Hudson
A DUFRY Company

Turning the World of Travel Into a World of Opportunity

HUDSON INTERIM REPORT MARCH 2020

HUDSON LTD.

INTERIM REPORT MARCH 2020

CONTENT

HUDSON

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

General information and forward-looking statements

The following Management's Discussion and Analysis should be read in conjunction with the interim consolidated financial statements and notes thereto included as part of this report and the Company's Annual Report filed on Form 20-F. This interim report contains "forward-looking statements". Forward-looking statements are based on our beliefs and assumptions and on information currently available to us, and include, without limitation, statements regarding our business, financial condition, strategy, results of operations, certain of our plans, objectives, assumptions, expectations, prospects and beliefs, the effects of the novel coronavirus (COVID-19) on the demand for air and other travel, our supply chain, as well as the impact on our business, financial condition and results of operations and statements regarding other future events or prospects. Forward-looking statements include all statements that are not historical facts and can be identified by the use of forward-looking terminology such as the words "believe", "expect", "plan", "intend", "seek", "anticipate", "estimate", "predict", "potential", "assume", "continue", "may", "will", "should", "could", "shall", "risk" or the negative of these terms or similar expressions that are predictions of or indicate future events and future trends. By their nature, forward-looking statements involve risks and uncertainties because they relate to events and depend on circumstances that may or may not occur in the future. We caution you that forward-looking statements are not guarantees of future performance and that our actual results of operations, financial condition and liquidity, the development of the industry in which we operate and the effect of acquisitions on us may differ materially from those made in or suggested by the forward-looking statements contained in this interim report. In addition, even if our results of operations, financial condition and liquidity, the development of the industry in which we operate and the effect of acquisitions on us are consistent with the forward-looking statements contained in this interim report, those results or developments may not be indicative of results or developments in subsequent periods. Forward-looking statements speak only as of the date they are made, and we do not undertake any obligation to update them in light of new information or future developments or to release publicly any revisions to these statements in order to reflect later events or circumstances or to reflect the occurrence of unanticipated events. Factors that may cause our actual results to differ materially from those expressed or implied by the forward-looking statements in this interim report or that may impact our business and results more generally, include, but are not limited to, the risks described under "Item 3. Key Information – D. Risk factors" of our Annual Report on Form 20-F for the year ended December 31, 2019 which may be accessed through the SEC's website at https://www.sec.gov/edgar. You should read these risk factors before making an investment in our shares.

Overview

Hudson Ltd. ("Hudson" or "the Company"), anchored by our iconic Hudson brand, is a travel experience leader committed to enhancing the journey for travelers every day in the continental United States and Canada. Our first concession opened in 1987 with five Hudson News stores in a single airport in New York City and today, our reach expands to airports, commuter hubs, and some of the most visited landmarks and tourist destinations in the world. In everything we do, we are guided by a unifying core purpose: to be "The Traveler's Best Friend." It is this guiding purpose that has allowed us to meet the evolving needs of the traveler through product offerings and store concepts centered on the four pillars of our business: travel convenience, specialty retail, duty free, and food and beverage. Through our unwavering dedication to this purpose, as part of the global Dufry Group, we have become one of the largest travel concession operators in the continental United States and Canada.

Our business is impacted by fluctuations in economic activity and traveler volumes in the continental United States and Canada and, to a lesser extent, economic activity and international tourism from around the world. Our turnover is generated by travel-related retail and food and beverage sales and income from advertising activities. Apart from the cost of sales, our operating expense structure consists of lease expenses, lease-related depreciation and interest, personnel expenses and other expenses associated with our retail operations.

COVID-19 Business Update

COVID-19-related concerns, event cancellations, and business and government-imposed restrictions have led to a significant decrease in passenger travel, which has resulted in sharply reduced customer traffic and sales across Hudson's retail stores in North America. Initially impacting only inbound passenger traffic from Asia during the first two months of the year, the global spread of the pandemic resulted in a material adverse impact on our results of operations and financial position by the end of the first quarter. Due to the uncertain timing and extent of a recovery in travel, we expect the adverse impact to grow in the second quarter of 2020. While we are planning for travel demand to begin to increase in the third quarter of 2020, the exact timing and speed of the recovery is uncertain, considering the current state of the overall North American and global economy and uncertainty around future developments relating to COVID-19, including a possible "second wave" of infections. We will continue to review and adjust our expense management and liquidity measures based on the recovery of North American travel.

In order to preserve liquidity, we have implemented and continue to maintain the following actions:

- Temporarily closed more than 700 of our stores in airports, commuter hubs, landmarks, and tourist locations as of April 22, 2020. We have reopened over 100 stores as of June 15, 2020 as stay-at-home restrictions were lifted and passenger travel began to increase in certain areas.
- Reduced a majority of our workforce through temporary furloughs and lay-offs of both field service and support team members.
- Decreased staffing and store hours in certain locations that have remained open.
- Reached agreements with many landlords to abate or defer rents and other payments; continue to work with the remaining landlords.
- Implemented salary reductions for corporate team members and field leadership.
- Reduced capital spend to minimal levels.
- Managed inventory tightly to better align with lower sales levels and reduced working capital needs.
- Reduced all operating expenses to minimal levels.

In addition, to help minimize exposure to and the spread of COVID-19, we have taken a number of steps, including: adhering to guidance provided by the U.S. Centers for Disease Control and Prevention ("CDC") and local; state and federal health officials; equipping stores and warehouses with necessary supplies for enhanced cleaning protocol and personal protection; implementing standardized measures and procedures in stores and offices to enforce social distancing to the fullest extent possible; activating our emergency response team to assess and address potential exposure throughout the Company; and enabling the majority of the corporate support team to work remotely.

