

Corporate Issuer CIK: 1714368

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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-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 timing and spread of the recovery is uncertain, considering the current state of the overall North American and global economies.

Lease expenses were \$13.5 m



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.

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 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:

Tangible capital expenditures	18.4	19.2
Intangible capital expenditures	2.7	0.9

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

Net cash flows from operating activities	24.9	1 C eo3

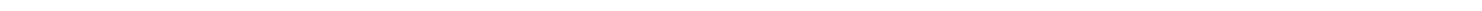
for the three month periods ended March 31, 2020 and 2019

Turnover	4	341.5	445.0
Cost of sales		(128.2)	(161.2)
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)
Finance income	10	1.0	1.1
Finance expenses	10	(22.3)	(21.9)
Foreign exchange gain / (loss)		-	0.3

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

Net profit / (loss)	-	-	-	(77.2)	(77.2)	(1.5)	(78.7)
Other comprehensive income / (loss)	-	-	(23.2)	-	(23.2)	-	(23.2)
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)

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. Hudson's stores are located in 16 states and the District of Columbia. Hudson's stores are located in 16 states and the District of Columbia.



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.

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.

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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 brands.

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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.

U.S.	276.0	352.6
Canada	56.8	82.0

U.S.	1,402.9	1,476.7
Canada	623.5	723.3

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 world-wide travel, the seasonality of Hudson's business may be materially impacted in the year 2020 and beyond.

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.

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:

	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:

Beta factor	1.07	0.88
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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

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.

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

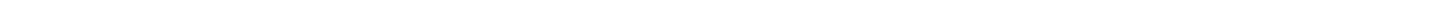
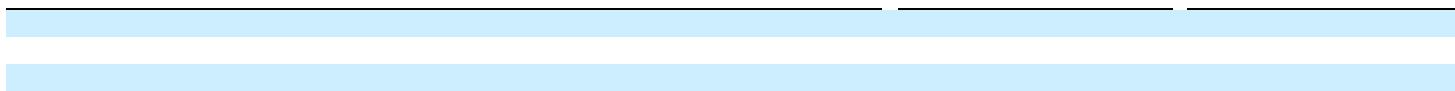
The expected gross margins are based on historical results achieved on average product assortment values. These values are maintained over the planning period except for 2020 where specific actions are planned and consider a decrease by up to 1.0% compared to the historical results. The gross margin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

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.

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.



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