Media Release

Basel, July 31, 2017

Dufry with further acceleration of organic growth and free cash flow generation in the first half of 2017

- **Turnover grew by 5.8% and reached CHF 3,821.3 million in the first half of 2017, driven by organic growth which accelerated further in the second quarter and reached 8.9%. Gross profit margin improved by 110 basis points to 59.5% in the first half of 2017 and EBITDA grew by 7.8% to CHF 411.2 million.**

- **Free cash generation was strong in the second quarter reaching CHF 204.5 million and net debt was reduced by CHF 210.7 million.**

- **As to strategic development, Dufry is currently considering an initial public offering (IPO) of its North American business.**

In the second quarter of 2017, Dufry's organic growth accelerated further and reached 8.9% from 7.2% in Q1 2017. Most markets performed well and performance was particularly strong in the United Kingdom as well as businesses welcoming Brazilian and Russian travelers; the latter positively impacting the performance in Russia, Greece and Turkey.

Cash generation was strong in the second quarter of 2017: free cash flow reached CHF 204.5 million and net debt on June 30, 2017, reached CHF 3,627.6 million: a deleveraging of CHF 210.7 million compared to March 31, 2017. Given the seasonality of the business, the third quarter typically provides for the highest cash generation in the year.

Continuing with the strategy of accelerating organic growth, Dufry kept on executing its current Shop Development Plan for 2017, which foresees the opening and refurbishing of 70,000 m^2 (300 shops), covering more than 15% of retail space. Until June Dufry opened 86 shops, which represent close to 14,500 m^2 of retail space and refurbished close to 13,500 m^2 across 42 shops. Furthermore, Dufry signed contracts that will add 21,800 m^2 to the portfolio in the remainder of 2017 and in 2018.

Dufry is currently considering an initial public offering of its North American business including both duty-free and duty-paid travel retail. The North American travel retail market differs from Dufry's other markets in its focus on food & beverage and other specific segments, and an IPO would create strategic flexibility for the North American business to pursue growth opportunities specific to this market. Proceeds from an IPO would be used initially to reduce leverage allowing Dufry to reach its target leverage ahead of time. After the IPO, Dufry would retain a majority stake in the business and continue to fully consolidate it. The business would remain an important component of Dufry's global diversification strategy, and its operations would remain integrated with Dufry Group across all major functions, allowing the North American business to continue to benefit from Dufry's expertise and scale in the global travel retail industry.

TURNOVER

Turnover reached CHF 3,821.3 million in the first half of 2017, versus CHF 3,610.9 million in the same period one year earlier. Turnover growth was 5.8% in the first-half 2017, to which organic growth contributed 8.1%, while the translational FX impact was -1.8%, mainly due to the devaluation of the British Pound. Last but not least, changes in scope were -0.5% related to the former Nuance wholesale business already closed in May 2016.

Southern Europe and Africa

Turnover grew by 4.4% and reached CHF 776.6 million in the first half of 2017, versus CHF 744.2 million one year before. Organic growth in the division reached 5.8% in the H1 2017, with most operations performing well and reporting good first results from summer destinations in the Mediterranean.

Spain and Portugal have shown a good performance supported by the solid passenger growth rates. Positively influenced by Russians, business in Greece and Turkey returned to good growth. In Northern Africa, Morocco also performed very well following the full refurbishment and expansion of the shops in Marrakesh.

UK, Central and Eastern Europe

Turnover reached CHF 961.4 million in the year to June, from CHF 964.1 million in the first half of 2016. Organic growth continued strong at 10.1%. The United Kingdom continued to post strong results following the Brexit vote in June 2016 and the subsequent devaluation of the British Pound. Russia also performed strongly in the period, while Switzerland and Sweden accelerated growth in the second quarter.

Asia, Middle East and Australia

Turnover stood at CHF 370.7 million in the first six months of 2017 from CHF 372.4 million in the same period last year. Organic growth in the division was -1.5% as turnover of the division was impacted by closings in India and Sri Lanka. Excluding these closings, performance was positive in most locations in the Middle East. In Asia operations in South Korea, Indonesia, Macau, and Cambodia performed well, while the business in Hong Kong has continued to be challenging. Performance of Melbourne, Australia, was impacted by major refurbishments, which however were completed by the end of the second quarter.

