DELIVERING ON OUR GOALS
DEAR ALL

Dufry posted solid results in 2017. Turnover grew by 7.0 % and reached CHF 8,377.4 million, while EBITDA for the first time crossed the one billion mark and reached CHF 1,007.1 million. We have delivered on our main goals also by accelerating organic growth, by delivering the synergies from the WDF acquisition and by further deleveraging the balance sheet.

One of the main drivers for our strong results in 2017 was the continuation of the organic growth recovery which started in the second semester of 2016. Despite higher comparables, Dufry managed to post +7.4 % organic growth in 2017. Another main driver were the CHF 125 million synergies from the WDF acquisition, which were fully reflected for the first time in these 2017 full year results.

In 2017 we delivered on our main goals.

Free cash flow* generation was also strong at CHF 467.0 million in 2017. Without one-off items related to the signing of certain projects in the beginning of the year, free cash flow* was CHF 571.0 million, a 18 % increase versus the CHF 483.8 million reported in 2016. Net debt was reduced further to CHF 3,686.9 million on December 31, 2017 and our covenant Net debt / EBITDA stood at 3.59x thus securing a comfortable headroom.

In 2017 we also took an important step on our financing strategy. In a series of transactions, started in December 2016, we managed to substantially reduce our interest costs by CHF 50 million per annum going forward, while at the same time improving the maturity profile of our credit facilities.

* before interest and minorities

TURNOVER

Turnover grew by 7.0 % and reached CHF 8,377.4 million in 2017, from CHF 7,829.1 million in 2016. Organic growth contributed +7.4 %, a further recovery from +1.0 % and –5.3 % reported in 2016 and 2015, respectively. Changes in scope contributed 0.3 % to turnover growth, while FX translation effect was almost flat at –0.1 %.

Turnover in **Southern Europe and Africa** reached CHF 1,857.8 million in 2017, from CHF 1,702.3 million one year before. Organic growth in the division was 6.8 % in the full year 2017. In Southern Europe, Turkey grew strongly, driven by the return of Russian tourists in the country. France, Greece, Italy, Malta and Spain also posted positive growth. Africa had strong growth with most operations growing high double digits in the year, also benefiting from the opening of new locations, expansions and refurbished shops.

UK, Central and Eastern Europe's turnover grew to CHF 2,147.4 million in the year, versus CHF 2,088.9 million in 2016, with organic growth in the division reaching 6.3 %. The United Kingdom continued with a good performance, despite the higher comparison base due to the annualization of the positive impact seen by the devaluation of the British Pound in June 2016. Other highlights in the division were the operations in Russia and Eastern Europe, as well as Finland.

Turnover in **Asia, Middle East and Australia** amounted to CHF 809.1 million in 2017, from CHF 770.7 million in 2016. Organic growth in the division for the full year was 5.4 %. Most operations in the division did well and contributed to the improvement. In the Middle East, Sharjah, Kuwait and Jordan were positive. In Asia, South Korea saw sales growth, despite a reduction of Chinese travelers to the country. Both Hong Kong and Macau had a comeback and grew double digit in the second semester. Other operations including Cambodia and Bali also performed well. Melbourne performed well in the second semester, after the implementation of our New Generation Store and the comprehensive refurbishment undergone in this operation.

Latin America's turnover went to CHF 1,694.0 million in 2017 versus CHF 1,531.1 million one year earlier. Organic growth in the division was 10.8%. South American countries, such as Brazil, Uruguay, Chile and Peru performed well. The same applies to The Caribbean operations with The Dominican Republic being the leader in this area. Dufry Cruise Services also posted strong growth as we started operations on a number of new ships.

Turnover in **North America** reached CHF 1,771.5 million in 2017 from CHF 1,660.9 million in the previous year. Organic growth reached 6.5%, supported by the resilient duty-paid business and a good performance of the duty-free operations.

OPERATIONAL COSTS UNDER CONTROL

Gross profit

Gross profit grew by 8.6% and reached CHF 4,978.6 million in 2017 versus CHF 4,584.1 million in 2016. Gross margin improved by 80 basis points, reflecting the synergies achieved from the WDF integration, which was completed at the end of 2016.

Selling expenses

Selling expenses reached CHF 2,430.1 million in 2017 from CHF 2,236.2 million in 2016. As a percentage of turnover, they went to 29.0%, from 28.6% in 2016. There were two main drivers for the increase: first the increase in the annual minimum guarantees in Spain; second, in several of the operations where contracts were renewed, the new fee levels became effective immediately, whereas the shop performance is impacted during the refurbishment and upgrade phase and the full benefit is only reflected with a time-lag.

Personnel and general expenses

Personnel expenses reached CHF 1,135.0 million in 2017 versus CHF 1,054.5 million one year earlier. As a percentage of turnover they stood flat and reached 13.5% in the year as in 2016.

