Media Release

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Dufry remains in growth mode

In the first nine months of 2014, Dufry's turnover grew by 12.4% in constant FX rates, through a combination of organic growth and the consolidation of The Nuance Group since September 2014. In absolute terms, turnover reached CHF 2,930.9 million and EBITDA reached CHF 414.4 million for the first nine months of 2014, generating an EBITDA margin of 14.1%. Free cash flow grew by 17.2% and reached CHF 273.8 million.

Review of 9M 2014 results

Turnover

Dufry's turnover grew by 12.4% in constant exchange rates (CER) in the first nine months of 2014. Organic growth in the third quarter was 4.3% resulting in an organic growth for the nine months of 3.9%, based on a contribution of 2.0% from like-for-like growth and 1.9% from new concessions, net. Acquisitions added 8.5% to the turnover growth year-to-date. The translation impact to the Swiss Franc was negative in 3.4%, which results in a reported growth of 9.0% for the first nine months of 2014. In absolute terms, turnover increased to CHF 2,930.9 million from CHF 2,688.7 million one year earlier.

Turnover in **Region EMEA & Asia** grew by 7.2% in CER and reached CHF 941.2 million in the first nine months of 2014 versus CHF 894.9 million in the previous year. The region benefited from the consolidation of HDF, acquired in April 2013. In the third quarter organic growth for the region was stable.

- In **Europe**, France, Italy, and Switzerland continued to show good performance. In Greece, performance in the third quarter remained unchanged when compared to the second quarter. After a record year in 2013, the Greek business continued to be impacted by a lower number of Russian and Turkish passengers as well as the volatility of the Russian and Turkish currencies.
- In **Eastern Europe**, Serbia and Armenia continued to delivery good results, while in Russia, the Russian Rouble and the political situation in the Ukraine continue to impact the business.
- Performance in **Africa** continued to be challenging due to the political situation in several countries in the region. Almost all operations in the region had softer performance, whereby Egypt and Tunisia continued to be most affected.

- In **Middle East and Asia**, existing operations performed well, and the new openings in China, Indonesia, Kazakhstan, South Korea and Sri Lanka contributed to the results as expected.

Turnover in **Region America I** stood flat in CER and reached CHF 546.2 million in the first nine months of 2014 versus CHF 569.6 million in the same period in 2013. Mexico continued to perform well and operations in the British Caribbean accelerated organic growth. Businesses in Argentina and Uruguay performed in line with the first half of the year.

Turnover in **Region America II** reached at CHF 511.3 million in the first nine months of 2014 compared to CHF 519.8 million in the same period in 2013. In the third quarter, turnover growth in CER continued to accelerate to 7%, compared to -9% and 4% in the first and second quarters. At Guarulhos International airport in Sao Paulo, traffic at Terminal 3 has been ramped up significantly with about 75% of international flights, from October, being operated through Terminal 3 and 25% through Terminal 2.

Turnover in **Region United States & Canada** surged by 13.0% in constant FX rates. In Swiss Franc terms, turnover came to CHF 713.6 million in the first nine months of 2014 from CHF 659.0 million in the same period in 2013. This is the fourth consecutive quarter of double digit turnover growth in the region. The strong performance continues to be a result of a steady increase in passenger numbers and increase in spend per passenger. Additionally, Dufry has been very active on the expansion of the Hudson franchise, as well as diversifying into other concepts like duty free shops, brand boutiques and specialized shops.

Nuance generated a consolidated turnover of CHF 177.7 million in September 2014, which means a flat performance compared to the same period last year. The good growth in the US and Canada combined with opening of new retail space was compensated with a softer performance in Turkey and Russia on the back of a less Russian passengers and the weaker Russian Rouble.

Gross profit grew by 9.3% and reached CHF 1,725.8 million in the first nine months of 2014 versus CHF 1,579.1 million one year before. Gross profit margin expanded by 20 basis points to 58.9% from 58.7% in the respective period. In like-for-like retail operations, gross profit margin improved by 30 basis points, which excludes the effects of the acquisition in Greece and Nuance. The improvement is mainly a result of the internal procurement organization and the centralization of the supply chain.

