the IAS 39 financial assets categories to the IFRS 9 categories will have no impact on the measurement categories. The allowances for trade receivables and receivables for advertising income are not expected to increase due to the adoption of IFRS 9 in 2018.

IFRS 15
Revenue from contracts with customers (effective January 1, 2018)
IFRS 15, revenue from contracts with customers deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognized when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service.

The standard replaces IAS 18 Revenue and IAS 11 Construction contracts and related interpretations. Hudson has analyzed the impact of the standard and has not identified any material changes to the current revenue recognition approach. Hudson considered the following aspects:

(a) Sale of goods
Hudson's retail sales are in cash or credit card and the revenue recognition occurs when the assets are transferred to the customer.

(b) Advertising income
Advertising income is recognized when the services have been rendered.

The Group intends to adopt the modified retrospective approach, which means that the cumulative impact of the adoption (if any), will be recognized in retained earnings as of January 1, 2018 and that the comparatives will not be restated.

IFRS 16
Leases (effective January 1, 2019)
Lessees will be required to recognize a lease liability for the obligation to make lease payments and a right-of-use asset for the right to use the underlying asset for the lease term. The lease liability will be measured at present value of the lease payments to be made over the lease term. In other words, lessees will appear to become more asset-rich but also more indebted. To be considered as such, a lease agreement has to convey the right to control the use of an identified asset throughout the period of use, so that the customer has the right to obtain substantially all of the economic benefits from the use of the identified asset; and direct the use of the identified asset (i.e. direct how and for what purpose the asset is used).

The standard will mainly affect the accounting of:

a) Concession agreements
Hudson enters into concession agreements with operators of airports, railway stations etc. to operate retail shops. Usually these arrangements require a variable compensation based on sales or other activity indicators, with a minimum threshold. In those cases where at the inception of the agreement the minimum amounts can be calculated reliably over the respective contractual terms, Hudson will account for this part as a lease in accordance with IFRS 16,

b) Rent agreements for office and warehouse buildings
These agreements will usually qualify as leases under IFRS 16, except if the agreement is cancellable within 12 months.

As at the reporting date, the Group has non-cancellable operating lease commitments with remaining duration of more than 12 months. These lease agreements have minimal firm commitments and most of them also fees in proportion to the net sales of the specific shop.

The Group has hundreds of concession agreements with individual wording and specifications. Had the Group adopted the new lease standard as of December 31, 2017, we estimate the amount of right-of-use assets and lease liabilities that would have to be recognized at about USD 1 to 2 billion. In 2017 the Group recognized the lease payments as selling expenses (concession fees and rents) of USD 399.1 million and as general expenses (premises) of USD 14.9 million.

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

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

Annual Improvements 2014 – 2016 – issued December 2016
IAS 28 Investment in Associates and Joint ventures (effective January 1, 2018)
Clarification that the election to measure at fair value through profit or loss is available on an investment-by-investment basis, upon initial recognition.
- Interpretation 22 – Foreign Currency Transactions and Advance Considerations (effective January 1, 2018)

Clarification of the date to be used for the exchange rate on initial recognition of a related asset, expense or income where consideration is paid or received in advance for foreign currency denominated contracts. For each payment the date to be used is the same as the date for the initial recognition of the related non-monetary asset or liability.

5. SEGMENT INFORMATION

Hudson consists of one operating segment “Travel Retail Operations” for which reports are submitted to the Group Executive Committee (formerly the Divisional Committee of Dufry), being the Chief Operating Decision Maker (CODM). These reports form the basis for the evaluation of performance and allocation of resources.

Hudson generates turnover from selling a wide range of duty-free and duty-paid products through its stores that are mainly located at airports, commuter terminals, hotels, landmarks or tourist destinations. Refer to note 7 for a split of net sales by product category, market sector and sales channel.

Net Sales by Country

IN MILLIONS OF USD	2017	2016	2015
US	1,420.9	1,359.1	1,164.2
Canada	339.9	291.0	205.4
Total	**1,760.8**	**1,650.1**	**1,369.6**

Non-Current Assets by Country (excluding financial instruments and deferred taxes)

IN MILLIONS OF USD	DEC 31, 2017	DEC 31, 2016
US	558.8	568.2
Canada	416.8	410.4
Total	**975.6**	**978.6**

We refer to the annex List of subsidiaries for the assignment of each subsidiary to the respective country.

6. ACQUISITIONS OF BUSINESSES AND TRANSACTIONS WITH NON-CONTROLLING INTERESTS

There were no transactions in 2017 and 2016.

2015 TRANSACTIONS

ACQUISITION OF WORLD DUTY FREE S.P.A.

In a two step acquisition on August 7, 2015, and November 13, 2015, Dufry acquired 100 % in the voting equity interests in World Duty Free S.p.A. (WDF), a publicly listed company in Italy for a total consideration of USD 2,859.5 (EUR 2,608.7) million equivalent of EUR 10.25 per share in cash. The acquisition was mainly financed through the issuance of share capital. This acquisition was accounted using the acquisition method.

For this acquisition, Dufry incurred transaction costs of USD 32.7 million in 2015 presented as other operational expenses and of USD 12.8 million presented as related taxes in the statement of comprehensive income of Dufry, but not reflected in these combined financial statements.

For the purpose of these combined financial statements, only those entities of WDF located in the USA or Canada were combined in the formation of Hudson Group.

The final fair value of the identifiable assets and liabilities of the WDF entities in USA and Canada at the date of acquisition are as described below:

	FINAL FAIR VALUE AT AUGUST 7, 2015	
IN MILLIONS OF	IN EUR	IN USD
Trade receivables	37.4	41.0
Inventories	23.5	25.8
Other current assets	14.0	15.3
Property, plant and equipment	34.7	38.0
Concession rights	165.0	180.9
Other non-current assets	9.1	10.0
Deferred tax assets	3.2	3.5
Trade payables	(45.5)	(49.9)
Financial debt	(0.9)	(1.0)
Other liabilities	(22.0)	(24.2)
Deferred tax liabilities	(46.5)	(50.9)
Fair value of non-controlling interests	(4.8)	(5.2)
Identifiable net assets	**167.2**	**183.3**
Hudson's share in these net assets	167.2	183.3
Goodwill	179.7	197.0
Total purchase price allocated to US and Canada entities	**346.9**	**380.3**

From the date when Hudson took control of the US and Canada entities of the WDF operations in August 2015 until December 2015 these operations contributed USD 171.3 million in turnover and USD (1.5) million in operating profit to the statement of comprehensive income of Hudson.

If the business combination had occurred as at the beginning of 2015, US and Canada entities of WDF would have generated a turnover during 2015 of USD 381.7 million and an operating profit of approximately USD 3.0 million.

7. TURNOVER

IN MILLIONS OF USD	2017	2016	2015
Net sales	1,760.8	1,650.1	1,369.6
Advertising income	41.7	37.1	33.4
Turnover	**1,802.5**	**1,687.2**	**1,403.0**

NET SALES BREAKDOWN

Net sales by product categories

IN MILLIONS OF USD	2017	2016	2015
Confectionery, Food and Catering	628.0	572.3	469.6
Perfumes and Cosmetics	258.4	226.3	174.6
Fashion, Leather and Baggage	220.1	183.3	146.2
Literature and Publications	175.6	192.5	187.2
Wine and Spirits	88.0	75.3	62.9
Tobacco goods	52.2	47.4	46.3
Watches, Jewelry and Accessories	115.5	86.2	76.9
Electronics	87.7	78.5	66.6
Other product categories	135.3	188.3	139.3
Total	**1,760.8**	**1,650.1**	**1,369.6**

Net sales by market sector

IN MILLIONS OF USD	2017	2016	2015
Duty-paid	1,334.4	1,284.0	1,075.2
Duty-free	426.4	366.1	294.4
Total	**1,760.8**	**1,650.1**	**1,369.6**

Net sales by channel

IN MILLIONS OF USD	2017	2016	2015
Airports	1,662.6	1,565.9	1,307.6
Downtown and hotel shops	43.1	29.5	13.1
Railway stations and other	55.1	54.7	48.9
Total	**1,760.8**	**1,650.1**	**1,369.6**

8. SELLING EXPENSES

IN MILLIONS OF USD	2017	2016	2015
Concession fees and rents (note 33)	(399.1)	(375.3)	(307.0)
Credit card commissions	(29.0)	(27.7)	(20.9)
Advertising and commission expenses	(0.9)	(0.8)	(0.9)
Packaging materials	(2.5)	(2.3)	(2.2)
Other selling expenses	(3.3)	(3.4)	(3.3)
Selling expenses	**(434.8)**	**(409.5)**	**(334.3)**
Concession and rental income (note 33)	11.6	11.9	7.3
Commercial services and other selling income	2.0	1.9	1.3
Selling income	**13.6**	**13.8**	**8.6**
Total	**(421.2)**	**(395.7)**	**(325.7)**

9. PERSONNEL EXPENSES

IN MILLIONS OF USD	2017	2016	2015
Salaries and wages	(298.4)	(270.3)	(227.0)
Social security expenses	(43.0)	(38.5)	(29.8)
Other personnel expenses	(29.9)	(28.6)	(22.7)
Total	**(371.3)**	**(337.4)**	**(279.5)**
Full time equivalents (FTE – unaudited)	8,894	8,485	8,124

10. GENERAL EXPENSES

IN MILLIONS OF USD	2017	2016	2015
Franchise fees and commercial services	(63.2)	(62.5)	(51.7)
Repairs, maintenance and utilities	(17.1)	(15.5)	(14.4)
Office and administration	(16.2)	(14.5)	(11.4)
Premises	(14.9)	(16.3)	(13.3)
Legal, consulting and audit fees	(13.5)	(11.8)	(14.5)
Travel, entertainment and representation	(11.7)	(11.6)	(10.4)
Taxes, other than income taxes	(7.1)	(8.4)	(6.3)
IT expenses	(6.3)	(4.6)	(3.7)
PR and advertising	(3.2)	(2.7)	(2.1)
Insurances	(2.2)	(2.2)	(2.0)
Bank expenses	(1.5)	(1.8)	(1.1)
Total	**(156.9)**	**(151.9)**	**(130.9)**

11. INVESTMENTS IN ASSOCIATES

This includes Nuance Group (Chicago) LLC which operates four duty-free stores at O'Hare International Airport of Chicago in Illinois, USA, and as of 2017 Midway Partnership LLC operating duty paid stores at Chicago Midway International Airport.