RESULTS OF OPERATIONS

Comparison of the quarters ended March 31, 2020 and 2019

The following table summarizes changes in financial performance for the quarter ended March 31, 2020, compared to the quarter ended March 31, 2019:

	FOR THE QUARTER ENDED MARCH 31		PERCENTAGE CHANGE
IN MILLIONS OF USD	2020	2019 RESTATED[1]	in %
Turnover	341.5	445.0	(23.3)
Cost of sales	(128.2)	(161.2)	(20.5)
Gross profit	**213.3**	**283.8**	**(24.8)**
Lease (expenses) / income	(13.5)	(27.7)	(51.3)
Personnel expenses	(96.7)	(115.0)	(15.9)
Other expenses	(37.3)	(40.1)	(7.0)
Other income[2]	2.5	2.7	(7.4)
Depreciation, amortization and impairment	(144.6)	(88.6)	63.2
Operating profit / (loss)	**(76.3)**	**15.1**	**(605.3)**
Finance income	1.0	1.1	(9.1)
Finance expenses	(22.3)	(21.9)	1.8
Foreign exchange gain / (loss)	–	0.3	(100.0)
Profit / (loss) before tax	**(97.6)**	**(5.4)**	**1,707.4**
Income tax benefit	18.9	5.4	250.0
Net profit / (loss)	**(78.7)**	**–**	**N / A**
ATTRIBUTABLE TO[3]			
Non-controlling interests	(1.5)	5.8	(125.9)
Equity holders of the parent	(77.2)	(5.8)	1,231.0

1 The amounts presented for Q1 2019 and the related notes differ from the information reported in the interim consolidated financial statements for the period ended March 31, 2019 due to correction of an error identified in the accounting adopted on transition to IFRS 16 Leases. For details please refer to the Company's interim consolidated financial statements for the nine months ended September 30, 2019 (note 2.2)

2 In 2019, Other income amounts were presented in Other expenses.

3 Net profit attributable to equity holders includes charges related to business combinations, such as amortization or impairment of intangible assets, interest and deferred taxes not affecting the non-controlling interests. Additionally, the net profit attributable to non-controlling interests does not include the respective income tax charges.

Turnover

Due to the impacts of COVID-19 on the travel industry, key sales metrics were signifcantly impacted. Turnover decreased by 23.3% to $341.5 million for the quarter ended March 31, 2020 compared to $445.0 million for the same period last year. Net sales represented 97.5% of turnover for the 2020 period, with advertising income representing the remainder.

Organic net sales decreased by 24.2% for the quarter ended March 31, 2020, representing a $105.2 million decline in net sales. Like-for-like net sales decreased by 22.5% and contributed $89.1 million of the decrease in net sales. On a constant currency basis, like-for-like sales decreased by 22.4%. Net sales from new stores, expansions and store closures decreased by $16.1 million compared to the prior year period.

The acquisition of Brookstone stores contributed an additional $3.4 million to net sales for the quarter ended March 31, 2020.

Gross profit

Gross profit was $213.3 million for the quarter ended March 31, 2020, compared to $283.8 million for the prior year period. Our gross profit margin was 62.5% for the first quarter 2020 compared to 63.8% for the prior year period. The decrease in gross profit margin was due to a $4.7 million (140 bps) inventory allowance charge for slow-moving or obsolete items, primarily as a result of COVID-19.

Lease expenses
Lease expenses were $13.5 million for the quarter ended March 31, 2020, compared to $27.7 million for the prior year period. As a percentage of turnover, lease expenses decreased to 4.0% for the quarter ended March 31, 2020, compared to 6.2% for the prior year period. The $14.2 million decrease primarily resulted from lower variable rent based on the decline in net sales and $3.3 million of rent waivers we secured from numerous airports and commuter terminals in light of challenges associated with COVID-19. The rent waivers are associated with rent payments that were primarily due in March 2020. As we continue to negotiate further rent relief with our landlords, we expect the value of these waivers to increase significantly in the second quarter due to the timing of rent waivers that have been granted.

Personnel expenses
Personnel expenses decreased to $96.7 million for the quarter ended March 31, 2020, from $115.0 million for the prior year period. As a percentage of turnover, personnel expenses increased to 28.3% for the quarter ended March 31, 2020, compared to 25.8% for the prior year period. The decrease in personnel expense was primarily due to $7.6 million of executive separation expenses recorded in the prior year period and our expense management steps taken toward the end of the quarter in response to COVID-19: reduced a majority of the workforce through furloughs and layoffs, decreased staffing and store hours in certain locations, and initiated salary reductions for corporate team members and field leadership.

Other expenses
Other expenses were $37.3 million for the quarter ended March 31, 2020, compared to $40.1 million in the prior year period. As a percentage of turnover, other expenses increased to 10.9% for the quarter ended March 31, 2020, compared to 9.0% for the prior year period. The decrease in other expenses was primarily related to variable selling expenses as a result of the net sales decline.

Other income
The other income line item was added in 2020 and primarily consists of sales related income, franchise and management fee income and other operational income. Other income was $2.5 million for the quarter ended March 31, 2020 compared to $2.7 million in the prior year period.

Depreciation, amortization and impairment
Depreciation, amortization and impairment increased to $144.6 million for the quarter ended March 31, 2020, compared to $88.6 million for the same period last year. Depreciation was $80.9 million for the quarter ended March 31, 2020, compared to $77.3 million for the same period last year. Amortization increased to $11.4 million for the quarter ended March 31, 2020 compared to $11.1 million for the prior year period. Impairment was $52.3 million for the quarter ended March 31, 2020, which related to goodwill, compared to $0.2 million of impairment to property, plant & equipment recorded for the prior year period. See Note 9 and 13.1 to the interim consolidated financial statements.

Finance expenses
Finance expenses increased to $22.3 million for the quarter ended March 31, 2020, compared to $21.9 million for the prior year period.