Selling expenses reached CHF 703.1 million in the year to September, compared to CHF 619.4 million in the first nine months of 2013. As a percentage of turnover selling expenses went to 24.0% from 23.0% in 2013. The increase is mainly a result of the consolidation of Nuance, which have higher concession fees on average.

Personnel expenses and **General expenses** were both lower by 30 basis points when measured as a percentage of turnover. Personnel expenses reached 14.6% in the first nine months of 2014, versus 14.9%, while General expenses went to 6.2% from 6.5% one year earlier. The improvement is mainly due to the Nuance consolidation with the metrics being stable year-on-year for the existing business.

EBITDA[1] in constant FX rates grew by 10.6%. In Swiss Francs it increased by 7.4% and reached CHF 414.4 million in the year to September with EBITDA margin reaching 14.1% in the period.

[1] EBITDA before other operational result

Excluding the consolidation impact from Nuance, EBITDA margin would have improved 10 basis points to 14.5% compared to 14.4% last year.

Depreciation reached CHF 59.3 million in the first nine months of 2014, or 2.0% when measured as a percentage of turnover compared to 1.9% one year earlier. **Amortization** reached CHF 106.9 million in the first nine months of 2014 from CHF 89.0 million in the same period last year. The increase by CHF 17.9 million mainly is a result of the consolidation of Hellenic Duty Free and Nuance.

Other Operational result (net) was minus CHF 39.7 million in the first nine months of 2014, from CHF 28.3 million in 2013. The main contributors for the expenses were transaction costs related to the acquisition of the Nuance Group, as well as costs related to new openings, start-ups and restructurings.

EBIT stood at CHF 208.5 million in the year to September from CHF 218.4 million one year earlier.

Net financial expenses reached CHF 103.9 million in the first nine months of 2014 compared to CHF 69.6 million in the same period of 2013. The increase is a result of the higher net debt due to the acquisitions of Hellenic Duty Free and Nuance, as well as non-recurring financing charges of CHF 20.9 million related to the latter.

Income taxes reached CHF 23.7 million in the first nine months of 2014, versus CHF 27.3 million in the previous year.

Pro forma **net earnings** attributable to equity holders, which exclude non-recurring transaction and financing cost of Nuance, stood at CHF 91.1 million for the first nine months 2014. Reported net earnings to equity holders for the year to September reached CHF 55.5 million versus CHF 73.0 million in 2013. Net earnings for the first nine months of 2014 reached CHF 81.0 million versus CHF 121.5 million in the same period of 2013.

Cash flow generated from operations grew by 21.8% and reached CHF 444.8 million in the first nine months of 2014 versus CHF 365.1 million one year earlier. Free cash flow also grew and reached CHF 273.8 million, 17.2% higher than the respective period in 2013. In the year to September, Capital Expenditure stood at CHF 132.9 million compared to CHF 113.0 million in the first nine months of 2013 and is mainly a consequence of several projects in Brazil, US and Asia.

Net debt at the end of September 2014, was CHF 2,181.3 million compared to the CHF 1,753.3 million at the end of December 2013. The main covenant at Group level, Net Debt/adjusted EBITDA, stood at 3.27x as of September 30, 2014.

In June and July 2014, Dufry executed a number of financing transactions, related to the Nuance acquisition. In June, Dufry issued mandatory convertible notes of a total amount of CHF 275 million and raised approximately CHF 810 million in a successful capital increase in July. On the debt side, Dufry successfully placed a new EUR 500 million (CHF 608 million) bond in July. The bond carries a 4.5% coupon and has an 8 year maturity. At the same time, Dufry also refinanced its bank debt, moving all maturities to 2019.