Hudson's interests in Nuance Group (Orlando) LLC and Broward Duty Free LLC were sold on March 15, 2015, for USD 30 million to an existing shareholder at book value.

These investments are accounted for using the equity method.

Summarized statement of financial position

IN MILLIONS OF USD	DEC 31,2017 NUANCE GROUP (CHICAGO) LLC	DEC 31,2017 MIDWAY PARTNERSHIP LLC	DEC 31,2017 TOTAL	DEC 31,2016 NUANCE GROUP (CHICAGO) LLC
Cash and cash equivalents	2.6	1.4	4.0	2.5
Other current assets	4.0	2.7	6.7	4.0
Non-current assets	3.0	1.0	4.0	3.2
Other current liabilities	(3.9)	(2.9)	(6.8)	(2.8)
Net assets	**5.7**	**2.2**	**7.9**	**6.9**
Proportion of Hudson's ownership	35.0 %	50.0 %		35.0 %
Hudson's share of the equity	**2.0**	**1.1**	**3.1**	**2.4**

Summarized statement of comprehensive income

2017 IN MILLIONS OF USD	NUANCE GROUP (CHICAGO) LLC	MIDWAY PARTNERSHIP LLC	OTHER ASSOCIATES	TOTAL
Turnover	18.7	15.1	–	33.8
Depreciation, amortization and impairment	(0.1)	–	–	(0.1)
Net earnings for the year	**(1.0)**	**0.2**	**–**	**(0.8)**
Total comprehensive income	**(1.0)**	**0.2**	**–**	**(0.8)**
HUDSON'S SHARE	35.0 %	50.0 %		
Net earnings for the year	(0.4)	0.1	–	(0.3)
Total comprehensive income	**(0.4)**	**0.1**	**–**	**(0.3)**

2016 IN MILLIONS OF USD	NUANCE GROUP (CHICAGO) LLC	MIDWAY PARTNERSHIP LLC	OTHER ASSOCIATES	TOTAL
Turnover	20.0	–	–	20.0
Depreciation, amortization and impairment	(0.1)	–	–	(0.1)
Net earnings for the year	**(2.1)**	**–**	**–**	**(2.1)**
Total comprehensive income	**(2.1)**	**–**	**–**	**(2.1)**
HUDSON'S SHARE	35.0 %			
Net earnings for the year	(0.7)	–	–	(0.7)
Total comprehensive income	**(0.7)**	**–**	**–**	**(0.7)**

2015 IN MILLIONS OF USD	NUANCE GROUP (CHICAGO) LLC	MIDWAY PARTNERSHIP LLC	OTHER ASSOCIATES	TOTAL
Turnover	23.9	–	4.4	28.3
Depreciation, amortization and impairment	(0.2)	–	(0.1)	(0.3)
Other operational result	–	–	1.1	1.1
Net earnings for the year	**3.5**	**–**	**1.4**	**4.9**
Total comprehensive income	**3.5**	**–**	**1.4**	**4.9**
HUDSON'S SHARE	35.0 %			
Net earnings for the year	1.2	–	0.5	1.7
Total comprehensive income	**1.2**	**–**	**0.5**	**1.7**

The information above reflects the amounts presented in the financial statements of the associates (other than Hudson's share of amounts) adjusted for differences in accounting policies between the associates and Hudson.

Reconciliation of the carrying amount of its investments

IN MILLIONS OF USD	NUANCE GROUP (CHICAGO) LLC	MIDWAY PARTNERSHIP LLC	OTHER ASSOCIATES	TOTAL
Net earnings	1.2	–	0.5	1.7
Dividends received	(0.7)	–	(0.5)	(1.2)
Disposals	–	–	(30.0)	(30.0)
Carrying value at December 31, 2015	**3.3**	**–**	**–**	**3.3**
Net earnings	(0.7)	–	–	(0.7)
Dividends received	(0.2)	–	–	(0.2)
Carrying value at December 31, 2016	**2.4**	**–**	**–**	**2.4**
Contribution to new partnership	–	1.0	–	1.0
Net earnings	(0.4)	0.1	–	(0.3)
Carrying value at December 31, 2017	**2.0**	**1.1**	**–**	**3.1**

12. DEPRECIATION, AMORTIZATION AND IMPAIRMENT

IN MILLIONS OF USD	2017	2016	2015
Depreciation	(64.5)	(61.4)	(49.7)
Impairment	(0.2)	–	(1.4)
Subtotal (note 17 Property, Plant and Equipment)	**(64.7)**	**(61.4)**	**(51.1)**
Amortization	(44.0)	(42.3)	(35.6)
Subtotal (note 19 Intangible Assets)	**(44.0)**	**(42.3)**	**(35.6)**
Total	**(108.7)**	**(103.7)**	**(86.7)**

13. OTHER OPERATIONAL RESULT

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

IN MILLIONS OF USD	2017	2016	2015
Consulting fees, expenses related to projects and start-up expenses	(0.2)	(0.3)	(0.5)
Impairment of loans and other receivables	(0.9)	(1.4)	(0.6)
Closing or restructuring of operations	(2.7)	(8.3)	(2.0)
Losses on sale of non-current assets	(3.3)	(2.0)	(0.4)
Project-related costs	(3.4)	–	–
Other operating expenses	(3.7)	(2.3)	0.3
Other operational expenses	**(14.2)**	**(14.3)**	**(3.2)**

IN MILLIONS OF USD	2017	2016	2015
Insurance – compensation for losses	0.1	0.1	–
Gain on sale of non-current assets	–	0.1	0.5
Recovery of write offs / release of allowances / debt waiver	9.4	4.0	–
Other operating income	1.0	0.8	1.0
Other operational income	**10.5**	**5.0**	**1.5**

IN MILLIONS OF USD	2017	2016	2015
Other operational expenses	(14.2)	(14.3)	(3.2)
Other operational income	10.5	5.0	1.5
Other operational result	**(3.7)**	**(9.3)**	**(1.7)**

14. INTEREST

IN MILLIONS OF USD	2017	2016	2015
EXPENSES ON FINANCIAL LIABILITIES			
Interest expense	(29.4)	(29.1)	(24.7)
Other financial expenses	(0.5)	(0.5)	(0.6)
Interest expense on financial liabilities	**(29.9)**	**(29.6)**	**(25.3)**
EXPENSES ON NON-FINANCIAL LIABILITIES			
Interest expense	(0.3)	(0.2)	(0.1)
Total interest expense	**(30.2)**	**(29.8)**	**(25.4)**
INCOME ON FINANCIAL ASSETS			
Interest income	1.8	2.0	1.6
Other financial income	0.1	0.1	–
Interest income on financial assets	**1.9**	**2.1**	**1.6**
Total interest income	**1.9**	**2.1**	**1.6**

15. INCOME TAXES

INCOME TAX RECOGNIZED IN THE COMBINED STATEMENT OF COMPREHENSIVE INCOME

IN MILLIONS OF USD	2017	2016	2015
Current income taxes	(8.5)	(8.4)	(5.4)
of which corresponding to the current period	(8.5)	(7.3)	(8.1)
of which adjustments recognized in relation to prior years	–	(1.1)	2.7
Deferred income taxes	(34.4)	42.7	1.6
of which related to the origination or reversal of temporary differences	5.8	10.3	1.6
of which adjustments recognized in relation to prior years	–	32.4	–
of which adjustments due to change in tax rates	(40.2)	–	–
Total	**(42.9)**	**34.3**	**(3.8)**

IN MILLIONS OF USD	2017	2016	2015
Earnings before income tax (EBT)	32.3	15.5	22.1
Expected tax rate in %	35.2 %	36.2 %	36.9 %
Tax at the expected rate	(11.3)	(5.6)	(8.2)
EFFECT OF			
Different tax rates for subsidiaries in other jurisdictions	0.5	(0.2)	(0.7)
Effect of changes in tax rates on previously recognized deferred tax assets and liabilities	(40.2)	–	(0.6)
Non-deductible expenses	0.3	(0.5)	2.4
Net change of unrealized tax loss carry-forwards	(2.0)	(4.1)	–
Non recoverable withholding taxes	–	–	(0.2)
Minority interests	11.2	10.1	9.5
Adjustments recognized in relation to prior year	–	31.3	2.7
Other items	(1.4)	3.3	(8.7)
Total	**(42.9)**	**34.3**	**(3.8)**

The expected tax rate in % approximates the average income tax rate of the countries where the Group is active, weighted by the profitability of the respective operations. For 2017, there have been no significant changes in these income tax rates. In December 2017, a significant decrease of the US federal income tax rate has been enacted, applicable for the year 2018 and onwards. The reduction in the U.S. federal corporate income tax rate from 35 % to 21 % resulted in a net downward adjustment of USD 40.2 million in relation to deferred taxes.

