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DUFRY DAY 2018**



Dufry Day

Corporate Governance Update & Capital Allocation Strategy

Juan Carlos Torres
Chairman
May 31, 2018

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Information in this presentation may involve guidance, expectations, beliefs, plans, intentions or strategies regarding the future. These forward-looking statements involve risks and uncertainties. All forward-looking statements included in this release are based on information available to Dufry AG (the “Company”) as of the date of this release, and we assume no duty to update any such forward-looking statements. Factors that could affect the Company’s forward-looking statements include, among other things: global GDP trends, competition in the markets in which the Company operates, unfavorable changes in airline passenger traffic, unfavorable changes in taxation and restrictions on the duty-free sale in countries where the company operates.

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AGENDA

1. Update on share performance & shareholder structure
2. Ongoing development of Corporate Governance
3. Capital allocation strategy

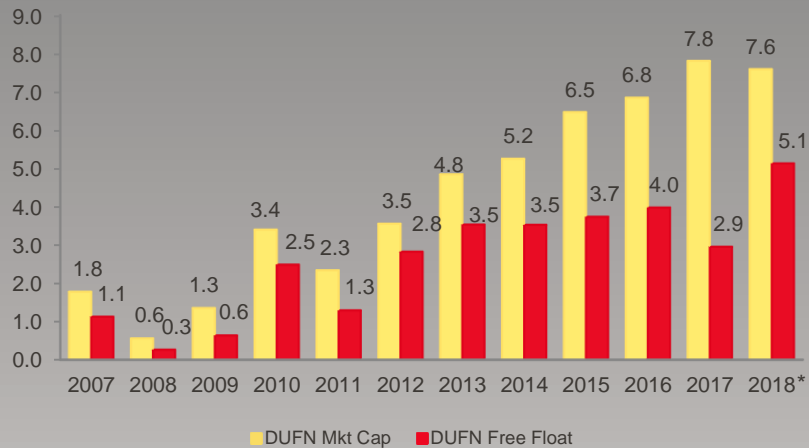
1

Update on share performance & shareholder structure

Dufry Stock Market KPI evolution

Historical Mkt Cap and Free Float

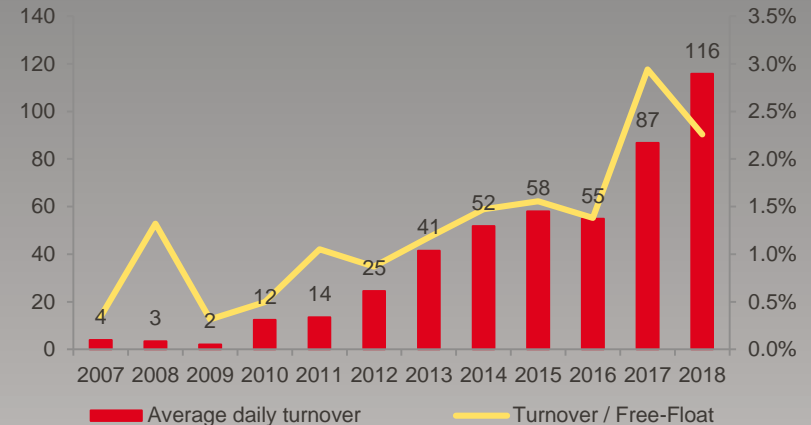
CHF billion



* As of May

Average Daily Turnover

CHF million, % of free float



Note: Includes Dufry shares traded in all stock exchanges, of which the SIX Swiss Exchange contributes the most

- Considerable trading volume increase in years 2017 and 2018
- Good free float secures tradability of shares

Dufry Shareholder structure as currently disclosed at SIX

Long-term shareholders continue to support Dufry

Shareholders	Date of reporting	Long Positions		Short Positions	
		Total Shares		Total	
SHARE CAPITAL		53,871,707	100.0%		
Shareholder Group led by Travel Retail Investments ⁽¹⁾	Dec-17	10,970,081	20.4%	3,937,130	7.3%
Qatar Holding LLC	Dec-15	3,603,655	6.7%		
Richemont ⁽²⁾		4,040,378	7.5%		
Free Float		35,257,593	65.4%		
<u>Shareholders with net holdings below 5%</u>					
HNA	Dec-17	11,267,671	20.9%	11,267,671	20.9%
BlackRock, Inc. ⁽³⁾	Sep-17	1,759,949	3.3%	363,102	0.7%

Notes:

(1) 1,126,690 Financial Instruments (in Long Positions) held by the Shareholder Group led by Travel Retail Investments include 543,760 shares over which the Shareholder Group retains voting rights.

(2) As publicly disclosed in the media.

(3) Includes 335,381 of Financial Instruments.

Note: Free float as calculated by SIX (not considering HNA position and Richemont with 7.5%)

2 Ongoing development of Corporate Governance

Board of Directors with ongoing renewal

Board of Directors regularly renewed

Increasing independency of Directors

Diversity aspects applied

Name	Profession	Nationality	Dufry Position	First election
Juan Carlos Torres Carretero	Chairman Dufry AG	Spanish	Chairman	2003
Andrés Holzer Neumann	President Grupo Industrial Omega	Mexican	Vice-Chairman	2004
Jorge Born	CEO of BOMAGRA S.A.	Argentinian	Director	2010
Claire Chiang	Senior Vice President Banyan Tree Hld.Ltd	Singaporean	Director	2016
Julian Diaz González	CEO Dufry AG	Spanish	Director	2013
George Koutsolioutsos	CEO Follie Follie Group	Greek	Director	2014
Heekyung (Jo) Ming	Executive VP CJ Cheiljedang	Korean	Director	2016
Steven Tadler*	Managing Partner Advent Int. Corpo.	American	Director	2017
Lynda Tyler-Cagni*	CEO Tyler Cagni Consulting Ltd	British & Italian	Director	2017

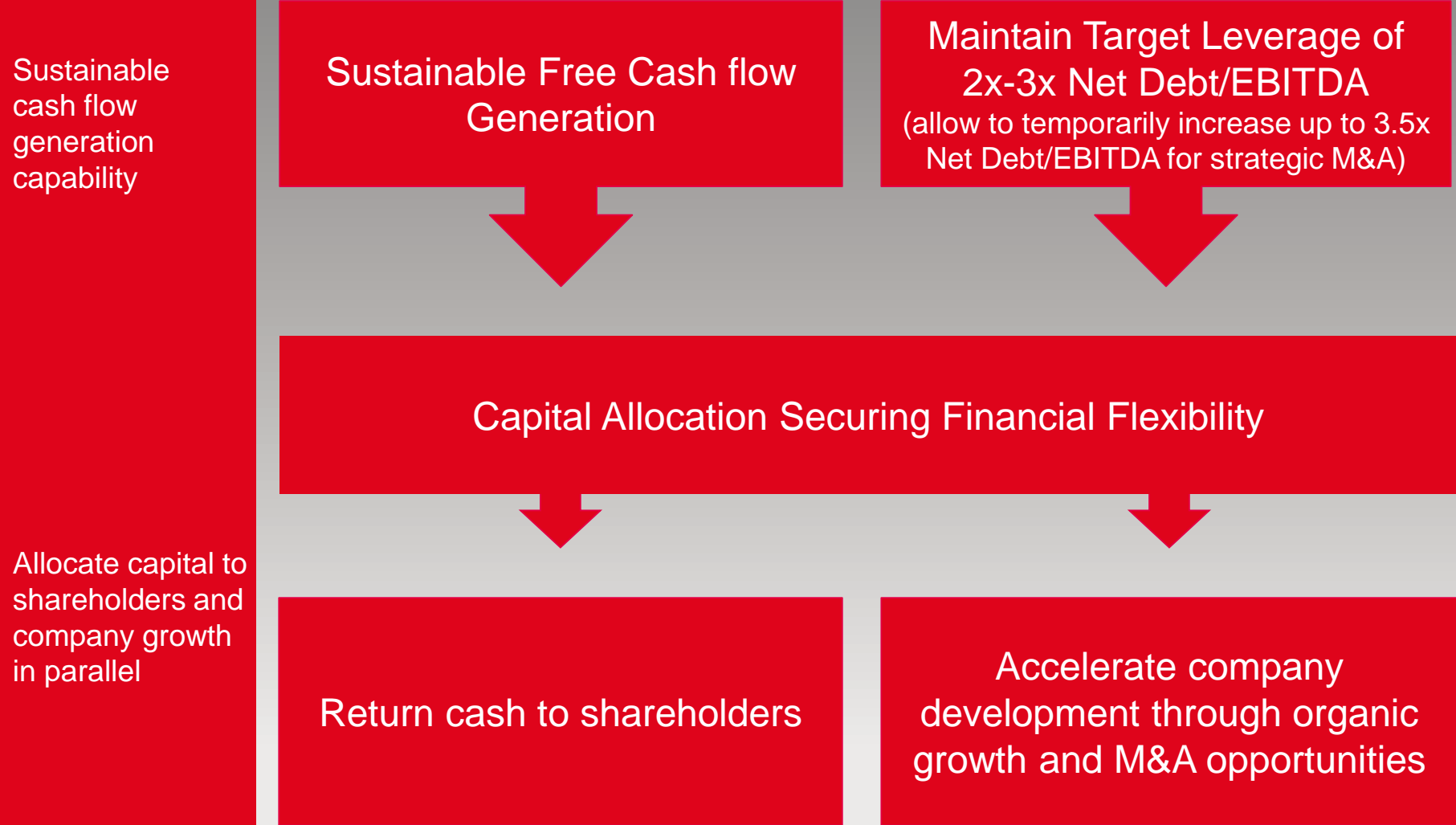
- Well-balanced length of tenure; average tenure of 5.5 years
- Number of independent Directors increased; 60% independent
- Gender diversity established; 1/3 female Directors
- Cultural variety represented; 8 countries from 4 continents

* Elected at 2018 OGM

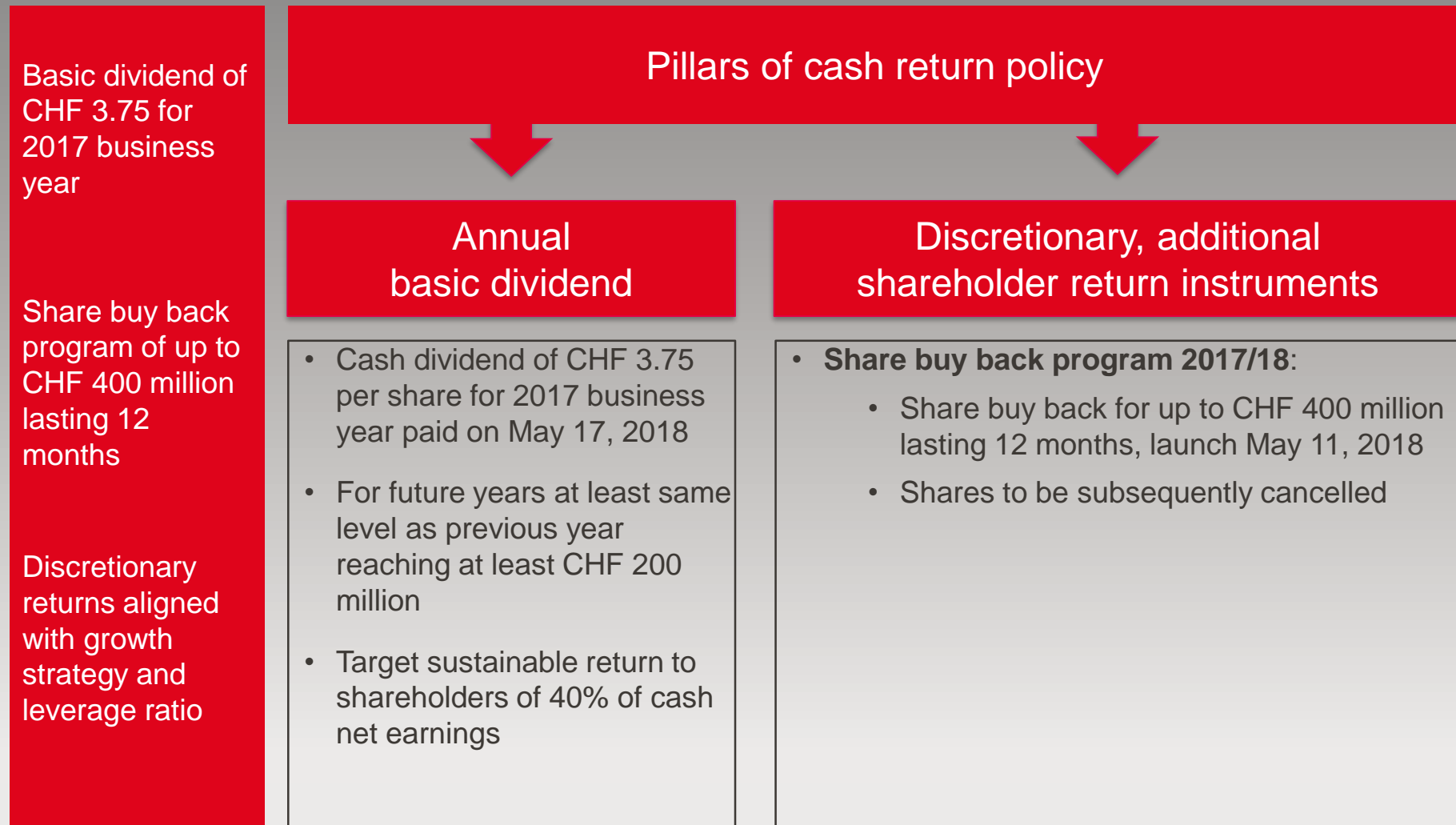
3

Capital Allocation Strategy

Dufry Financial & Capital Allocation Strategy Going Forward



Dufry shareholder return policy



Q&A

Thank you

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Dufry Day

Industry outlook and Dufry Strategy

Julian Diaz

CEO

May 31, 2018

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AGENDA

1. Travel Retail Industry outlook & Dufry Strategy

2. Dufry Equity Story

1

Travel Retail Industry today and Dufry's initiatives to foster its leading position

Strengths and unique positioning of travel retail offer sustainable growth opportunities

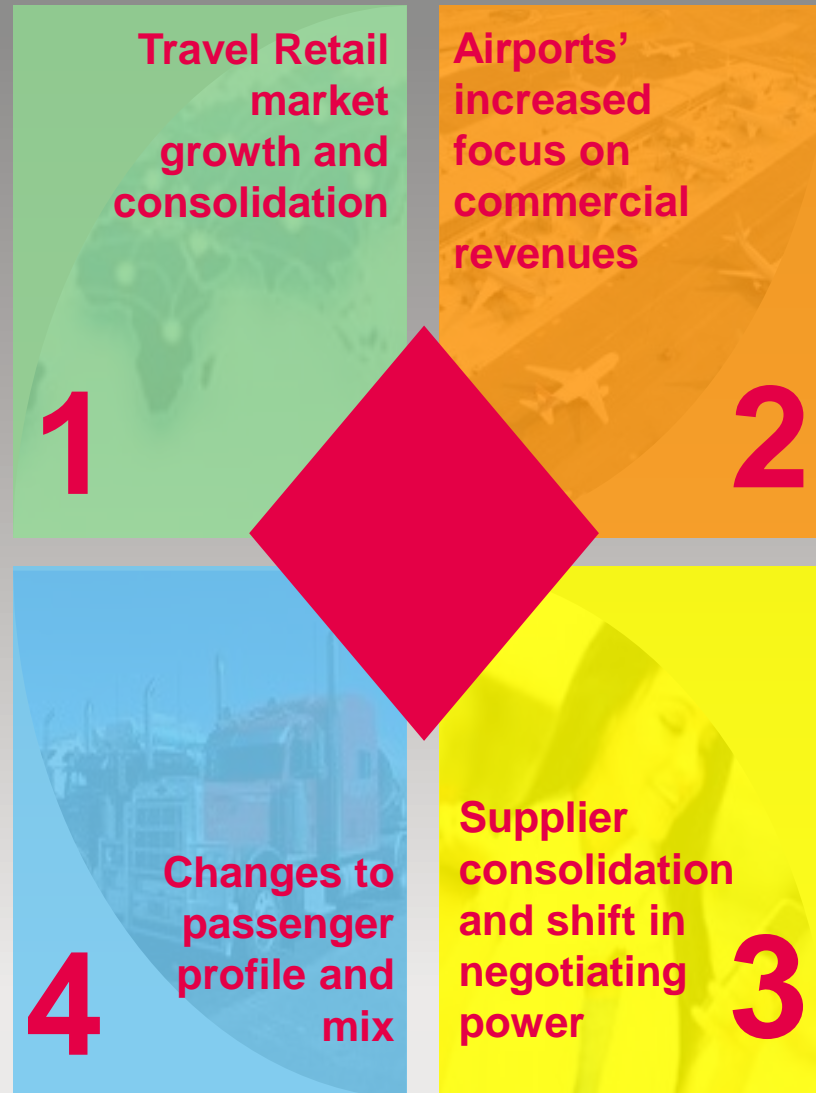
Unique travel retail positioning offers sustainable growth opportunities

Resiliently growing captive customer base

Attractive channel for global brands

- **Unique travel retail commercial positioning & outstanding shopping experience**
 - Travel retail perceived as a value saving channel with clear distinction against other retail channels
 - Travel retail store concepts improving footfall & penetration
 - Exclusive assortment and competitive advantage in travel retail
 - Staff interaction is key to engage with customers and promote sales
- **Captive audience at airports with ongoing PAX growth worldwide**
 - Impulse buying behavior results in more penetration
 - Low impact of e-Commerce in travel retail
 - LCC are great opportunity based on volume of new customers, through adaptation of assortment and mix of passengers
 - Long-haul flights is a strategic strength of traditional airlines
 - Ongoing growth of travelers fuels organic growth
- **Specific customer shopping behavior & motivation**
 - Technology is important to get higher engagement of customers
 - New generation stores will provide a holistic experience
 - Convenience increasingly main lever to buy in duty-free stores along with perception of value for money offer, gifting and “treating oneself”

4 major areas have significantly changed travel retail in the past few years



Drivers of change in the travel retail industry

	Industry trend	Dufry achievement / initiatives
1 Travel Retail Market and growth consolidation	<ul style="list-style-type: none">• Travel Retail with over 20 years of resilient market growth• Secular PAX growth to continue• Market structure leaves plenty of room for further consolidation	<ul style="list-style-type: none">• Turnover multiplied by 12 since 2003• EBITDA multiplied by 21 since 2003• Global diversification to reflect PAX growth• Drive synergies from larger global footprint and market consolidation
2 Airports increase focus on commercial revenues	<ul style="list-style-type: none">• Airports increase focus on commercial revenues to compensate for contraction of aeronautical revenues• Stronger competition among airports to get new routes• Airports need to collaborate with retailers to increase PAX spending	<ul style="list-style-type: none">• Provide full spectrum of shop concepts for DF & DP environments• Drive shop innovation to maximize sales• Elaborating new spectrum of relationships with airports

Drivers of change in the travel retail industry

	Industry trend	Dufry achievement / initiatives
3 Supplier consolidation and shift in negotiating power	<ul style="list-style-type: none">• TR is profitable channel for brands and provides best exposure for international and local brands• Acceleration of product novelties and TR exclusives• Supplier consolidation ongoing with recent acquisitions by major players in all categories• TR units added to supplier organizations• Significant revenue and profitability increase in TR	<ul style="list-style-type: none">• Provide supplier's equity brand story with global window display• Provide supplier with individual brand plans to best capture sales potential• Attractive activations for novelties and launch of TR exclusives
4 Changes to passenger profiles and mix	<ul style="list-style-type: none">• Europe remains main market, but focus gradually shifts to Asia and Middle East• Other regions will also increase their share such as Latin and North America• Increased of LCC results in frequent short-haul flights at low fares• Considerable change in PAX mix changed over past 20 years• Exponential technology use by customers	<ul style="list-style-type: none">• Increase customer research• Adapt assortment & offer new experiences and services to new profiles• Digitalization of business and employees

