Media Release

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Dufry reports strong Full Year 2017 results with high organic growth

In 2017, Dufry achieved a strong set of results confirming its profitable growth strategy. Turnover grew by 7.0% and reached CHF 8,377.4 million with strong organic growth of 7.4%. EBITDA crossed the one billion mark for the first time and amounted to CHF 1,007.1 million. Dufry generated a free cash flow[1] of CHF 467 million in 2017 and cash earnings per share increased by 14% to CHF 6.84.

Dufry recorded a turnover growth of 7.0% in 2017 and reached CHF 8,377.4 million from CHF 7,829.1 million in 2016. Organic growth was very healthy with 7.4% in 2017. Changes in scope contributed -0.3% to turnover growth, while the FX translation effect was marginal at -0.1%.

In terms of business development, 2017 was a successful year for Dufry. The company secured future business by further increasing its retail space, extending important concessions and winning new contracts. The expansion of the gross retail space in 2017 amounted to 30,000 m², with North and Latin America accounting for the largest part, followed by Asia, Middle East and Australia and then Southern Europe and Africa. Moreover, Dufry has already 15,500 m² of signed space to be opened in 2018 and 2019.

The synergies from the World Duty Free acquisition were fully reflected for the first time in the 2017 results, amounting to CHF 125 million. This is an important achievement, as the total synergies considerably exceeded the original estimates of CHF 105 million.

In 2017, Dufry saw a strong free cash flow[1] generation of 571.0 million, excluding one-offs, a 18% increase versus the CHF 483.8 million record level reported in 2016. Accounting for the one-off items related to the signing of certain contracts in the beginning of the year, reported free cash flow[1] came in at CHF 467.0 million. Net debt was reduced to CHF 3,686.9 million on December 31, 2017, while the covenant calculated as net debt / EBITDA of 3.59x secures a comfortable headroom towards the threshold of 4.00x.

Southern Europe and Africa
Turnover 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, while France, Greece, Italy, Malta and Spain also posted positive growth. Africa saw even stronger performance 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
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 in the second half of 2017 due to the annualization of the positive impact seen by the devaluation of the British Pound in June

[1] Before interest and minorities

2016. Other highlights in the division were the operations in Russia and Eastern Europe, as well as Finland.

Asia, Middle East and Australia
Turnover 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 contributed to the improvement. In the Middle East, Sharjah, Kuwait and Jordan were positive. In Asia, South Korea saw sales growing, 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, while Melbourne recovered in the second semester, after the implementation of the New Generation Store and the comprehensive refurbishment undergone in the first half year.

Latin America
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 Dominican Republic being the leader in this area. Dufry Cruise Services also posted strong growth driven by the start of operations on a number of new ships.

North America
Turnover 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 on one hand and a good performance of the duty-free operations on the other hand.

FINANCIAL RESULTS

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, fully 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. Besides the mix changes and the concessions fee increases related to contract renewals, 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, equal to 4.8% of turnover and 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.

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 was impacted by an impairment of a concession from the Nuance acquisition and stood at CHF 423.9 million in 2017, CHF 44.7

million higher than the CHF 379.2 million reported in 2016. Linearization amounted to CHF -58.9 million in 2017. Linearization is a non-cash item related to the Spanish business, varies by quarter and due to seasonality the first semester is typically charged the most.

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) generated a positive impact of CHF 53.3 million, mainly related to the release of a provisions accrued 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 previously communicated, Dufry implemented a number of changes in its credit facilities in late 2016 and during 2017, which will generate interest accumulated cost savings of CHF 50 million going forward compared to 2016 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. Nevertheless, going forward the new US corporate tax rate is expected to have a positive impact.

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.

Cash flow
Free cash flow reached CHF 467.0 million in 2017, compared to CHF 483.8 million in 2016. Excluding the extraordinary cash outs that Dufry had in the beginning of the year, free cash flow would have been CHF 571.0 million, an 18.0% increase versus 2016.

Debt
Both net debt and leverage reduced as expected with net debt amounting to CHF 3,686.9 million at the end of December 2017 compared to CHF 3,750.4 million one year earlier. Dufry's main covenant, net debt / adjusted EBITDA, stood at 3.59x as per 31 December 2017. When considering the proceeds of USD 714 million from the Hudson IPO done in February 2018, pro forma net debt / EBITDA reduces further to 2.89x.

