Media Release

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Dufry accelerates organic growth in the second quarter of 2014

In the first half of 2014, Dufry's turnover reached CHF 1,707.9 million and grew by 6.7% in constant FX rates and 2.4% when translated into Swiss Franc. Organic growth accelerated in the second quarter to 5.0% from 2.2% in the first quarter. EBITDA reached CHF 221.4 million for the half year 2014 and EBITDA margin was 13.0% in the period and 14.2% in the second quarter. Cash flow before working capital grew by 9.0% and reached CHF 212.2 million.

During July, Dufry successfully completed the equity increase, bond issuance and bank debt refinancing in relation to the Nuance acquisition, which was announced on 4 June, 2014.

Accelerating organic growth

Organic growth accelerated in the second quarter to 5.0% from 2.2% in the first quarter, where the new concessions played an important role as well as improvements in all businesses in Latin America, most notably in the Caribbean, Uruguay and Brazil, with signs of improvement. US & Canada and EMEA & Asia followed the positive trends showed in the Q1.

Key expansion projects completed

Dufry continued with its expansion projects and opened in the first semester 16,200 sqm of gross retail space. Specifically, Dufry opened 27 new shops in Brazil, of which 17 are located in the new Terminal 3 in Sao Paulo Guarulhos Airport. The shops were opened as scheduled in May 2014, ahead of the World Cup. In Asia, Dufry opened shops in Indonesia, South Korea and Sri Lanka during the first half of 2014. These new projects showcase not only Dufry´s execution capabilities but will also be important for the development of the company in the future.

Nuance financing put in place

On June 4th, Dufry announced the acquisition of the Nuance Group, a global travel retailer with turnover of CHF 2.1 billion and presence in 19 countries. To finance the acquisition of CHF 1.55 billion, Dufry executed a number of financing transactions in June and July. On 5 June, Dufry issued mandatory convertible notes of a total amount of CHF 275 million. On 7 July, Dufry issued five million new shares and raised approximately CHF 810 million in a successful capital increase, and on 11 July, successfully placed a new EUR 500 million bond with a 4.5% coupon and 8 year maturity. Last but not least, the planned refinancing of the bank debt has been completed on 22 July.

All the planned financing instruments have been put in place and Dufry has implemented the long-term funding structure for the transaction.

Review of HY 2014 results

Turnover

Dufry's turnover increased by 6.7% in constant exchange rates (CER) in the first half of 2014. Organic growth contributed 3.7%, as like-for-like growth was 1.6% and new concessions, net, added 2.1%. The one-quarter acquisition effect of Hellenic Duty Free ("HDF") added 3.0%. Reported turnover in Swiss Francs reached CHF 1,707.9 million from CHF 1,667.4 million in the first half of 2013, a growth of 2.4%, after a 4.3% translational impact, driven by the appreciation of the Swiss Franc in the period.

Turnover in **Region EMEA & Asia** increased by 12.9% in CER and reached CHF 552.1 million in the year to June from CHF 498.8 million in the previous year. The region benefited from the consolidation of HDF, acquired in April 2013. In **Europe**, France, Italy, and Switzerland showed good performance. In **Eastern Europe**, Serbia and Armenia continued to delivery good results, while in Russia, the Russian Rouble and the political situation in the Ukraine impacted the business. Performance in **Africa** continued to be impacted by the political situation in the region. Egypt continued to be the country most affected with substantially lower passenger numbers compared to last year. 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 357.3 million in the first half of 2014 versus CHF 376.5 million in the same period in 2013. The performance of the region accelerated in Q2 (4% growth in CER). Mexico continued to perform well and operations in the Caribbean slightly accelerated on the back of an increase in passenger numbers. Business in Argentina held up well and business in Uruguay had positive momentum after the weakness in the first quarter due to the depreciation of the Uruguayan Peso at the end of January.

Turnover in **Region America II** reached at CHF 318.4 million in the first half of 2014 compared to CHF 342.6 million in the same period in 2013. In the second quarter turnover growth in CER and had a positive momentum of 3.7% compared to -9% in the first quarter. Sales when measured in Brazilian Reais also accelerated to 9% in the period, but the devaluation of the local currency continued to mask the turnover growth when measured in USD. However, the devaluation of the Brazilian Real was significantly lower in the second quarter with -8% versus -18% in the first quarter. It is worth highlighting that in May, Dufry opened most of the announced shops in Brazil and expects to see a positive impact on sales reflected in the following quarters.

