**Media Release**

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# Dufry's performance for first quarter 2014 is on growth mode

**Dufry's turnover grew by 9.0% in constant FX rates and reached CHF 775.0 million in the first quarter of 2014. EBITDA reached CHF 89.1 million and EBITDA margin was 11.5% in the quarter. Cash flow before working capital grew by 15.6% and reached CHF 93.6 million.**

Dufry posted another solid set of results as turnover in constant FX rates continued to grow by 9.0% in the quarter as a combination of organic growth and the acquisitions of Hellenic Dufry Free. During the first quarter of 2014 EBITDA reached CHF 89.1 million and EBITDA margin stood at 11.5%. The first quarter is the lowest quarter in terms of seasonality, and there was also a calendar effect from Easter, which in 2013 took place in the first quarter and this year moved to the second quarter. Organic growth was also impacted by currency volatility of selected nationalities, like Brazilians and Russians. The appreciation of the Swiss Franc versus the US Dollar resulted in a translational effect of minus 3.8% in the first quarter.

## Turnover

In the first quarter of 2014 Dufry's turnover grew by 9.0% in constant FX rates, of which 6.8% was the contribution consolidation of the Hellenic Duty Free acquisition. Organic growth was 2.2%, to which like-for-like growth contributed 0.7% and new concessions, net, added 1.5% as the result of openings of 4.3% versus closings of 2.8%. Reported turnover in Swiss Francs reached CHF 775.0 million from CHF 736.4 million in the first quarter of 2014, a growth of 5.2%, after a -3.8% translational impact, driven by the appreciation of the Swiss Franc in the period.

Turnover in **Region EMEA & Asia** grew by 31.4% in the first quarter of 2014 and reached CHF 239.8 million from CHF 182.5 million in the previous year. Besides the consolidation of the business acquired in Greece in April 2013, other operations in the region performed solidly as well. In **Europe,** France and Spain had strong growth. **Africa** showed positive performance as Morocco and Ivory Coast had double digits sales growth and helped mitigate the lower results in Egypt. In **Eastern Europe**, Serbia and Armenia performed well, while operations in Russia were impacted by the depreciation of the Russian Rouble and the political situation in the Ukraine. In **Middle East and Asia,** growth was strong as a combination of like-for-like in the existing operations especially in China and Cambodia as well the effect of the first openings in Asia.

Turnover in **Region America I** stood at CHF 174.7 million in the year to March, versus CHF 190.5 million in the same period in 2013. The performance of this region was affected by the devaluation of local currencies, especially in Uruguay, where like-for-like sales was negatively impacted by the reduction in the purchasing power in local currency terms. In addition to that, Argentina and the Caribbean operations had a negative impact by a calendar effect from Easter, which in 2013 took place in the first quarter and this year moved to the second quarter. It's important to mention that, despite the devaluation, Dufry registered growth in sales of 14% in America I when accounted in local currencies.

Turnover in **Region America II** stood at CHF 138.4 million in the first quarter of 2014 compared to CHF 158.6 million in the same period in 2013. When measured in Brazilian Reais, sales continued to grow, as in the previous quarters, but the devaluation of the local currency versus the USD of 18% in the first quarter masked the positive performance. On the business development side, Dufry is well on track with the expansion of its operations in the country, most notably in Sao Paulo and Brasilia, where in the latter the first Hudson News shops were opened. Dufry expects to be operational in these locations ahead of the Football World Cup in June.

Turnover in **Region United States & Canada** grew by 13.2% in constant FX rates. In Swiss Franc terms, turnover came to CHF 205.0 million in the first quarter of 2014 from CHF 189.8 million in the same period in 2013. The region managed to largely outpace the increase in the number of passengers by improving the retail operations and expanding its footprint in the United States, where 1,400 sqm were added in so far in the year.

**Gross profit** grew by 5.6% and reached CHF 456.8 million in the first quarter of 2014 versus CHF 432.7 million one year before. Gross profit margin expanded by 10 basis points to 58.9%, notwithstanding the negative impact from the consolidation effect of the business in Greece, which has below average gross margin. Excluding this effect, gross margin improvement was 60 basis points, which reflects the good development the reorganization of our Procurement and Logistics structures, as announced in 2013.

**Selling expenses** as a percentage of turnover remained practically stable at 24.2% in the first quarter of 2014, from 24.1% in 2013. In absolute terms, they reached CHF 187.2 million in 2014 versus CHF 177.7 million one year earlier.

**Personnel expenses** increased to CHF 127.8 million in the first quarter 2014 from to CHF 115.9 million in the same period 2013. As a percentage of turnover it went to 16.5% versus 15.7% in the first quarter of 2013. The consolidation of Hellenic Duty Free is the main reason for the increase, as a result of the strong seasonality of the business.

**General expenses** decreased as a percentage of turnover to 6.8% from 7.3% in the first quarter of 2013. In Swiss Franc terms, general expenses stood at CHF 52.7 million in the first quarter of 2014, from CHF 53.8 million one year earlier.

**EBITDA**[1] increased by 4.5% and reached CHF 89.1 million in the year to March with EBITDA margin reaching 11.5% in the period. In constant FX rates, EBITDA increased by 8.6%.