Income tax benefit
Income tax benefit for the quarter ended March 31, 2020 amounted to $18.9 million compared to $5.4 million for the same period last year. The main components of this change were a decrease in pretax income/loss (attributable to equity holders of the parent) of $84.6 million, offset by nondeductible goodwill impairment, the reduction of tax related to U.S. Base Erosion Anti Avoidance Tax ("BEAT"), a reduction of nondeductible compensation and a reduction of state income taxes. For the quarter ended March 31, 2020, the current income tax benefit was $4.9 million generated primarily from tax losses from our Canadian operations. Deferred tax benefit of $14.0 million was principally due to the creation of tax net operating losses in the U.S. and Canada and deferred taxes associated with the amortization of concession rights.

LIQUIDITY AND CAPITAL RESOURCES

Our primary funding sources historically have included cash from operations, and financial debt arrangements with Dufry AG and its subsidiaries ("Dufry Group"), our controlling shareholder. As of March 31, 2020, our cash and cash equivalents totaled $225.6 million and the balance outstanding on our long-term debt obligations with Dufry was $498.4 million.

As outlined in the COVID-19 Business Update above, we have significantly altered our operating plan and capital expenditures forecast to preserve liquidity during this period of uncertainty. We believe existing cash balances, operating cash flows and our long-term financing arrangements with Dufry will provide us with adequate funds to support our revised operating plan, make necessary capital expenditures and fulfill our debt service requirements for the foreseeable future.

If our cash flows and capital resources are insufficient to fund our working capital, we could face substantial liquidity problems and may be forced to reduce or delay investments and capital expenditures. We currently do not anticipate entering into additional third-party credit facilities for our working capital, and expect any future working capital requirements to be funded by Dufry. As a result, our financing arrangements and relationship with our controlling shareholder are critical to our business. Nonetheless, if approved by Dufry and subject to limitations imposed by Dufry's credit facilities, we may borrow cash from third-party sources, and may also raise funds by issuing debt or equity securities.

DUFRY GROUP CASH POOLING

For the efficient management of its short-term cash and overdraft positions, Hudson participates in Dufry's notional cash pool arrangements. At March 31, 2020, we had a deposit of $125.4 million compared to $155.2 million at December 31, 2019 in our cash pool accounts. The cash pool arrangement is structured such that the assets and liabilities remain in the name of the corresponding participant, i.e. no physical cash concentration occurs for the day-to-day operations. We, along with other participants in the cash pool, have pledged the cash we have each placed in the cash pool to the bank managing the cash pool as collateral to support the aggregate obligations of cash pool participants.

Capital expenditures

Capital expenditures are our primary investing activity and we divide them into two main categories: tangible and intangible capital expenditures. Tangible capital expenditures consists of spending on the renovation and maintenance of existing stores and the fitting out of new stores. Intangible capital expenditures consists of investments in computer software.

When contemplating investments in new stores, we focus on profitable growth as the key investment criterion. In addition to fitting out new stores, we expect to invest in renovation and maintenance of our existing stores, including undertaking some major refurbishment projects each year. As a result of COVID-19, we have significantly reduced our planned capital expenditure projects for the remainder of the year.

Our capital expenditures (on the cash basis) are presented for each of the periods below:

	FOR THE QUARTER ENDED MARCH 31	
IN MILLIONS OF USD	2020	2019
Tangible capital expenditures	18.4	19.2
Intangible capital expenditures	2.7	0.9
Total	**21.1**	**20.1**

CASH FLOWS

The following table summarizes the cash flows for each of the periods below:

IN MILLIONS OF USD	FOR THE QUARTER ENDED MARCH 31 2020	2019 RESTATED	CHANGE
Net cash flows from operating activities	24.9	111.2	(86.3)
Net cash flows used in investing activities	(19.4)	(18.8)	(0.6)
Net cash flows from/(used in) financing activities	(94.9)	(85.2)	(9.7)
Currency translation on cash	(3.0)	0.5	(3.5)
Increase/(decrease) in cash and cash equivalents	**(92.4)**	**7.7**	**(100.1)**
Cash at the beginning of period	318.0	234.2	83.8
Cash at the end of period	225.6	241.9	(16.3)

Cash flows from operating activities
Net cash flows from operating activities were $24.9 million for the three months ended March 31, 2020, a decrease of $86.3 million compared to the prior year period. The decrease in net cash flows from operating activities is primarily due to the timing of increased cash payments for accounts payable and other liabilities and the decline in operating performance due to COVID-19.

Cash flows used in investing activities
Net cash used in investing activities increased to $19.4 million for the three months ended March 31, 2020, compared to $18.8 million for the prior year period.

Cash flows from/(used in) financing activities
Net cash used in financing activities increased by $9.7 million for the three months ended March 31, 2020, to $94.9 million compared to $85.2 million in the prior year period. The increase in net cash used in financing activities is primarily due to a one-time lease extension payment and increases in minimum annual guaranteed rent ("MAG") for certain leases. This was partially offset by $3.3 million in rent waivers, which reduced lease payments.

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INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS MARCH 2020 (UNAUDITED)

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INTERIM CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
for the three month periods ended March 31, 2020 and 2019

IN MILLIONS OF USD (EXCEPT PER SHARE AMOUNTS)	NOTE	UNAUDITED Q1 2020	UNAUDITED Q1 2019 RESTATED[1]
Turnover	4	341.5	445.0
Cost of sales		(128.2)	(161.2)
Gross profit		**213.3**	**283.8**
Lease (expenses) / income	7	(13.5)	(27.7)
Personnel expenses		(96.7)	(115.0)
Other expenses		(37.3)	(40.1)
Other income[2]	8	2.5	2.7
Depreciation, amortization and impairment	9	(144.6)	(88.6)
Operating profit / (loss)		**(76.3)**	**15.1**
Finance income	10	1.0	1.1
Finance expenses	10	(22.3)	(21.9)
Foreign exchange gain / (loss)		–	0.3
Profit / (loss) before tax		**(97.6)**	**(5.4)**
Income tax benefit	11	18.9	5.4
Net profit / (loss)		**(78.7)**	**–**
OTHER COMPREHENSIVE INCOME			
Exchange differences on translating foreign operations		(23.2)	6.3
Total other comprehensive income / (loss) that may be reclassified to profit or loss in subsequent periods, net of tax		**(23.2)**	**6.3**
Total other comprehensive income / (loss), net of tax		**(23.2)**	**6.3**
Total comprehensive income / (loss), net of tax		**(101.9)**	**6.3**
NET PROFIT / (LOSS) ATTRIBUTABLE TO			
Non-controlling interests		(1.5)	5.8
Equity holders of the parent		(77.2)	(5.8)
TOTAL COMPREHENSIVE INCOME / (LOSS) ATTRIBUTABLE TO			
Non-controlling interests		(1.5)	5.8
Equity holders of the parent		(100.4)	0.5
EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT			
Basic earnings / (loss) per share in USD		(0.84)	(0.06)
Diluted earnings / (loss) per share in USD		(0.84)	(0.06)