The Football World Cup hosted in Brazil in June and July has been neutral at level of turnover for the region. In the longer term, the World Cup is expected to have a positive effect for tourism in Brazil as it has been an important opportunity to market the country as a tourist destination.

Turnover in **Region United States & Canada** surged by 13.4% in constant FX rates. In Swiss Franc terms, turnover came to CHF 451.1 million in the first half of 2014 from CHF 420.1 million in the same period in 2013. The business continues to perform strongly driven by the roll out of the new Hudson format and by the expansion of the business through new concessions.

Gross profit margin expanded by 40 basis points to 59.2% from 58.8% in the first half of 2013. In absolute terms it grew by 3.1% and reached CHF 1,011.1 million in the first half of 2014 versus CHF 981.0 million one year before. Excluding the lower contribution impact from the consolidation effect of the business in Greece, which has below average gross margin, gross margin improved by 50 basis points to 59.7%, which reflects the good development the reorganization of Dufry´s Procurement and Logistics structures, as announced in 2013.

Selling expenses grew by 2.6% to CHF 402.6 million in 2014 versus CHF 392.3 million one year earlier. As a percentage of turnover remained practically stable at 23.6% in the first half of 2014, from 23.5% in 2013.

Personnel expenses as a percentage of turnover went to 16.0% versus 15.4% in the first half of 2013. In absolute terms it increased to CHF 274.1 million in the first half 2014 from to CHF 256.7 million in the same period 2013. Main driver for the increase was the consolidation effect of the HDF acquisition in the first quarter 2014 as well as the higher number of employees in the new and expanded locations.

General expenses as a percentage of turnover decreased to 6.6% from 6.8% in the first half of 2013. In Swiss Franc terms, general expenses stood at CHF 113.0 million in the first half of 2014, from CHF 113.9 million one year earlier.

EBITDA[1] in constant FX rates grew by 6.1%. In Swiss Francs it increased by 1.5% and reached CHF 221.4 million in the year to June with EBITDA margin reaching 13.0% in the period and 14.2% for the second quarter.

Depreciation was CHF 37.0 million in the first half of 2014, compared to CHF 32.5 million in the same period in 2013 and increased as a percentage of turnover to 2.2% from 1.9% in the first half of 2013. **Amortization** increased by CHF 7.7 million, as a result of the consolidation of HDF, and reached CHF 64.4 million in the first half of 2014 from CHF 56.7 million in the same period last year.

Other Operational result (net) was minus CHF 17.0 million in the first half of 2014, mainly driven by new openings and start-up costs. The amount also includes transaction costs of CHF 2.4 million related to the acquisition of the Nuance Group.

EBIT reached CHF 103.1 million in the first half of 2014 versus CHF 105.6 million in the year before.

Net financial expenses reached CHF 52.3 million in the first half of 2014 compared to CHF 44.5 million in the same period of 2013. The increase is a result of the higher net debt due to the acquisition of HDF and non-recurring financing charges of CHF 5.7 million related to acquisition of the Nuance Group.

Income taxes as a percentage of EBT was 13.2% and reached CHF 6.7 million in the first half of 2014, versus CHF 10.7 million in the previous year. In the quarter, there was a positive non recurring tax effect of approximately CHF 2 million.

Net earnings for the first half of 2014 reached CHF 44.1 million versus CHF 50.4 million in the same period of 2013. Pro forma net earnings attributable to equity holders excluding the effects of the Nuance acquisition, stood at CHF 35.5 million. Reported net earnings to equity holders for the year to June reached CHF 27.5 million versus CHF 28.9 million in 2013.

[1] EBITDA before other operational result

Cash flow before working capital changes reached CHF 212.2 million in the first half of 2014 versus CHF 194.7 million one year earlier and free cash flow reached CHF 54.3 million. In the year to June, capital expenditure stood at CHF 100.7 million compared to CHF 60.7 million in the first half of 2013 and is mainly a consequence of the several important shop openings in Brazil and Asia.

