Media Release

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Dufry FY 2014 – solid results delivered based on execution and expansion plans

2014 was an important year for the development of Dufry. In addition to completing the acquisition of Nuance and the execution of important expansion and operational efficiency projects, the company delivered a strong financial performance. Turnover increased by 17.5% and reached CHF 4,196.6 million. EBITDA amounted to CHF 575.6 million with an EBITDA margin of 13.7% and of 14.2% excluding the Nuance consolidation.

Turnover at all-time high

Turnover of Dufry reached an all-time high at CHF 4,196.6 million in 2014, representing a growth of 17.5% from CHF 3,571.7 million reported in 2013. Excluding the negative translational effect of -1.4% from the strengthening of the Swiss Franc in the year, turnover growth was 18.9%. While the consolidation of acquisitions contributed 16.4%, like-for-like growth and growth contributions from gross new concessions added 1.1% and 4.4%, respectively.

Turnover in **Region EMEA & Asia** increased by 3.2% in constant exchange rates (CER) and by 1.7% reported, thus reaching CHF 1,194.5 million in the year under review (2013: CHF 1,174.1 million), although the positive growth trend was impacted by various elements.

In Western Europe performance was positive in countries like France and Switzerland, with steady passenger growth and productivity improvements, and we also saw a strong development in selected Eastern European markets, such as Czech Republic and Serbia. The devaluation of the Russian Ruble that started in January 2014 led to a change in the buying behaviour and the number of Russian passengers which impacted several operations, most notably the business in Moscow and to a lesser extent – given the highly diversified passenger profile – the performance in Greece.

Whereas Hellenic Duty Free (HDF) generated a positive consolidation effect in the first quarter of 2014, the discontinuation of operations in Spain in the second quarter had a negative influence.

Africa continued to be challenging throughout 2014 and all Northern African locations were affected by political instability in the region and the closings of operations in Egypt in the second quarter and in Tunisia as of October. In Asia, existing operations performed well, and the openings in China, Indonesia, Kazakhstan, South Korea and Sri Lanka positively contributed to the results.

Region America I's turnover was practically flat in constant exchange rates (CER) and reached CHF 763.0 million in 2014 (2013: CHF 768.5 million). Central American locations did generally well including Mexico and the Caribbean. The British Caribbean turned around and saw a positive momentum in recent quarters. In South America, Argentina showed good performance, especially in local currency, despite the ongoing devaluation of the Argentinean Peso. Furthermore, trading was also positive in Uruguay and Ecuador.

Turnover in **Region America II** was flat in 2014 in CER, and reached CHF 683.3 million in the reporting currency for the year under review (2013: CHF 692.2 million). Overall performance measured in local currencies was positive throughout the year and stood at 8% by December. After a short recovery, the Brazilian Real further weakened towards the end of the year (-12% in the fourth quarter) impacting reported sales.

Region United States & Canada's turnover grew by 11.7% in CER and reached CHF 963.1 million compared to CHF 876.1 million in 2013. Dufry substantially outperformed domestic passenger growth of 2.9% through productivity improvements and the opening of over 10,000 m² of additional retail space in H2 2013 and throughout 2014.

The **Nuance Business** generated a consolidated turnover of CHF 536.6 million from September to December 2014. Nuance's most important sales contributors are located in Canada, Hong Kong, Macau, Sweden, Switzerland and Turkey.

Strong operational performance

Gross profit grew by 17.0% to CHF 2,463.1 million compared to CHF 2,105.7 million in 2013. Gross margin reached 58.7% from 59.0% one year earlier. Excluding the effects of the HDF and the Nuance acquisitions, gross margin improved to 59.6%.

Selling expenses amounted to CHF 1,023.7 million in the year under review compared to CHF 826.0 million in 2013. As a percentage of turnover they were 24.4% in 2014, compared to 23.1% one year earlier. The increase is mainly a result of the Nuance consolidation which has higher concession fees.

Personnel and general expenses showed a reduction of 60 and 40 basis points respectively, when measured as a percentage of turnover. Personnel expenses reached CHF 609.7 million, while general expenses dropped to CHF 256.4 million, thus representing 14.5% and 6.1% of turnover respectively impacted by the Nuance acquisition.

EBITDA increased by 12.6% and stood at CHF 575.6 million in 2014 – the highest ever – from CHF 511.1 million in the previous year. EBITDA margin reached 13.7% in 2014 including the consolidation of Nuance. Excluding Nuance, EBITDA margin stood at 14.2% compared to 14.3% in 2013.

Depreciation reached CHF 88.2 million in 2014 from CHF 71.1 million in the previous year, remaining nearly stable as a percentage of turnover with 2.1% compared to 2.0% in 2013. **Amortization** increased by CHF 39.1 million to CHF 160.9 million in 2014 from CHF 121.8 million in 2013 as a result of the consolidation of Hellenic Duty Free and Nuance.

EBIT went to CHF 265.4 million versus CHF 280.8 million in 2013. Other operational result (net) was CHF -61.1 million; mainly driven by non-recurring expenses related to the Nuance acquisition and restructuring of Nuance.

Net financial expenses amounted to CHF 159.5 million in 2014 compared to CHF 100.0 million one year before. The increase of CHF 59.5 million in 2014 is mainly a result of the higher net debt levels in 2014 compared to 2013 following the acquisitions of Nuance, as well as non-recurring financing charges of CHF 20.5 million related to the latter.