[1] The amounts presented for Q1 2019 and the related notes differ from the information reported in the interim consolidated financial statements for the period ended March 31, 2019 due to correction of an error identified in the accounting adopted on transition to IFRS 16 Leases. For details please refer to the Company's interim consolidated financial statements for the nine months ended September 30, 2019 (note 2.2)

[2] In 2019, Other income amounts were presented in Other expenses.

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INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
at March 31, 2020 and December 31, 2019

IN MILLIONS OF USD	NOTE	UNAUDITED 03.31.2020	12.31.2019
ASSETS			
Property, plant and equipment		221.8	227.3
Right-of-use assets	12	1,251.4	1,330.2
Intangible assets	13	264.1	283.9
Goodwill	13	257.2	324.7
Investments in associates		6.4	6.5
Deferred tax assets		92.9	79.9
Other non-current assets		31.9	33.9
Non-current assets		**2,125.7**	**2,286.4**
Inventories	14	184.1	185.2
Trade receivables		0.8	0.5
Other accounts receivable		57.7	54.0
Income tax receivables		7.3	2.7
Cash and cash equivalents		225.6	318.0
Current assets		**475.5**	**560.4**
Total assets		**2,601.2**	**2,846.8**
LIABILITIES AND SHAREHOLDERS' EQUITY			
Equity attributable to equity holders of the parent		473.1	579.6
Non-controlling interests		67.4	79.2
Total equity		**540.5**	**658.8**
Borrowings	15	498.4	503.1
Lease obligations	15	1,028.3	1,098.1
Deferred tax liabilities		34.9	38.4
Post-employment benefit obligations		1.6	1.5
Other non-current liabilities		0.7	0.7
Non-current liabilities		**1,563.9**	**1,641.8**
Trade payables		106.8	124.6
Borrowings	15	42.6	45.9
Lease obligations	15	229.3	245.8
Income tax payables		0.5	1.4
Other liabilities		117.6	128.5
Current liabilities		**496.8**	**546.2**
Total liabilities		**2,060.7**	**2,188.0**
Total liabilities and shareholders' equity		**2,601.2**	**2,846.8**

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INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

for the three month periods ended March 31, 2020 and 2019

UNAUDITED 2020 IN MILLIONS OF USD	ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT Share capital	Treasury shares	Translation reserves	Retained earnings	SHARE-HOLDERS' EQUITY	NON-CON-TROLLING INTERESTS	TOTAL EQUITY
Balance at January 1	**0.1**	**(1.1)**	**15.0**	**565.6**	**579.6**	**79.2**	**658.8**
Net profit / (loss)	–	–	–	(77.2)	(77.2)	(1.5)	(78.7)
Other comprehensive income / (loss)	–	–	(23.2)	–	(23.2)	–	(23.2)
Total comprehensive income / (loss) for the period	**–**	**–**	**(23.2)**	**(77.2)**	**(100.4)**	**(1.5)**	**(101.9)**
TRANSACTIONS WITH OR DISTRIBUTIONS TO SHAREHOLDERS							
Dividends to non-controlling interests	–	–	–	–	–	(11.4)	(11.4)
Purchase of treasury shares	–	(2.3)	–	–	(2.3)	–	(2.3)
Assignment of share-based payment plans	–	2.3	–	(2.3)	–	–	–
Share-based payments	–	–	–	(3.5)	(3.5)	–	(3.5)
Income tax on equity transactions	–	–	–	(0.3)	(0.3)	–	(0.3)
Total transactions with or distributions to owners	**–**	**–**	**–**	**(6.1)**	**(6.1)**	**(11.4)**	**(17.5)**
CHANGES IN OWNERSHIP INTERESTS IN SUBSIDIARIES							
Changes in participation of non-controlling interests	–	–	–	–	–	1.1	1.1
Balance at March 31	**0.1**	**(1.1)**	**(8.2)**	**482.3**	**473.1**	**67.4**	**540.5**

UNAUDITED 2019 RESTATED IN MILLIONS OF USD	ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT Share capital	Treasury shares	Translation reserves	Retained earnings	SHARE-HOLDERS' EQUITY	NON-CON-TROLLING INTERESTS	TOTAL EQUITY
Balance at January 1	**0.1**	**(2.0)**	**0.4**	**553.6**	**552.1**	**84.8**	**636.9**
Net profit / (loss)	–	–	–	(5.8)	(5.8)	5.8	–
Other comprehensive income / (loss)	–	–	6.3	–	6.3	–	6.3
Total comprehensive income / (loss) for the period	**–**	**–**	**6.3**	**(5.8)**	**0.5**	**5.8**	**6.3**
TRANSACTIONS WITH OR DISTRIBUTIONS TO SHAREHOLDERS							
Dividends to non-controlling interests	–	–	–	–	–	(10.0)	(10.0)
Purchase of treasury shares	–	(1.9)	–	–	(1.9)	–	(1.9)
Assignment of share-based payment plans	–	2.7	–	(2.7)	–	–	–
Share-based payments	–	–	–	(1.4)	(1.4)	–	(1.4)
Income tax on equity transactions	–	–	–	(0.5)	(0.5)	–	(0.5)
Total transactions with or distributions to owners	**–**	**0.8**	**–**	**(4.6)**	**(3.8)**	**(10.0)**	**(13.8)**
CHANGES IN OWNERSHIP INTERESTS IN SUBSIDIARIES							
Changes in participation of non-controlling interests	–	–	–	–	–	2.3	2.3
Balance at March 31 [1]	**0.1**	**(1.2)**	**6.7**	**543.2**	**548.8**	**82.9**	**631.7**