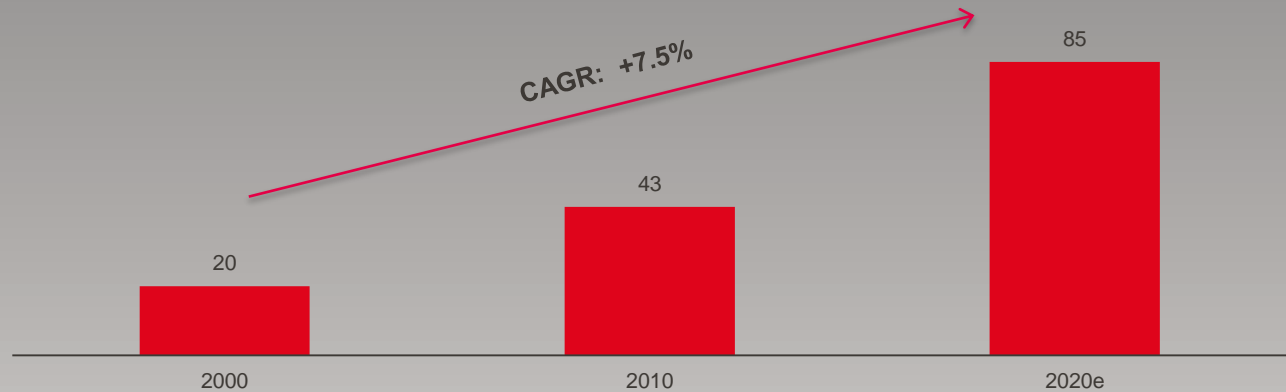
1) Travel Retail Market & Industry

- Over 20 years of resilient growth in volume market size
- Market structure leaves plenty of room for further growth and consolidation



Resilient sector with proven growth fundamentals over the long term

Global Duty Free and Travel Retail evolution (Market Size in USD bn)



Characteristics

- Highly fragmented; mostly composed by local and minor players
- Airports as the main channel
- Attractive channel for brands

Strong growth prospects for the future

- Preliminary figures indicate a growth of 8% in the Global Duty Free and Travel Retail sales for 2017, amounting to USD 68.6 billion
- Potential to generate revenues of USD 85 billion by 2020; represents an annual average increase of 7.5% against 2000

Source: Generation

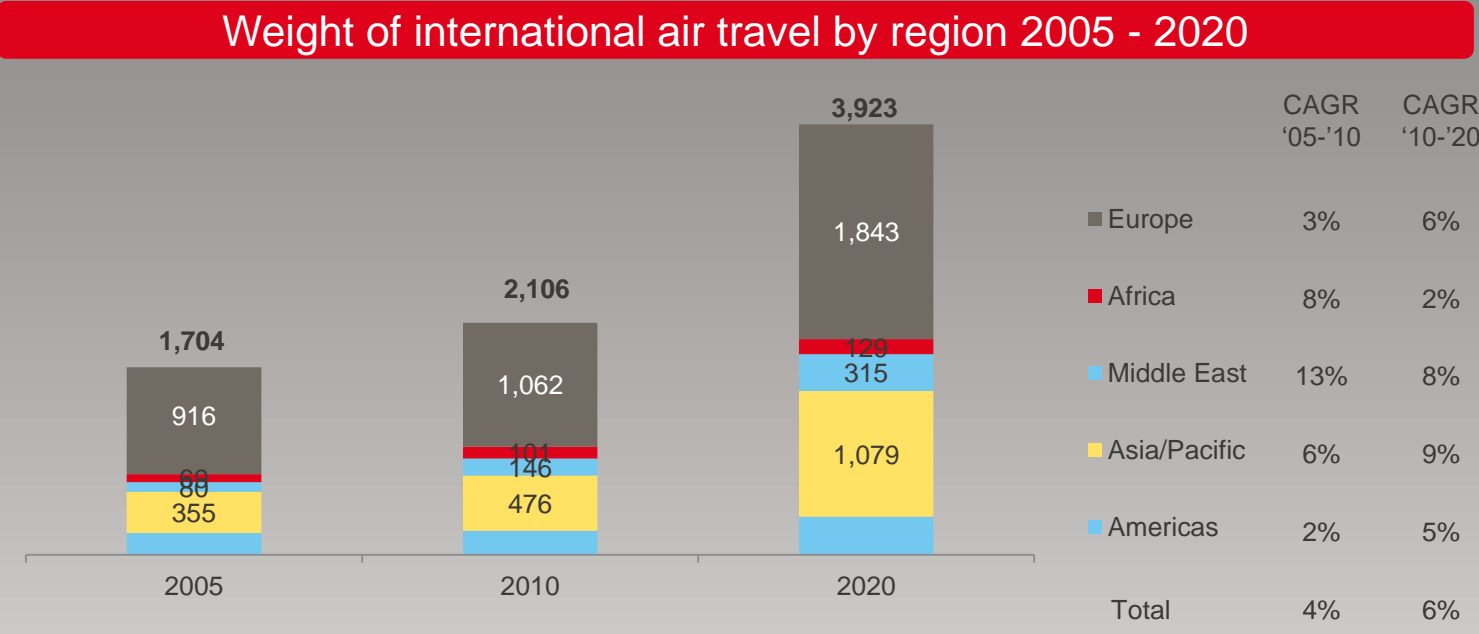
Industry: Significant shift in regional weight of international air travel



Europe retains main market, but reduces share

Asia and the Middle East are the fastest growing markets

Africa with stable growth

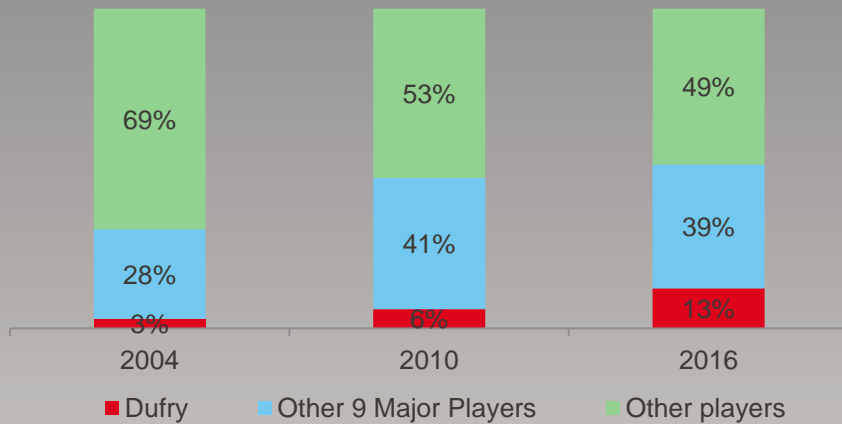


- Growing importance of Asia and the Middle East to the overall international air travel
- Emerging markets will play an relevant role in terms of growth potential going forward

Source: Air4Casts International passengers, May 2018

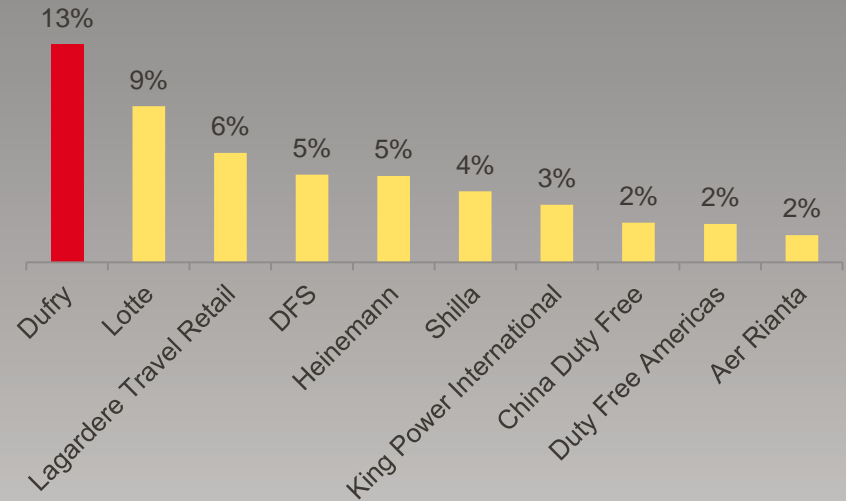


Travel retail market share evolution



Source: Generation 2016

Global Duty Free and Travel Retail (2016)



Source: TR Business

- Competitors mostly operate with more restricted regional footprint
 - Latam: Few players; Dufry holds more than 90% of market share
 - North America: Clear Hudson market leadership and few regional players
 - Europe: Several experienced players
 - Asia/MEA: Dominated by local players and high fragmentation

2) Increasing dependency of airports on non-aeronautical revenues:

Strong pressure to increase retail activities at airports and collaborate with retailers & brands

Airports increasingly willing to adapt passenger flows, reposition & increase commercial areas

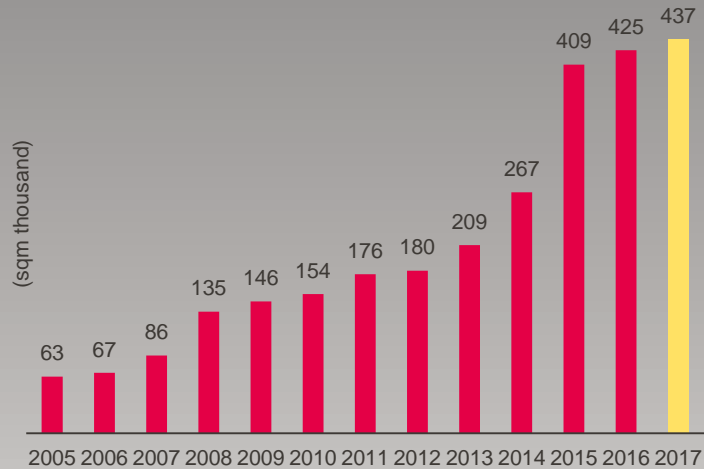
Dufry: Seeks close long-term partnerships to maximize value creation for airports



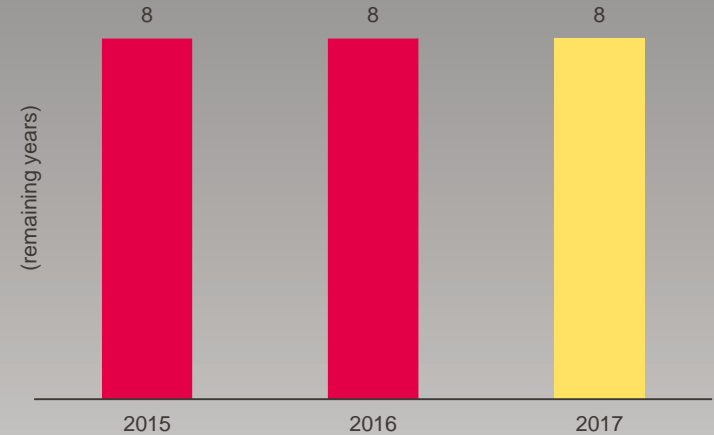
Long-standing relationships with airport operators and suppliers

Deep understanding of global consumer preferences

Square meters



Average contract duration evolution



Note: Weighted average on sales



Long-standing relationships with airport operators and suppliers

Deep understanding of global consumer preferences

- **A high-quality long-term partner for airport operators**
 - Supports landlords' long term development aspirations
 - Provides best-in-class solutions to drive commercial revenues & returns
 - Offers a complete portfolio with the most diversified and dynamic shop concepts and retail formats, including Dufry's most recent and innovative concept: The New Generation Store.
 - Delivers outstanding results for airport operators
- **Deep understanding of the global consumer**
 - Best in class & adaptable retail experience
 - Rapidly responds to changing purchasing habits and consumer profiles
 - Targeted marketing & assortment and pricing to increase consumer spend and profitability
- **Unique channel and market access for global brand suppliers**
 - Unrivalled global window display to promote premium brands – 390 unique window displays for global brands
 - Exclusive co-operation / partnership opportunities
 - Attractive commercial shop concepts
 - New retail techniques

Dufry: Unique business model with multiple commercial formats, to best serve specific travel channels or geographies (1/2)



New Generation Stores

Duty-Free Shops
Focused on Digital
technology



- Stores featuring digital signage technology to communicate in different languages and adapting offerings and promotions to passenger profiles during the day
- Attracts experience-oriented travelers by transforming in-store experience
- Presented in Melbourne, Madrid and Cancun as well as Zurich and Heathrow T3.

General Travel Retail Shops

Duty-Free shop in
Bogotá



- Large selection of products with all core categories
- Typically located in main passenger flow areas, in both arrival and departure zones. Ideal to implement walk-through concepts
- Over 700 shops operated as of December 2017

Dufry Shopping

Duty-Paid
store in Rio de
Janeiro, Brazil



- Similar offer of travel retail shops, but with duty-paid regime, targeting domestic passengers
- Additional potential of internalization given the importance of domestic travelers
- Presented across 7 locations in Brazil and 1 in the US

Dufry: Unique business model with multiple commercial formats, to best serve specific travel channels or geographies (2/2)



Brand boutiques

Individual brand shops; e.g. Victoria's Secret



- Show-case for global brands located in duty-paid or duty-free areas
- Examples: Bally, Burberry, Bvlgary, Chopard, Ermenegildo Zegna, Hugo Boss, Lacoste, Kiehls, Montblanc, MAC among others
- 150 brand boutiques operated as of December 2017

Convenience Shops

Hudson stores



- Shops offer wide assortment of soft drinks, publications, confectionary, travel accessories, electronics, souvenirs, etc.
- Very flexible concept for domestic and international passengers as well as alternative channels
- Over 500 shops operated in North America and 150 outside US and Canada as of December 2017

Specialized/ Theme Shops

Thematic shops; e.g. Tequileria



- Products from the same category or a specific theme but from several brands
- Concept deployed internationally and can be located in multiple channels
- 650 specialized shops operated world-wide as of December 2017

3) Advanced supplier consolidation & strong focus on travel retail channel:

Travel retail represents profitable and attractive channel for global brands

Brands enhancing own organization with travel retail units

Increasingly developing TR exclusives



Global window display for brands

Brand plan with largest suppliers focusing on novelties, promotions and new brands

- Dufry's global footprint offers brands unique worldwide window display
 - Fostering of brand image and market presence
 - Launch of novelties
 - Market entries
- Dufry's brands plan offers customized approach to each brand, individually creating a joint set of goals for the supplier and for Dufry as well as agreeing on action points:
 - Brand boutiques
 - Promotions
 - Assortment
 - Passenger flow
- Several possibilities in duty-free and duty-paid, with Dufry's variety of shop concepts, offering customers unique shopping experiences and emphasizing the appeal of the brands and the travel retail channel.
- Both parties establish clear targets and evaluate effectiveness of their initiatives.
- Further opportunities with the New Generation Stores: Brands can enhance their activities and its customer awareness through new services and experience

4) Ongoing PAX growth and changes in profiles and motivation:

Resilient PAX growth is the main driver for industry growth – independently from passenger profiles

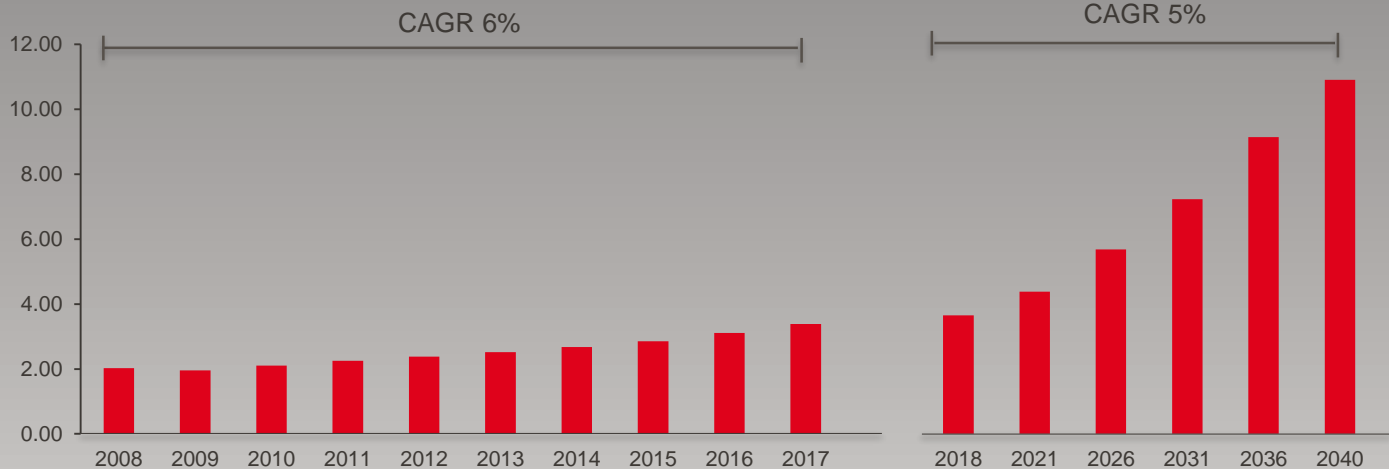
New profiles provide incremental sales potential when addressed with right assortment, shopping experiences and shop concepts



Healthy international PAX growth

Forecast continue strongly

International PAX growth forecast



Source: ACI, World Airport Traffic Forecasts 2017–2040

- PAX expectations for next years show strong, continued growth in all regions
- PAX growth to continue to be the most important component of organic growth

PAX = Passengers

Industry: Growth of low cost carriers provides incremental PAX and sales potential

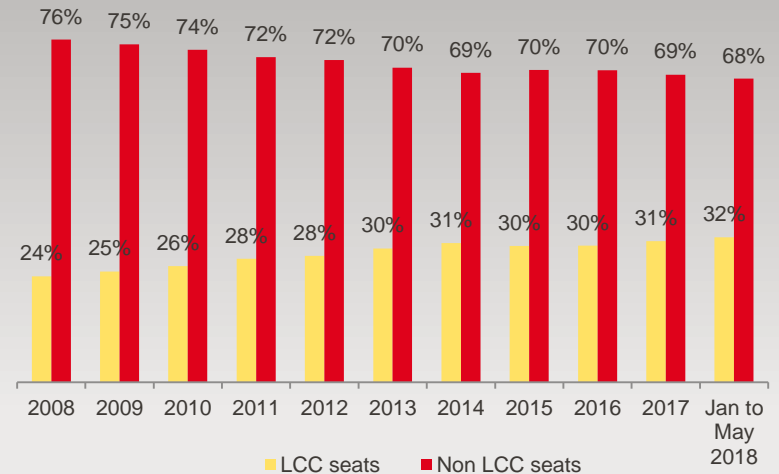
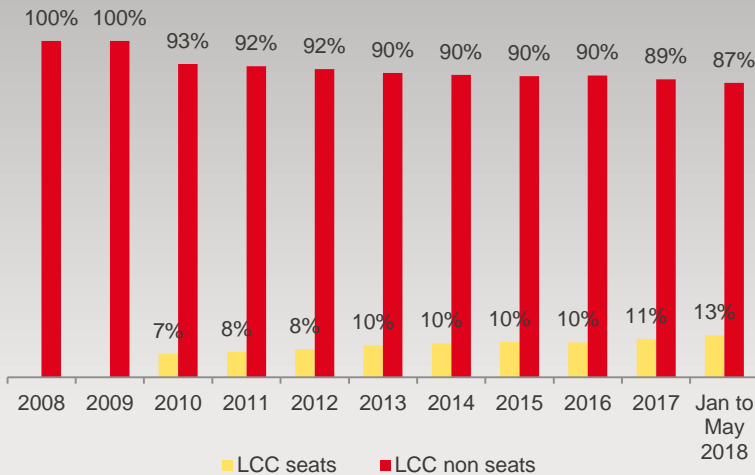


- According to ICAO, air passengers will nearly double in the next 15 years, and will continue to steadily grow, at an average 4%, for the next 25 years.
- One of the main drivers for the increase in passengers has been the expansion of low cost carriers (LCCs) in the air industry.
- Europe as the most developed market in the world for LCCs, representing an increasing share of the short-haul market from 9% 15 years ago to nearly 40% today.
- LCCs main presence still in the domestic market.