Latin America

Turnover grew by 13.8% to CHF 819.6 million in the first half of 2017 from CHF 719.9 million one year earlier. Organic growth in the division reached 12.4% in the same period. In Central America, Mexico, Dominican Republic and Puerto Rico had a good performance. In South America, Brazil continued to post strong growth and also other operations in the region performed well, such as Argentina, Chile, Uruguay and Peru.

North America

Turnover grew to CHF 849.5 million from CHF 790.1 million in the first half of 2016. Organic growth reached 6.3%, as a result of solid performance in the United States and Canada, in both duty-free and duty-paid businesses.

FINANCIAL RESULTS

Gross profit: Solid improvement due to WDF synergies

Gross profit margin reached 59.5% in the first half of 2017, improving by 110 basis points from 58.4% in the previous year. The improvement is due to the synergies of the WDF integration, which was completed at the end of 2016.

EBITDA[1] reaches CHF 411.2 million in HY 2017

EBITDA reached CHF 411.2 million in the year to June, from CHF 381.3 million one year earlier. EBITDA margin stood at 10.8% in the first half of 2017 from 10.6% in HY 2016. While the gross margin improvement supported the EBITDA margin increase, higher concession fees and general expenses partially compensated for it. On the concession fees the main factors were first the increase in the annual minimum guarantees in Spain and second the ramp-up phases in several operations refurbished after the contract renewals, such as e.g. Melbourne, and where increased performance will be fully reflected once the refurbishments are completed.

EBIT: Strong improvement compared to last year

EBIT almost tripled to CHF 90.0 million in the first half of 2017, versus CHF 31.7 million in the same period in 2016. Depreciation stood at CHF 40.1 million in the second quarter of 2017 and was stable when compared to Q1 2017 (CHF 40.4 million). Similarly, amortization remained nearly stable at CHF 90.6 million in the second quarter of 2017, from CHF 89.1 million in Q1 2017. Linearization (non-cash accounting treatment in regards to Spanish concessions) reached CHF -46.3 million for the half year and CHF -5.3 million for the second quarter. Linearization varies by quarter and due to seasonality the first semester is charged the most.

Strong increase in earnings

Net earnings reached CHF -0.9 million for the half year 2017, an improvement of CHF 57.6 million versus same period last year. With respect to earnings levels, due to the high seasonality of the business the second half of the year is considerably stronger than the first. Net earnings to equity holders reached CHF -24.9 million in the first half of 2017, compared to CHF -75.0 million one year earlier. Financial results, net, reached CHF -48.7 million in the second quarter 2017 compared to CHF -41.6 million in Q1 2017. Income tax reached CHF -0.6 million, driven by deferred taxes. Minorities amounted to CHF 24.0 million in the year to June, versus CHF 16.5 million in the first half of 2016.

Cash EPS, which add back acquisition-related amortization to net earnings, increased to CHF 2.34 from CHF 1.69 in the first half of 2016.

Solid cash generation

Cash flow before net working capital grew by 9.5% and reached CHF 380.3 million in the first half of 2017 from CHF 347.2 million one year earlier. Investments in net working capital amounted to CHF 73.1 million in the first half of 2017, mainly due to exceptional, one-off items related to the signing of certain projects for an amount of CHF 74 million. Capex was CHF 152.0 million, up from CHF 133.3 million in the first half of 2016.

Net Debt: Deleveraging underway

Net debt reached CHF 3,627.6 million at the end of June 2017, CHF 210.7 million lower than at the end of March, 2017 (CHF 3,838.3 million). Dufry's main covenant, net debt/adjusted EBITDA, was 3.68x as per 30 June 2017 compared to the threshold agreed of 4.25x.

[1] EBITDA before Other operational result

<u>Successfully moving forward in the first half to achieve our 2017 targets</u>

Julian Diaz, CEO of Dufry Group, commented: “The second quarter of 2017 confirmed the positive trends in the business. After three consecutive quarters of positive growth, organic growth reached 8.9% in the second quarter, which is the highest since 2012. Most of our operations performed well, with particularly strong growth in the United Kingdom and South America, and most locations seeing good growth.