[1] The amounts presented for Q1 2019 and the related notes differ from the information reported in the interim consolidated financial statements for the period ended March 31, 2019 due to correction of an error identified in the accounting adopted on transition to IFRS 16 Leases. For details please refer to the Company's interim consolidated financial statements for the nine months ended September 30, 2019 (note 2.2)

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INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS
for the three month periods ended March 31, 2020 and 2019

IN MILLIONS OF USD	UNAUDITED Q1 2020	UNAUDITED Q1 2019 RESTATED[1]
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit / (loss) before tax	**(97.6)**	**(5.4)**
ADJUSTMENTS FOR		
Depreciation, amortization and impairment	144.6	88.6
Loss / (gain) on sale of non-current assets	0.9	0.1
Increase / (decrease) in allowances and provisions	6.8	2.4
Loss / (gain) on foreign exchange differences	–	(0.3)
Rent waivers	(3.3)	–
Other non-cash items	(1.0)	1.8
Finance income	(1.0)	(1.1)
Finance expenses	22.3	21.9
Cash flows before working capital changes	**71.7**	**108.0**
Decrease / (increase) in trade and other accounts receivable	(7.7)	(3.5)
Decrease / (increase) in inventories	(9.7)	(3.9)
Increase / (decrease) in trade and other accounts payable	(28.5)	14.4
Cash generated from operations	**25.8**	**115.0**
Income tax paid	(0.9)	(3.8)
Net cash flows from operating activities	**24.9**	**111.2**
CASH FLOWS USED IN INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(18.4)	(19.2)
Purchase of intangible assets	(2.7)	(0.9)
Contributions to associates	–	(0.8)
Proceeds from sale of property, plant and equipment	–	0.2
Interest received	0.4	1.0
Repayments of loans receivable from non-controlling interest holders	–	0.3
Sublease receivable payments	1.5	0.6
Business combinations, net of cash	(0.2)	–
Net cash flows used in investing activities	**(19.4)**	**(18.8)**
CASH FLOWS FROM / (USED IN) FINANCING ACTIVITIES		
Lease payments[2]	(82.8)	(74.6)
Dividends paid to non-controlling interests	(9.4)	(8.2)
Purchase of treasury shares	(2.3)	(1.9)
Interest paid	(0.4)	(0.5)
Net cash flows from / (used in) financing activities	**(94.9)**	**(85.2)**
Currency translation on cash	(3.0)	0.5
Increase / (decrease) in cash and cash equivalents	**(92.4)**	**7.7**
CASH AND CASH EQUIVALENTS AT THE		
– beginning of the period	318.0	234.2
– end of the period	225.6	241.9

[1] The amounts presented for Q1 2019 and the related notes differ from the information reported in the interim consolidated financial statements for the period ended March 31, 2019 due to correction of an error identified in the accounting adopted on transition to IFRS 16 Leases. For details please refer to the Company's interim consolidated financial statements for the nine months ended September 30, 2019 (note 2.2)

[2] Lease payments include USD 14.3 million of interest accrued on lease obligations (note 10).

HUDSON

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

1. CORPORATE INFORMATION

Hudson Ltd. and its subsidiaries ("Hudson" or "the Company") is a travel experience leader with 1,007 stores in 87 locations in airports, commuter hubs and tourist destinations throughout the continental United States and Canada, under the travel convenience, specialty retail, duty free and food and beverage concepts.

Hudson Ltd., the parent company which is an exempt company limited by shares, was incorporated on May 30, 2017 in Hamilton, Bermuda with registered office at 2 Church Street, Hamilton HM11, Bermuda. Our Class A common shares began trading on the New York Stock Exchange on February 1, 2018, under the ticker symbol "HUD". Hudson Ltd. is controlled by a subsidiary of Dufry AG ("Dufry"), the world's leading travel retail company headquartered in Basel, Switzerland.

2. BASIS OF PREPARATION AND CHANGES TO THE ACCOUNTING POLICIES

2.1 BASIS OF PREPARATION

The interim condensed consolidated financial statements (unaudited) for the period ended March 31, 2020 have been prepared in accordance with IAS 34 Interim Financial Reporting.

The interim consolidated financial statements do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with Hudson's annual consolidated financial statements as of December 31, 2019. As of March 31, 2020, the purchase price allocation for the Brookstone acquisition remains preliminary. Refer to note 6 of Hudson's annual consolidated financial statements for more information on the acquisition.

The interim consolidated financial statements include financial assets and liabilities presented at carrying value, which is generally consistent when compared to fair value.

The interim consolidated financial statements were authorized for issue on June 15, 2020 by the board of directors of Hudson Ltd.

2.2 NEW STANDARDS, INTERPRETATIONS AND AMENDMENTS ADOPTED

The accounting policies adopted in the preparation of the interim consolidated financial statements are consistent with those followed in the preparation of Hudson's annual consolidated financial statements for the year ended December 31, 2019, except for the following new or revised standards and interpretations adopted in these interim consolidated financial statements (effective January 1, 2020).

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

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

COVID-19-Related Rent Concessions (Amendment to IFRS 16)
On May 28, 2020, the International Accounting Standards Board (IASB) issued COVID-19 Related Rent Concessions – amendment to IFRS 16 Leases. The IASB amended the standard to provide relief to lessees from applying IFRS 16 guidance on lease modification accounting for rent concessions arising as a direct consequence of the COVID-19 pandemic. Hudson elected to apply this practical expedient to all locations that provide waivers of rent payments. Hudson presents rent waivers as negative lease expense in the period that the rent payment was originally due, which amounted to USD 3.3 million for the three months ended March 31, 2020.