LCC Evolution

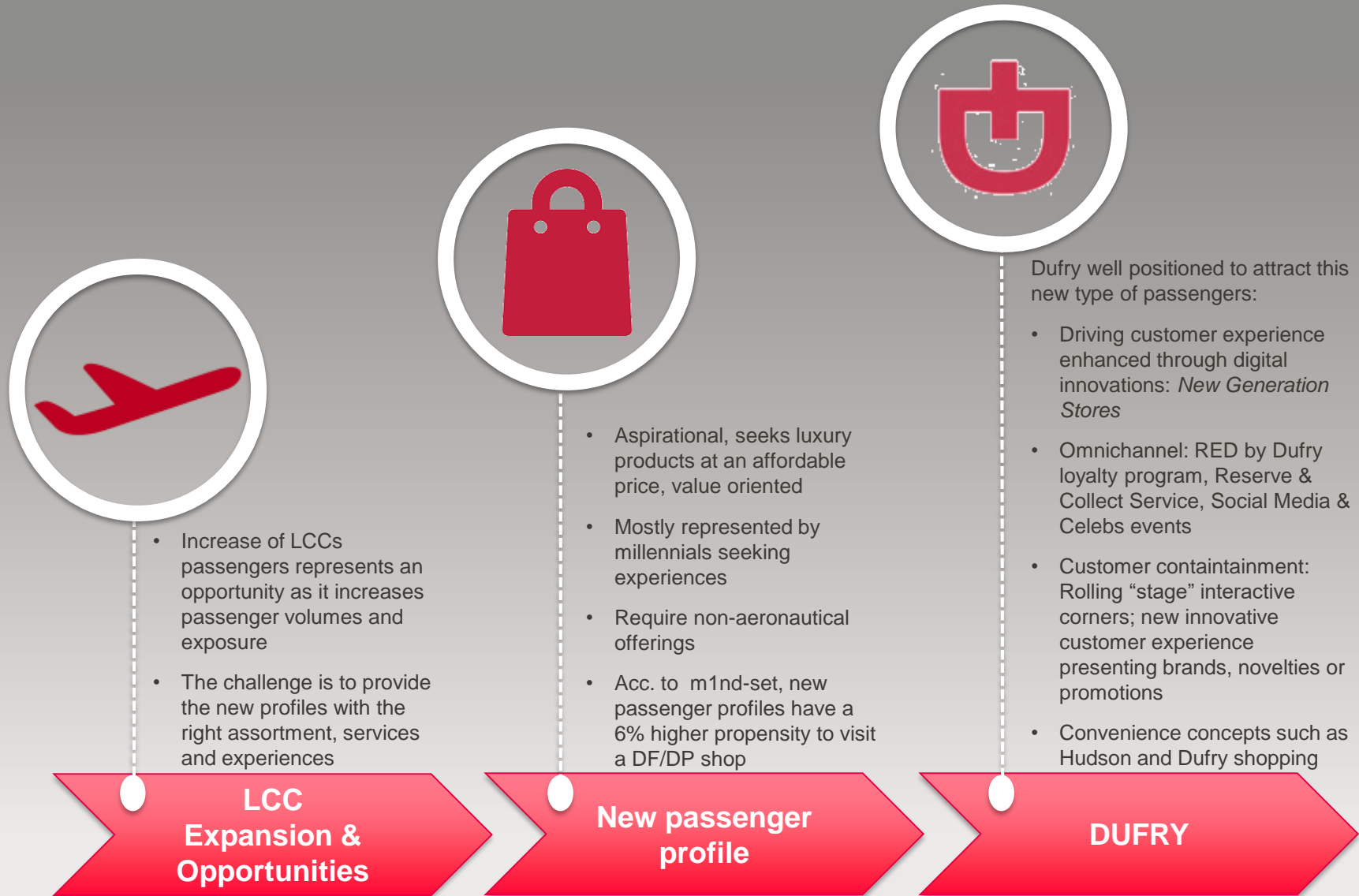
International – Duty Free business

Domestic – Duty Paid business



Source: S&P Report referring to ICAO (Dec 2017) and CAPA

Dufry: Identification of LCC passenger profile and creation of opportunities



Source: M1nd set, TH Airport Consulting, Dufry



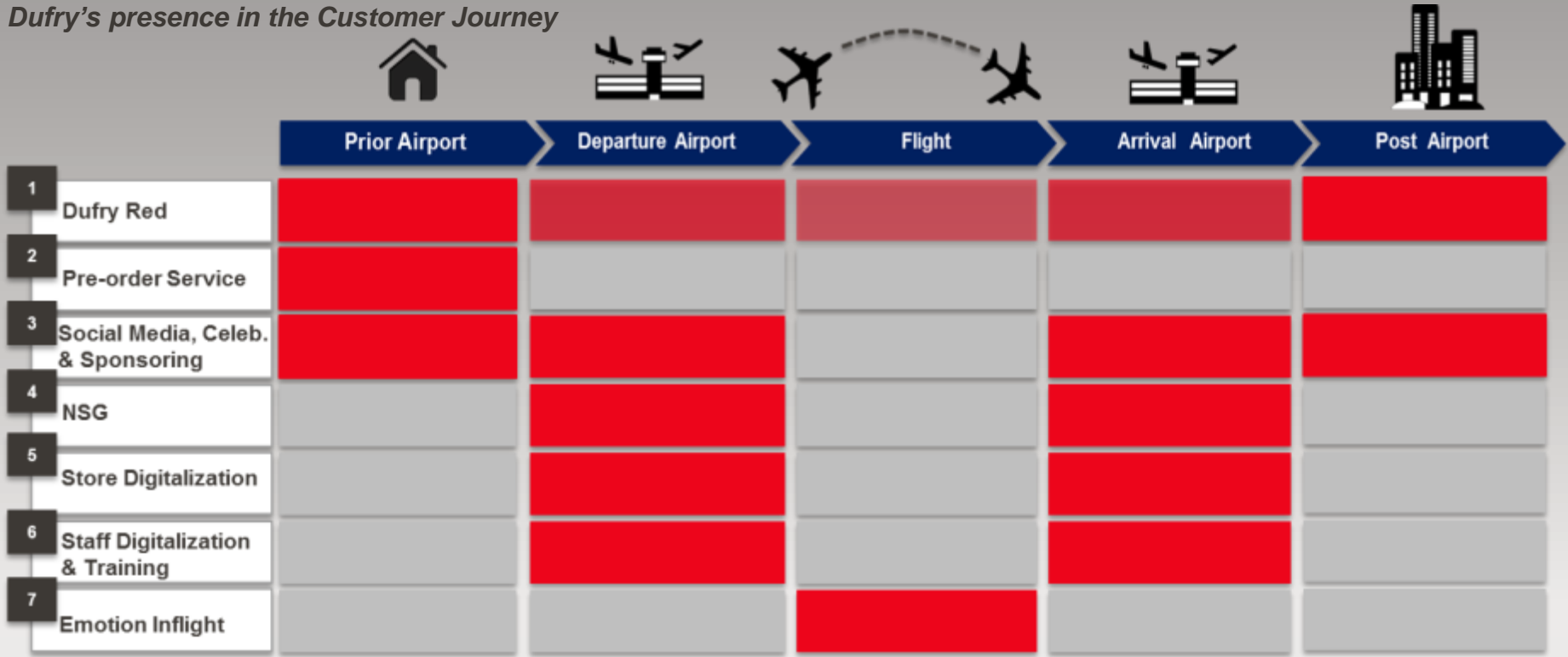
Dufry (B): @-motion - Customer Services Transformation



With @-motion we want to take advantage of new technologies to increase our interaction time and quality with passengers

Our aim is to be present in each one of the phases of the *Customer Journey* and improve their Shopping Experience obtaining an increase in Penetration. For this we need to connect and communicate with our Clients which will only be possible through the use of Digital innovations

Dufry's presence in the Customer Journey



2 Dufry Equity History

Dufry is the largest airport Travel Retailer in the World with over 20% market share

as of December, 2017



Present in

64
countries



Over

1,000
suppliers



2.5
billion

potential
customers

Operates at over

390
locations



50,000
Products

Our assortment
of reference items
from vendors globally



Over

20%
Market share
in airport retail



Over
32,000
Employees

Representing over
70 different nationalities



Over
2,200
Shops

Dufry opens a new
shop every week

Over
437,000 m²
of commercial
space

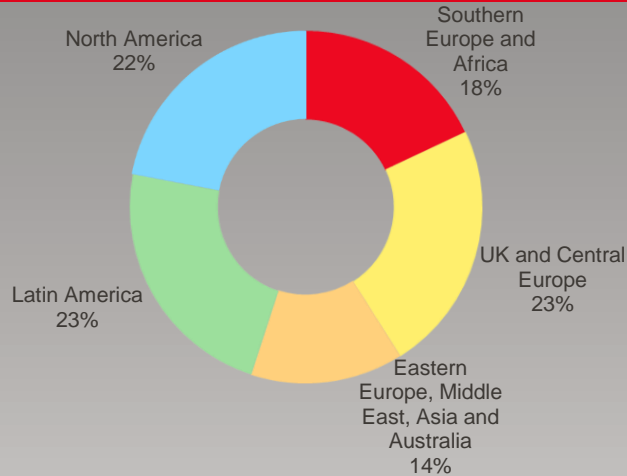


Turnover
multiplied
by 12 and
EBITDA by
21
since 2003

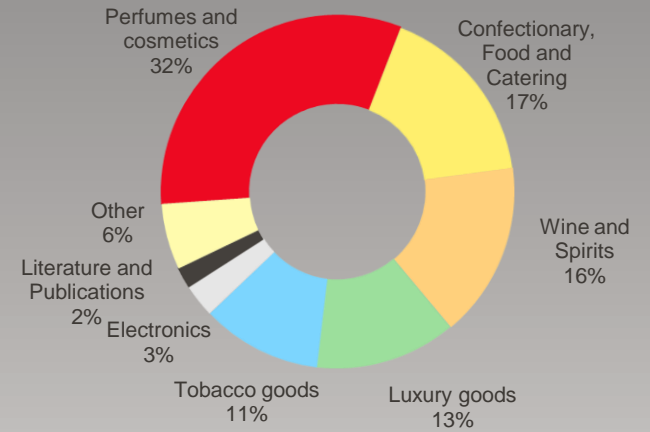
Comparison Dufry's Segmentation Q1 2018

Balanced concession portfolio across divisions

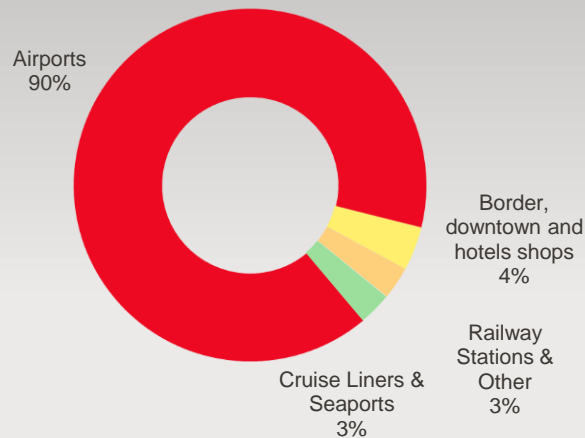
Dufry by Division Q1 2018



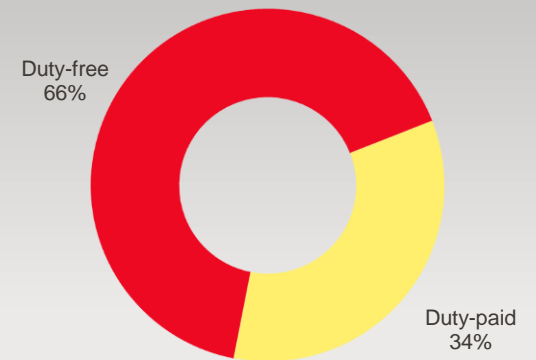
Dufry by Category Q1 2018



Dufry by Channel Q1 2018



Dufry by Sector Q1 2018



Increasing importance of Cruise Liners

Dufry's Investment Case

Long-term top-line growth

- Passenger growth
- Space and productivity growth
- Selected acquisitions / industry consolidation

Sustainable operating profits

- Long-term changes in concession fees to be compensated with further optimization of gross margin and operational leverage
- Global leadership position gives competitive edge

High cash flow generation

- Asset-light business model
- Higher contribution from organic growth
- Quick deleveraging

Diversified concession portfolio mitigates risks

- Over 390 locations in 65 countries
- Top ten contracts account for <35% of turnover

Resilient business

- Variable cost structure limits impact of downturns
- Customer profiles with higher living standards
- Resilient spending as strongly positioned in affordable luxury
- Captive audience

Shareholder return

- Allocate capital to shareholders and company growth in parallel, through strong cash generation
- Regular annual dividend payments
- Sustainable return to shareholders of 40% of Dufry's cash net earnings.

Growth drivers

Resilient PAX growth in Dufry locations going forward

Reduced exposure to single locations

Strong project pipeline to win new or expand existing concessions

Passenger growth

Passenger numbers in Dufry's operations expected to continue to grow in the medium and long term.

3-4%

Spend per passenger

Improvements in service levels at shops and developing marketing initiatives.

1-2%

New concessions, net

Expansion of current operations and opening of new locations. At renewal of existing concessions, retention rate of around 90%.

1-2%

Organic Growth

- Strong organic growth potential
- Diversification will help mitigate local impacts
- Exposure to single locations or nationalities further reduced
- Higher presence in developed markets will lead to stabilization of growth

5-7%

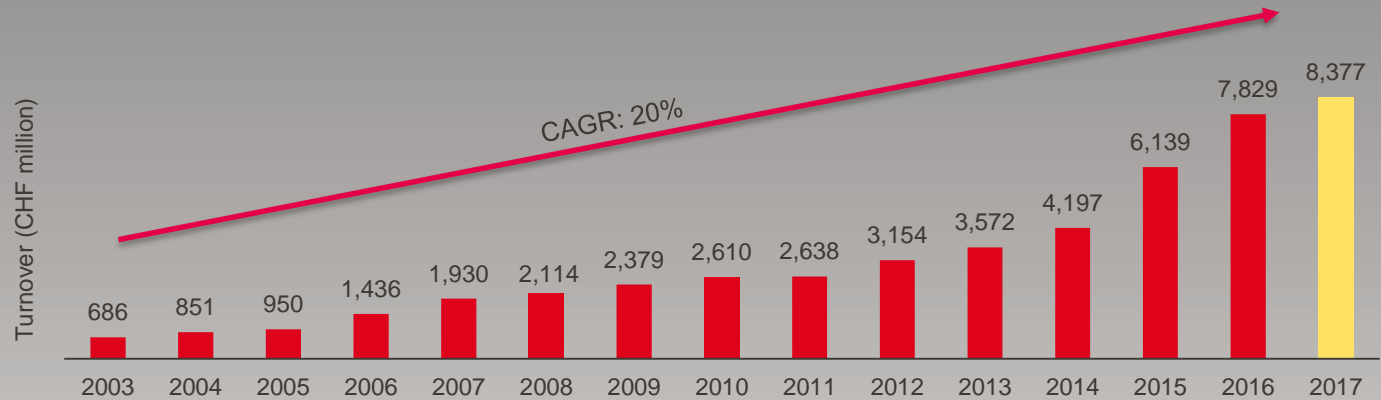
Successful execution of growth strategy continuously driving up gross margin

Successful execution of growth strategy with significant turnover growth

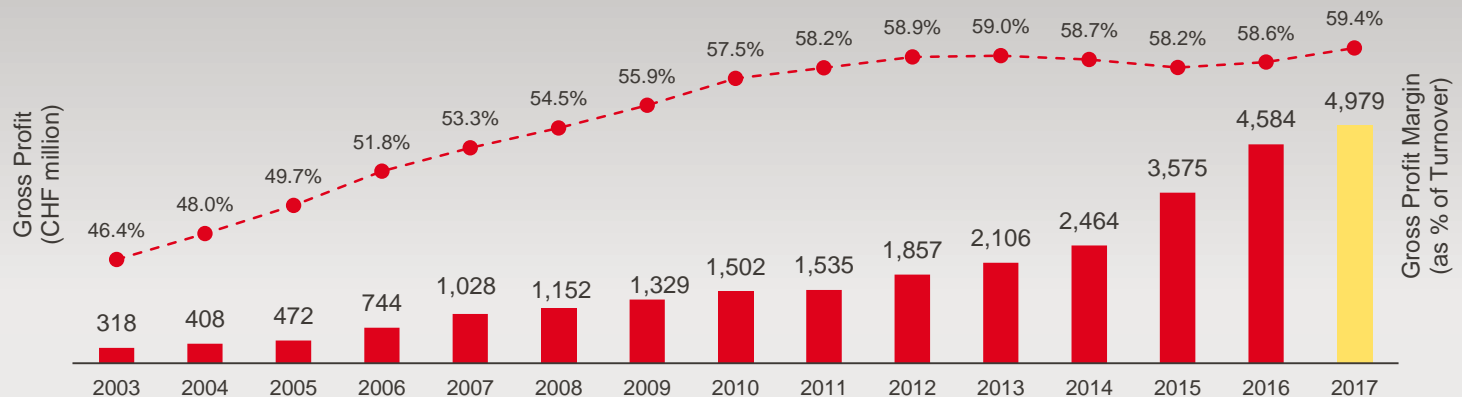
Scale benefits and cost advantages supporting continuous margin improvement

High EBITDA margin business and low capital requirements create strong cash generation potential

Turnover Evolution



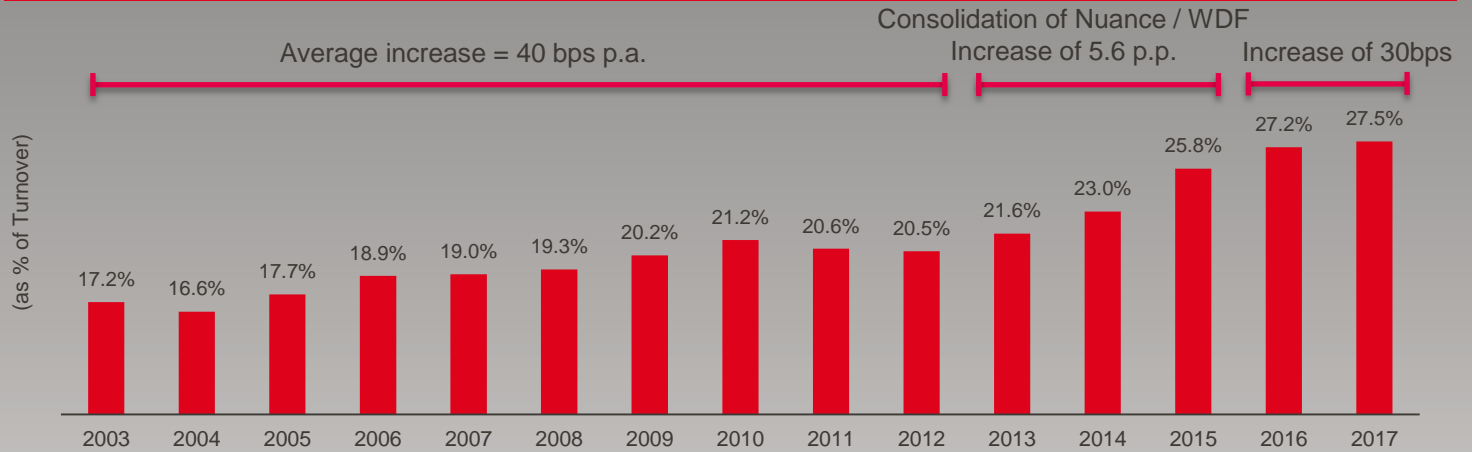
Gross Profit Evolution (average +90 bps p.a.)



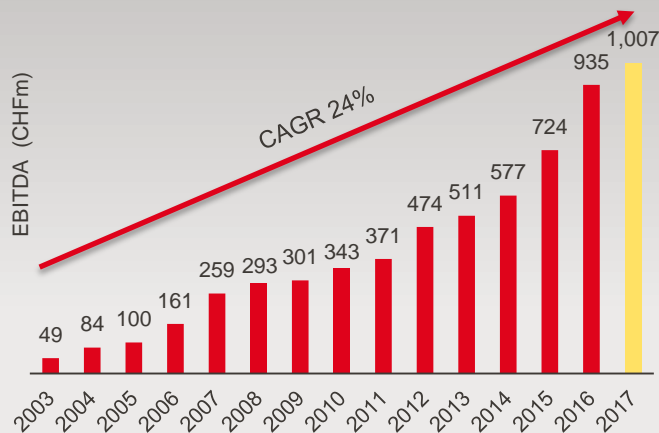
Organic Growth with KPIs

Concession fee impacted by M&A

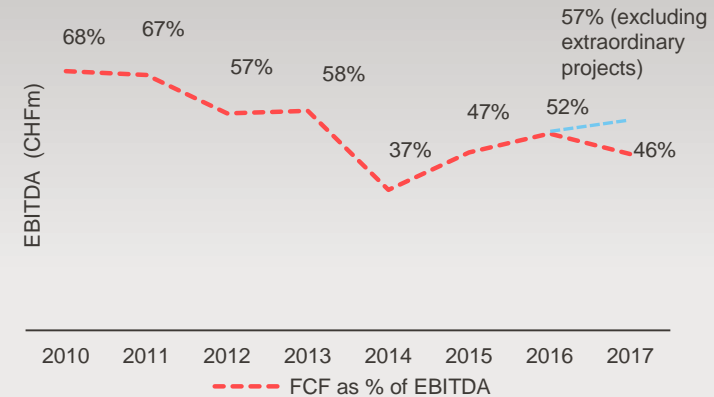
Concession fee Evolution



EBITDA evolution



Free cash flow conversion

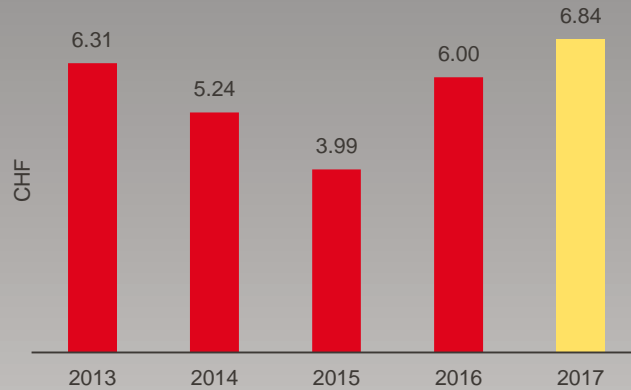


Earnings and returns growth post acquisitions

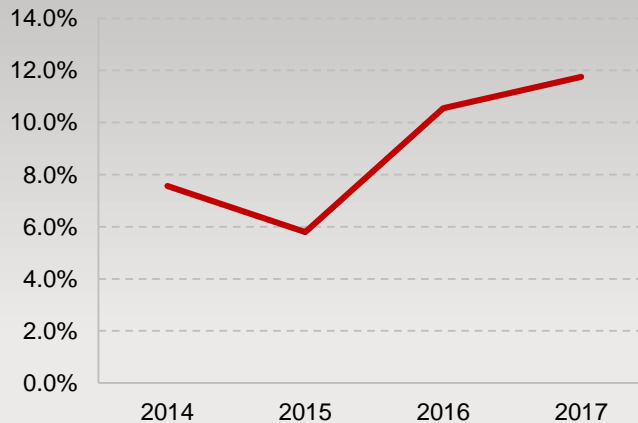
Cash EPS improve 14% from CHF 6.00 in 2016 to CHF 6.84 in 2017

One-offs of 2017 impact Cash EPS by CHF 0.96

Cash EPS Evolution



Return on Equity



- Cash EPS continues to grow strongly
 - Recovery of organic growth in 2016-17
 - Margin improvement due to synergies
 - 2017 has significant one-offs, with a net impact of CHF -52.7 million
- Return on Equity strongly increased following completion of integration
 - Metric closer to IRR concept used for projects
 - Also considers capital required to run the business

Q&A

Thank you

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Brands and exclusive products only available in

Analyst Day BOM

José Antonio Gea
Deputy Group CEO
May 31, 2018

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Agenda

1. What is the BOM?
2. Setting the foundations in 2016 & 2017
3. Development and implementation of the BOM
4. Conclusion

1

WHAT IS THE BOM?