16. EARNINGS PER SHARE

EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT

The information on earnings per share for Hudson Group pursuant to IAS 33 has not been presented, as the combined entities have not formed a statutory group and, as such Hudson Group has no historical capital structure.

17. PROPERTY, PLANT AND EQUIPMENT

2017 IN MILLIONS OF USD	BUILDINGS & LEASEHOLD IMPROVEMENTS	FURNITURE FIXTURES	COMPUTER HARDWARE	VEHICLES	WORK IN PROGRESS	TOTAL
AT COST						
Balance at January 1	**226.6**	**182.2**	**28.1**	**3.8**	**20.0**	**460.7**
Additions (note 18)	13.4	8.4	6.5	0.5	47.5	76.3
Disposals	(20.8)	(10.7)	(0.5)	(0.3)	–	(32.3)
Reclassification within classes	29.3	12.7	5.6	0.1	(47.7)	–
Reclassification to intangible assets	–	–	(1.0)	–	–	(1.0)
Currency translation adjustments	2.7	1.7	0.2	–	0.3	4.9
Balance at December 31	**251.2**	**194.3**	**38.9**	**4.1**	**20.1**	**508.6**
ACCUMULATED DEPRECIATION						
Balance at January 1	**(98.6)**	**(80.5)**	**(18.0)**	**(2.7)**	**–**	**(199.8)**
Additions (note 12)	(31.8)	(27.6)	(4.7)	(0.4)	–	(64.5)
Disposals	18.2	9.6	0.4	0.3	–	28.5
Reclassification within classes	(2.1)	2.6	(0.5)	–	–	–
Currency translation adjustments	(1.6)	(1.2)	(0.2)	(0.1)	–	(3.1)
Balance at December 31	**(115.9)**	**(97.1)**	**(23.0)**	**(2.9)**	**–**	**(238.9)**
IMPAIRMENT						
Balance at January 1	**(3.3)**	**(1.3)**	**–**	**–**	**–**	**(4.6)**
Impairment (note 12)	(0.2)	–	–	–	–	(0.2)
Currency translation adjustments	–	–	–	–	–	–
Balance at December 31	**(3.5)**	**(1.3)**	**–**	**–**	**–**	**(4.8)**
CARRYING AMOUNT						
At December 31, 2017	**131.8**	**95.9**	**15.9**	**1.2**	**20.1**	**264.9**

2016 IN MILLIONS OF USD	BUILDINGS & LEASEHOLD IMPROVEMENTS	FURNITURE FIXTURES	COMPUTER HARDWARE	VEHICLES	WORK IN PROGRESS	TOTAL
AT COST						
Balance at January 1	**183.8**	**151.1**	**21.1**	**3.5**	**27.8**	**387.3**
Additions (note 18)	13.5	6.9	2.5	0.3	69.2	92.4
Disposals	(10.5)	(8.6)	–	–	(1.6)	(20.7)
Reclassification within classes	39.0	32.1	4.3	–	(75.4)	–
Currency translation adjustments	0.8	0.7	0.2	–	–	1.7
Balance at December 31	**226.6**	**182.2**	**28.1**	**3.8**	**20.0**	**460.7**
ACCUMULATED DEPRECIATION						
Balance at January 1	**(75.1)**	**(63.0)**	**(15.2)**	**(2.3)**	**–**	**(155.6)**
Additions (note 12)	(32.7)	(25.4)	(2.9)	(0.4)	–	(61.4)
Disposals	9.6	8.3	0.3	–	–	18.2
Currency translation adjustments	(0.4)	(0.4)	(0.2)	–	–	(1.0)
Balance at December 31	**(98.6)**	**(80.5)**	**(18.0)**	**(2.7)**	**–**	**(199.8)**
IMPAIRMENT						
Balance at January 1	**(2.7)**	**(1.7)**	**–**	**–**	**(0.1)**	**(4.5)**
Disposals	–	0.4	–	–	0.1	0.5
Currency translation adjustments	(0.6)	–	–	–	–	(0.6)
Balance at December 31	**(3.3)**	**(1.3)**	**–**	**–**	**–**	**(4.6)**
CARRYING AMOUNT						
At December 31, 2016	**124.7**	**100.4**	**10.1**	**1.1**	**20.0**	**256.3**

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

IN MILLIONS OF USD	2017	2016	2015
Payables for capital expenditure at the beginning of the period	(14.4)	(10.7)	(5.1)
Additions of property, plant and equipment (note 17)	(76.3)	(92.4)	(55.0)
Payables for capital expenditure at the end of the period	11.1	14.4	10.7
Currency translation adjustments	–	0.4	–
Total Cash Flow	**(79.6)**	**(88.3)**	**(49.4)**

19. INTANGIBLE ASSETS

2017 IN MILLIONS OF USD	CONCESSION RIGHTS	GOODWILL	OTHER	TOTAL
AT COST				
Balance at January 1	**514.1**	**317.9**	**36.7**	**868.7**
Additions (note 20)	2.7	–	5.5	8.2
Reclassification from property, plant & equipment	–	–	1.0	1.0
Currency translation adjustments	18.0	13.3	(3.4)	27.9
Balance at December 31	**534.8**	**331.2**	**39.8**	**905.8**
ACCUMULATED AMORTIZATION				
Balance at January 1	**(148.1)**	**–**	**(29.4)**	**(177.5)**
Additions (note 12)	(39.2)	–	(4.8)	(44.0)
Currency translation adjustments	(1.6)	–	3.1	1.5
Balance at December 31	**(188.9)**	**–**	**(31.1)**	**(220.0)**
CARRYING AMOUNT				
At December 31, 2017	**345.9**	**331.2**	**8.7**	**685.8**

2016 IN MILLIONS OF USD	CONCESSION RIGHTS	GOODWILL	OTHER	TOTAL
AT COST				
Restated * Balance at January 1	**511.9**	**312.3**	**27.4**	**851.6**
Additions (note 21)	–	–	5.7	5.7
Currency translation adjustments	2.2	5.6	3.6	11.4
Balance at December 31	**514.1**	**317.9**	**36.7**	**868.7**
ACCUMULATED DEPRECIATION				
Balance at January 1	**(110.7)**	**–**	**(22.4)**	**(133.1)**
Additions (note 12)	(38.4)	–	(3.9)	(42.3)
Currency translation adjustments	1.0	–	(3.1)	(2.1)
Balance at December 31	**(148.1)**	**–**	**(29.4)**	**(177.5)**
CARRYING AMOUNT				
At December 31, 2016	**366.0**	**317.9**	**7.3**	**691.2**

19.1 IMPAIRMENT TEST

Goodwill is subject to impairment testing each year. Concession rights with finite useful lives are tested for impairment whenever events or circumstances indicate that the carrying amount may not be recoverable.

19.1.1 Impairment test of goodwill

For the purpose of impairment testing, goodwill recognized from business combinations has been allocated to a group of cash generating units (CGUs) which represents Hudson Group's only operating segment "Travel Retail Operations" and amounts to USD 331.2 million.

The recoverable amount of the group of CGUs is determined based on value-in-use calculations which require the use of assumptions (see table with key assumptions below). The calculation uses cash flow projections based on financial forecasts approved by the management covering a five-year period. Cash flows beyond the five-year period are extrapolated using a steady growth rate that does not exceed the long-term average growth rate for the respective market and is consistent with forecasted growth included in the travel related retail industry reports.

The key assumptions (in %) used for determining the recoverable amounts of goodwill in Hudson Group are:

POST TAX DISCOUNT RATES		PRE TAX DISCOUNT RATES		GROWTH RATES FOR NET SALES	
2017	2016	2017	2016	2017	2016
7.27	6.33	8.79	7.94	4.3 – 5.6	4.6 – 8.4

As basis for the calculation of these discount rates, the Group uses the weighted average cost of capital, based on risk free interest rates derived from the past 5 year average of prime 10-year USD bonds rates: 2.23 % (2016: 2.08 %).

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

	2017	2016
Beta factor	0.85	0.86

Sensitivity to changes in assumptions

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

19.1.2 Key assumptions used for value-in-use calculations

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

Sales growth

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

Gross rates used to extrapolate

For the period after 5 years, Hudson has used a growth rate of 2.0% (2016: 2.0%) to extrapolate the cash flow projections.

Gross margins

The expected gross margins are based on average product assortment values estimated by the management for the budget 2017. These values are maintained over the planning period or where specific actions are planned and have been increased or decreased by up to 1% over the 5 year planning horizon compared to the historical data. The gross margin is also affected by supplier's prices. Estimates are obtained from global negotiations held with the main suppliers for the products and countries for which products are sourced, as well as data relating to specific commodities during the months before the budget.

