DUFRY

Media Release

Basel, July 29, 2016

Dufry strongly increases its sales, EBITDA and free cash flow generation in the first half of 2016

In a volatile first semester of 2016, turnover grew by 62.0% reaching CHF 3,610.9 million and EBITDA increased by 61.1% to CHF 381.3 million. Dufry also posted a strong cash generation, with free cash flow growing by 66% and reaching CHF 200.3 million. Pro-forma organic growth including WDF reached -1.6% in the half-year 2016.

In the first half of 2016, reported turnover grew by 62.0% reaching CHF 3,610.9 million from CHF 2,229.2 million in the same period one year earlier. While the consolidation of World Duty Free Group (WDF) added 66.6%, pro-forma organic growth – which includes WDF – reached -1.6% in the first half of 2016. Organic growth was mainly impacted by the further decline in Russian passengers worldwide and mostly in Turkey, where the strong seasonality reinforced the impact.

In the other markets, most of the trends seen in the first quarter also prevailed in the second, such as the strong growth in Spain and many parts of the Caribbean, and the ongoing relative improvement in Brazil. In reported terms, organic growth was -6.3% during the period with like-for-like growth reaching -7.0% and contribution from new concessions amounting to 0.7%. The FX translation effect was a positive 2.4%.

The vote on the United Kingdom leaving the European Union on 23 June 2016 resulted in the devaluation of the British Pound by almost 10%. Thanks to our strategy of natural hedging already implemented beforehand, there is no impact on margins and equally the balance sheet and cash flow effects have been largely neutralized and there will be only a translation effect going forward when consolidating numbers in Swiss Franc. In the short term, first data suggests acceleration in turnover growth in the UK due to the weaker GBP, while other European markets have remained unchanged so far.

In 2016, the renewal and extension of contracts has been a priority for Dufry. Among many others the most representative ones are: The extension of our two most important Brazilian contracts in Sao Paulo until 2032 and Rio de Janeiro until 2023 in May 2016, the renewal of the concessions at the Cancun Airport for additional 10 years in July 2016, which includes also the Cozumel airport operations and which is one of the larger contracts in Central America; the extension of the contracts in Birmingham and Bristol for 7 and 8 years respectively in the UK, and last but not least, the renewal published last week for 10 years of our concession at Zurich Airport in Switzerland, Dufry's home country and one of the major European hubs.

Southern Europe and Africa
Turnover grew to CHF 744.2 million in the first half of 2016, versus CHF 364.6 million one year before. The underlying growth in the division was flat. Spain continued to grow strongly in the second quarter and also Portugal and France performed well. The performance in Northern Africa remained subdued also in the second quarter. The relative improvements realized in Q1 with respect to the increase of Russian passengers could not be sustained in the second quarter, which resulted in

a decline in Greece, and most importantly in Turkey. The situation in Turkey remains challenging and due to seasonality has more weight in the second and especially third quarter.

Central and Eastern Europe
Turnover went to CHF 964.1 million in the first half of 2016, versus CHF 350.8 million in the previous year. Underlying growth in the division was flattish. In the United Kingdom, the most important operation in the division, the moderate positive performance of Q1 continued in Q2. The same applies to the other operations in the division, such as Finland and Switzerland. Russia and Armenia continue to face a challenging environment, while other Eastern European operations like Serbia and Bulgaria reported growing sales.

Asia, Middle East and Australia
Reported turnover reached CHF 372.4 million in the first half of 2016, from CHF 267.4 million in the same period in 2015. The underlying growth in the division was flat. Most operations in the Middle East and India did well. In Southern Asia, South Korea continues to perform extraordinarily, thus helping to mitigate the lower spend from Chinese seen in most other locations in the region.

Latin America
Turnover reached CHF 719.9 million in H1 2016 from CHF 649.4 million one year earlier. Operations in Central America and the Caribbean continue with positive performance, benefiting from an overall increase in passenger numbers, particularly by Americans, due to the strong US Dollar. Conversely, South America continues to be impacted by the devaluation of some of the local currencies: while in Argentina sales performance in Q2 slightly improved compared to Q1, Brazil continued to improve and further narrowed the gap year-on-year. Overall, the underlying growth in the division amounted to -11.1% in the first semester 2016.

North America
Turnover amounted to CHF 790.1 million compared to CHF 574.6 million in the first half of 2015. Underlying growth reached 3.2%, as a result of strong performance of Hudson and other duty-paid concepts. On the duty-free side, the stronger US dollar positively impacted our operations in Canada, while the opposite effect was seen in the United States.

FINANCIAL RESULTS

Gross profit margin continues to improve
Gross profit margin reached 58.4% in the first half of 2016, improving 50 basis points from 57.9% in the previous year. The improvement was mainly driven by the synergies of the Nuance integration. It is worth mentioning that the gross margin varies by quarter, according to the seasonality of certain regions.

EBITDA[1] growths of 61.1% in HY 2016
EBITDA grew by 61.1% in the first six months of 2016 and reached CHF 381.3 million from CHF 236.7 one year earlier. The EBITDA margin stood at 10.6% in the first half of 2016, in line with the same period last year. Profitability was positively impacted by the higher gross margin as well as lower personnel and general expenses. On the other hand, the consolidation of WDF also generated an increase in concession fees.