Nuance transaction closed in September

Dufry successfully concluded the acquisition of Nuance on September 9th and has started to consolidate the business since September 2014. Nuance is a leading travel retailer with more than 60 operations in 19 countries. In 2013, Nuance generated a turnover of CHF 2.1 billion and an EBITDA of approximately CHF 131 million.

Dufry has already launched the integration process and took financial and operational control of the business. The Company is now focusing on the analysis of the different business aspects aiming to define the future operating model and prepare a detailed action plan for the different areas, in order to start to generate synergies. Dufry expects to conclude this phase during the first quarter of 2015.

In terms of synergies, the expected CHF 70 million will start to materialize in 2015, with the full impact to be reached by 2016. Dufry expects to realize an improvement in the gross margin through increased purchasing power and the integration of Nuance's purchasing into its supply chain and logistics platform. Furthermore, Dufry expects that the combination of the global and regional organizations, as well as global support functions, will create significant value.

Focus on execution in the Nuance integration and improving existing business

Julian Diaz, CEO of Dufry Group, commented: "Performance in the third quarter has been in line with our expectations and as we communicated. The geopolitical situations and the currency volatility have weighed on the performance, especially in Russia and Africa. This has been balanced with the performance of the US business which continued to grow strongly and also the ramp-up of Terminal 3 in Sao Paulo has been very positive. Furthermore, the Latin American operations saw a good development in profitability.

We have successfully concluded the acquisition of the Nuance Group on September 9th, with the financial consolidation starting already in that month. We have also completed the first stage of the integration process, having secured the financial and operational control of the operations and we have since started a detailed analysis in the different areas as basis for a detailed action plan to generate the expected synergies.

The integration opens the doors for efficiency gains for both Dufry and Nuance, and we are confident that the targeted CHF 70 million of synergies will be fully reflected in the financials until the end of 2016, with part of the results already being shown in 2015. The process is very complex, as it is the largest acquisition Dufry has ever done and it will require all our attention and energy. Having said this, we are confident that the project teams for this integration consisting of Dufry, Nuance and PwC executives are up to the challenge and we will manage a successful integration.

In terms of outlook, we do not expect the trends to materially change in the short term and the overall scenario for the industry continues to be positive despite some complex geopolitical situations and increased FX volatility in selected markets. International passenger numbers, the leading indicator for our business, are expected to grow 5.1% in 2014 and 5.8% in 2015. On the macroeconomic environment, we expect to continue seeing some divergence in the regional development. Our diversified concession portfolio, which has been further strengthened with the Nuance acquisition, will support the development of the Group, as will our flexible cost structure, which allows adapting quickly in situations of passenger traffic changes.

2014 has been so far a year of many challenges and great achievements. Having executed well in many of the projects, we now focus our efforts in the integration and generation of synergies in the Nuance acquisition."

Key Figures Dufry Group

In CHF million	9M 2014		9M 2013		Var.	Var. Const. FX
Turnover	2,930.9		2,688.7		9.0%	12.4%
Gross Profit	1,725.8	*58.9%*	1,579.1	*58.7%*	9.3%	6.5%
EBITDA (before other operational results)	414.4	*14.1%*	386.0	*14.4%*	7.4%	10.6%
Net Earnings to Equity Holders	55.5	*1.9%*	73.0	*2.7%*	-24.0%	
Cash EPS (in CHF)	4.28		4.67		-8.4%	
Cash EPS excluding one-offs from Nuance (in CHF)	5.38		4.67		15.2%	

Dufry's First nine months 2014 Report is available on the following link:
http://www.dufry.com/en/Investors/FinancialReports/

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Dufry Group – A leading global travel retailer

Dufry AG (SIX: DUFN; BM&FBOVESPA: DAGB33) is a leading global travel retailer operating over 1,700 duty-free and duty-paid shops in airports, cruise lines, seaports, railway stations and downtown tourist areas.

Dufry employs around 21,000 people. The Company, headquartered in Basel, Switzerland, operates in more than 60 countries around the world.

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.