Concession fee levels

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

Discount rates

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

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

20. CASH FLOWS USED FOR PURCHASE OF INTANGIBLE ASSETS

IN MILLIONS OF USD	2017	2016	2015
Additions of intangible assets (note 19)	(8.2)	(5.7)	(3.0)
Total Cash Flow	**(8.2)**	**(5.7)**	**(3.0)**

21. DEFERRED TAX ASSETS AND LIABILITIES

Temporary differences arise from the following positions:

IN MILLIONS OF USD	DEC 31, 2017	DEC 31, 2016
DEFERRED TAX ASSETS		
Property, plant and equipment	4.0	47.4
Intangible assets	19.8	60.1
Provisions and other payables	11.7	30.8
Tax loss carry-forward	51.5	57.5
Other	15.5	12.0
Total	**102.5**	**207.8**
DEFERRED TAX LIABILITIES		
Property, plant and equipment	(0.5)	(50.4)
Intangible assets	(59.8)	(68.3)
Provisions and other payables	–	(0.8)
Other	(2.0)	(7.1)
Total	**(62.3)**	**(126.6)**
Deferred tax assets, net	**40.2**	**81.2**

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

IN MILLIONS OF USD	DEC 31, 2017	DEC 31, 2016
Deferred tax assets	90.3	153.0
Deferred tax liabilities	(50.1)	(71.8)
Balance at December 31	**40.2**	**81.2**

Reconciliation of movements to the deferred taxes:

IN MILLIONS OF USD	DEC 31, 2017	DEC 31, 2016
Changes in deferred tax assets	(62.7)	6.5
Changes in deferred tax liabilities	21.7	36.8
Currency translation adjustments	6.4	(0.1)
Deferred tax income (expense) at December 31	**(34.6)**	**43.2**
THEREOF		
Recognized in the statement of comprehensive income	(34.4)	42.7
Recognized in equity	(0.2)	0.5

Tax loss carry-forwards

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

IN MILLIONS OF USD	DEC 31, 2017	DEC 31, 2016	DEC 31, 2015
Expiring within 1 to 3 years	4.4	–	–
Expiring within 4 to 7 years	0.8	–	–
Expiring after 7 years	39.8	31.9	21.3
Total[1]	**45.0**	**31.9**	**21.3**

[1] This amount includes USD 21.3 million added through business combination in 2015

22. OTHER NON-CURRENT ASSETS

IN MILLIONS OF USD	DEC 31, 2017	DEC 31, 2016
Guarantee deposits	2.5	1.8
Loans and contractual receivables	24.4	26.4
Other	0.1	6.7
Subtotal	**27.0**	**34.9**
Allowances	(2.1)	(3.8)
Total	**24.9**	**31.1**

MOVEMENT IN ALLOWANCES

IN MILLIONS OF USD	2017	2016
Balance at January 1	**(3.8)**	**(2.4)**
Creation	(0.3)	(1.4)
Utilization	2.0	–
Balance at December 31	**(2.1)**	**(3.8)**

23. INVENTORIES

IN MILLIONS OF USD	DEC 31, 2017	DEC 31, 2016
Purchased inventories at cost	192.4	171.7
Inventory allowance	(6.4)	(10.3)
Total	**186.0**	**161.4**

CASH FLOWS USED FOR INCREASE / FROM DECREASE IN INVENTORIES

IN MILLIONS OF USD	2017	2016	2015
Balance at January 1	171.7	155.4	114.7
Balance at December 31	192.4	171.7	155.4
Gross change – at cost	**(20.7)**	**(16.3)**	**(40.7)**
Business combinations (note 6)	–	–	25.8
Utilization of allowances (in prior years: other cash flow effects)	(8.9)	0.5	0.3
Currency translation adjustments	2.7	1.6	(2.5)
Cash Flow – (increase) / decrease in inventories	**(26.9)**	**(14.2)**	**(17.1)**

Cost of sales includes inventories written down to net realizable value and inventory differences of USD 8.5 (2016: 8.4) million.

24. TRADE RECEIVABLES

IN MILLIONS OF USD	DEC 31, 2017	DEC 31, 2016
Trade receivables, gross	5.3	8.4
Allowances	(0.7)	(0.2)
Trade receivables, net	**4.6**	**8.2**

Trade 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 USD	DEC 31, 2017	DEC 31, 2016
Not due	0.7	4.1
OVERDUE		
Up to 30 days	0.6	0.1
31 to 60 days	–	0.2
61 to 90 days	0.8	0.1
More than 90 days	3.2	3.9
Total overdue	**4.6**	**4.3**
Trade receivables, gross	**5.3**	**8.4**

MOVEMENT IN ALLOWANCES

IN MILLIONS OF USD	2017	2016
Balance at January 1	**(0.2)**	**(0.4)**
Creation	(0.4)	–
Utilized	–	0.2
Currency translation adjustments	(0.1)	–
Balance at December 31	**(0.7)**	**(0.2)**

25. OTHER ACCOUNTS RECEIVABLE

IN MILLIONS OF USD	DEC 31, 2017	DEC 31, 2016
Receivables for refund from suppliers and related services	32.1	17.2
Guarantee deposits	0.2	0.2
Personnel receivables	1.3	1.3
Loans receivable	4.8	–
Accounts receivables	**38.4**	**18.7**
Prepayments for concession fees and rents	8.0	14.0
Prepayments of sales and other taxes	1.5	4.3
Prepayments, other	1.1	2.7
Prepayments	**10.6**	**21.0**
Receivables from subtenants and business partners	1.2	4.5
Other	9.2	4.6
Other receivables	**10.4**	**9.1**
Total	**59.4**	**48.8**
Allowances	–	(1.5)
Total	**59.4**	**47.3**

MOVEMENT IN ALLOWANCES

IN MILLIONS OF USD	2017	2016
Balance at January 1	**(1.5)**	**(2.1)**
Creation	–	(1.3)
Utilized	1.5	1.9
Balance at December 31	**–**	**(1.5)**

26. SHARE-BASED PAYMENTS

SHARE PLAN OF DUFRY AG

On December 1, 2017, Dufry granted to the members of the Group Executive Committee (GEC) and selected members of the senior management the Award 2017 consisting of 24,474 PSU units. The PSU Award 2017 has a contractual life of 29 months and will vest on May 4, 2020. At grant date the fair value of one PSU Award 2017 represents the market value for one Dufry share at that date, i. e. CHF 140.69, adjusted by the probability that participants comply with the ongoing contractual relationship clause. As of December 31, 2017, no PSU Award 2017 forfeited, so that 24,474 PSU Award 2017 remain outstanding.

On October 27, 2016, Dufry granted to Hudson's members of the Group Executive Committee (GEC) and selected members of the senior management the Award 2016 consisting of 27.399 PSU. The Performance Share Unit (PSU) Award 2016 has a contractual life of 26 months and will vest on May 1, 2019. At grant date the fair value of one PSU Award 2016 represents the market value for one Dufry share at that date, i. e. CHF 127.00, adjusted by the probability that participants comply with the ongoing contractual relationship clause. As of December 31, 2017, no PSU Award 2016 forfeited, so that all PSU Award 2016 remain outstanding.

On October 27, 2016, the Board of Directors of Dufry decided, upon proposal by the Remuneration Committee, to pay out half of the 2015 bonus through a share program. Therefore, 26,530 Rights to Receive Shares (RRS) were awarded to selected members of the senior management of Hudson. These RRS have a contractual life of 26 months and will vest on January 1, 2019. At grant date the fair value of one RRS represents the market value for one Dufry share at that date, i. e. CHF 127.00, adjusted by the probability that participants comply with the ongoing contractual relationship clause. As of December 31, 2017, no RRS forfeited, so that all RRS remain outstanding.

One PSU (Award 2017 or Award 2016) will give the right to the holders to receive free of charge up to 1.5 (2016: 2) Dufry shares depending on the effective cumulative amount of cash earnings per share (Cash EPS) reached by Dufry during the years of award and the following two years compared with the target (2017: CHF 25.97, 2016: CHF 24.59). The Cash EPS equals the basic Earnings per Share adjusted for amortization of intangible assets identified during business combinations and non-recurring effects. If at vesting the cumulative adjusted Cash EPS is at target level, each PSU grants one share. If the cumulative adjusted Cash EPS is at 150 % of the target (maximum threshold) or above, each PSU grants 1.5 (2016: 2) shares at vesting, and if the adjusted Cash EPS is at 50 % of the target (minimum threshold) or below, no share will be granted at vesting. If the adjusted Cash EPS is between 50 % and 150 % of the target, the number of shares granted for each PSU will be allocated on a linear basis. Additionally, the allocation of shares is subject to an ongoing contractual relationship of the participant with Dufry throughout the vesting period. Holders of PSU are not entitled to vote or receive dividends, like shareholders do.

One RRS (Award 2016) will give the right to the holders to receive free of charge one Dufry share subject to an ongoing contractual relationship with Dufry throughout the vesting period (Award 2016 until January 1, 2019). Holders of these rights are not entitled to vote or receive dividends, like shareholders do.