What is the new Business Operating Model?

Standardization
to create
alignment

Generate CHF
50 million of
efficiencies in
total

- Unique commercial model based on best practices
- High standardization across whole organizational levels
- Functional scale effects
- Full long-term efficiencies across divisions and countries
- Eliminating Business Units (BU) as layer of its own
- Simplification of management for a more agile organization closer to the business
- Generate efficiencies for a total of CHF 50 million at EBITDA level once the BOM implementation is fully completed

What are the goals of the new BOM?

Standardize
processes and
procedures

Implement
common tools
across business

Foster
collaboration
across HQ,
divisions and
countries

The BOM aims to align ways of working, processes and procedures as well as to introduce common tools:

- **Standardize organization (e.g.)**
 - Single organizational structure across the business for similar sizes of operations
- **Standardize processes & procedures by introducing best practices (e.g.)**
 - Shift planning
 - Store design
 - Supply chain
 - Leverage full buying and logistics scale
- **Use same tools across the business (e.g)**
 - IT systems (reduce number of ERPs; all countries within divisions to use same ERP)
 - Advertising & promotion tool to coordinate global campaigns
 - Masterdata / Global catalogue homogenization

2

Setting the Foundations in 2016 & 2017

Integration of the companies and establishing new values and identity

Integration
completed

- Transformational acquisitions with physical integration of 3 companies completed by 2016



New Dufry
created

 **DUFRY**

WorldClass.WorldWide.

- A new corporate identity with common values to establish a new corporate culture

Setting the foundations

A single platform

- **Procurement and Logistic Platform – IOS**
 - A single integrated global distribution and supply chain
 - Single and integrated forecast system

Renegotiations

- **Renegotiated commercial terms**
 - Renegotiated commercial terms based in the four DC: Miami – Uruguay, Barcelona – Switzerland, London, Hong Kong
 - 90% completed

Successful extraction of synergies and strong increase of organic growth in 2017

Extraction of more synergies than expected

Successful acceleration of growth in 2017

- **Successful extraction of synergies**
 - CHF 70 million from Nuance reflected in FY results P&L 2016
 - CHF 125 million from World Duty Free reflected in FY results P&L 2017
- **Successful business year 2017**
 - Strong organic growth of 7.4%
 - +80 bps gross profit margin
 - EBITDA exceeds CHF 1 billion
 - Free cash flow of CHF 467 million

3

Development and Implementation of the New Business Operating Model (BOM)

Roll out of a solid IT plan

Accurate data

ERP

- Accurate and real-time data
- Centralized database

Data Management

- Databases clean and organized by end of 2018

New technologies

Infrastructure

- Leverage infrastructure
- New technologies and cost-reduction initiatives

Digital

- Rollout of scalable customer engagement solutions in 15 locations

Security

Security

- Enhance technical and operational capabilities

Complete IOS implementation

Single forecast system

Single and integrated forecast system:

- SAP Corporate roll out in SC America
- F&R roll out in the countries as part of the BOM

Standardization / BOM / Collaborative model

- 3 regional platforms working with the same processes

Single product catalogue

Single product catalogue

- Enhanced interfaces with Gamma and data quality validations / tools

One Order roll out

Centralization of purchases / one order

- Complete one order roll out

Implementation of BOM Blue Print and Collaborative Business Model by countries

Definition of Blue Print

- We defined the Blue Print for the new BOM
- Implement it in waves on groups of countries across each division
- Country by country approach, aligning what deviates from the Blue-Print

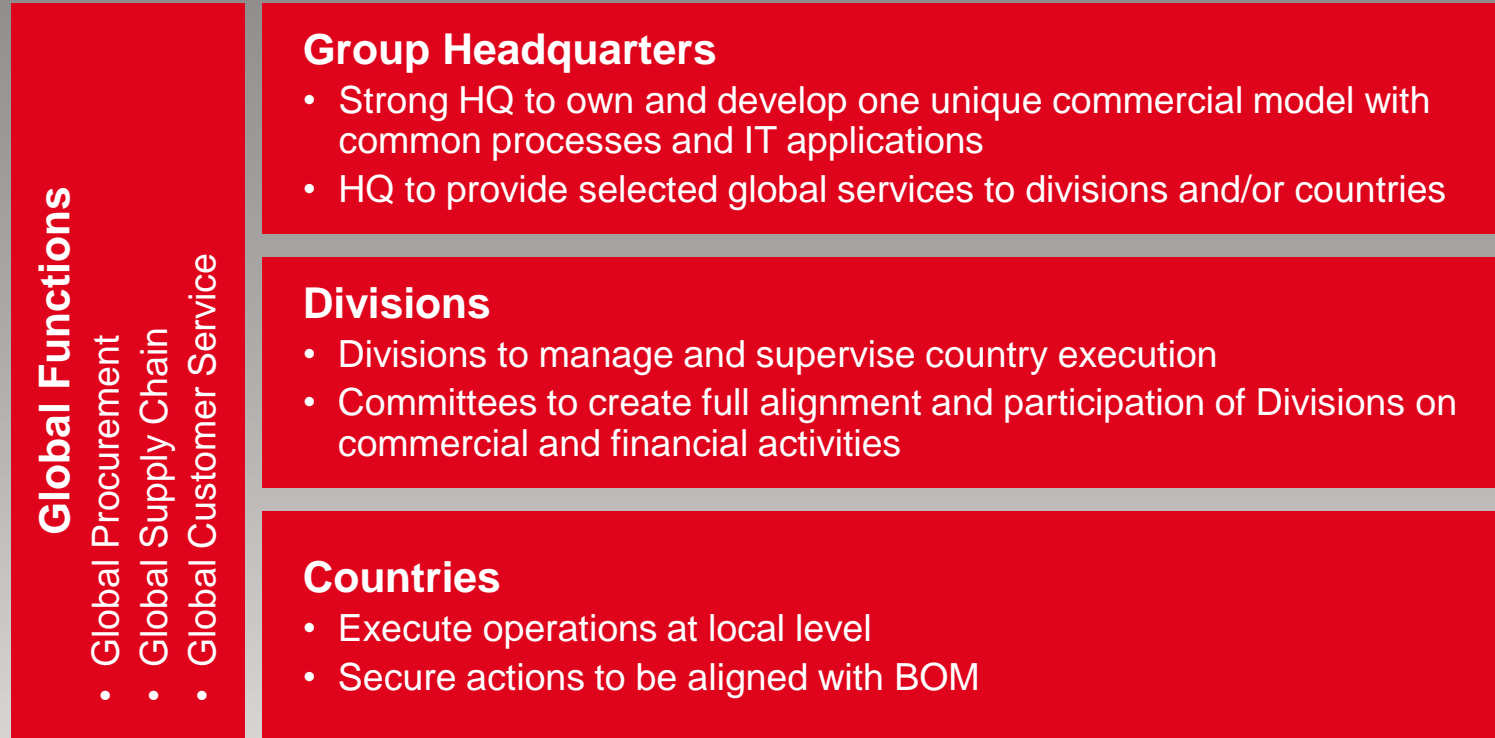
Implementation in waves

1		Ivory Coast	YES	YES	
2		Cabo Verde	YES	YES	
3		Algeria	YES	YES	
4		Egypt	YES	YES	
5		Ghana	YES	YES	
6		Kenya	YES	YES	
7		Morocco	YES	YES	
8		Federal Republic of Nigeria	YES	YES	
9		Greece	YES		Jul-18
10		Italy		Sep-18	Dec-18
11		France		Sep-18	Dec-18
12		Malta		Sep-18	Dec-18
13		Martinique		Sep-18	Dec-18
14		Spain	YES		Nov-18
15		Turkey		May-18	Dec-18
16		Portugal		Sep-18	Dec-18
17	Division 2	Switzerland	YES	YES	
18		Finland	YES		Sep-18
19		Sweden	YES		Sep-18
20		Germany		Jul-18	Oct-18
21		United Kingdom	YES		Dec-18
22	Division 3	Australia	YES	YES	
23	East Europe	Armenia		May-18	Nov-18
24		Bulgaria		May-18	Nov-18
25		Kazakhstan		May-18	Nov-18
26		Russian Federation		May-18	Nov-18
27		Serbia		May-18	Nov-18
28	Middle East	United Arab Emirates	YES		Sep-18
29		India	YES		Oct-18
30		Jordan	YES		Nov-18
31		Kuwait	YES		Dec-18
32		Sri Lanka	YES		Jan-19
33	South Asia	Cambodia		Jul-18	Nov-18
34		Malaysia		Jul-18	Nov-18
35		Singapore		Jul-18	Nov-18
36		Indonesia		Jul-18	Nov-18
37	North Asia	South Korea		Jul-18	Nov-18
38		Honk Kong DCS Asia		Jul-18	Nov-18
39		China		Jul-18	Nov-18
40	Division 4	Mexico	YES	YES	
41		Nicaragua	YES	YES	
42	Amex	Argentina	YES		Sep-18
43		Chile	YES		Sep-18
44		Colombia	YES		Sep-18
45		Ecuador	YES		Sep-18
46		Peru	YES		Sep-18
47		Uruguay	YES		Sep-18
48		Brazil	YES		Oct-18
49		Bolivia	YES		Nov-18
50	Caribbean	Aruba		Aug-18	Dec-18
51		Netherlands Antilles		Aug-18	Dec-18
52		Antiqua & Barbuda		Aug-18	Dec-18
53		Bahamas		Aug-18	Dec-18
54		Bonaire		Aug-18	Dec-18
55		Barbados		Aug-18	Dec-18
56		Dominican Republic		Aug-18	Dec-18
57		Guadeloupe		Aug-18	Dec-18
58		Grenada		Aug-18	Dec-18
59		Honduras		Aug-18	Dec-18
60		Jamaica		Aug-18	Dec-18
61		St Kitts		Aug-18	Dec-18
62		Saint Lucia		Aug-18	Dec-18
63		Puerto Rico		Aug-18	Dec-18
64		Turks and Caicos Islands		Aug-18	Dec-18
65		Trinidad and Tobago		Aug-18	Dec-18
66	Div. 5	Canada	YES		Jun-18
67		USA	YES		Dec-18

Countries to reach certification

- Countries to pass certification upon implementation; certified by PwC
- Physically complete roll-out by end 2018

The BOM structure is based on three layers and the global functions



- Clear definition of responsibilities and task allocation
- Strong cooperation between layers and global functions
- Full alignment with strategic goals

Collaborative Business Model

Detailed by
Country and
Category

The Buying
Executive
Committee

The Pricing
Team

Collaborative
meetings

The commercial plan

- Detailed by country and category
- Quantitative and qualitative
- Built top-down and bottom-up

Buying Executive Committee

- Alignment of vendor's strategy with Dufry's commercial plan
- Internal approval of novelties, promotional campaigns and pricing policies

Pricing team

- Define pricing policies for commercial plan, in coordination with operations

Collaborative meetings

- Alignment and engagement of all stakeholders, implementation, follow-up, review

Progress with implementation of the BOM so far

Where do we stand today?

- **Definition of Blue Print completed end 2016 / early 2017**
- **Implementation started in early 2017**
 - Country rollout plan launched in January 2017
 - Kickoff-Meetings in all divisions held in February 2017
- **BOM has been launched in 32 Countries across 5 Divisions**
 - Division 1: Ivory Coast, Cabo Verde, Algeria, Egypt, Ghana, Kenya, Morocco, Federal Republic of Nigeria, Greece, Spain
 - Division 2: Switzerland, Finland, Sweden, United Kingdom, Australia
 - Division 3: Australia, United Arab Emirates, India, Jordan, Kuwait, Sri Lanka
 - Division 4: Mexico, Nicaragua, Argentina, Chile, Colombia, Ecuador, Peru, Uruguay, Brazil, Bolivia
 - Division 5: Canada, USA
- **12 Countries achieved certification so far**
 - Ivory Coast, Cabo Verde, Algeria, Egypt, Ghana, Kenya, Morocco, Federal Republic of Nigeria, Switzerland, Australia, Mexico, Nicaragua

Completed by end 2018

Complete BOM
roll out by end
2018

- **By end of 2018:**
 - Complete the BOM roll-out by implementing in the remaining 35 countries scheduled for launch
 - All countries, a total of 65, to be certified
 - Expected efficiencies of CHF 26 million for 2018 business year
 - Remaining synergies building up sequentially to reach total of CHF 50 million in 2019

4

Conclusion

Conclusion

Provide solid business operating model to support further growth

- **Strong foundations**
 - Restructured company
 - A new corporate identity with common values to establish a new corporate culture
 - Procurement and Logistic Platform – IOS
 - Renegotiation commercial terms
 - Sustainable efficiencies implemented
- **Roll-out and certification of BOM progressing according to plan**
- **Complete BOM implementation by end 2018**
- **Creation of a strong operational platform to serve future organic growth as well as successful integration of potential acquisitions**

Q&A

Thank you

 DUFRY

BREAK



Dufry Day

Update on Asia Expansion and Dufry Cruise Services

Eugenio Andrades
CEO Operations and Strategy
May 31, 2018



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Information in this presentation may involve guidance, expectations, beliefs, plans, intentions or strategies regarding the future. These forward-looking statements involve risks and uncertainties. All forward-looking statements included in this release are based on information available to Dufry AG (the “Company”) as of the date of this release, and we assume no duty to update any such forward-looking statements. Factors that could affect the Company’s forward-looking statements include, among other things: global GDP trends, competition in the markets in which the Company operates, unfavorable changes in airline passenger traffic, unfavorable changes in taxation and restrictions on the duty-free sale in countries where the company operates.

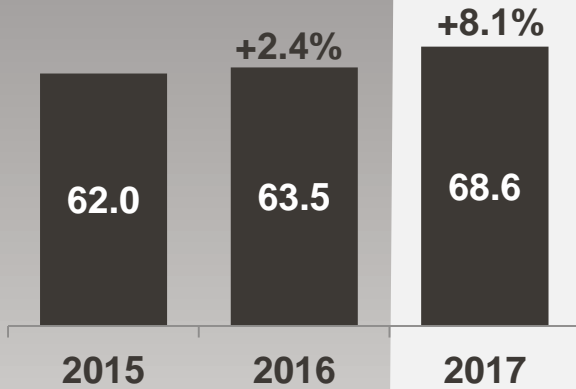
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AGENDA

1. Update on Asia Expansion
2. Dufry Cruise Services

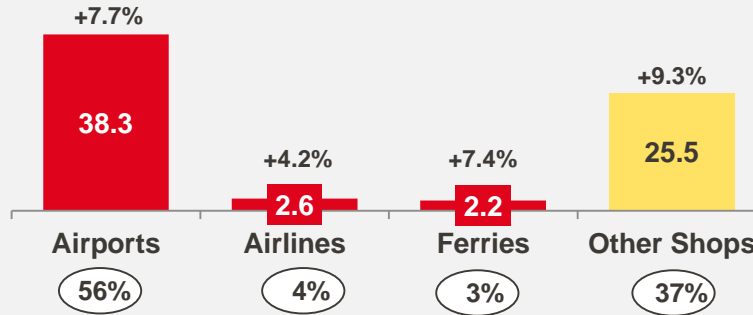
Dufry is well positioned to develop further in a fast growing industry

Travel Retail Sales

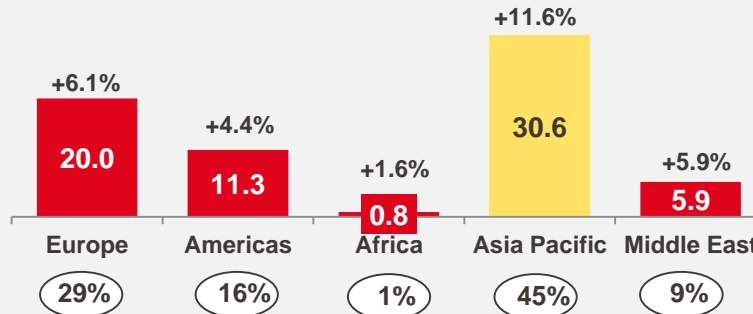


Numbers in USD billion

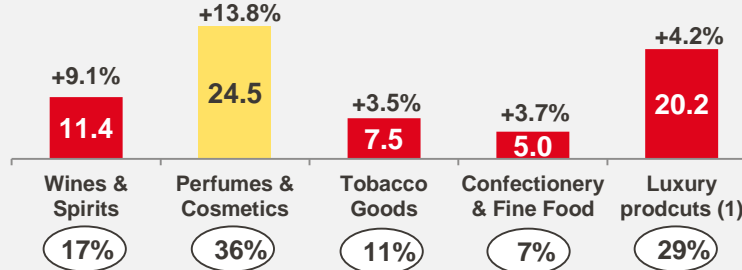
2017 TR Sales by channel



2017 TR Sales by region



2017 TR Sales by category



Strategic Rational

Expand into other Travel Retail channels beyond Airport Retail

Dufry aims to expand in Asia with a multichannel approach both with organic growth and M&A

Leverage growth in Dufry's core categories such as perfumes & cosmetics

xx% Percentage of the market

(1) Luxury products include fashion and accessories (9.7), watches & jewellery (5.7) and electronics & gifts (4.8)

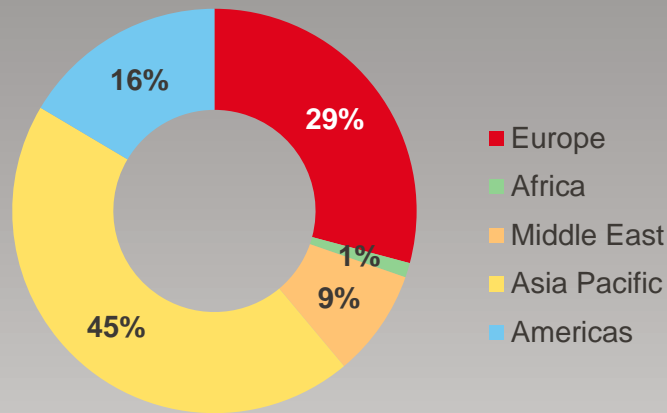
Source: Generation Research | 2017 Preliminary figures