In 2017 Dufry also took an important step on its financing strategy. Following the early repayment of the USD 500 million Senior Notes with expiry in 2020, executed in December, 2016, the Company 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 Dufry successfully refinanced its main bank facilities which now are due in 2022, thus providing a solid foundation for the business in the next years.

Delivering our goals and posting strong results

Julián Díaz, CEO of Dufry Group, commented: “In 2017, Dufry achieved a strong performance and we have delivered good results in all our divisions. We have made good progress in the three defined key areas: accelerating organic growth, increasing cash generation and reducing our debt. Organic growth for the full year 2017 reached 7.4%, which is exceeding our original expectations. EBITDA crossed for the first time the CHF 1 billion mark and our cash flow generation increased by 18%, excluding one-offs. We also achieved our goal to fully reflect the CHF 125 million of WDF synergies, 20% higher than originally announced; and, last but not least, our cash EPS increased by 14% to CHF 6.84.

From an operational perspective, we started with the implementation of the new Business Operating Model (BOM) by launching the BOM process in 19 countries, of which 10 have already passed internal certification reaching the expected efficiencies. We also focused on the ongoing expansion of our retail space adding another 30,000 m^2 gross sales area in existing and new locations across the globe, while at the same time extending existing contracts. Moreover, we continued to execute on our shop refurbishment plan with the renovation of 32,000 m^2. Last but not least, we made good progress on our digital agenda by opening the first new generation stores in Madrid, Melbourne, Cancun and Zurich as well as rolling out our digital customer loyalty program RED by Dufry.

Early in 2018, we had two important changes in the Group. First, in January we announced the new simplified group organization with a smaller Global Executive Committee, which will further improve the speed of decision making and thus allowing us to be closer to the market. Secondly, on February 1st, we successfully listed a 42.6% stake of our North American division as Hudson Ltd. at the New York Stock Exchange. Besides further expanding our duty-paid convenience business, the listing aims at evolving the business by expanding into additional opportunity streams such as food and beverage operations and master concessions.

For 2018, our priorities are to complete the BOM process and generate the respective efficiencies, further drive the implementation of our digital strategy, and to accelerate the strategic initiatives to expand outside the airport channels. All these activities will contribute to continue driving organic growth and spend per passenger, which remains a cornerstone in our operational focus. The same applies to cash generation and further deleveraging of our balance sheet. As mentioned on earlier occasions, Dufry's Board of Directors has put a high priority on returning cash to shareholders and as such, intends to submit a proposal to the upcoming general meeting.

The positive market conditions seen throughout 2017 have continued in the first months of 2018 in all divisions with similar organic growth performance as in previous quarters, thus providing a good base for the start into the new reporting year. We will continue to execute on our main initiatives and we will remain focused at operational level in order to further improve our performance going forward."

Key Figures Dufry Group

In CHF million	FY 2017		FY 2016		Var.
Turnover	8,377.4		7,829.1		7.0%
Gross Profit	4,978.6	*59.4%*	4,584.1	*58.6%*	8.6%
EBITDA (before other operational results)	1,007.1	*12.0%*	935.1	*11.9%*	7.7%
Net Earnings to Equity Holders	56.8		2.5		
Cash EPS (in CHF)	6.84		6.00		14.0%

DUFRY

Dufry's 2017 Annual Report is available at the company's website at www.dufry.com/en/investors.

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Dufry Group – A leading global travel retailer

Dufry AG (SIX: DUFN; B3 S.A. – Brasil, Bolsa, Balcão: DAGB33) is a leading global travel retailer operating over 2,200 duty-free and duty-paid shops in airports, cruise lines, seaports, railway stations and downtown tourist areas.

Dufry employs over 32,000 people. The Company, headquartered in Basel, Switzerland, operates in 64 countries in all five continents.

SOS CHILDREN'S VILLAGES

Social Responsibility

Dufry cares for children and supports social projects from SOS Kinderdorf in Brazil, Cambodia, Mexico, Morocco and Ivory Coast. SOS Children's Villages is an independent, non-political and non-demonstrational organization established for orphaned and destitute children all over the world.