With the Award 2015 Dufry granted to the members of the GEC 22,715 PSU options. One PSU gave the right to receive on May 3, 2018, free of charge, up to two shares, based on the performance achieved by Dufry. For the PSU Award 2015, the performance was measured based on the target Cash EPS of CHF 24.42 to be achieve over the three-year period 2015 – 2017 as described for the awards mentioned above. In May 2018 the PSU award 2015 will vest and Dufry will assign 0.926 Dufry shares per PSU award 2015 as during the preceding three-year period the effectively cash EPS achieved was of CHF 23.51, making a total of 21,034 shares.

In 2017 Hudson recognized through profit and loss share-based payment expenses for a total of USD 4.6 (2016: 1.2) million.

27. BREAKDOWN OF TRANSACTIONS WITH NON-CONTROLLING INTERESTS

The following table reflects increase in share capital of companies with non-controlling interests that have been recognized in equity attributable to non-controlling interests at fair value:

IN MILLIONS OF USD	2017	2016
HG Midway JV	2.2	–
WDFG Partners Duty Free LLC	1.4	–
HG Tucson Retailers JV	1.4	–
Dufry MSP Retailers JV	1.1	0.2
Increase in share capital of other subsidiaries	4.9	5.3
Total	**11.0**	**5.5**

28. INFORMATION ON COMPANIES WITH NON-CONTROLLING INTERESTS

The non-controlling interests (NCI) comprise the portions in equity and net earnings in 100 (Dec. 2017) subsidiaries that are not fully owned by the Group.

The list of subsidiaries (refer to the last note of these financial statements) provides the following information of subsidiaries with NCI's: name, principal place of business by country, the proportion of ownership hold by the Group and the share capital (if applicable).

Our non-controlling interests consists of partners in either common law partnerships or LLC's (collectively, "Joint Ventures"). Our partners own percentages of the Joint Ventures and are therefore entitled to distributions of net earnings. While there is some variation among our agreements, it is generally the case that the Executive Management Committee, controlled by Hudson's majority of representatives, is obligated to distribute, each quarter, the excess of an appropriate reserve reasonably determined by the committee to be necessary to meet the current and anticipated needs of the Joint Venture. Such distributions are allocated among the partners, Hudson included, based on each partner's percentage interest in the Joint Venture. Distributions are discretionary only to the extent that reserves are reasonably required as above stated.

Each of the Joint Ventures is treated as a separate operating entity and each has its own revenues and expenses. No expenses of Hudson are shared with any Joint Venture but Hudson does receive payments for "back office" services (financial, legal, HR, IT, etc.) that are provided to the Joint Venture by Hudson in amounts typically calculated as a percentage of the gross revenues of the Joint Venture. These amounts are stated in each Joint Venture agreement and vary by agreement. They are established at the time of agreement by calculating the internal cost for the services as a percentage of Hudson's gross revenues and that percentage of the Joint Venture gross revenue is inserted in the Joint Venture agreement as Hudson's compensation. Such payments are fees for services and not shared expenses.

In addition to the above, Hudson receives occasional, specific reimbursement for certain special services rendered and / or payroll expended on specific projects. Store openings are an example. Large numbers of Hudson personnel are made available to a Joint Venture in order to complete tasks in a mandated time frame that would be impossible to meet with the Joint Venture's own employees.

With the exception of the one presented in the following tables, none of the subsidiaries have non-controlling interests that are material for the Group.

Summarized statement of comprehensive income

IN MILLIONS OF USD	2017	2016	2015
Hudson Las Vegas JV			
Turnover	67.1	64.6	64.8
Depreciation, amortization and impairment	(1.3)	(1.4)	(0.8)
Net earnings for the year	**10.9**	**9.6**	**11.1**
Non-controlling interest	27 %	27 %	27 %
Non-controlling interest share of the net earnings Hudson Las Vegas	**2.9**	**2.6**	**3.0**
Non-controlling interests in other subsidiaries	26.9	23.7	23.0
Total comprehensive income attributable to NCI	**29.8**	**26.3**	**26.0**

Summarized statement of financial position

IN MILLIONS OF USD	DEC 31, 2017	DEC 31, 2016	31.12.2015
Hudson Las Vegas JV			
Cash and cash equivalents	5.2	4.1	6.5
Other current assets	7.2	8.0	5.4
Non-current assets	9.4	8.9	9.0
Other current liabilities	(3.5)	(3.5)	(4.5)
Net assets	**18.3**	**17.5**	**16.4**
Non-controlling interest	27 %	27 %	27 %
Non-controlling interest share of the equity Hudson Las Vegas	**4.9**	**4.7**	**4.4**
Non-controlling interests in other subsidiaries	73.8	67.5	63.4
Total net assets attributable to NCI	**78.7**	**72.2**	**67.8**

29. FINANCIAL DEBT

IN MILLIONS OF USD	DEC 31, 2017	31.12.2016
Bank debt (overdrafts)	–	1.5
Related party loans	80.7	–
Financial debt, short-term	**80.7**	**1.5**
Related party loans	520.4	475.2
Financial debt, long-term	**520.4**	**475.2**
Total	**601.1**	**476.7**
OF WHICH ARE		
Bank debt	–	1.5
Related party loans	601.1	475.2

The related party long-term loans (refer to note 32) are denominated in USD and CAD. The interest rate for USD loans in 2017 was 5.9% (2016: 5.9%). The interest rate for CAD loans in 2017 was 3.9%.

DETAILED CREDIT FACILITIES

Dufry, jointly with Hudson, negotiates and manages its key credit facilities centrally and then provides intercompany financing to its subsidiaries. Minor credit lines at local level are kept for practical reasons. Hudson's credit lines are with Credit Agricole and Bank of America.

NET DEBT

IN MILLIONS OF USD	CASH AND CASH EQUIVALENTS	FINANCIAL DEBT CURRENT	FINANCIAL DEBT NON-CURRENT	NET DEBT
Balance at January 1, 2017	**187.6**	**1.5**	**475.2**	**289.1**
Cash flows from operating, financing and investing activities	(51.1)	–	–	51.1
Repayments of financial debt	–	(21.5)	(6.5)	(28.0)
Loan from common control transaction	–	103.1	51.6	154.7
Cash flow	**(51.1)**	**81.6**	**45.1**	**177.8**
Currency translation adjustments	0.9	(2.4)	0.1	(3.2)
Non-cash movements	**0.9**	**(2.4)**	**0.1**	**(3.2)**
Balance at December 31, 2017	**137.4**	**80.7**	**520.4**	**463.7**

IN MILLIONS OF USD	CASH AND CASH EQUIVALENTS	FINANCIAL DEBT CURRENT	FINANCIAL DEBT NON-CURRENT	NET DEBT
Balance at January 1, 2016	**160.4**	**0.9**	**483.1**	**323.6**
Cash flows from operating, financing and investing activities	26.1	–	–	(26.1)
Repayments of financial debt	–	–	(7.3)	(7.3)
Loan from common control transaction	–	–	–	–
Cash flow	**26.1**	**–**	**(7.3)**	**(33.4)**
Currency translation adjustments	1.1	0.6	(0.6)	(1.1)
Non-cash movements	**1.1**	**0.6**	**(0.6)**	**(1.1)**
Balance at December 31, 2016	**187.6**	**1.5**	**475.2**	**289.1**

IN MILLIONS OF USD	CASH AND CASH EQUIVALENTS	FINANCIAL DEBT CURRENT	FINANCIAL DEBT NON-CURRENT	NET DEBT
Balance at January 1, 2015	**104.5**	**–**	**473.6**	**369.1**
Cash flows from operating, financing and investing activities	54.5	–	–	(54.5)
Business combinations (acquisitions)	4.3	1.0	–	(3.3)
Repayments of financial debt	–	0.9	(10.9)	(10.0)
Loan from common control transaction	–	–	–	–
Cash flow	**58.8**	**1.9**	**(10.9)**	**(67.8)**
Currency translation adjustments	(2.9)	(1.0)	(0.1)	1.8
Non-cash movements	**(2.9)**	**(1.0)**	**(0.1)**	**1.8**
Other non-cash transactions *	–	–	20.5	20.5
Balance at December 31, 2015	**160.4**	**0.9**	**483.1**	**323.6**

* Related to the acquisition of the Nuance Group AG, (USA)

30. OTHER LIABILITIES

IN MILLIONS OF USD	DEC 31, 2017	31.12.2016
Personnel payables	38.8	39.2
Other service related vendors	23.3	51.3
Accrued liabilities	16.5	11.8
Concession fee payables	12.8	18.9
Sales tax and other tax liabilities	11.9	12.5
Payables for capital expenditure	11.1	14.4
Accrued lease expenses	2.0	–
Payables to Joint Venture partners	0.8	1.0
Other payables	14.9	19.9
Total	**132.1**	**169.0**
THEREOF		
Current liabilities	132.1	167.9
Non-current liabilities	–	1.1
Total	**132.1**	**169.0**

31. POST-EMPLOYMENT BENEFIT OBLIGATIONS

Hudson provides retirement benefits through defined contribution pension plans which are funded by regular contributions made by the employer and the employees to a third-party. As of December 31, 2017, the discretionary credit balance was USD 0.9 million.

32. 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 the Group, 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 the Group or close members of the family are also considered related parties.