1

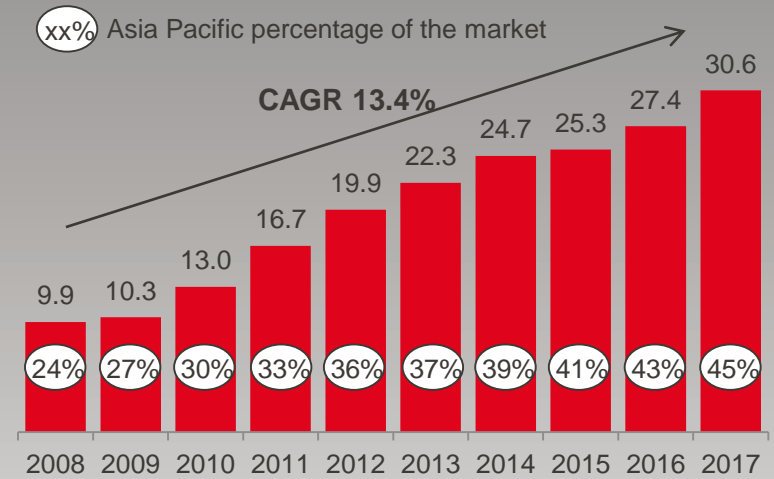
Update on Asia Expansion

Industry: APAC is considered as the engine room for the Travel Retail Industry with 45% of global Travel Retail market share

Global Travel Retail - Market share 2017



Asia Pacific Travel Retail evolution (USD Bn)



- The region has tripled its size in the last 10 years by growing 13.4% per year
- High growth has been mainly driven by growing tourism, investment in infrastructure and continuous improvement in the retail experience

Source: Generation

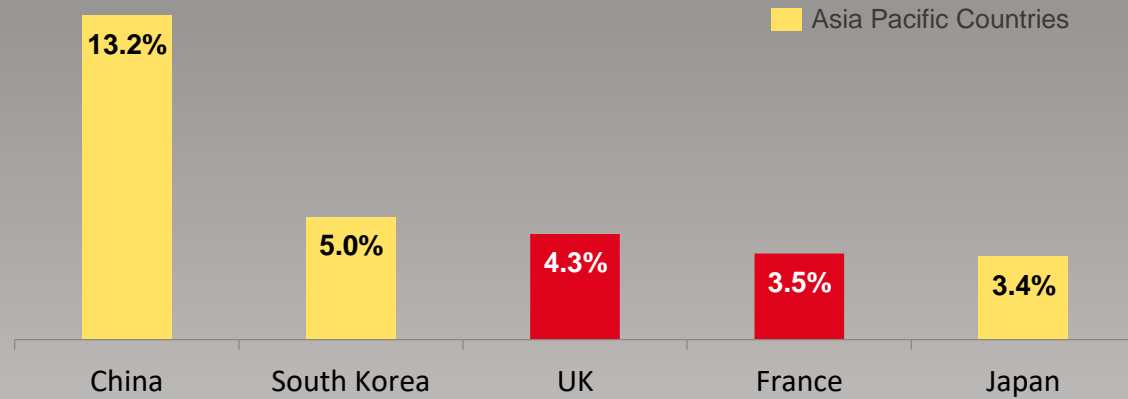
Industry: Duty Free is becoming more relevant on Asia's consumer spending patterns

Out of the Top 5 nationalities 3 are in Asia

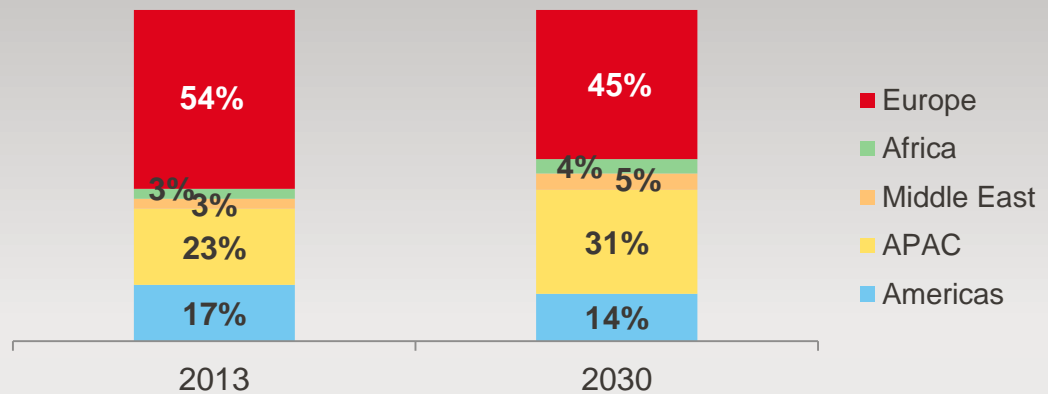
Asia and the Pacific will be the outbound tourism region that grows the most until 2030

31% of travelers will depart from Asia Pacific by 2030

Top 5 Nationalities in Global DF Sales Market Share



Outbound tourism share - UNWTO Forecast

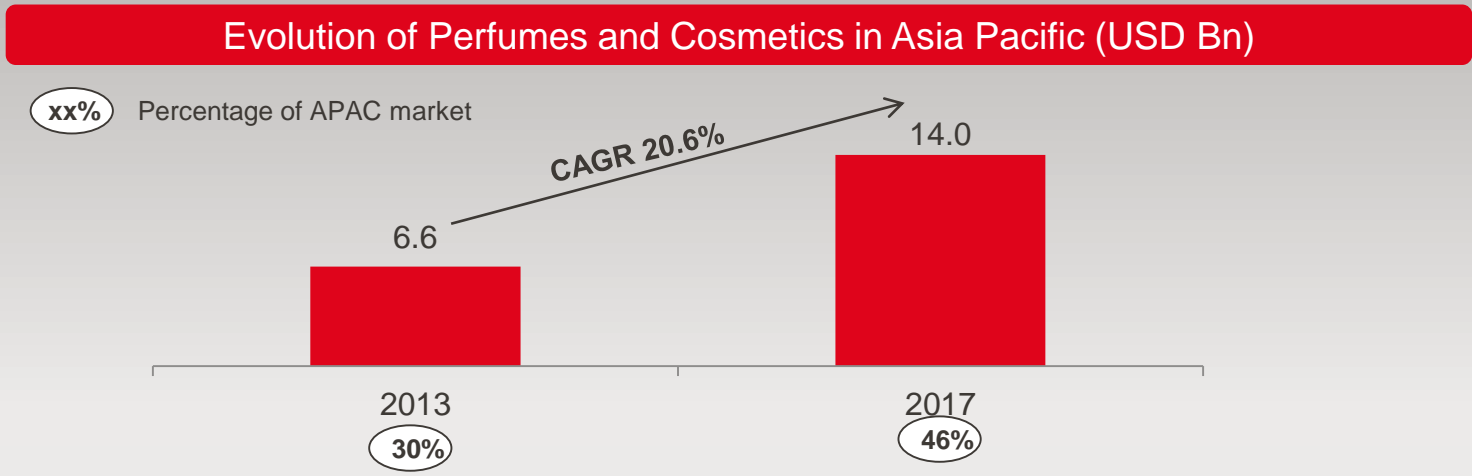
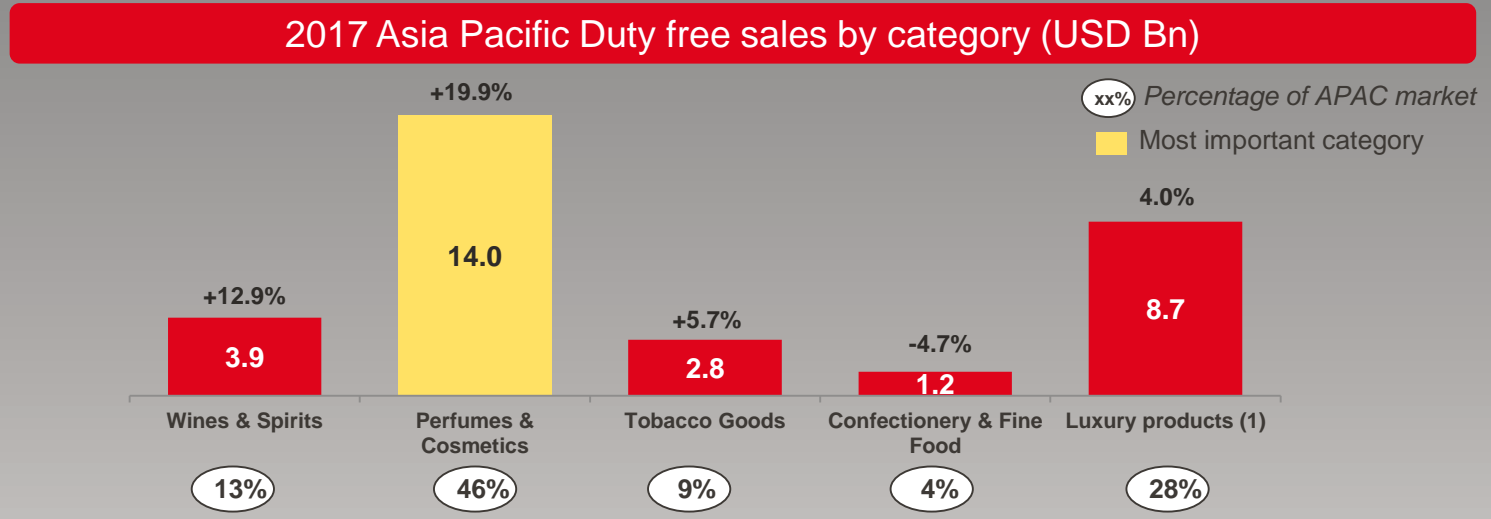


Source: China Luxury Advisors/FGRT figures | UNWTO Tourism towards 2030

Industry: Perfumes and Cosmetics is the main category in Asia Pacific and with the highest growth

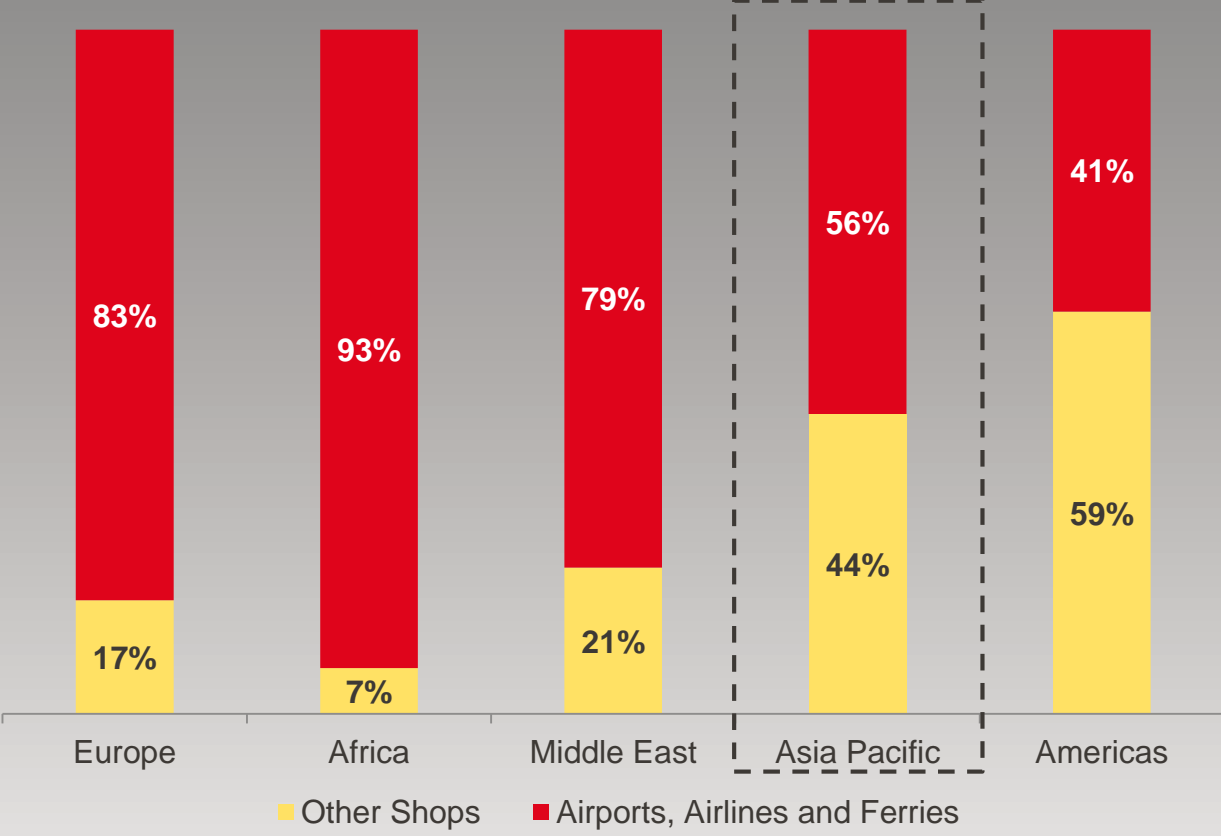
High relevance of Perfumes & Cosmetics followed by luxury products

Asia growth almost entirely driven by Perfumes and Cosmetics



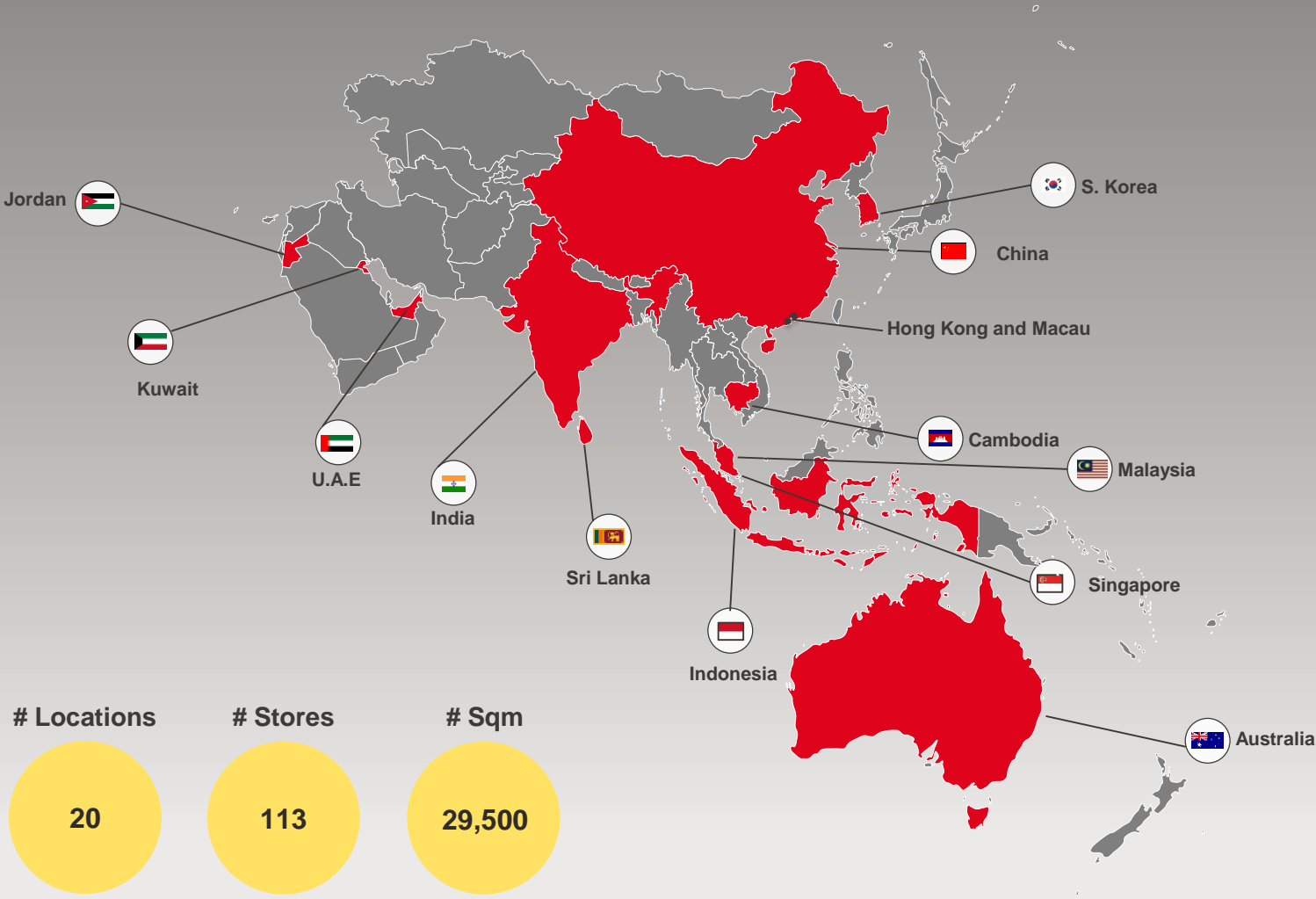
1. "Luxury products" include fashion and accessories (4.5), Watches & Jewellery (2.6) and Electronics & Gifts (1.6)
 Source: China Luxury Advisors/FGRT | Generation Research: 2017 preliminary figures

Industry: Travel retail outside airports is a relevant market in Asia Pacific



Travel Retail sales by region/channel. Numbers as of 2016.
Source: Generation

Dufry: Diversified presence in the region and a full-fledged team based in Hong Kong



Countries	# Locations	# Stores	# Sqm
12	20	113	29,500

Figures as of March 2018

Dufry: In this context, we identify 6 growth pillars for Dufry's expansion in Asia Pacific



1.- Airport travel retail

Expand Dufry's footprint along Asia's airports and maintain existing business



2.- Downtown Duty Free

Enter the Downtown Duty Free Channel which is the fastest growing channel in Asia Pacific



3.- Hudson International

Ambition to expand the convenience store concept along Asia



4.- Cruises

Investigate upcoming opportunities and further develop organizational needs



5.- Other alternative channels

Analyze potential opportunities in other alternative Duty Free channels



6.- M&A and Partnerships

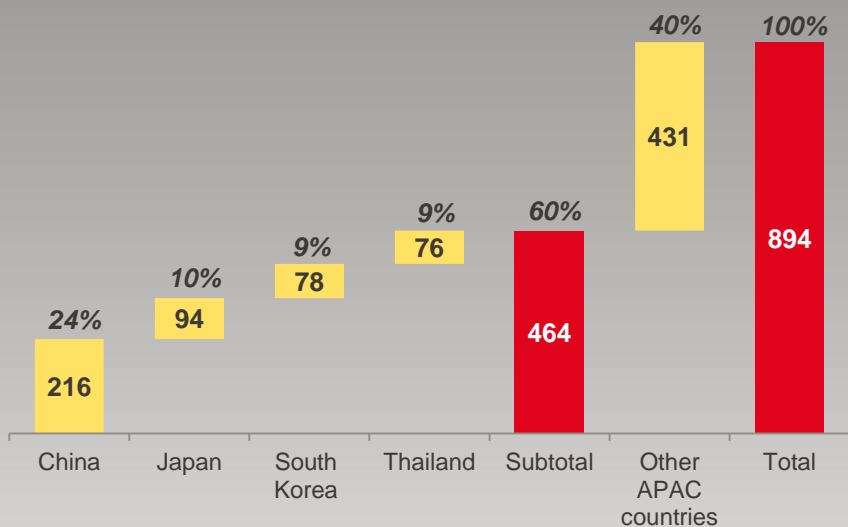
Explore M&A landscape

Procure partnerships with key players that would confer Dufry an advantage in Asia

1 Airport Travel Retail Industry: In 2017, 4 countries made 60% of total APAC international passengers

2017 International passengers traffic

xx%: share of total Asia Int. Pax.