Other amendments and interpretations
Any other amendments and interpretations that apply for the first time in 2020, do not have material impact on the interim consolidated financial statements of the Company.

3. IMPACT OF COVID-19 ON THE CONSOLIDATED FINANCIAL STATEMENTS

COVID-19-related concerns, event cancellations, and business and government-imposed restrictions have led to a significant decrease in passenger travel, which has resulted in sharply reduced customer traffic and sales across Hudson's retail stores in North America. Initially impacting only inbound passenger traffic from Asia during the first two months of the year, the global spread of the pandemic resulted in a material adverse impact on our results of operations and financial position by the end of the first quarter.

The effects of COVID-19 resulted in the following significant changes in the financial statements during the quarter ended March 31, 2020:

- Recorded USD 3.3 million of rent waivers as a result of rent payment relief we received from numerous airports (see note 7),
- Recorded a goodwill impairment of USD 52.3 million (see notes 9 and 13), and
- Recorded USD 4.7 million of additional inventory allowance for slow-moving and obsolete items (see note 14).

4. TURNOVER

IN MILLIONS OF USD	UNAUDITED Q1 2020	UNAUDITED Q1 2019
Net sales	332.8	434.6
Advertising income	8.7	10.4
Turnover	**341.5**	**445.0**

NET SALES BREAKDOWN

Net sales by product category

IN MILLIONS OF USD	UNAUDITED Q1 2020	UNAUDITED Q1 2019
Confectionery, Food and Catering	138.3	170.0
Perfumes and Cosmetics	49.3	65.3
Fashion, Leather and Baggage	34.2	48.3
Literature and Publications	24.6	35.7
Electronics	20.4	23.0
Wine and Spirits	16.2	21.9
Watches, Jewelry and Accessories	15.9	25.4
Tobacco goods	10.7	14.2
Other product categories	23.2	30.8
Total	**332.8**	**434.6**

Net sales by market sector

IN MILLIONS OF USD	UNAUDITED Q1 2020	UNAUDITED Q1 2019
Duty paid	262.5	333.1
Duty free	70.3	101.5
Total	**332.8**	**434.6**

Net sales by channel

IN MILLIONS OF USD	UNAUDITED Q1 2020	UNAUDITED Q1 2019
Airports	317.4	412.9
Downtown and hotel shops	6.7	10.8
Railway stations and other	8.7	10.9
Total	**332.8**	**434.6**

5. SEGMENT INFORMATION

Hudson consists of one operating segment "Travel Retail Operations" for which reports are submitted to the Group Executive Committee, 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 products in its duty paid and duty free stores that are mainly located at airports, commuter terminals, hotels, landmarks or tourist destinations. Refer to note 4 for a split of net sales by product category, market sector and sales channel.

Net sales by Country

IN MILLIONS OF USD	UNAUDITED Q1 2020	UNAUDITED Q1 2019
U.S.	276.0	352.6
Canada	56.8	82.0
Total	**332.8**	**434.6**

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

IN MILLIONS OF USD	UNAUDITED 03.31.2020	12.31.2019
U.S.	1,402.9	1,476.7
Canada	623.5	723.3
Total	**2,026.4**	**2,200.0**

6. SEASONALITY

Hudson historically has its strongest months of net sales and operating profit between July and September corresponding to the summer season, whereas the first quarter is the weakest. These seasonality effects are more prominent on the operating profit level than on net sales. Due to COVID-19 related effects on worldwide travel, the seasonality of Hudson's business may be materially impacted in the year 2020 and beyond.

7. LEASE EXPENSES

IN MILLIONS OF USD	UNAUDITED Q1 2020	UNAUDITED Q1 2019 RESTATED
Lease expenses relating to variable lease payments	(15.9)	(30.0)
Lease expenses relating to rent waiver contracts (variable)	(1.7)	–
Lease expenses low value contracts	(0.2)	–
Derecognition of lease obligations as a result of rent waivers	3.3	–
Sublease income	1.0	2.3
Total	**(13.5)**	**(27.7)**

8. OTHER INCOME

IN MILLIONS OF USD	UNAUDITED Q1 2020	UNAUDITED Q1 2019
Sales-related income	0.9	1.5
Franchise and management fee income	0.6	0.9
Other operational income	1.0	0.3
Total	**2.5**	**2.7**

9. DEPRECIATION, AMORTIZATION AND IMPAIRMENT

IN MILLIONS OF USD	UNAUDITED Q1 2020	UNAUDITED Q1 2019 RESTATED
Depreciation RoU assets	(64.1)	(60.8)
Subtotal (Right-of-Use Assets, see note 12)	**(64.1)**	**(60.8)**
Depreciation Property, Plant and Equipment	(16.8)	(16.5)
Impairment Property, Plant and Equipment	–	(0.2)
Subtotal (Property, Plant and Equipment)	**(16.8)**	**(16.7)**
Amortization Intangible Assets	(11.4)	(11.1)
Subtotal (Intangible Assets, see note 13)	**(11.4)**	**(11.1)**
Impairment Goodwill	(52.3)	–
Subtotal (Goodwill, see note 13)	**(52.3)**	**–**
Total	**(144.6)**	**(88.6)**

Hudson identified circumstances that indicated that the carrying amount of goodwill may not be fully recoverable. Due to COVID-19, Hudson suffered a material drop in sales affecting the projections for turnover. Although the company took several actions to mitigate the effects of this crisis, the cash flow projections used for the 2019 financial close have been materially adversely impacted. Upon performing a recoverability test, Hudson recognized a USD 52.3 million impairment of goodwill.