The following tables reflect related party transactions and transactions with associated companies:

Statement of comprehensive income

IN MILLIONS OF USD	2017	2016	2015
PURCHASE OF GOODS FROM			
International Operations & Services (USA)	–	37.2	38.4
International Operation & Services (UY) SA	67.4	27.3	7.9
Hudson News Distributors[1]	12.2	15.6	19.2
Hudson RPM[1]	8.5	5.0	4.3
PURCHASE OF SERVICES FROM			
Dufry International AG, Franchise fees expense	(50.6)	(42.9)	(35.9)
World Duty Free Group SA, Franchise fees expense	–	(7.2)	(6.5)
Nuance Group AG, Franchise fees expense	–	–	(1.8)
Dufry Finance SNC, Interest expenses	–	(26.6)	(24.6)
Dufry International AG, Interest expenses	(28.6)	(2.5)	(0.2)
Dufry Financial Services B.V., Interest expenses	(0.9)	–	–
Dufry Management AG, IT expenses	(1.3)	–	–
World Duty Free Group SA, Service fee expenses	(0.2)	–	–
OTHER OPERATIONAL INCOME FROM			
Dufry International AG, Debt waiver	9.4	–	–
SALES OF SERVICES TO			
Nuance Group (Chicago) LLC[2]	0.9	–	–

[1] Hudson News Distributors and Hudson RPM are controlled by James S. Cohen, a member of Hudson's board of directors

[2] Transactions with associated companies

Statement of financial position

IN MILLIONS OF USD	2017	2016
ACCOUNTS RECEIVABLES AT DECEMBER 31		
Hudson RPM, other receivables[1]	0.8	–
Nuance Group (Chicago) LLC[2]	0.1	–
ACCOUNTS PAYABLES AT DECEMBER 31		
Dufry International AG, Loans payable, long-term	468.7	475.2
Dufry International AG, Loans payable, short-term	13.1	–
Dufry Financial Services B.V., Loans payable, long-term	51.7	–
Dufry Financial Services B.V., Loans payable, short-term	67.6	–
International Operations & Services (USA), trade payables	–	14.8
International Operation & Services (UY) SA, trade payables	31.5	13.9
Hudson News Distributors, trade payables[1]	0.1	0.9
Hudson RPM, trade payables[1]	–	0.5
Dufry International AG, Fee payables	1.8	50.5
Dufry International AG, Other payables	7.2	7.6
Dufry Financial Services B.V., Other payables	0.2	–
World Duty Free Group UK Ltd, Other payables	0.3	–
Dufry Management AG, Fee payables	0.1	–
Dufry Management AG, Other payables	0.3	–

1 Hudson News Distributors and Hudson RPM are controlled by James S. Cohen, a member of Hudson's board of directors

2 Transactions with associated companies

Board members and executives

The compensation to key executives for the services provided during the respective years include all forms of consideration paid, payable or provided by the Group, including compensation in Dufry shares as follows:

IN MILLIONS OF USD	2017	2016	2015
Salaries	3.6	3.2	3.0
Variable payment	2.9	2.7	2.5
Non-monetary benefits	0.1	0.1	0.1
Share based payments	4.6	0.6	0.6
Total	**11.2**	**6.6**	**6.2**

During this period the Group had no board members.

33. COMMITMENTS AND CONTINGENCIES

GUARANTEE COMMITMENTS

Some long-term concession agreements, which Hudson has entered into, include obligations to fulfil minimal lease payments during the full term of the agreement. The lease payments to airports or terminals are also called concession fees. Some of these agreements have been backed with guarantees provided by Hudson or a financial institution. During the years 2017, 2016 or 2015, no party has exercised their right to call upon such guarantees.

LEASE INCOME / (EXPENSE)

Lease payments under operating leases have been recognized as an expense for the periods up to December 31, 2017. All accrued, but still unpaid concession fees are presented as liabilities in the statement of financial position.

The Group recognized the following lease and sublease as an income / (expense) in the period:

IN MILLIONS OF USD	2017	2016	2015
Minimum lease payments	(262.4)	(206.6)	(170.0)
Variable rent	(136.7)	(168.7)	(137.0)
Concession fees expense (note 8)	**(399.1)**	**(375.3)**	**(307.0)**
Sublease income (note 8)	11.6	11.9	7.3

Such fees are usually determined in proportion to sales and require a minimal payment, which varies by contract / agreement.

Expected income / (expense)

The total of future minimum lease payments under non-cancellable operating leases for each of the following years are as follows:

IN MILLIONS OF USD	FUTURE EXPENSES
Not later than one year	276.7
Later than one year and not later than five years	894.3
Later than five years	536.2
Total	**1,707.2**

The total of future minimum sublease payments expected to be received under non-cancellable subleases at the end of the reporting period are USD 35.5 million.

34. FAIR VALUE MEASUREMENT

FAIR VALUE OF FINANCIAL INSTRUMENTS CARRIED AT AMORTIZED COST

The fair value measurement hierarchy of Hudson's assets and liabilities, that are measured subsequent to initial recognition at fair value, are 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).

As of December 31, 2017 and 2016, Hudson Group did not hold any financial assets or liabilities which need to be re-measured at fair value. The Group's other financial assets and liabilities for which fair values are to be disclosed qualify as Level 2 fair value measurements. Their book values represent a fair approximation of their fair values. There were no transfers between Levels 1 and 2 during the period.

35. FINANCIAL INSTRUMENTS

Significant accounting policies are described in note 2.3 and 4.

35.1 CAPITAL RISK MANAGEMENT

Capital comprises equity attributable to the equity holders of the parent adjusted for effects from transactions with non-controlling interests.

The primary objective of Hudson'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.

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

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

35.1.1 Gearing ratio

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

IN MILLIONS OF USD	DEC 31, 2017	DEC 31, 2016
Cash and cash equivalents	(137.4)	(187.6)
Financial debt, short-term	80.7	1.5
Financial debt, long-term	520.4	475.2
Net debt	**463.7**	**289.1**
Equity attributable to equity holders of the parent	493.7	658.2
ADJUSTED FOR		
Effects from transactions with non-controlling interests [1]	0.8	0.4
Total capital [2]	**494.5**	**658.6**
Total net debt and capital	**958.2**	**947.7**
Gearing ratio	**48.4%**	**30.5%**

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

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

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

35.2 CATEGORIES OF FINANCIAL INSTRUMENTS

AT DECEMBER 31, 2017	FINANCIAL ASSETS				
IN MILLIONS OF USD	Loans and receivables	at FVTPL[1]	SUBTOTAL	NON-FINANCIAL ASSETS[2]	TOTAL
Cash and cash equivalents	137.4	–	137.4	–	137.4
Trade receivables	4.6	–	4.6	–	4.6
Other accounts receivable	43.3	–	43.3	16.1	59.4
Other non-current assets	24.9	–	24.9	–	24.9
Total	**210.2**	**–**	**210.2**		

	FINANCIAL LIABILITIES				
IN MILLIONS OF USD	at amortized cost	at FVTPL[1]	SUBTOTAL	NON-FINANCIAL LIABILITIES[2]	TOTAL
Trade payables	97.1	–	97.1	–	97.1
Financial debt short-term	80.7	–	80.7	–	80.7
Other liabilities	94.0	–	94.0	38.1	132.1
Financial debt long-term	520.4	–	520.4	–	520.4
Other non-current liabilities	–	–	–	–	–
Total	**792.2**	**–**	**792.2**		

AT DECEMBER 31, 2016	FINANCIAL ASSETS				
IN MILLIONS OF USD	Loans and receivables	at FVTPL[1]	SUBTOTAL	NON-FINANCIAL ASSETS[2]	TOTAL
Cash and cash equivalents	187.6	–	187.6	–	187.6
Trade receivables	8.2	–	8.2	–	8.2
Other accounts receivable	26.2	–	26.2	21.1	47.3
Other non-current assets	24.4	–	24.4	6.7	31.1
Total	**246.4**	**–**	**246.4**		

	FINANCIAL LIABILITIES				
IN MILLIONS OF USD	at amortized cost	at FVTPL[1]	SUBTOTAL	NON-FINANCIAL LIABILITIES[2]	TOTAL
Trade payables	91.3	–	91.3	–	91.3
Financial debt short-term	1.5	–	1.5	–	1.5
Other liabilities	143.7	–	143.7	24.2	167.9
Financial debt long-term	475.2	–	475.2	–	475.2
Other non-current liabilities	1.1	–	1.1	–	1.1
Total	**712.8**	**–**	**712.8**		

[1] Financial assets and financial liabilities at fair value through profit and loss

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

35.2.1 Net income by IAS 39 valuation category

Financial Assets at December 31, 2017

IN MILLIONS OF USD	LOANS AND RECEIVABLES	AT FVTPL	TOTAL
Interest income	1.8	–	1.8
Other finance income	0.1	–	0.1
From interest	**1.9**	**–**	**1.9**
Foreign exchange gain (loss)[1]	1.1	–	1.1
Impairments / allowances[2]	0.3	–	0.3
Total – from subsequent valuation	**1.4**	**–**	**1.4**
Net (expense) / income	**3.3**	**–**	**3.3**

Financial Liabilities at December 31, 2017

IN MILLIONS OF USD	AT AMORTIZED COST	AT FVTPL	TOTAL
Interest expenses	(29.4)	–	(29.4)
Other finance expenses	(0.5)	–	(0.5)
From interest	**(29.9)**	**–**	**(29.9)**
Foreign exchange gain (loss)[1]	0.2	–	0.2
Total – from subsequent valuation	**0.2**	**–**	**0.2**
Net (expense) / income	**(29.7)**	**–**	**(29.7)**