Top 20 world busiest airports in 2017

Rank	Airport	Total Pax (Mn)
1	Atlanta GA (ATL)	103.9
2	Beijing (PEK)	95.8
3	Dubai, AE (DXB)	88.2
4	Tokyo (HND)	85.4
5	Los Angeles CA (LAX)	84.6
6	Chicago IL (ORD)	79.8
7	London (LHR)	78.0
8	Hong Kong (HKG)	72.7
9	Shanghai (PVG)	70.0
10	Paris (CDG)	69.5
11	Amsterdam (AMS)	68.5
12	Dallas/Fort Worth TX (DFW)	67.1
13	Guangzhou (CAN)	65.9
14	Frankfurt (FRA)	64.5
15	Istanbul (IST)	63.9
16	New Delhi (DEL)	63.4
17	Jakarta (CGK)	63.0
18	Singapore (SIN)	62.2
19	Incheon (ICN)	62.2
20	Denver CO (DEN)	61.4

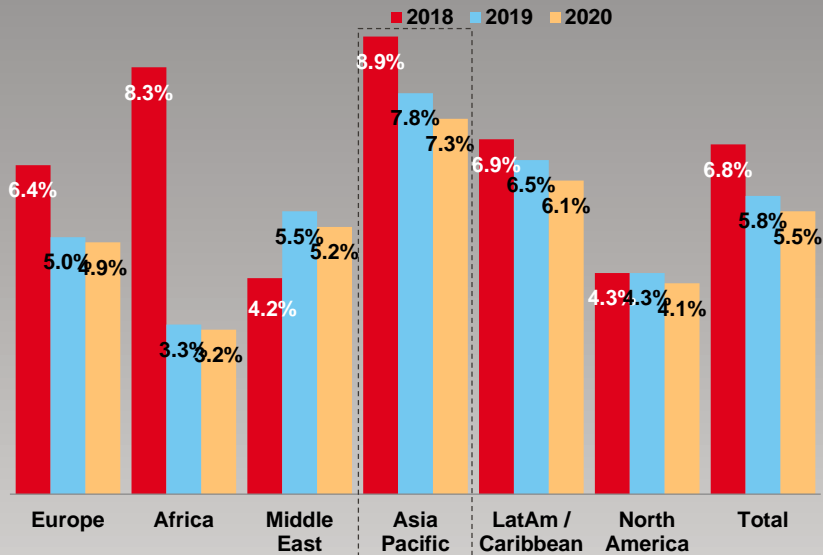
■ Airports located in Asia Pacific

Source: ACI World Airport Traffic Forecast

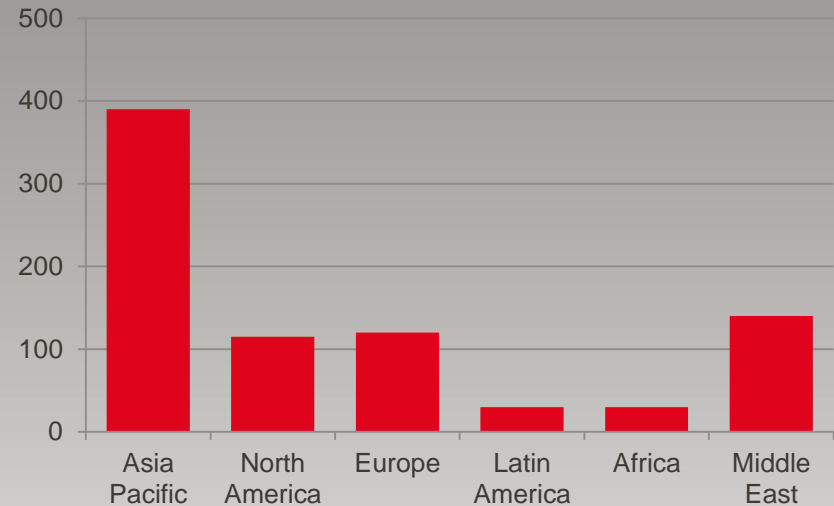
1

Airport Travel Retail Industry: International Passenger traffic is expected to continue to growth in the medium and long term

Asia International Passengers forecasted growth (%)



Construction projects for existing airports up to 2030 (USD Bn)



- **Passenger traffic will remain strong in the next years**
- **Supported by significant investment in infrastructures**
 - There is USD1 trillion in planned airport capacity expansions around the world
 - About half is due to be spent on upgrading or building new airports in Asia Pacific

1 Dufry: we can count on different sets of retail solutions to win in airport channel

General Travel Retail Shops



Specialized Shops



Brand Boutiques



Convenience Shops



1

Key achievements in 2017 – Airport Travel Retail

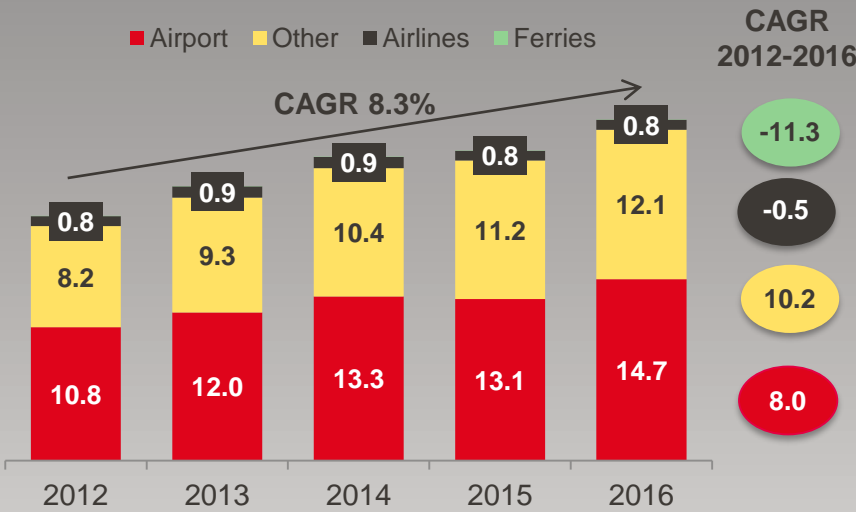


New Generation Store in Melbourne – Australia

- Refurbishment of Melbourne International airport store – 30% larger
- Combination of the latest technology and store layout to create a unique immersive experience
- 2,740 sqm

2 Downtown DF Industry: Downtown DF is the fastest growing channel in Asia

Travel Retail Asia share per channel



Dufry's Current Presence in Downtown DF



- Downtown DF is the fastest growing sub-channel, at 10.2% CAGR from 2012-2016
- Downtown duty-free is expected to gain more importance in the future

Source: Generation Research

2 Key achievements in 2017 – Downtown Duty Free



Extended contract in The Venetian (Macau)

- The Venetian resort is the most visited casino resort in the Sands portfolio of five resorts in Macau, which in total recorded 74 million visitors in 2016
- Dufry successfully extended the contract for its downtown retail operation in Macau for 7 years including a refurbishment of the store
- The remodeled store will feature an improved layout and introduce many exciting new brands
- Surface: 2,000 sqm

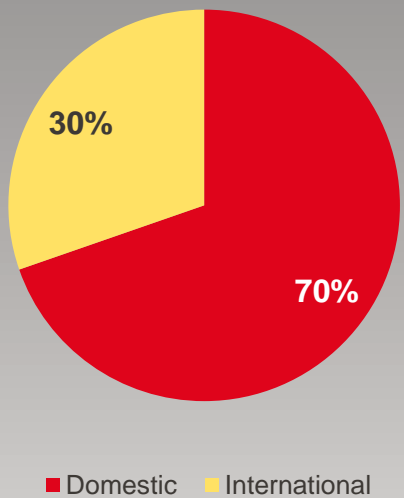


Awarded contract in Genting High Lands (Malaysia)

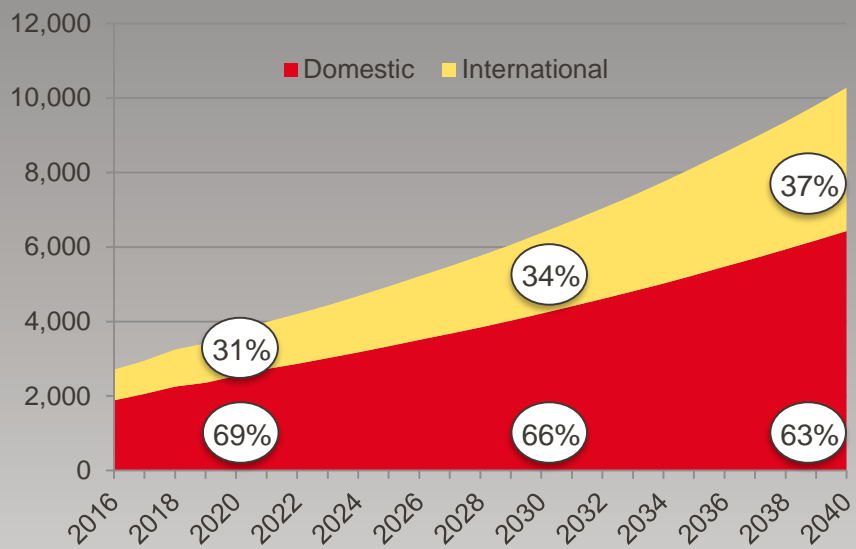
- The resort is created to cater 26 million visitors per annum
- 1 DF store with over ~1,150 sqm and benefits from maximum visibility
- Shop partially opened 9th Feb 18. Full shop opening by end of May and personalization to be completed in October

3 Industry: In 2017 Domestic passengers represented 70% of total passenger traffic in Asia Pacific

Share of Domestic and International pax traffic 2017 APAC



Forecast Domestic and International passenger traffic APAC (Bn pax)



The high volume of domestic passengers to be served with travel convenience products is a perfect environment for Hudson International concept store

- Dufry has debuted its Hudson concept in China in 2017

Source: ACI World Airport Traffic Forecast

4 Key achievements in 2017 – Cruises



Cruises – NCL's Joy

- One of the largest Duty Free spaces at sea (1,950sqm of retail space)
- Dufry started operations in 2017 with 9 stores
- Capacity: 3,850 guests

5 Key achievements in 2017 – Other Channels



High Speed rail – Hong Kong

- First link between Hong Kong and Mainland China's High Speed Rail network
- More than 100,000 passengers are projected to pass through the station every day
- Dufry has won a 5 year contract to operate two duty-free stores
- Includes a 1,200 sqm Departures store and an Arrivals store of 300 sqm
- The stores will include the core categories of perfumes & cosmetics, liquor and tobacco, confectionery, fashion and also health and wellbeing

6

Industry: fragmented market with strong presence of Asiatic local players

Big local players
(USD > 1Bn)



Medium & Small local
players
(USD < 1Bn)



...and others

Global operators with
presence in Asia



Source: The Moodie Davitt Report – The World's top 25 Travel Retailers 2016

Key Takeaways

Asia is a high potential market with 45% share in travel retail and attractive double digit growth forecasts

The company has a consolidated and diversified presence in the region with strong management to speed up growth

Dufry has designed a Multichannel Travel Retail approach to drive further growth in the region

Perfumes & Cosmetics and luxury, which are some of Dufry's core strengths, are growing categories in APAC

We have identified a strong pipeline of opportunities in the upcoming years

M&A as an alternative for growth

2 Dufry Cruise Services

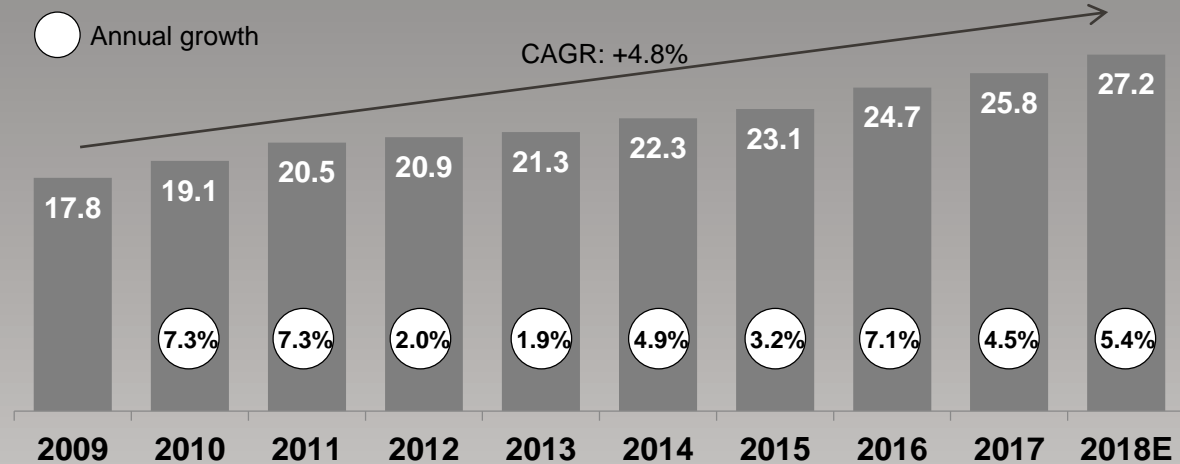
Industry: Cruise industry overview

Strong growth prospects for 2018 and upcoming years

Asian cruises travelers are growing

Trend to mega ships with higher passengers capacity

Global Ocean Cruise Passengers Evolution (In millions)



Passengers growth


- 2017 ocean cruise passengers reached 25.8 million
- CLIA projects another year of growth for the industry with a passenger forecast of 27.2 million
- Part of the growth can be attributed to the ongoing development of the Asian market

Attractive Duty Free channel

- It is estimated that travel retail sales on board reached in 2017 USD 2.1bn










Source: Cruise Lines International Association, Inc | Dufry internal estimates.

Industry: Cruise market is highly concentrated with 3 main cruise line holding companies retaining ~75% of total market share



CARNIVAL CORPORATION & PLC

~42%
Market share
~100 cruise ships



Royal Caribbean INTERNATIONAL

~22%
Market share
~50 cruise ships











NORWEGIAN CRUISE LINE

~12%
Market share
~25 cruise ships





 Dufry has already established business with these operators

Industry: The Cruises Duty Free market is dominated by 5 main players



1.- Including ships recently awarded and starting in 2018
Source: Company data and Dufry internal estimates

Industry: Different market, assortment and customer trends are shaping the future of the Cruises business

Market

- **Cruise passengers** worldwide **increased in 2017 by 4.5%**
- Cruiselines are **increasing** their **capacity**: ~70 newbuilts expected from 2018 to 2021
- Main **sourcing of passengers** is **North America** (59%), Europe (26%), Asia (9%) and Australia (4%)
- **Asian travelers are growing** in the channel: 85% are aware of Duty-Free offers on-board, 80% visit the store, and ~75% purchase from retailers

Assortment

- **Jewelry and watches** are the **core categories**, with huge potential in price points under US\$ 100.

Customers

- Trend toward a **more customized and luxurious shopping experience** are driving operators to construct large impressive atriums
- Customers desire towards an **integrated cruise experience** result in operators consolidating service offerings on board into a unique value proposition

Dufry Cruise Services: 2017 has been another record year

Strong turnover growth

+64% yoy

Store openings

+7 ships

- **Expansion** in Europe and Asia:
 - Carnival – 2 ships
 - Pullmantur – 4 ships¹
 - Norwegian Cruise Line – 1 ship



Increased productivity

Productivity considerably increased

- Designed a **plan to continue improving** with main focus on:
 - Standardization of processes and procedures
 - Supply Chain
 - Procurement
 - Marketing

1. Opening Q4 2016

Dufry Cruise Services: One of the key achievement in 2017 has been NCL Joy ship

One of the largest DF spaces at sea

Cruise liner specifically designed for the Chinese traveller

Commercial surface: 1,950 sqm

Several mono-brand boutiques, including Godiva, Cartier, Omega and Bvlgari as well as core categories



Dufry Cruise Services: Additionally we have signed new contracts to operate 10 new ships starting in 2018



+1 ship

+250 sqm



Holland America Line®

+8 ships

+1,740 sqm



NORWEGIAN
CRUISE LINE

+1 ship

+750 sqm



Dufry Cruise Services: set up of a global structure to facilitate further expansion beyond the Caribbean in the upcoming years



● CoE ● Local Offices

1

Strong Center of Excellence (CoE) centralized in Miami to drive cruises strategy and support cruises business across divisions

- CoE gathers expertise and manages relationships with global cruiselines

2

Cruises operational teams at **local level** to manage business in each Division

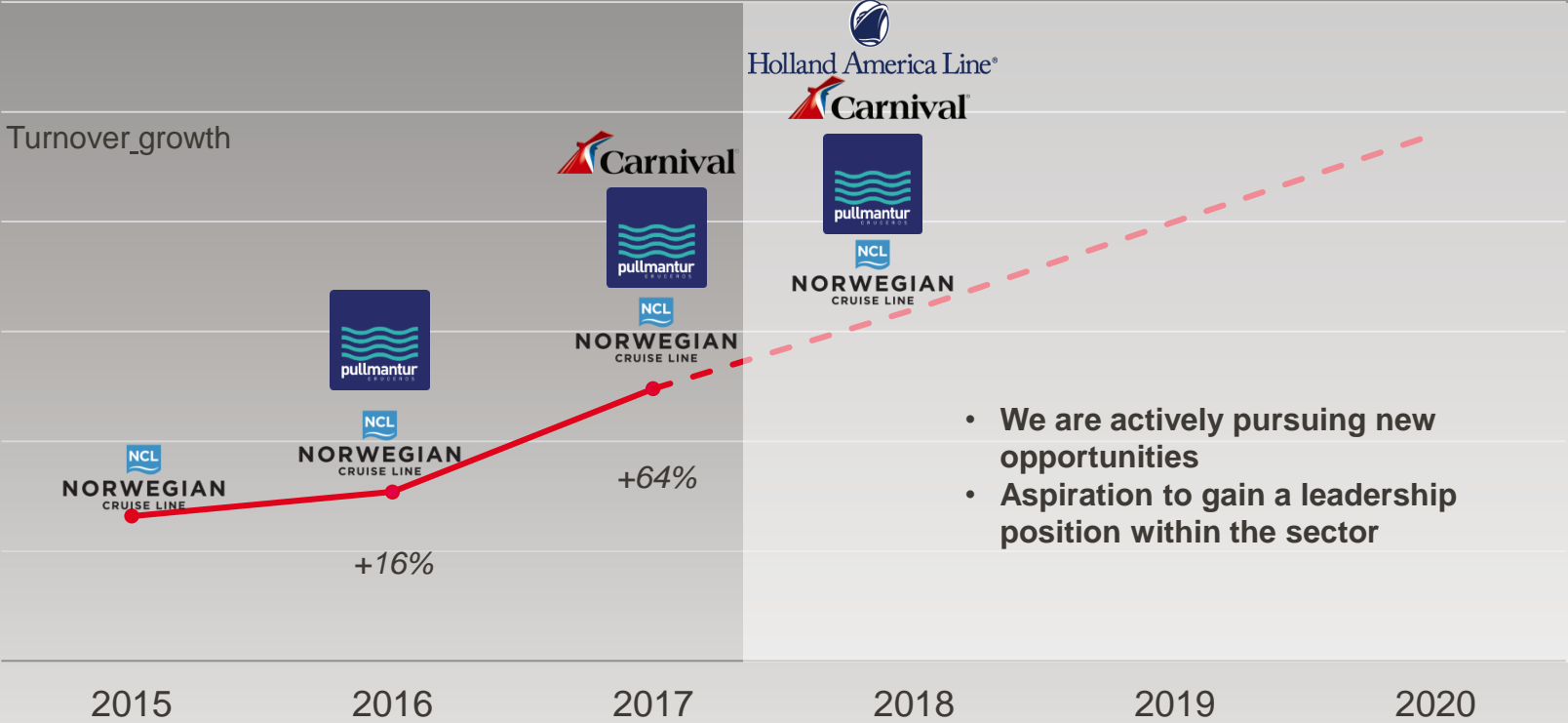
3

Existing **Dufry structures** (**Global, Division** and **Country** functions) to **support CoE and local cruises teams**

4

Flexibility and **agile model** that guarantee **Divisions** optimal execution and management of **local businesses**

Dufry Cruise Services: Ambition to capture a significant portion of the market in the upcoming years



Dufry owns the core strengths to excel in the cruise channel



Dufry owns the core strengths to excel in the cruise channel

Jewellery & Luxury



Fashion and accessories



Dufry owns the core strengths to excel in the cruise channel

Liquor, Food and Souvenirs

Perfumes and Cosmetics



Key Takeaways



Cruises industry is growing and increasing focus on retail activities

Customers are looking for a more customized and luxurious shopping experience

Asian cruise travelers are growing

Dufry Cruise Services has implemented a global structure to accelerate expansion beyond the Caribbean

Dufry has already established business with the 3 main cruise line holding companies

Robust pipeline of opportunities for the upcoming years based on expiring concessions and new built ships

Q&A

Thank you

 DUFRY



The Next Digitalization Chapter

Javier Gonzalez
Global Marketing and
Digital Innovation Director
May 31, 2018

 DUFRY

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Key messages to convey today