**Depreciation** was CHF 18.3 million in the first quarter of 2014, compared to CHF 15.6 million in the same period in 2013 and increased as a percentage of turnover to 2.4% from 2.1% in the first quarter of 2013. **Amortization** increased by CHF 6.0 million, as a result of the consolidation of the Folli Follie Travel retail business, and reached CHF 31.9 million in the first quarter of 2014 from CHF 25.9 million in the same period last year.

**Other Operational result (net)** was minus CHF 3.8 million in the first quarter of 2014, which are mainly due to the transaction costs and start-up costs of new projects in the period.

**EBIT** reached CHF 35.1 million in the first quarter of 2014 versus CHF 37.8 million in year before.

[1] EBITDA before other operational result

**Net financial expenses** reached CHF 23.3 million in the first quarter of 2014 compared to CHF 30.4 million in the fourth quarter of 2013. In the last quarter of 2013, Dufry entered in a new credit line with lower finance cost in order to pay down the local facility existing debt in Greece. It is also worth mentioning that Dufry had a non recurring cost of CHF 5 million associated to this transaction last year. For 2014, Dufry expects a reduction in yearly financing costs of CHF 10 million on a comparable basis.

**Income taxes** as a percentage of EBT was 16.1% and reached CHF 1.9 million in the first quarter of 2014, versus CHF 3.4 million in the same period 2013.

**Net earnings** for the first quarter of 2014 stood at CHF 9.9 million versus CHF 15.4 million reported last year. Net earnings attributable to equity holders for the quarter ending 31 March 2014 reached CHF 2.8 million. Hellenic Duty Free, which has been consolidated since April 2013, has a very strong seasonality with the first quarter being the lowest quarter. For this reason, the respective personnel expenses, as well as depreciation, amortization and interest expenses, had an above average impact on net profit.

**Cash flow before working capital changes** reached CHF 93.6 million in the first quarter of 2014 versus CHF 81.0 million one year earlier. In the year to March, capital expenditure stood at CHF 49.3 million and free cash flow reached CHF 21.4 million. The increase in capital expenditure of CHF 27.8 million, when compared to the first quarter 2013, is a result of the several shop openings expected for 2014 mainly in Brazil and Asia.

**Net debt** at the end of March 2014, was CHF 1,726.6 million compared to the CHF 1,753.4 million at the end of December 2013. The main covenant at Group level, Net Debt/adjusted EBITDA, stood at 3.66x as of March 31, 2014.

## Accelerating growth mode

Julian Diaz, CEO of Dufry Group, commented: “Overall, we had a good quarter. Profitability and cash generation were very healthy, even as we have invested in many new projects resulting in higher capital expenditure and net working capital. Only turnover growth was held back by FX movements and the shift of Easter holidays.

As mentioned many times, we execute on a number of projects in 2014 and we are running with full speed to execute these important projects in Brazil, Asia, and the US. In Brazil, the core of the new operations will be located at Sao Paulo Guarulhos, Brasilia and Viracopos International Airports. We are putting all our efforts and working to open the shops ahead of the Football World Cup. As for Asia, another region where we are going to increase substantially our footprint, all plans are on track. We have already started operations in Bali, Indonesia, in Astana, Kazakhstan, Sri Lanka and South Korea. The remaining operations to be opened in Taiwan and China, should be fully operational by the beginning of the second half of 2014.

Regarding our operations in US & Canada, the pipeline keeps healthy as we opened already in the first quarter 17 shops with almost 1,400 sqm in several airports. It is worth noting that these new shops already reflect the new Hudson model with new logo, shop layout and assortment. We also opened brand boutiques in Newark, New York, Chicago and Sandford. Looking ahead, our project pipeline still shows several opportunities for expansion being as duty paid or duty free with total area of almost 3,600 sqm to be opened almost entirely in 2014.

Last but not least, our Hudson operation continues to deliver excellent results and our plan is to roll out the concept further outside US & Canada. Today we are present in 12 countries including Brazil, where we opened our first Hudson shop earlier this year in April. In addition, we have been awarded to operate 9 Hudson shops with a total retail space of 1'900 square meters at five airports in Spain that will open along 2014. Our target going forward is to double the number of Hudson shops internationally to about 200 shops by 2015 and for that we have developed an internal group that will focus all the effort and expertise to achieve it.

Regarding the travel retail industry, we continue to see a positive scenario for the economy and the travel retail in general. So far the number of international passenger grew by 6% in the year and is expected to grow by 4% in 2014.

With several new projects expected to become operational in Q2 2014, there will be growth momentum building up in the second half of 2014 and in 2015 we should see the full benefit of this additional retail space. We are committed to our strategy of profitable growth organically or through acquisitions and we continue to develop new projects."

## Key Figures Dufry Group

| In CHF million | Q1 2014 | | Q1 2013 | | Var. | Var. Const. FX |
|---|---|---|---|---|---|---|
| Turnover | 775.0 | | 736.4 | | 5.2% | 9.0% |
| Gross Profit | 456.8 | *58.9%* | 432.7 | *58.8%* | 5.6% | |
| EBITDA (before other operational results) | 89.1 | *11.5%* | 85.3 | *11.6%* | 4.5% | 8.6% |
| Net Earnings to Equity Holders | 2.8 | *0.4%* | 8.8 | *1.2%* | -68.2% | |
| Core Earnings per Share (in CHF) | 0.90 | | 0.99 | | -9.1% | |

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

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