[1] This position includes the foreign exchange gain (loss) recognized on third party and intercompany financial assets and liabilities through combined statement of comprehensive income

[2] This position includes the income from the released impairments and allowances and recoveries during the period less the increase of impairments and allowances

Financial Assets at December 31, 2016

IN MILLIONS OF USD	LOANS AND RECEIVABLES	AT FVTPL	TOTAL
Interest income	1.6	–	1.6
Other finance income	0.5	–	0.5
From interest	**2.1**	**–**	**2.1**
Foreign exchange gain (loss) [1]	(0.3)	–	(0.3)
Impairments / allowances [2]	(1.5)	–	(1.5)
Total – from subsequent valuation	**(1.8)**	**–**	**(1.8)**
Net (expense) / income	**0.3**	**–**	**0.3**

Financial Liabilities at December 31, 2016

IN MILLIONS OF USD	AT AMORTIZED COST	AT FVTPL	TOTAL
Interest expenses	(29.1)	–	(29.1)
Other finance expenses	(0.5)	–	(0.5)
From interest	**(29.6)**	**–**	**(29.6)**
Foreign exchange gain (loss) [1]	(0.1)	–	(0.1)
Total – from subsequent valuation	**(0.1)**	**–**	**(0.1)**
Net expense	**(29.7)**	**–**	**(29.7)**

[1] This position includes the foreign exchange gain (loss) recognized on third party and intercompany financial assets and liabilities through combined statement of comprehensive income

[2] This position includes the income from the released impairments and allowances and recoveries during the period less the increase of impairments and allowances

35.3 FINANCIAL RISK MANAGEMENT OBJECTIVES

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

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

35.4 MARKET RISK

Hudson's financial assets and liabilities are mainly exposed to market risk in foreign currency exchange and interest rates. Hudson's objective is to minimize the statement of comprehensive income 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, Hudson may use financial instruments to hedge the respective exposure.

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

During the current financial year Hudson has not utilized foreign currency forward contracts and options for hedging purposes.

35.5 FOREIGN CURRENCY RISK MANAGEMENT

Hudson 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 may be hedged through foreign exchange forwards contracts.

35.5.1 Foreign currency sensitivity analysis

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

Foreign Currency Exposure

IN MILLIONS OF USD	USD[1]	EURO	CAD	CHF	TOTAL
DECEMBER 31, 2017					
Monetary assets	0.6	–	3.7	–	4.3
Monetary liabilities	6.3	0.1	–	0.2	6.6
Net currency exposure	**(5.7)**	**(0.1)**	**3.7**	**(0.2)**	**(2.3)**
DECEMBER 31, 2016					
Monetary assets	0.1	10.3	–	–	10.4
Monetary liabilities	18.6	0.2	–	0.9	19.7
Net currency exposure	**(18.5)**	**10.1**	**–**	**(0.9)**	**(9.3)**

[1] USD held by Canadian subsidiaries

The sensitivity analysis includes all monetary assets and liabilities held by each Group company irrespective of whether the positions are third party or intercompany.

The foreign exchange rate sensitivity is calculated by aggregation of the net foreign exchange rate exposure of Hudson entities at December 31 of the respective year. The values and risk disclosed here are the hedged and not hedged positions assuming a 5% appreciation of the USD against all other currencies.

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

IN MILLIONS OF USD	DEC 31, 2017	DEC 31, 2016
Effect on the Statement of Comprehensive Income – profit (loss) of USD	(0.3)	(0.9)
Effect on the Statement of Comprehensive Income – profit (loss) of CAD	0.2	–
Effect on the Statement of Comprehensive Income – profit (loss) of EUR	–	0.5

35.6 INTEREST RATE RISK MANAGEMENT

35.6.1 Allocation of financial assets and liabilities to interest classes

	IN %		IN MILLIONS OF USD				
AT DECEMBER 31, 2017	Average variable interest rate	Average fixed interest rate	Variable interest rate	Fixed interest rate	Total interest bearing	Non-interest bearing	TOTAL
Cash and cash equivalents	0.1%		6.6	–	6.6	130.8	137.4
Trade receivables			–	–	–	4.6	4.6
Other accounts receivable			–	–	–	43.3	43.3
Other non-current assets	7.3%		19.2	–	19.2	5.7	24.9
Financial assets			**25.8**	**–**	**25.8**	**184.4**	**210.2**
Trade payables			–	–	–	97.1	97.1
Financial debt, short-term			–	–	–	80.7	80.7
Other liabilities			–	–	–	94.0	94.0
Financial debt, long-term		5.7%	–	520.4	520.4	–	520.4
Other non-current liabilities			–	–	–	–	–
Financial liabilities			**–**	**520.4**	**520.4**	**271.8**	**792.2**
Net financial liabilities			**(25.8)**	**520.4**	**494.6**	**87.4**	**582.0**

	IN %		IN MILLIONS OF USD				
AT DECEMBER 31, 2016	Average variable interest rate	Average fixed interest rate	Variable interest rate	Fixed interest rate	Total interest bearing	Non-interest bearing	TOTAL
Cash and cash equivalents	0.1%		184.8	–	184.8	2.8	187.6
Trade receivables			–	–	–	8.2	8.2
Other accounts receivable			–	–	–	26.2	26.2
Other non-current assets	7.0%		22.5	–	22.5	1.9	24.4
Financial assets			**207.3**	**–**	**207.3**	**39.1**	**246.4**
Trade payables			–	–	–	91.3	91.3
Financial debt, short-term			–	–	–	1.5	1.5
Other liabilities			–	–	–	143.7	143.7
Financial debt, long-term		5.9%	–	475.2	475.2	–	475.2
Other non-current liabilities			–	–	–	1.1	1.1
Financial liabilities			**–**	**475.2**	**475.2**	**237.6**	**712.8**
Net financial liabilities			**(207.3)**	**475.2**	**267.9**	**198.5**	**466.4**

35.7 CREDIT RISK MANAGEMENT

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

Almost all Hudson sales are retail sales made against cash or internationally recognized credit / debit cards. The remaining credit risk is in relation to taxes, refunds from suppliers and guarantee deposits.

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

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

35.7.1 Maximum credit risk

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

35.8 LIQUIDITY RISK MANAGEMENT

Hudson 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, Hudson, jointly with Dufry, mitigates liquidity risk by keeping unused credit facilities with financial institutions (see note 29).

35.8.1 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 Hudson can receive or be required to pay).

The following tables include principal and interest cash flows.

AT DECEMBER 31, 2017 IN MILLIONS OF USD	1 – 6 MONTHS	6 – 12 MONTHS	1 – 2 YEARS	MORE THAN 2 YEARS	TOTAL
Cash and cash equivalents	137.5	–	–	–	137.5
Trade receivables	4.6	–	–	–	4.6
Other accounts receivable	43.3	–	–	–	43.3
Other non-current assets	0.8	0.8	3.0	24.9	29.5
Total cash inflows	**186.2**	**0.8**	**3.0**	**24.9**	**214.9**
Trade payables	97.1	–	–	–	97.1
Financial debt, short-term	13.1	67.6	–	–	80.7
Other liabilities	94.0	–	–	–	94.0
Financial debt, long-term	14.9	17.9	29.8	609.6	672.2
Other non-current liabilities	–	–	–	–	–
Total cash outflows	**219.1**	**85.5**	**29.8**	**609.6**	**944.0**

AT DECEMBER 31, 2016 IN MILLIONS OF USD	1–6 MONTHS	6–12 MONTHS	1–2 YEARS	MORE THAN 2 YEARS	TOTAL
Cash and cash equivalents	187.8	–	–	–	187.8
Trade receivables	8.2	–	–	–	8.2
Other accounts receivable	26.2	–	–	–	26.2
Other non-current assets	–	–	–	29.1	29.1
Total cash inflows	**222.2**	**–**	**–**	**29.1**	**251.3**
Trade payables	91.3	–	–	–	91.3
Financial debt, short-term	1.5	–	–	–	1.5
Other liabilities	143.7	–	–	–	143.7
Financial debt, long-term	14.1	14.1	28.2	582.2	638.6
Other non-current liabilities	–	–	–	1.1	1.1
Total cash outflows	**250.6**	**14.1**	**28.2**	**583.3**	**876.2**

36. EVENTS AFTER REPORTING DATE

Prior to the completion of the initial public offering, Dufry International AG Switzerland created Hudson Ltd. Bermuda a fully owned subsidiary to hold all the shares of Dufry America Holding Inc., the parent entity of the Hudson Group in the USA and Canada, as well as Nuance Group (Canada) Inc., the parent entity of World Duty Free Group (Vancouver) Inc..

On January 31, 2018 the initial public offering (IPO) took place in which Dufry International AG offered 42.6 % or 39,417,765 Class A common shares of Hudson Ltd. at a public offering price of USD 19.00 per share, adding up to total consideration received by Dufry International AG of USD 714.4 million after underwriting discounts and commissions, but before expenses. The shares began trading on the New York Stock Exchange on February 1, 2018, under the ticker symbol "HUD." Dufry will use the proceeds mainly to reduce the bank debt. The related over-allotment option was not exercised.