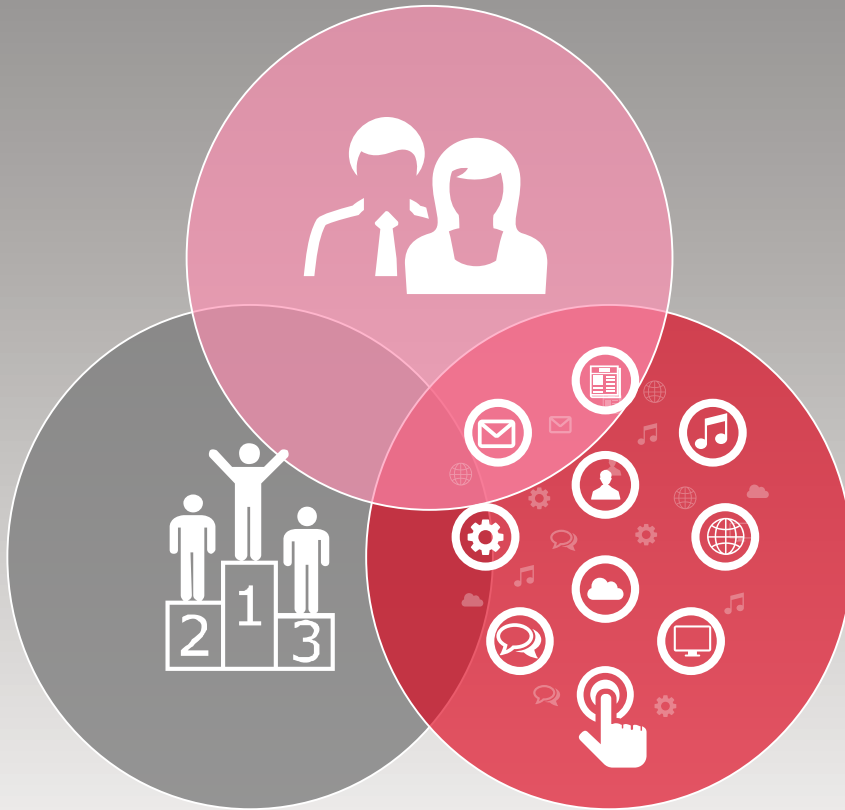
- A** Digital is **extremely relevant** in today's **retail context** driven by **changes in consumers' behavior**
- B** **Digitalization**, together with **Travel Retail** industry context, creates a clear **opportunity for Dufry**
- C** Our **Digital vision** aspires to **reinvent the approach** to the **duty free** industry following a **customer-centric view**
- D** We have already **started building** our **foundations and capabilities**



A

General Trends:

Three main factors are currently driving the new digital era in retail



Changing consumer behaviors

Consumers shop differently, with higher expectations through digitally influenced customer journeys

Channel shifts

Retailers have to adapt to new consumer behaviors and provide them the best customer experience both in online and offline channels

Dynamic competitive landscape

Retailers need to be relevant in a omni-channel context, offering convenience and simplicity to the customers

A General Trends: Consumers have changed their buying behaviors and the way they interact with companies which has led to retailers shifting to digital channels



Millennials (20-35 y/o) and **Generation Z** (5-20 y/o) are **hyper-connected** consumers with increasing **purchasing power** who **shop at all-time** and **on the go**



Fast and free delivery and increased **convenience** (e.g., return policy)



Real-time relevance enabled by **Big Data** and **Advanced Analytics** for **hyper-targeted** consumer journeys



Next-generation digital experiences leveraging the latest technologies for **innovating engagement models**



Mobile-first when designing mobile functionalities to deliver **value-added features**



Omnichannel adaptation in response to heightened consumer expectations of a truly **seamless journey** that encourages **simultaneous behaviors**



Social Media to drive **engagement, sales** and **loyalty** in more sophisticated ways

Source: CLIA, expert interview, Press research, McKinsey analysis

B Digitalization creates a clear opportunity for Dufry

The **traditional model** focus mostly on **in store conversion** and reach one in five passengers

~1 of 5 PAX buy

Dufry is the **market leader** and has a **wide geographical footprint worldwide**

Over 20% market share in Airport Travel Retail

Dufry is well **connected** with all **relevant stakeholders** in the **ATR ecosystem**

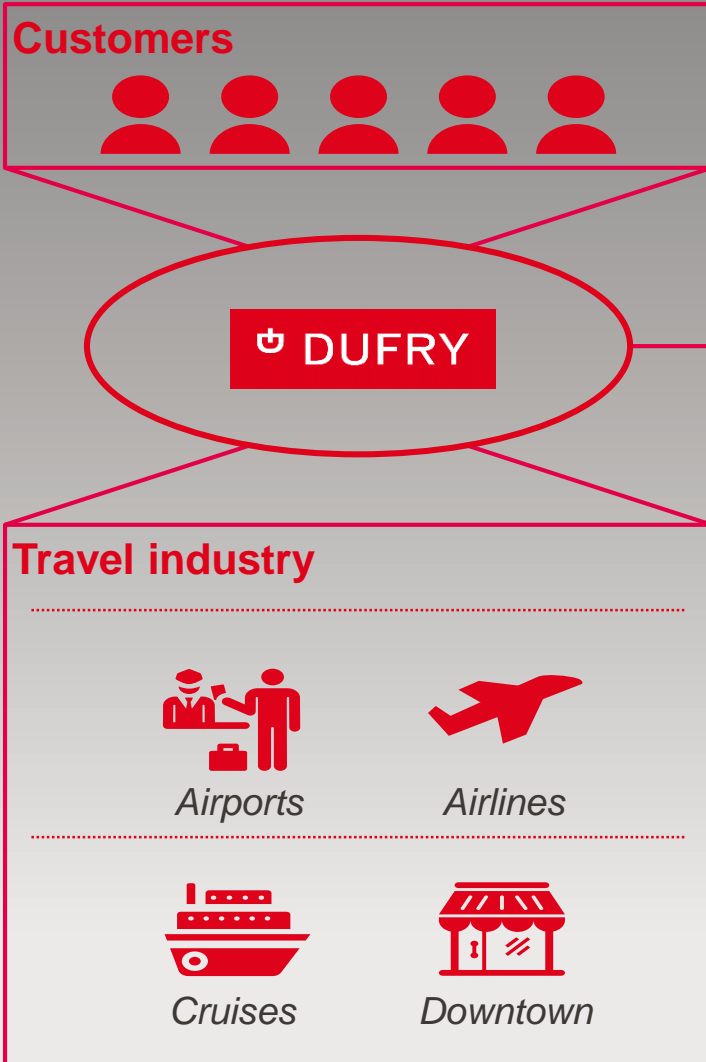
~300 airports in footprint

Digital is bringing **new opportunities** to **connect** with the **traveler / customer**

>75% of travel bookings involves online

Digital brings opportunities to increase value through increasing traffic, conversion and SPP, connecting with customers throughout the customer journey, while providing a competitive advantage and strengthening barriers from external disruptions

B We are uniquely positioned to become the focal point connecting customers with other stakeholders within the industry



+2.5 Bn PAX in footprint

Present in **65 countries**

390 locations worldwide

Multichannel retailer

- Airports
- Cruiselines
- Downtown
- Digital

- C** Our digital vision aspires to enhance the approach to the Travel Retail industry following a customer-centric view

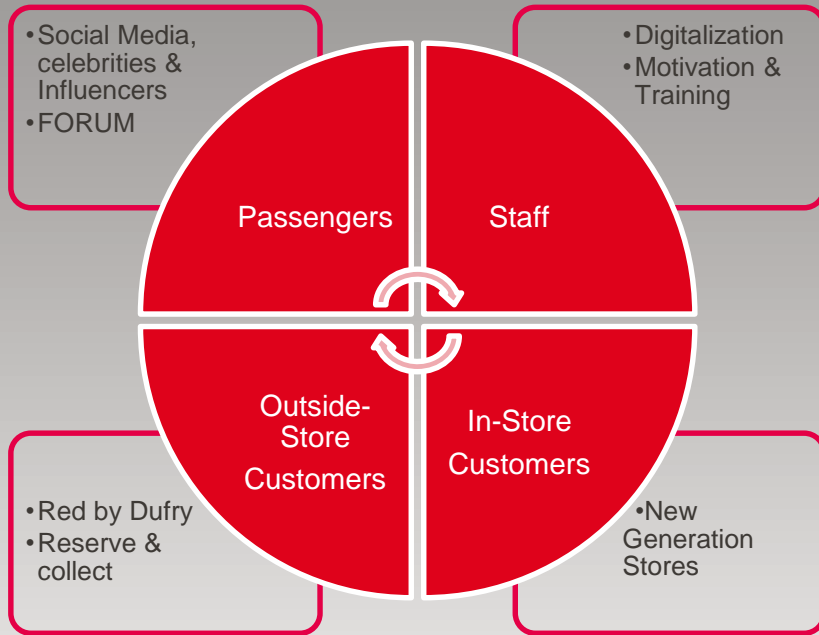
VISION

“ Create a **customer-centric shopping experience** articulated around a **digital platform** that **connects all** relevant **stakeholders** to offer current Dufry’s assortment enhanced with unique experiences and exclusive products to the **traveler** consistently **across all traveling channels** ”

C E-MOTION

Provides us with tools to engage with our customers in new ways, through a 360 experience, creating a clear link between physical and digital

Reaching new target groups:



Linking the physical and digital experiences together:





THE CUSTOMER JOURNEY

Taking an active part of the entire customer journey

With @- motion we want to take advantage of new technologies to increase our interaction time and quality with passengers

Our aim is to be present in each one of the phases of the *Customer Journey* and improve their Shopping Experience in every stage

E-motion in the Customer Journey:

		PRE-JOURNEY: TRAVEL CONSIDERATION & PREPARATION	COMMUTING TO THE AIRPORT	AT THE AIRPORT	AT THE AIRPORT: DUTY FREE STORE	IN-FLIGHT & RETURN JOURNEY	AT DESTINATION
Outside Store Cust.	 RED						
	 Pre-Order						
Passengers	 Social Media & Forum						
	 Next Generation Store						
In Store Cust.	 Staff Digitization						

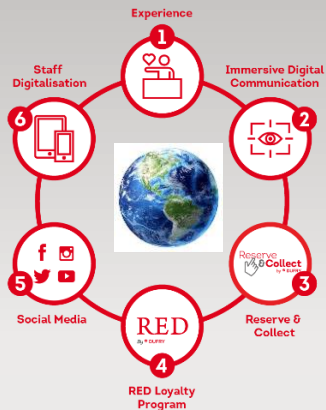
D ORGANIZING FOR SUCCESS

We continue to increase our capabilities in the digital space beyond customer focus, building our internal capabilities to meet a digitally driven future

Phase 1

Accelerate e-motion to become truly Global

- Continue to drive excellent Customer Experiences
- Accelerate implementation on a global scale



Examples next

Phase 2

Digitalization of Dufry

- Drive the long term vision for digitalization of Dufry internally
- Develop culture & capabilities to facilitate agility and speed that digital initiatives require



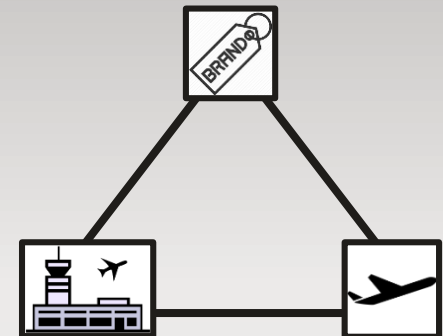
Develop new capabilities to continuously drive innovation

- Internal Innovations
- Brand driven Innovations
- External incubations and ventures of technologies that will help drive the industry forward



Work with external partners to improve customer engagement across the journey

- Partner with Airports & Airlines to have a better value proposition for our customers
- Change the perception from value to experience



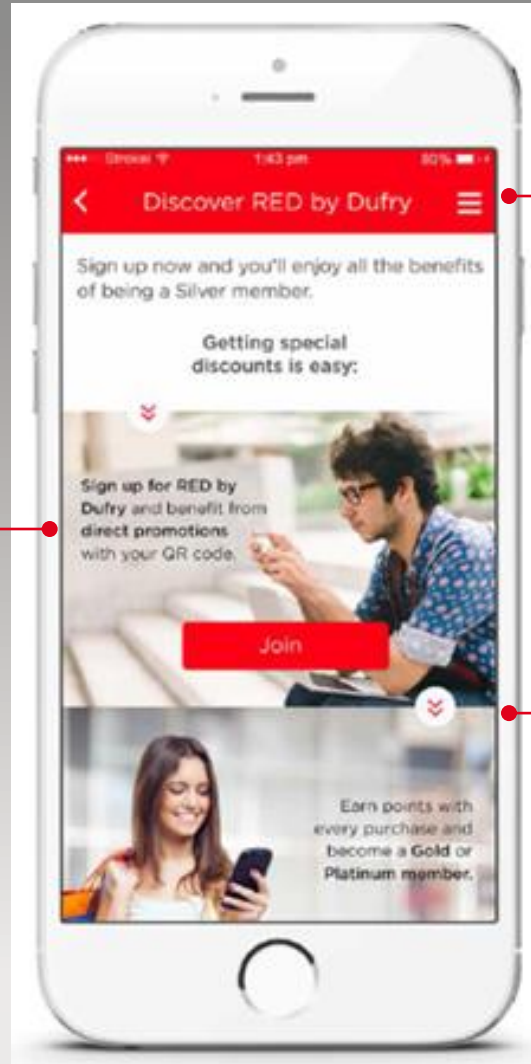
D Dufry Red is a loyalty app key to migrate our customers to the digital environment

Description

- **Cornerstone of the digital strategy**
 - Migration of customers to a digital environment
 - Greater data gathering
 - More customized value proposition

Benefits

- **Sales increase:**
 - Conversion rate
 - Average ticket
 - Average basket size
- Expansion into to **other Dufry channels**



Footprint

- Launched in **+150 airports**

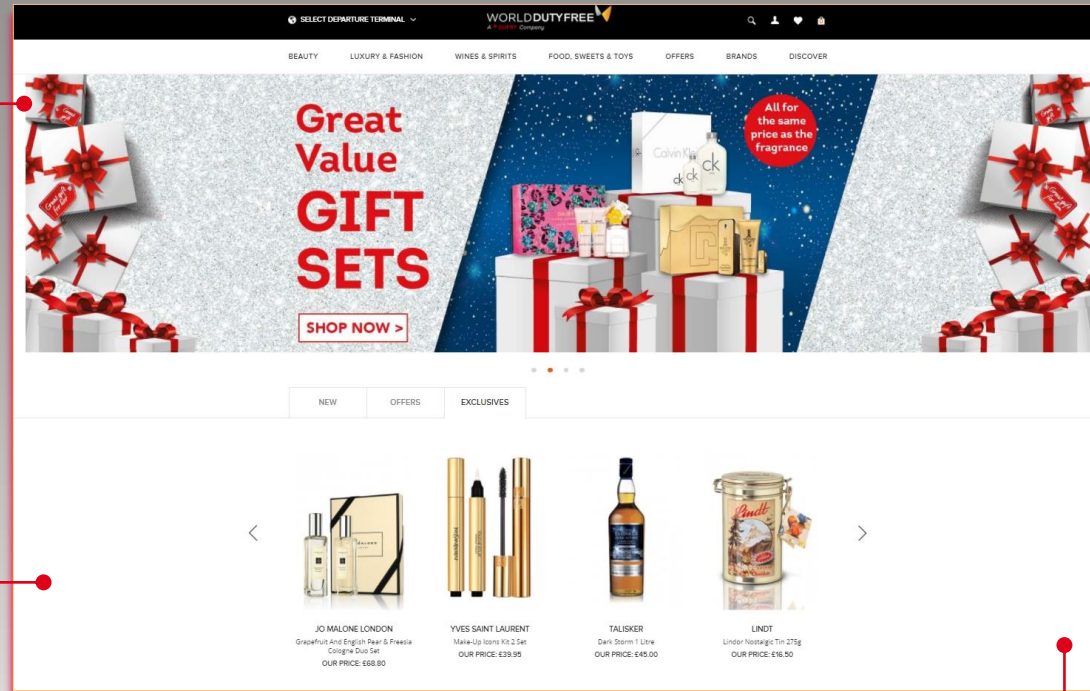
D Reserve & Collect increases customer reach through speed and convenience

Description

Service that allows **planning, pre-ordering and collecting** at the airport before flight

Benefits

- **Sales increase:**
 - Faster and convenient service
 - Data gathering for a more customized value proposition
- Potential expansion to **other channels**



Footprint

- Launched in **+40 airports**

D Next Generation Stores are our flagships in airports to drive customer engagement and loyalty



Description

Combination of the **latest technology** and **store layout** to create an unique **immersive experience**

Footprint

- Launched in **5 airports**

Benefits

- **Sales increase:**
 - Upselling and cross-selling
 - Generating in-store traffic
- Attract **younger segments**
- Increase **brand awareness** and **loyalty**
- Create an **omnichannel experience**

D ...and are contributing to a better customer experience as well as new insights for us as retailers

A. Brand Experiences throughout the shops



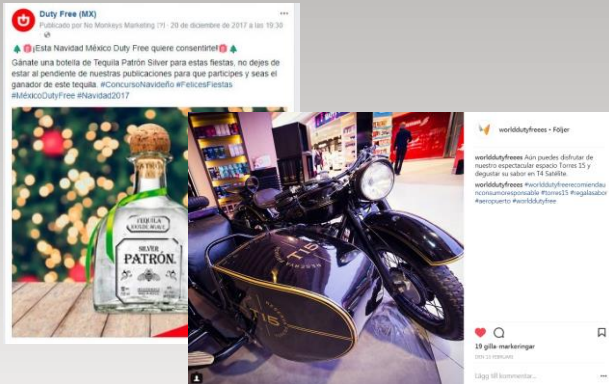
B. Language specific communication on path & echo



C. Viral Zone for engagement



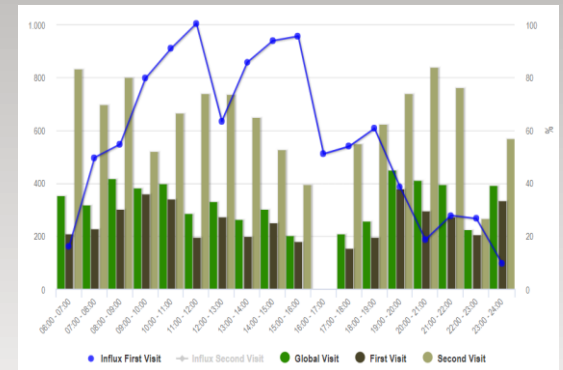
D. 360 execution



E. Scent & Audio



F. Insights Wifi-trackers



NGS contribute to both sales growth and AVT growth YTD, more than 60 multichannel campaigns, while significantly improving the customer satisfaction score

D The Sales Tablet is a way to empower our staff and keep them up to date on the latest trends and offers

Description

A tool to **empower our staff** and **improve customer engagement** through **rich content**



Footprint

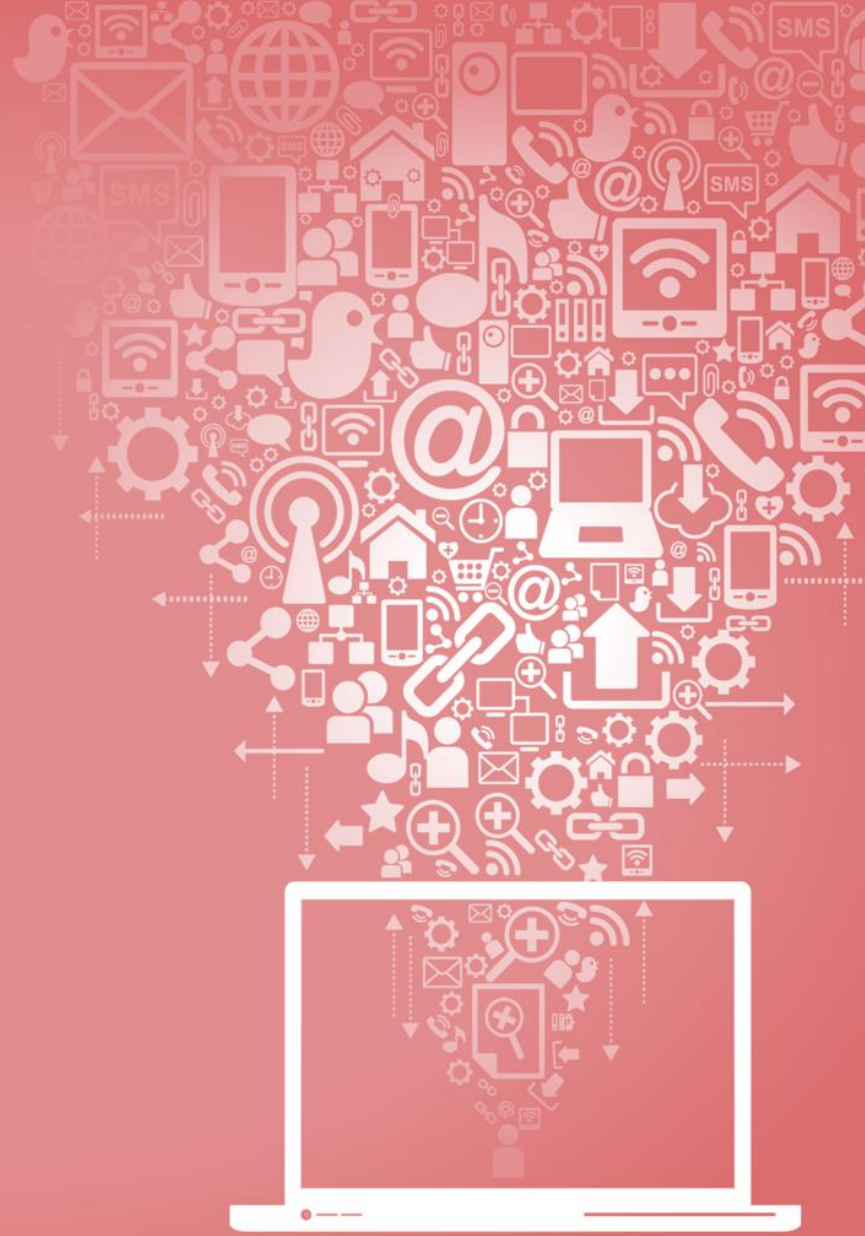
- Launched in **11 airports**



Benefits

- Driving engagement and conversations, containing the latest brand stories in **5 key languages**
- **Advanced recommendation engine** based on profile & product selection
- **Training and communication tool** for staff

**Welcome to the
new digital era in
Dufry: An era of
opportunities**



Q&A

Thank you

 DUFRY



Dufry Day

IFRS 16 and reporting implications for Dufry

Andreas Schneider
CFO
May 31, 2018

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This presentation does not constitute an offer to sell or the solicitation of an offer to buy securities, and shall not constitute an offer, solicitation or sale in any jurisdiction in which such an offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of that jurisdiction. There can be no assurance that any transaction will be pursued or consummated.