General expenses stood at CHF 404.8 million in the year to December from CHF 362.2 million in 2016. Measured as a percentage of turnover, it was 4.8%, 20 basis points higher than in 2016.

EBITDA

EBITDA grew by 7.7% and stood at CHF 1,007.1 million (CHF 935.1 million in 2016). The EBITDA margin increased to 12.0% in 2017, compared to 11.9% in 2016.

CHF 125 million synergies contributed to the 2017 results.

Depreciation, amortization, impairment and linearization

Depreciation reached CHF 158.9 million in 2017, at similar levels compared to CHF 166.2 million in 2016. Amortization and impairment stood at CHF 423.9 million in 2017, CHF 44.7 million higher when compared to the CHF 379.2 million reported in 2016, as a result of an impairment of a concession from the Nuance acquisition.

Linearization amounted to CHF –58.9 million in 2017. Linearization is a non-cash item related to the Spanish business and originates from the difference between the average minimum guarantee (MAG) over the full concession period and the effective MAG payable in the period. This item also includes the reduction in concession payments granted based on an upfront payment (prepaid lease) related to the Spanish contracts.

EBIT

EBIT grew by 53.6% to CHF 418.7 million in 2017 from CHF 272.6 million in the last year. Other operational result (net) was a positive of CHF 53.3 million, mainly related to the release of a provision generated in the context of the Nuance acquisition.

Financial result

Financial result, net, reached CHF 216.8 million in 2017 from CHF 215.5 million in 2016. The 2017 result includes

CHF 19.6 million non-cash and CHF 22.0 million cash one-off charges related to the refinancing of the bond and bank facilities.

As mentioned, in 2017 we implemented a number of changes in our credit facilities, which will generate interest cost savings of CHF 50 million going forward compared to 2015 and extend the maturity profile.

Taxes
Income tax reached CHF 91.0 million in 2017, versus CHF 11.3 million one year before. The increase is due to the reduction in the US federal corporate income tax rate, which resulted in a net downward adjustment of CHF 41.1 million in relation to deferred taxes.

Net earnings
Net earnings reached CHF 110.9 million, 142.1% higher compared to 2016. Net Earnings to equity holders surged to CHF 56.8 million in 2017, versus CHF 2.5 million seen in 2016.

Cash earnings, which add back acquisition-related amortization, grew by 13.9% in 2017 and reached CHF 367.9 million versus CHF 322.9 million in 2016. Cash EPS in 2017 grew by 14.0% and reached CHF 6.84, compared to CHF 6.00 in 2016.

DELEVERAGING ON THE WAY

Cash flow and debt
Free cash flow* reached CHF 467.0 million in 2017, compared to CHF 483.8 million in 2016. If we exclude the extraordinary cash outs we had in the beginning of the year, free cash flow would have been CHF 571.0 million, a 18.0% increase versus 2016.

We reduced net debt and leverage as expected with net debt reducing to CHF 3,686.9 million at the end of December 2017 compared to CHF 3,750.4 million one year earlier. Our main covenant, net debt/adjusted EBITDA, stood at 3.59x as per 31 December 2017.

In 2017 we also took an important step on our financing strategy. Following the early repayment of the USD 500 million Senior Notes with expiry in 2020, executed in December, 2016, we issued a new EUR 800 million Senior Notes in October, 2017, and repaid the EUR 500 million Senior Notes in November, 2017. Last but not least, in November, 2017 we successfully refinanced our main bank facilities which now are due in 2022, thus providing a solid foundation for the business in the next years.

In February, 2018, we successfully floated our North America division at the New York Stock Exchange, under the name Hudson Ltd. Besides further expanding our duty-paid convenience business, the listing aims at evolving the business in additional opportunity streams such as food and beverage operations and master concessions. The IPO generated net proceeds of USD 714 million.

In terms of financing structure, we focused on cash generation and deleveraging since the acquisition of WDF with a goal to reach a leverage (net debt/EBITDA) of below 3.0x. The proceeds from the Hudson IPO that was launched on 1 February 2018 helped to fast forward this development. Adjusting for these proceeds, our net debt/EBITDA ratio as of December, 2017 would be 2.89x.

A LOT DONE IN 2017; MORE TO COME IN 2018

2017 was an important year for Dufry in many aspects. From a financial perspective, it was the first year in which the synergies from WDF fully impacted our results, being a decisive factor for the improvement seen in our financials. For 2018 we expect further savings, fueled by the recent changes in our financing structure, which will generate substantial savings.

In 2017 we started the implementation of our new Business Operating Model (BOM). The initiative is expected to run until end of 2018 and to generate additional efficiencies.

In 2018 we expect to see an ongoing positive market environment as experienced in 2017. We aim to benefit from those attractive operational trends, while focusing on our customary financial discipline, to generate value for our shareholders.

We would like to thank our shareholders, bondholders, banks, analysts and key advisors for their trust in Dufry and their support throughout the year to contribute to Dufry's success.

Kind regards,

Andreas Schneiter

* before interest and minorities