LIST OF SUBSIDIARIES

R = Retail **H = Holding**

AS OF DECEMBER 31,2017	LOCATION	COUNTRY	TYPE	OWNER-SHIP IN %	SHARE CAPITAL IN THOUSANDS	CURRENCY
UNITED STATES OF AMERICA						
Hudson-Garza Albuquerque JV	Albuquerque	USA	R	80	–	USD
Hudson-Northwind Anchorage JV	Anchorage	USA	R	90	–	USD
Atlanta WDFG TAC ATL Retail LLC	Atlanta	USA	R	86	–	USD
Atlanta WDFG LTL ATL JV LLC	Atlanta	USA	R	70	–	USD
AMS-TE Atlantic City JV	Atlantic City	USA	R	85	–	USD
Hudson Birmingham JV	Birmingham	USA	R	70	–	USD
HG Logan Retailers JV	Boston	USA	R	80	–	USD
HG Burbank JV	Burbank	USA	R	88	–	USD
HG Burlington, JV	Burlington	USA	R	90	–	USD
HG-BW Charleston JV	Charleston	USA	R	90	–	USD
Hudson News O'Hare JV	Chicago	USA	R	70	–	USD
HG Midway JV	Chicago	USA	R	65	–	USD
Dufry O'Hare T5 JV	Chicago	USA	R	80	–	USD
Hudson O'Hare T5 JV	Chicago	USA	R	80	–	USD
Hudson Cleveland JV	Cleveland	USA	R	70	–	USD
HG-Multiplex-Regali Dallas JV	Dallas	USA	R	75	–	USD
Hudson-Retail Dallas JV	Dallas	USA	R	75	–	USD
Dallas Love Field WDFG-Love Field Partners II LLC	Dallas	USA	R	51	–	USD
WDFG-Aranza / Howell D2-14, LLC	Dallas	USA	R	65	–	USD
WDFG-Aranza / Howell D2-13, LLC	Dallas	USA	R	60	–	USD
Dallas Fort WDFG-Howell Mickens JV	Dallas	USA	R	65	–	USD
HG-Regali DFW JV	Dallas FW	USA	R	65	–	USD
HG DFW Retailers JV	Dallas FW	USA	R	65	–	USD
HG Multiplex DFW JV	Dallas FW	USA	R	65	–	USD
Dallas Fort Worth – WDFG-Howell Mickens Terminal A – Retail I J	Dallas FW	USA	R	65	–	USD
Detroit WDFG Detroit & Partners LLC	Delaware	USA	R	80	–	USD
HG Denver JV	Denver	USA	R	76	–	USD
Denver Duty Free JV	Denver	USA	R	67	–	USD
WDFG Partners Duty Free LLC (Detroit)	Detroit	USA	R	75	–	USD
HG Grand Rapid Retailers JV	Grand Rapids	USA	R	90	–	USD
Hudson BW GSP JV	Greenville	USA	R	80	–	USD
WDFG Houston 8 2014 LLC	Houston	USA	R	60	–	USD
Houston WDFG Branch McGowen HOU, LLC	Houston	USA	R	64	–	USD
Dufry Houston Duty Free Partnership	Houston	USA	R	100	–	USD
Hudson Las Vegas, JV	Las Vegas	USA	R	73	–	USD
Nuance Group Las Vegas Partnership	Las Vegas	USA	R	73	850	USD
Little Rock World Duty Free Group Adevco Joint Venture	Little Rock	USA	R	70	–	USD
HG Magic Concourse TBIT	Los Angeles	USA	R	68	–	USD
Airport Management Services LLC	Los Angeles	USA	H / R	100	–	USD
Hudson-Magic Johnson Ent. CV LLC	Los Angeles	USA	R	91	–	USD
LAX Retail Magic 2 JV	Los Angeles	USA	R	73	–	USD
LAX Retail Magic 3-4 JV	Los Angeles	USA	R	75	–	USD
HG-LAX T6, JV	Los Angeles	USA	R	68	–	USD
LAX WDFG CA LLC	Los Angeles	USA	R	65	–	USD
HG LAX T3 Retailers JV	Los Angeles	USA	R	63	–	USD
HG Manchester, JV	Manchester	USA	R	90	–	USD
Miami Airport Retail Partners Joint-Venture	Miami	USA	R	70	–	USD

AS OF DECEMBER 31,2017	LOCATION	COUNTRY	TYPE	OWNER-SHIP IN %	SHARE CAPITAL IN THOUSANDS	CURRENCY
AMS-TEI Miami JV	Miami	USA	R	70	–	USD
Dufry MSP Retailers JV.	Minneapolis	USA	R	75	–	USD
Minneapolis-WDFG / ELN MSP Terminal 2 Retail – LLC	Minneapolis	USA	R	90	–	USD
AMS-Watson Mobile JV	Mobile	USA	R	80	–	USD
RDU Air ventures II JV	Morrisville	USA	R	80	–	USD
AMS-Shaw Myrtle Beach JV	Myrtle Beach	USA	R	88	–	USD
AMS-Olympic Nashville JV	Nashville	USA	R	83	–	USD
NEW ORLEANS AIR VENTURES II	New Orleans	USA	R	66	–	USD
Hudson Group (HG) Retail, LLC	New York	USA	H / R	100	–	USD
JFK Air Ventures II JV	New York	USA	R	80	–	USD
Hudson-NIA JFK T1 JV	New York	USA	R	90	–	USD
HG-KCGI-TEI JFK T8 JV	New York	USA	R	85	–	USD
Hudson-Retail NEU LaGuardia JV	New York	USA	R	80	–	USD
Hudson-Keelee JFK 7 JV	New York	USA	R	83	–	USD
AMS-BW Newark JV	Newark	USA	R	70	–	USD
Dufry Newark Inc	Newark	USA	R	100	–	USD
Jimmy Stewart LLC	Newburg	USA	R	100	–	USD
Hudson-NIA Norfolk JV	Norfolk	USA	R	80	–	USD
Hudson-Keys Orlando, JV	Olrando	USA	R	100	–	USD
HG ONT Retailers JV	Ontario	USA	R	88	–	USD
Hudson Newburn AS2 JV	Orlando	USA	R	65	–	USD
AMS of South Florida LLC	Orlando	USA	R	50	–	USD
HG Orlando AS1-JV	Orlando	USA	R	75	–	USD
World Duty Free US Inc	Orlando	USA	R	100	–	USD
HG PHL Retailers JV	Philadelphia	USA	R	65	–	USD
HG Phoenix Retailers, JV	Phoenix	USA	R	70	–	USD
Dufry Phoenix Retailers JV	Phoenix	USA	R	70	–	USD
Phoenix WDFG Joint Venture	Phoenix	USA	R	70	–	USD
WDFG Portland Retailers JV	Portland	USA	R	96	–	USD
AMS-NIA Richmond JV	Richmond	USA	R	80	–	USD
Hudson-NIA Rochester JV	Rochester	USA	R	85	–	USD
San Antonio WDFG-Houston 8 San Antonio JV	San Antonio	USA	R	63	–	USD
Hudson-CV-Epicure-Martinez JV	San Diego	USA	R	71	–	USD
WDFG North America LLC	San Francisco	USA	H	100	–	USD
HG SFO Retailers JV	San Francisco	USA	R	80	–	USD
AMS-SJC JV	San Jose	USA	R	91	–	USD
Hudson Sanford JV	Sanford	USA	R	100	–	USD
John Wayne NG-AC JV	Santa Ana	USA	R	81	–	USD
Seattle Air Ventures	Seattle	USA	R	75	–	USD
Dufry Seattle JV	Seattle	USA	R	88	–	USD
HG St. Louis JV II.	St Louis	USA	R	69	–	USD
HG St Louis JV	St. Louis	USA	R	70	–	USD
WDFG-Transglobal TPA JV	Tampa	USA	R	70	–	USD
HG DFW Retailers P7 JV	Tampa	USA	R	65	–	USD
HG Tampa JV	Tampa	USA	R	76	–	USD
HG Tucson Retailers JV	Tucson	USA	R	70	–	USD
HG Tulsa Retailers JV	Tulsa	USA	R	90	–	USD
HG National JV	Virginia	USA	R	70	–	USD
CANADA						
TNG (Canada) Inc.	Toronto	Canada	R	100	13,260	CAD
WDFG Vancouver LP	Vancouver	Canada	R	100	9,500	CAD
Hudson Group Canada Inc	Vancouver	Canada	R	100	–	CAD
AMS Canada, Vancouver Int. Airport	Vancouver	Canada	R	100	–	CAD

Report of Independent Registered Public Accounting Firm

To the Shareholders and Board of Directors of Hudson Ltd.

Opinion on the Financial Statements

We have audited the accompanying combined statements of financial position of Hudson Group (the Company) as of December 31, 2017 and 2016, and the related combined statements of comprehensive income, changes in equity and cash flows for each of the three years in the period ended December 31, 2017, and the related notes (collectively referred to as the "financial statements"). In our opinion, the financial statements present fairly, in all material respects, the combined financial position of the Company at December 31, 2017 and 2016, and the combined results of its operations and its cash flows for each of the three years in the period ended December 31, 2017, in conformity with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Overshight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

/s/ Ernst & Young AG

We have served as the Company's auditor since 2017.

Basel, Switzerland
March 15, 2018