Net debt at the end of June 2014, was CHF 1,487.0 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 3.12 as of June 30, 2014. Main driver for the reduction of net debt was the issuance of the mandatory convertible notes of CHF 275 million in connection with the acquisition of Nuance.

Looking forward to accelerating organic growth during the second part of the year

Julian Diaz, CEO of Dufry Group, commented: “The results achieved in the first half of 2014 show the resilience of our business. We were able to accelerate organic growth in the second quarter, while maintaining profitability at high levels. The higher growth does not fully show in the reported numbers due to the currency translation effect when converting into Swiss Franc. Also, most of the new retail space were open during the last thirty days of the quarter and didn’t fully contribute. The underlying business has gained momentum in the past months in a number of operations especially in North and South America and in Asia.

On the operational side we executed the key expansion projects planned for the year. To date we have already opened 89 new shops, spanning 16,200 sqm of gross retail area. Among this is the opening in Brazil of 27 new shops, in line with the timetable agreed with our landlords. As for Asia, we already initiated operations in most of locations previous announced: Kazakhstan, Indonesia, South Korea and Sri Lanka. Our development in the US & Canada continue dynamic, where we have already opened 36 shops or 2,800 sqm and additional 1,900 sqm are planned for the second half of the year. We are in the perfect position to accelerate growth during the most important period of the year.

Based on the positive momentum in the second quarter as well as the completion of a significant expansion phase, we will emphasize our focus in the existing business to drive profitable growth through operational improvements. We will continue to enhance our centralized logistics platform, which will be beneficial also for shifting Nuance’s supply chain onto our supply chain. At the same time, we will continue to systematically review opportunities to fine tune our performance in each location to create further value.

As to the Nuance transaction that we announced on 4 June, we made good progress. We have concluded a number of steps, the most important being the successful equity increase and the issuance of a new bond of EUR 500 million. Once we have obtained all regulatory approvals and have closed the transaction, we will launch the integration process.

Overall, we expect to generate synergies of approximately CHF 70 million per year which should be fully implemented by 2016. Key elements of the synergies will be the integration of Nuance’s purchasing into Dufry´ supply chain and logistics platform, and the increased purchase power with suppliers. Furthermore, we expect that the combination of Dufry’s and Nuance’s global and regional organizations, as well as global support functions, will create significant value.

The integration of Nuance will be a key priority for us in the coming quarters and we want to use this transaction as an opportunity to improve both, the Dufry and the Nuance business. This is a transformational transaction for us and we want to make sure that we can bring the best of the Dufry and the Nuance world together to create a stronger and more profitable business than ever.

Our initiatives in the existing business as well as for the Nuance integration are supported by a generally positive economic environment; fundamentals continue to be strong as the general economical and consumer sentiments stays at good levels and passenger trends remain solid. The number of international passenger grew by 6% in the year to May.

The completion of several expansion projects showcases our execution capabilities. With this challenge largely accomplished, we now turn our focus to the closing of the Nuance Group acquisition and consequent integration. This integration, as well as driving profitable growth in the existing business will be the focus of the group for the next quarters.”

Key Figures Dufry Group

In CHF million	HY 2014		HY 2013		Var.	Var. Const. FX
Turnover	1,707.9		1,667.4		2.4%	6.7%
Gross Profit	1,011.1	*59.2%*	981.0	*58.8%*	3.1%	
EBITDA (before other operational results)	221.4	*13.0%*	218.1	*13.1%*	1.5%	6.1%
Net Earnings to Equity Holders	27.5	*1.6%*	28.9	*1.7%*	-4.8%	
Core Earnings per Share (in CHF)	2.51		2.42		3.7%	

Dufry's First Half 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 1,400 duty-free and duty-paid shops in airports, cruise lines, seaports, railway stations and downtown tourist areas.

Dufry employs around 17,500 people. The Company, headquartered in Basel, Switzerland, operates in 47 countries in Europe, Africa, Eurasia, Central America & Caribbean, North America and South America.

SOS CHILDREN'S VILLAGES

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