AGENDA

1. IFRS 16 and reporting implications for Dufry

2. KPIs

1

IFRS 16 and reporting implications for Dufry

IFRS 16: Introduction

IFRS 16 to apply for Dufry

Only fixed payments to be capitalized

Effect in several lines of the income statement

- IFRS 16 requires companies to capitalize all leases as both a Right of Use Asset (ROU Asset) and Lease Liability
 - The capitalization is based on the Net Present Value (NPV) of the expected contractual and defined cash flows
- As for Dufry, the structure of the concession contracts leads to changes in the income statement that may differ from other retailers
 - Only fixed payments (or payments that can be reasonably forecasted) are capitalized
 - The variable part of payments (percentage of sales; adjustable MAG components) continue to be shown as concession fees
- As to the capitalized part of the leases, these will generate changes in the following lines of the income statement
 - Concession fees
 - Amortization
 - Interest expense
 - Taxes

IFRS 16: Basics of a concession contract (1/2)

Concessions typically structured as combination of variable fees plus MAG

- Most of Dufry leases are structured as concessions
- In a typical concession contract, Dufry pays the higher of the two components below:
 - A concession fee measured as a percentage of sales, or;
 - A Minimum Annual Guarantee (MAG)
- There are different models on how MAG can be defined
 - Fixed MAG (e.g., amount or based on space)
 - Adjustable MAG (e.g., based on passenger numbers, previous year's performance)

IFRS 16: Basics of a concession contracts (2/2)

Two hypothetical contracts used as examples

Contract A: MAG calculated per PAX

Contract B: Fixed MAG

- As a way of explaining the accounting changes, we will use two hypothetical contracts. Both are 5-year contracts and have variable concession fees as % of sales and MAG:
 - Contract A: Adjustable MAG
 - According to IFRS, this lease remains fully variable and nothing is capitalized
 - Contract B: Fixed MAG
 - MAG to be capitalized; variable part exceeding MAG continue to be booked as concession fee
- Economically, both contracts are very similar, but they will be accounted in completely different ways
- Assumptions:
 - Sales growth: 6% p.a.
 - Gross margin : 60% of sales
 - Concession fees: 28% on sales / CHF 20m MAG
 - Personnel/General expenses: 20% of sales
 - Taxes: 25% of EBT
 - Net working capital: 6% of sales
 - Capex: 10% of first year of sales

IFRS 16: Illustrative example (status quo)

Under the current accounting, no difference between both contracts

No significant component in the balance sheet

Current accounting treatment

		Contract A			Contract B		
		Year 1	Year 2	Year 3	Year 1	Year 2	Year 3
Income statement	Sales	100	106	112	100	106	112
	Gross profit	60	64	67	60	64	67
	Concession fees	(28)	(30)	(31)	(28)	(30)	(31)
	Personnel and general expenses	(20)	(21)	(22)	(20)	(21)	(22)
	EBITDA	12	13	13	12	13	13
	Depreciation	(2)	(2)	(2)	(2)	(2)	(2)
	Amortization	-	-	-	-	-	-
	EBIT	10	11	11	10	11	11
	Financial results	-	-	-	-	-	-
	EBT	10	11	11	10	11	11
Taxes	(3)	(3)	(3)	(3)	(3)	(3)	
Net earnings	8	8	9	8	8	9	
Cash Flow	EBITDA	12	13	13	12	13	13
	Working capital	(6)	(0)	(0)	(6)	(0)	(0)
	Taxes	(3)	(3)	(3)	(3)	(3)	(3)
	Capex	(10)	-	-	(10)	-	-
	Free Cash Flow	(7)	10	10	(7)	10	10

IFRS 16: Illustrative example (IFRS 16)

For contract B,
concession fees
defined as total
concession fees
paid minus MAG

In Amortization,
discounted MAG

In financial
results the
implied financing
costs

Balance sheet:
Contract B has
NPV of
capitalized MAG
to be amortized
over the lifetime
of the contract

Post IFRS 16

	Contract A			Contract B		
	Year 1	Year 2	Year 3	Year 1	Year 2	Year 3
Income statement						
Sales	100	106	112	100	106	112
Gross profit	60	64	67	60	64	67
Concession fees	(28)	(30)	(31)	(8)	(10)	(11)
Personnel and general expenses	(20)	(21)	(22)	(20)	(21)	(22)
EBITDA	12	13	13	32	33	33
Depreciation	(2)	(2)	(2)	(2)	(2)	(2)
Amortization	-	-	-	(18)	(18)	(18)
EBIT	10	11	11	12	13	14
Financial results	-	-	-	(4)	(3)	(2)
EBT	10	11	11	9	10	11
Taxes	(3)	(3)	(3)	(2)	(3)	(3)
Net earnings	8	8	9	6	8	9
Cash Flow						
EBITDA	12	13	13	32	33	33
Working capital	(6)	(0)	(0)	(6)	(0)	(0)
Taxes	(3)	(3)	(3)	(3)	(3)	(3)
Capex	(10)	-	-	(10)	-	-
Repayment of lease liability	-	-	-	(20)	(20)	(20)
Free Cash Flow	(7)	10	10	(7)	10	10

IFRS 16: Illustrative example — Components side-by-side

Components side-by-side

	Contract A	Contract B	Difference	
	Year 1	Year 1	Year 1	
	100	100	-	
Sales	100	100	-	
	60	60	-	
Gross profit	60	60	-	
	(28)	(8)	+20	Only variable component in excess of fixed MAG included
Concession fees	(28)	(8)	+20	
	(20)	(20)	-	
Personnel and general expenses	(20)	(20)	-	
EBITDA	12	32	+20	
	(2)	(2)	-	
Depreciation	(2)	(2)	-	
	-	(18)	(18)	Straightline amortization of assets based on NPV of fixed MAG
Amortization	-	(18)	(18)	
EBIT	10	12	+2	
	-	(4)	(4)	Implied interest (discount rate) on lease liability
Financial results	-	(4)	(4)	
EBT	10	9	(1)	
	(3)	(2)	+0	Deferred taxes to adjust for P&L impact above
Taxes	(3)	(2)	+0	
Net earnings	7.5	6.5	(1)	
EBITDA	12	32	+20	
	(6)	(6)	-	
Working capital	(6)	(6)	-	
	(2.5)	(2.5)	-	
Taxes	(2.5)	(2.5)	-	
	(10)	(10)	-	
Capex	(10)	(10)	-	
	-	(20)	(20)	Fixed MAG payment is considered a reduction in lease liability
Repayment of lease liability	-	(20)	(20)	
Free Cash Flow	(7)	(7)	-	

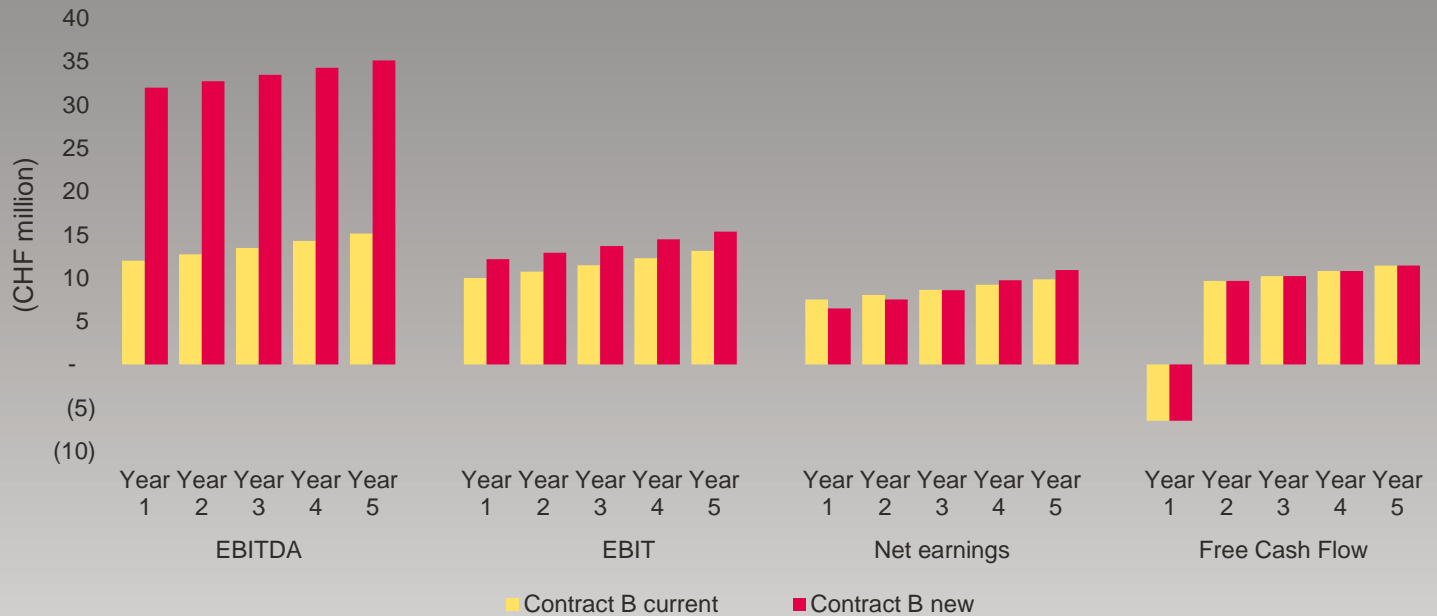
IFRS 16: Comparative analysis — IFRS 16

Depending on the type of the contract, P&L will look completely different

Biggest impact in EBITDA

EBITDA will no longer be a good proxy for cash generation

Evolution of contracts under IFRS 16 depending on type of MAG



- Depending on the type of the contract, P&L will look completely different
- Biggest impact in EBITDA; reduced in Earnings depending on aging of contracts; same cash generation!
- P&L result neutral over life of the contract but profitability (net earnings) tends to shift to backend of the contract
- EBITDA will no longer be a good proxy for cash generation and for operational performance;

Analysis (based on illustrative example)

Capitalization of MAG not an indicator for quality of contract

Contract renewals may cause changes in P&L and BS

Cash flow remains unchanged

- Amount to be capitalized does not say anything about the quality or profitability of the contract. Only drivers are:
 - Level of fixed MAG
 - Duration of contract
- Capitalization of MAG has negative impact on net earnings in first years and positive impact in late years of the contract
 - Negative net earnings impact is not an indicator for the quality of the contract and concession portfolio
- The balance sheet and P&L (above net earnings) may develop quite dynamically
 - Renewal / win of a contract with fixed MAG
 - Change in MAG-basis (from fixed to adjusted and vice-versa)
- Cash Flow remains unchanged
 - Capitalization leads to some changes in cash flow structure
- EBITDA is not a meaningful KPI anymore
 - Amortization charge that is de facto cash outflow
 - Interest charge below EBIT does distort picture as well
- Cash EPS can be used but needs some adjustments

Dufry's update to IFRS 16

IFRS to be adopted in 2019

Main impact from capitalization of leases

Update in H2 2018 on the process and indications

- IFRS 16 will be first time adopted as per 1 January 2019
 - No restatement of 2018 Financials required
- Dufry currently working on its internal systems in order to comply with the new rules
 - Capitalization of leases will be done on a contract per contract basis
 - Expect to have more than 500 retail contracts plus office, warehouses and equipment
- Systems currently tested and information reviewed

IFRS 16 implementation: Effects on Dufry financial metrics (indicative)

P&L impacted in several lines, mostly EBITDA

BS to inflate

Cash generation unchanged, but reporting structure will be adapted

The information below is indicative only and is based on the status of the analysis to date.

There may be substantial changes for each and any indications depending on further analysis or changes in the concession portfolio.

- P&L
 - Concession fees: reduction by CHF 1.2 - 1.5 billion
 - Amortization: new right of use amortization of CHF 1.1 -1.4 billion
 - Interest: additional interest of impact of CHF 200 – 300 million
 - Profit before taxes (2018): negative impact of CHF 100 – 150 million
 - Taxes: Lower (non-cash) taxes of CHF 20-50 million
- BS
 - Additional assets (Right of use): CHF 7.0 – 8.0 billion
 - Additional lease liabilities: CHF 7.0 – 8.0 billion
- Cash Flow
 - Cash flow from operations to increase by CHF 1.2 – 1.5 billion
 - Cash flow from financing to decrease by CHF 1.2 – 1.5 billion

2

KPIs

KPIs - Introduction

New KPI
framework due
to IFRS 16

EBITDA not a
relevant KPI
anymore – focus
on Cash
Earnings and
FCF

Add equity free
cash flow and
return on equity

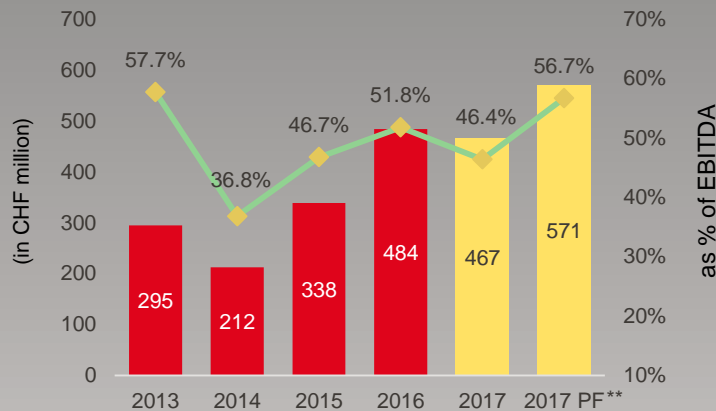
- Due to changes triggered by IFRS 16, we have assessed a new KPI framework
- From 2019 onwards:
 - We will drop EBITDA and EBITDA margin as KPI
 - Emphasize cash earnings and free cash flow as KPIs
 - In both cases, some adjustments will be implemented to provide consistency irrespective of IFRS 16
- Add equity free cash flow and return on equity as new KPIs

Dufry KPIs – Free Cash Flow

Free cash flow good proxy for cash generation with limited impact from accounting

Equity free cash flow is real cash generated by the company

Free cash flow*



* Before financing costs and minorities

** Pro-forma excluding extraordinary investments

Indicative definition post IFRS 16

Net cash flow from operating activities
- Capex (recurring)
- Repayment of lease liabilities
= Free cash flow

Considerations

- Good KPI for business performance
- Limited impact from accounting
- Works also if capital intensity is changing
- Has higher variance overall
 - Needs to be assessed over time
 - Seasonality
 - E.g., big projects with capex

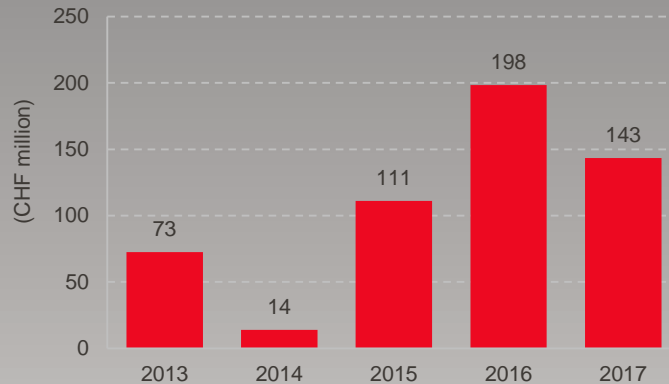
How to benchmark?

- Similar growth compared to top-line
- As % of turnover

Dufry KPIs – Equity Free Cash Flow

Equity free cash flow is real cash generated by the company

Equity Free Cash Flow (EFCF)



Indicative definition post IFRS 16

Free cash flow (previous page)

- Net interest paid
- Minorities

= Equity free cash flow

Considerations

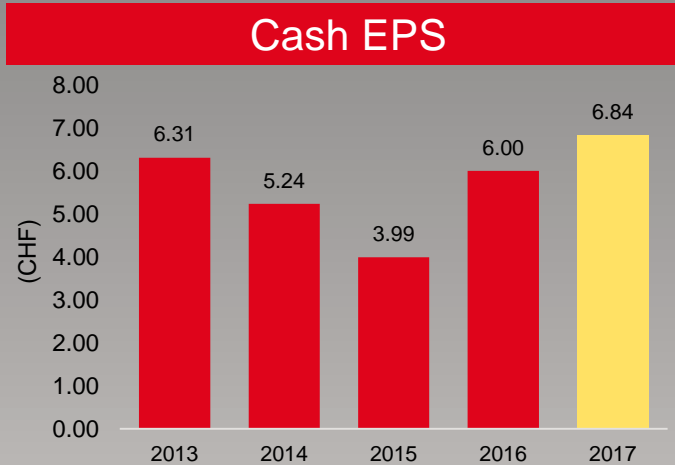
- Real cash flow from underlying equity
- Limited impact from accounting
- Reflects also balance sheet structure
- High variance overall

How to benchmark?

- Higher growth compared to top line
 - Needs to be read in context of dividend payments as well

Dufry KPIs – Adjusted EPS

Adjusted EPS
good overall
indicator of the
performance of
the business



Considerations

- Easier to use for comparison than free cash flow metric
- Adjustment allow to show normalized (sustainable) earnings generation

How to benchmark?

- Should grow faster than top line
- Adjusted earnings margin

Indicative definition post IFRS 16

Net earnings to equity holders

+ Acquisition related amortization

= Cash EPS

+ Deferred interest from lease liabilities

- Deferred taxes from lease liabilities and acquisitions related amortization

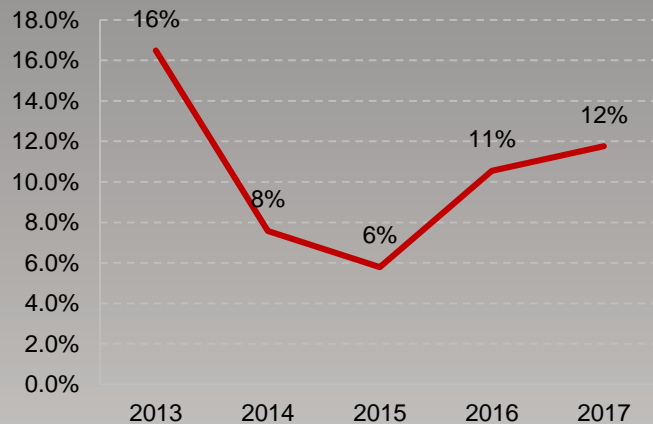
+/- One-offs (e.g., transaction costs, refinancing costs, etc.)

= Adjusted EPS

Dufry KPIs – Cash Return on Equity

Good indicator
close to IRR
approach used
for projects

Cash Return on Equity (ROE)



Considerations

- Good metric long term to assess performance
- Good indicator for returns as closer to IRR

How to benchmark?

- Against market
- Above IRR hurdle rate

Indicative definition post IFRS 16

Adjusted earnings ÷ Book equity to equity holders

Conclusion

Business continues the same

Focus on new KPIs

- Structure of concession contracts drives accounting treatment of IFRS 16
 - Only fixed MAG is capitalized
 - Variable concession fee and adjustable MAG are accounted as they are now
- IFRS 16 to change the accounting, but business remains the same
 - No impact on business or risk profile
 - No change in cash flow generation
 - No change in operational performance
 - No change in valuation!
- Capitalization of leases is not an indicator for quality of business
- EBITDA and EBIT not relevant as a metric anymore
- Focus on “new” metrics from 2019 onwards that synchronize accounting treatment
 - Cash EPS
 - Free cash flow / Equity free cash flow
 - Return on Equity
- New metrics are “conservative”
- Dufry to update the market with preliminary figures on IFRS 16 in H2 of 2018

Q&A

Thank you

 DUFRY