2017 has to date been a successful year also in terms of business development. We confirm our current Shop Development Plan for 2017, which foresees the opening and refurbishing of 70,000 m² (300 shops), covering more than 15% of retail space. The plan is moving well as in the first six months of 2017 we have already opened close to 14,500 m² of new space and refurbished close to 13,500 m² of retail space. With respect to the future, we have already signed contracts to open further 21,800 m² of new commercial space in 2017/2018 and we are also currently working with a pipeline of additional opportunities which add to around 35,000 m². Last but not least, we have just opened two new generation stores in Melbourne and Madrid, which represent important steps for the implementation of our digital strategy.

At gross profit margin level we have made a considerable step forward as synergies from the WDF acquisition continue to flow through our results, improving our margins as expected. Our focus now is on the implementation of the new Business Operating Model, which will standardize our processes and procedures and which will drive efficiencies in our Group. After the definition of the model and initial pilots, the program is currently being implemented simultaneously in selected operations across divisions and is planned to be completed Group-wide by the end of 2018 and expected to generate by then efficiencies in the magnitude of 50 basis points at EBITDA margin level.

Dufry’s board of directors is considering an initial public offering of our North American business. The IPO would create significant flexibility to capitalize on trends specific to the North American travel retail market, such as its focus on food and beverage. As North American passenger traffic is increasing, airport authorities are dedicating more commercial space to retail opportunities and adopting a more comprehensive and integrated approach to its development as compared to other regions in the world. An IPO would provide the North American business with financial flexibility and a separate focus, enabling it to better take advantage of these growth opportunities. From a Group perspective proceeds from an IPO would be used initially to reduce leverage allowing Dufry to reach its target leverage ahead of time. As mentioned in the past, the financial strategy going forward will be based on a combination of capturing growth opportunities as well as returning cash to shareholders.

We expect to see good market conditions also in the second half of the year, with the third quarter being the most important period for us. We expect trends to continue in most markets, although some markets will have a higher comparison base in the second half of 2016, such as United Kingdom, Brazil and Spain. The 3rd quarter is also the most important for cash generation and deleveraging, which continues to be a focus point of Management.

Dufry’s fundamentals are strong, and our strategy of diversification by geographies and channels puts Dufry in the right position to strongly benefit from the normalized business environment. At Dufry we continue to be strongly committed and working towards a successful year.”

DUFRY

Key Figures Dufry Group

In CHF million	HY 2017		HY 2016		Var.
Turnover	3,821.3		3,610.9		5.8%
Gross Profit	2,274.6	59.5%	2,107.8	58.4%	7.9%
EBITDA (before other operational results)	411.2	10.8%	381.3	10.6%	7.8%
Net Earnings to Equity Holders	-24.9	-0.7%	-75.0	-2.1%	
Cash EPS (in CHF)	2.34		1.69		38.5%

Dufry's HY 2017 Financial Report is available at the following link:
https://www.dufry.com/en/investors/ir-reports-presentations-and-publications

----

This press release does not constitute an offer to sell or the solicitation of an offer to buy securities, and shall not constitute an offer, solicitation or sale in any jurisdiction in which such an offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of that jurisdiction. There can be no assurance that the proposed IPO of the North American business will be pursued or consummated. Dufry will not make any further comment, or respond to any inquiries, until a decision has been taken. Due to regulatory requirements no further details can be disclosed at this stage.

For further information please contact:

Renzo Radice
Corporate Communications & Investor Relations
Phone: +41 61 266 44 19
renzo.radice@dufry.com

Rafael Duarte
Global Investor Relations
Phone: +41 61 266 45 77
rafael.duarte@dufry.com

Sara Lizi
Investor Relations Americas &
Communications Div. 4
Phone: +55 21 2157 9901
sara.lizi@br.dufry.com

Karen Sharpes
Global Media &
Events
Phone: +44 0 208 624 4326
karen.sharpes@wdfg.com

Dufry Group – A leading global travel retailer

Dufry AG (SIX: DUFN; BM&FBOVESPA: DAGB33) is a leading global travel retailer operating over 2,200 duty-free and duty-paid shops in airports, cruise lines, seaports, railway stations and downtown tourist areas.

Dufry employs over 31,000 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.