Income taxes declined to CHF 20.3 million in 2014, from CHF 33.2 million one year earlier. The effective tax rate as a percentage of EBT stood at 19.2% versus 18.4% in the previous year.

In 2014, **net earnings** were CHF 84.8 million with net earnings attributable to equity holders amounting to CHF 50.8 million and Cash EPS resulting in CHF 5.21. Excluding non-recurring cost related to the Nuance acquisition, net earnings to equity holders were CHF 96.9 million, compared to CHF 93.0 million in 2013. Nuance will be accretive to Cash EPS by the end of 2015. The total underlying Net Earnings to equity holders of the parent adjusted for acquisition-related amortization (Cash Earnings) amounted to CHF 173.6 million.

Solid financial structure

Net cash flow from operating activities reached CHF 391.5 million in 2014, from CHF 435.1 million one year earlier. In 2014, capital expenditure stood at CHF 197.6 million, while free cash flow reached CHF 193.9 million. In the year under review CAPEX levels were considerably higher than in the previous years due to the high number of new openings and refurbishments executed; these include in particular all openings in Brazil and the United States.

Net debt amounted to CHF 2,354.3 million at the end of December 2014 (2013: CHF 1,753.4 million). Our main covenant, Net Debt/adjusted EBITDA was 3.40 x at year-end 2014, compared with a threshold of 4.50x for the period.

In connection with the acquisition of Nuance, Dufry executed several transactions to finance the acquisition and to adjust its capital structure accordingly. Dufry issued mandatory convertible notes for a total amount of CHF 275 million in June, 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. This bond has been issued in EUR to match the higher EUR exposure of the Nuance sales and thus additionally foster Dufry’s natural hedge. At the same time, Dufry also refinanced its bank debt, moving all maturities to 2019.

The Nuance acquisition – a milestone

Nuance’s geographic footprint is complementary, further diversifies Dufry’s global concession portfolio and fosters the company’s position in strategic key markets. In the Mediterranean, the largest and most important tourist destination in the world, Nuance’s operations in Turkey, Malta and Portugal complement Dufry’s existing network in the region. The Group’s positioning in Asia has also been strengthened with Nuance’s important presence in the region, which adds concessions in mainland China, Hong Kong, India and Macau. In North America, Nuance operates mostly duty-free formats in locations that fit well into Dufry’ s existing retail network and increase market penetration in the United States and Canada.

Following the closing of the transaction in September 2014, the operational integration of Nuance into Dufry’s organization has immediately been tackled and is proceeding well, according to plan. The integration process is expected to be completed by the end of 2015 and to annually generate CHF 70 million of synergies. Improvements are to be realized in the gross margin through increased purchasing power and the integration of Nuance’s purchasing into Dufry’s supply chain and logistics platform. Furthermore, the combination of the global and regional organizations, as well as of the overall support functions will generate significant value and will allow to mutually adopt best practices.

A transformational year for Dufry and the travel retail industry

Julián Díaz, CEO of Dufry Group, commented: "Our operational performance was strong and we managed to preserve profitability at high levels. Thanks to the focused execution of our ambitious expansion plans, we opened a record number of 167 shops. And most importantly, 2014 will be remembered for the acquisition of The Nuance Group, which reinforced our leadership of the travel retail industry.

In 2014, Dufry executed the biggest expansion plan in the history of the company as a result of a number of important contracts signed in the previous year. In total, 167 shops were opened representing over 25,000 m² of new retail space. The successful implementation of the projects within the tight time frame and despite the high degree of complexity some of these expansions posed, clearly underlines the company's execution capabilities to develop projects in different regions at the same time. The new shops will be a major driver for organic growth for the years to come.

We also achieved operational improvements by completing the setup of the central procurement organization and the reduction in complexity in the logistics platform. Both projects will benefit the regional organizations and create new efficiencies at group level.

The travel retail industry continues to show healthy growth. In 2015, passenger numbers, the key driver for the business, are expected to grow by more than 6% according to Air4casts, an external specialist. However, 2015 is also proving to be a volatile year in the currency markets. Thanks to the natural hedging of our business, we do not expect any important impact in our operational performance. As Dufry reports in Swiss Francs, the appreciation of this currency will result in a translation effect. Nevertheless, the company will monitor the situation closely and is prepared to adjust its business accordingly, if needed.

In 2015, Dufry will concentrate its efforts on the integration of Nuance. The targeted CHF 70 million of synergies have been confirmed to be on track and the operational integration is currently being executed. On top of that, Dufry aims to increase the overall shops productivity, and will also keep scanning the market for new acquisition opportunities."

Key Figures Dufry Group

In CHF million	FY 2014		FY 2013		Var.	Var. Const. FX
Turnover	4,196.6		3,571.7		17.5%	18.8%
Gross Profit	2,463.1	*58.7%*	2,105.7	*59.0%*	17.0%	
EBITDA (before other operational results)	575.6	*13.7%*	511.1	*14.3%*	12.6%	13.8%
Net Earnings to Equity Holders	50.8	*1.2%*	93.0	*2.6%*	-45.4%	
Cash EPS (in CHF)	5.21		6.31		-17.4%	
Cash EPS excluding one-offs from Nuance (in CHF)	6.60		6.31		4.5%	

Dufry's 2014 Annual 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 1,650 duty-free and duty-paid shops in airports, cruise lines, seaports, railway stations and downtown tourist areas.

Dufry employs around 20,000 people. The Company, headquartered in Basel, Switzerland, operates in 60 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.