[1] EBITDA before Other operational result

EBIT impacted by non-cash items

EBIT stood at CHF 31.7 million in the first half of 2016, versus CHF 45.7 million in the same period in 2015. EBIT has become more seasonal due to the higher seasonality of the WDF business, which is magnified below EBITDA level because of constant cost items like D&A on one hand and the linearization charges from the Spanish concession on the other hand by the WDF consolidation, which in the first semester generates a stronger negative linearization impact (non-cash accounting treatment related to Spanish concessions). Depreciation as a percentage of turnover was slightly lower and reached 2.2%, compared to 2.4% in the previous year. Amortization reached CHF 96.7 million in Q2 2016, virtually unchanged as compared to Q1 2016. Linearization amounted to CHF -52.8 million in the first half 2016. Last but not least, other operational results (net) were CHF -22.4 million, which include CHF -7.8 million restructuring costs related to the WDF acquisition.

Q2 2016 with positive earnings to equity holders of CHF 10.6 million

Earnings to equity holders turned positive in the second quarter with CHF 10.6 million (Q2 2015: CHF -16.0 million) as Nuance synergies kicked in and one-offs related to the Nuance and WDF acquisitions started to ease. Net earnings to equity holders stood at CHF -75.0 million in the first half of 2016, compared to CHF -25.0 million one year earlier. Financial results reached CHF 48.1 million in the second quarter of 2016, close to the CHF 50.4 million reported in Q1 2016. Income tax was positive by CHF 8.3 million (12.4% tax rate) in HY 2016, mostly due to deferred taxes.

Cash earnings, which add back the acquisition-related amortization, grew by 26.2% and reached CHF 90.9 million versus CHF 72.1 million in HY 2015. The respective Cash EPS reached CHF 1.69, from CHF 1.91 in the first half of 2015. In the second quarter 2016, Cash EPS reached CHF 1.74, doubling the CHF 0.87 achieved in Q2 2015.

Free Cash Flow: Strong positive cash generation

Net cash flow from operating activities reached CHF 325.2 million before acquisition-related cash outflows in the first half of 2016, from CHF 179.4 million one year earlier. In the first half of 2016, CAPEX was CHF 133.3 million compared to CHF 62.3 million in 2015. Free cash flow showed a strong growth and increased to CHF 200.3 million, as compared to CHF 120.6 million in 2015. The substantial growth is the result of the EBITDA growth, the synergies of Nuance and the improved management of the net working capital. Even in a seasonally lower semester, free cash flow already achieved over 53% of the EBITDA, which clearly points out the significant cash generation potential of the company.

Net Debt reduced

Net debt amounted to CHF 3,788.2 million at the end of June 2016, CHF 82.9 million lower than in Q1 2016 (CHF 3,871.1 million). Our main covenant, net debt/adjusted EBITDA, was 3.91x as per 30 June 2016 compared to the threshold agreed of 4.25x.

Strong operational performance, focus on WDF integration, cash generation and deleveraging

Julian Diaz, CEO of Dufry Group, commented: "I am optimistic, based on the results achieved in the first half of 2016 and despite the many extraordinary external events occurred in the period under review. The performance proves the strength and the validity of our geographic diversification strategy, which has made the company less dependent on single locations. The remarkable increase of our free cash flow illustrates that we are performing strongly operationally despite the volatile environment overall.

While organic growth continued to be in line with expectations in most of our operations, two factors negatively impacted some of our locations: The decline of sales to Russians worldwide, which had a particularly strong impact on our businesses in Turkey and Russia; and the devaluation of some emerging market currencies, most notably the Brazilian Real and the Argentinian Peso, which were still negative but continued to improve in the second quarter.

In terms of business development, we have continued with our refurbishment program of 60,000 m^2 of retail space, as well as with the opening of new stores. Since January 2016, we refurbished 25,000 m^2 and opened 15,800 m^2 of retail space.

On the longer term view, we are very pleased with the renewal of a number of concessions including some attractive contracts in Brazil, Mexico, the UK and Switzerland. The management of the concession portfolio is the basis for our success now and in the future and securing these contracts allows us to develop and grow the business in the long term.

Regarding the integration of World Duty Free, we are on track and we currently execute the various action plans, which we expect to fully complete by latest mid-2017. The initial synergy targets remain unchanged at EUR 100 million.

We believe that volatility will be going on in single markets but provided that currency levels remain relatively stable, we expect an overall improving performance in the second half. Developed markets in general have a good performance.

Moreover, thanks to our variable cost structure we are in a good position to protect our profitability and cash generation when compared to for example to the luxury or airline industry. Our highly diversified geographic footprint, the ability to approach both domestic and international passengers as well as the possibility to quickly adapt our assortment to changing customer behavior or to new passenger flows are important assets to minimize risks and optimize performance."

Key Figures Dufry Group

In CHF million	HY 2016		HY 2015		Var.
Turnover	3,610.9		2,229.2		62.0%
Gross Profit	2,107.8	58.4%	1,291.0	57.9%	63.3%
EBITDA (before other operational results)	381.3	10.6%	236.7	10.6%	61.1%
Net Earnings to Equity Holders	-75.0	-2.1%	-25.0	-1.1%	
Cash EPS (in CHF)	1.69		1.91		-11.5%

Dufry's HY 2016 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 around 2,200 duty-free and duty-paid shops in airports, cruise lines, seaports, railway stations and downtown tourist areas.

Dufry employs close to 29,000 people. The Company, headquartered in Basel, Switzerland, operates in 63 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.