10. FINANCE INCOME AND EXPENSES

IN MILLIONS OF USD	UNAUDITED Q1 2020	UNAUDITED Q1 2019 RESTATED
FINANCE INCOME		
Interest income on bank deposits	0.9	0.8
Interest on sublease receivables	0.1	0.1
Interest income on financial assets	**1.0**	**0.9**
Share of result of associates	**–**	**0.2**
Total finance income	**1.0**	**1.1**
FINANCE EXPENSES		
Interest on loans	(7.3)	(7.2)
Interest on lease obligations	(14.3)	(13.9)
Other financial expenses	(0.6)	(0.8)
Interest expense on financial liabilities	**(22.2)**	**(21.9)**
Share of result of associates	**(0.1)**	**–**
Total finance expenses	**(22.3)**	**(21.9)**
Foreign exchange gain / (loss)	**–**	**0.3**
Financial result	**(21.3)**	**(20.5)**

11. INCOME TAX

IN MILLIONS OF USD	UNAUDITED Q1 2020	UNAUDITED Q1 2019 RESTATED
Current income tax benefit / (expense)	4.9	(2.5)
Deferred income tax benefit / (expense)	14.0	7.9
Total	**18.9**	**5.4**

12. RIGHT OF USE ASSETS

UNAUDITED 2020 IN MILLIONS OF USD	STORES	OTHER BUILDINGS	VEHICLES	TOTAL
AT COST				
Balance at January 1	**1,511.8**	**67.6**	**0.1**	**1,579.5**
Additions to right-of-use assets	25.9	0.3	0.4	26.6
Decrease in right-of-use assets	(34.2)	(0.3)	–	(34.5)
Currency translation adjustments	(29.9)	(0.2)	–	(30.1)
Balance at March 31	**1,473.6**	**67.4**	**0.5**	**1,541.5**
ACCUMULATED DEPRECIATION				
Balance at January 1	**(241.0)**	**(8.2)**	**(0.1)**	**(249.3)**
Additions (note 9)	(62.0)	(2.0)	(0.1)	(64.1)
Disposals	19.3	0.2	–	19.5
Currency translation adjustments	3.8	–	–	3.8
Balance at March 31	**(279.9)**	**(10.0)**	**(0.2)**	**(290.1)**
CARRYING AMOUNT				
At March 31, 2020	**1,193.7**	**57.4**	**0.3**	**1,251.4**

UNAUDITED 2019 RESTATED IN MILLIONS OF USD	STORES	OTHER BUILDINGS	TOTAL
AT COST			
Balance at January 1	**1,206.0**	**55.3**	**1,261.3**
Additions to right-of-use assets	26.9	4.8	31.7
Decrease in right-of-use assets	(4.1)	–	(4.1)
Currency translation adjustments	4.4	–	4.4
Balance at March 31	**1,233.2**	**60.1**	**1,293.3**
ACCUMULATED DEPRECIATION			
Balance at January 1	**–**	**–**	**–**
Additions (note 9)	(58.6)	(2.2)	(60.8)
Balance at March 31	**(58.6)**	**(2.2)**	**(60.8)**
CARRYING AMOUNT			
At March 31, 2019	**1,174.6**	**57.9**	**1,232.5**

13. INTANGIBLE ASSETS AND GOODWILL

UNAUDITED 2020 IN MILLIONS OF USD	CONCESSION RIGHTS[1]	OTHER	TOTAL	GOODWILL
AT COST				
Balance at January 1	**525.7**	**61.5**	**587.2**	**324.7**
Additions	0.5	2.1	2.6	–
Disposals	(0.7)	–	(0.7)	–
Currency translation adjustments	(17.5)	0.1	(17.4)	(15.5)
Balance at March 31	**508.0**	**63.7**	**571.7**	**309.2**
ACCUMULATED DEPRECIATION				
Balance at January 1	**(261.9)**	**(41.4)**	**(303.3)**	**–**
Additions (note 9)	(10.0)	(1.4)	(11.4)	–
Disposals	0.7	–	0.7	–
Currency translation adjustments	6.2	0.2	6.4	–
Balance at March 31	**(265.0)**	**(42.6)**	**(307.6)**	**–**
IMPAIRMENT				
Balance at January 1	**–**	**–**	**–**	**–**
Impairment (note 9)	–	–	–	(52.3)
Currency translation adjustments	–	–	–	0.3
Balance at March 31	**–**	**–**	**–**	**(52.0)**
CARRYING AMOUNT				
At March 31, 2020	**243.0**	**21.1**	**264.1**	**257.2**

[1] All concession rights are acquisition related.

UNAUDITED 2019 IN MILLIONS OF USD	CONCESSION RIGHTS[1]	OTHER	TOTAL	GOODWILL
AT COST				
Balance at January 1	**509.2**	**46.0**	**555.2**	**315.0**
Additions	0.2	0.7	0.9	–
Reclassification from property, plant & equipment	–	0.4	0.4	–
Currency translation adjustments	5.1	–	5.1	4.2
Balance at March 31	**514.5**	**47.1**	**561.6**	**319.2**
ACCUMULATED DEPRECIATION				
Balance at January 1	**(220.5)**	**(36.8)**	**(257.3)**	**–**
Additions (note 9)	(9.6)	(1.5)	(11.1)	–
Currency translation adjustments	(1.3)	–	(1.3)	–
Balance at March 31	**(231.4)**	**(38.3)**	**(269.7)**	**–**
CARRYING AMOUNT				
At March 31, 2019	**283.1**	**8.8**	**291.9**	**319.2**

[1] All concession rights are acquisition related.

13.1 IMPAIRMENT TEST OF INTANGIBLE ASSETS AND GOODWILL

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

As of March 31, 2020, COVID-19 related concerns caused a significant decrease in passenger travel, which has resulted in sharply reduced customer traffic and sales across Hudson's retail stores in North America. While Hudson is planning for travel demand to begin to increase in the third quarter of 2020, the exact timing and speed of the recovery is uncertain. Considering the uncertainty around future developments relating to COVID-19, management performed a goodwill impairment test as of March 31, 2020.

Management has assumed for the impairment test that sales will be severely impacted in 2020, with domestic and international air traffic slowly returning in the second half of 2020. By 2023, we assume sales will reach the level of 2019.

13.1.1 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's only operating segment "Travel Retail Operations" and amounted to USD 309.2 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 at Hudson are:

POST TAX DISCOUNT RATES		PRE TAX DISCOUNT RATES		GROWTH RATES FOR NET SALES	
UNAUDITED 03.31.2020	12.31.2019	UNAUDITED 03.31.2020	12.31.2019	UNAUDITED 03.31.2020	12.31.2019
7.82	7.59	9.55	9.27	(52.4) – 54.4	4.1 – 8.8

As basis for the calculation of these discount rates, Hudson uses the weighted average cost of capital, based on risk free interest rates derived from the past 5-year average of the 10-year U.S. treasury bond rates: 1.88% (2019: 2.17%).

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

	UNAUDITED 03.31.2020	12.31.2019
Beta factor	1.07	0.88

13.1.2 Key assumptions used for value-in-use calculations

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

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

Sales growth

Although there is significant uncertainty regarding estimates of the duration of the low level of domestic air traffic, the lock-downs imposed by most countries, or business performance, management assumed for the impairment test that sales will be severely impacted in 2020 and the domestic and international air traffic will start recovering during the second half of 2020. By 2023, we assume sales will reach the level of 2019, based on forecasts published by third party industry experts.

Growth rates used to extrapolate

For the period after 5 years, Hudson has used a growth rate of 1.0% (2019: 1.0%) to determine the residual value.

Gross margins
The expected gross margins are based on historical results achieved on average product assortment values. These values are maintained over the planning period except for 2020 where specific actions are planned and consider a decrease by up to 1.0% compared to the historical results. The gross margin is also affected by supplier prices.

At present, management remains in negotiations with key product suppliers in order to plan the promotions and advertising policies to be applied during the air traffic recovery period.

Lease payments
The company uses a lease database to extract the future fixed payments and estimate variable lease payments based on expected sales developments. Where the contractual terms of certain operations come to an end during the projected period, the company has analyzed the renewal conditions and the market situation and assumed renewals where the situation/conditions are favorable.

Discount rates
Several factors affect the discount rates:

- For the debt part, the rate is based on the average interest of the past 5 years of the 10-year U.S. treasury bonds and is increased by Hudson'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, when assessing the business potential of new or additional investment proposals.

Sensitivity to changes in assumptions
With regard to the assessment of value-in-use of the goodwill, Hudson has estimated that an unfavorable change of 1% in the following key assumptions would have generated the following additional impairments: +1% in interest rates USD 174.8 million, –1% in sales growth in the first year USD 5.4 million or –1% in operating profit margin for the duration USD 214.7 million.

14. INVENTORIES

IN MILLIONS OF USD	UNAUDITED 03.31.2020	12.31.2019
Inventories at cost	198.7	193.2
Inventory allowance	(14.6)	(8.0)
Total	**184.1**	**185.2**

Cost of sales includes inventories written down to net realizable value and inventory losses of USD 7.0 million (including USD 4.7 million related to COVID-19) for the quarter ended March 31, 2020, compared to USD 2.9 million for the quarter ended March 31, 2019.

15. BORROWINGS AND LEASE OBLIGATIONS, NET

UNAUDITED 2020 IN MILLIONS OF USD	CASH AND CASH EQUIVALENTS	LEASE OBLIGATIONS	BORROWINGS, CURRENT	BORROWINGS, NON-CURRENT	BORROWINGS, NET
Balance at January 1	**318.0**	**1,343.9**	**45.9**	**503.1**	**1,574.9**
Cash flows from / (used in) operating, financing and investing activities	(89.4)	–	–	–	89.4
Lease payments	–	(82.8)	–	–	(82.8)
Cash flow	**(89.4)**	**(82.8)**	**–**	**–**	**6.6**
Additions to lease obligations	–	26.7	–	–	26.7
Change in terms of lease obligations	–	(15.6)	–	–	(15.6)
Interest on lease obligations	–	14.3	–	–	14.3
Rent waivers	–	(3.3)	–	–	(3.3)
Currency translation adjustments	(3.0)	(25.6)	(3.3)	(4.7)	(30.6)
Other non-cash movements	**(3.0)**	**(3.5)**	**(3.3)**	**(4.7)**	**(8.5)**
Balance at March 31	**225.6**	**1,257.6**	**42.6**	**498.4**	**1,573.0**

UNAUDITED 2019 RESTATED IN MILLIONS OF USD	CASH AND CASH EQUIVALENTS	LEASE OBLIGATIONS	BORROWINGS, CURRENT	BORROWINGS, NON-CURRENT	BORROWINGS, NET
Balance at January 1	**234.2**	**1,268.7**	**51.4**	**492.6**	**1,578.5**
Cash flows from / (used in) operating, financing and investing activities	7.2	–	–	–	(7.2)
Lease payments	–	(74.6)	–	–	(74.6)
Cash flow	**7.2**	**(74.6)**	**–**	**–**	**(81.8)**
Additions to lease obligations	–	32.9	–	–	32.9
Change in terms of lease obligations	–	(4.1)	–	–	(4.1)
Interest on lease obligations	–	13.9	–	–	13.9
Currency translation adjustments	0.5	4.4	1.1	1.1	6.1
Other non-cash movements	**0.5**	**47.1**	**1.1**	**1.1**	**48.8**
Balance at March 31	**241.9**	**1,241.2**	**52.5**	**493.7**	**1,545.5**

16. FOREIGN EXCHANGE RATES APPLIED FOR VALUATION AND TRANSLATION

	AVERAGE RATE	CLOSING RATES	
IN USD	Q1 2020	03.31.2020	
1 CAD	0.7455	0.7113	
IN USD	Q1 2019	03.31.2019	12.31.2019
1 CAD	0.7525	0.7494	0.7701

17. EVENTS AFTER REPORTING DATE

On April 2, 2020, Hudson exercised its right to terminate its agreement with OHM Concession Group LLC, as a result of the closing not having occurred prior to the end date provided in the agreement.