DUFRY

Media Release

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Dufry with positive organic growth in Q3 and continued strong free cash flow generation in the first nine months of 2016

Dufry's turnover increased by 39.4% in the first nine months and reached CHF 5,877.2 million. Pro-forma organic growth accelerated, thus reaching positive 1.3% in the third quarter of 2016. EBITDA was CHF 685.4 million, 34.9% higher compared to the first nine months of 2015, and free cash flow generation grew by 64.1% to CHF 535.7 million.

Turnover increased by 39.4% in the first nine months of 2016 and reached CHF 5,877.2 million, versus CHF 4,216.3 million in the same period last year. Changes in scope, which include the acquisition of World Duty Free, added 42.0% to the turnover growth, while the translational FX impact stood at +0.6%. Net new concessions contributed 0.6 percentage points to the organic growth including WDF and 0.8% on a reported basis. Cash generation continued strong and free cash flow before interest reached CHF 535.7 million, 64.1% higher than in the previous year, due to significant improvements in net working capital management.

Dufry accelerated organic growth including WDF to +1.3% in the third quarter of 2016 starting from a performance of -2.9% in the second quarter of the year. Most of its divisions have had either a stable or improved performance. In Europe, Spain continued its strong performance driven by increasing passenger numbers. Performance also accelerated in the United Kingdom, positively affected by the weakening of the British Pound, while locations exposed to Russian consumers, Turkey in particular, continued to be impacted by the reduced number of tourists. Brazil had a distinct performance improvement as the Brazilian Real recovered over the quarter and even appreciated against the US dollar as of August.

Regarding business development, until September Dufry opened over 27,000 m^2 of gross new commercial space, which includes the expansion of its operations in Cambodia (1,500 m^2), Macau (600 m^2) and Lima (2,000 m^2), among others. In Brazil, operations in Rio de Janeiro have been completely re-vamped and the commercial space more than doubled to 11,800 m^2, including the addition of 5 new shops. Furthermore, Dufry has signed additional 26,800 m^2 of retail space which are expected to be opened throughout the remainder of 2016 and 2017.

The WDF integration and the related implementation of the new business operating model are proceeding well, with all key work-streams running in line or ahead of the original schedule.

Southern Europe and Africa

Turnover reached CHF 1,319.3 million in the first nine months of 2016, from CHF 894.5 million one year before. Overall, the underlying growth in the division was -3.6% in the nine months. Spain continued to grow strongly and operations in France also performed well. The business in Turkey was negatively impacted by the decline in tourist numbers, especially Russians. Greece held up well and posted a low single digit sales decline.

UK, Central and Eastern Europe
Turnover grew to CHF 1,576.6 million in the year to September, versus CHF 867.9 million in the same period in 2015, while the underlying growth in the division was +0.8%. Business in the United Kingdom accelerated in the third quarter, positively impacted by the weakening of the British Pound. Other operations in Europe continued with a positive performance, such as Finland and Switzerland. Operations in Russia and other Eastern European locations remained in negative territory, however with improving trends.

Asia, Middle East and Australia
Turnover amounted to CHF 569.4 million in the first nine months of 2016, from CHF 439.6 million in the same period in 2015. Underlying growth in the division was flat. Performance in the Middle East was good, as it was the case in India. In Asia and the Far East, South Korea continued to see double-digit sales growth, mitigating some Asian locations where a lower spend from Chinese consumers was seen.

Latin America
Turnover went to CHF 1,116.9 million in the first nine months of 2016 versus CHF 1,013.4 million one year earlier. Underlying growth in the region was -6.7% in the nine months, to which the third quarter contributed +2.1%. In Central America and the Caribbean, most operations confirmed their positive performance, including Mexico and the majority of the Caribbean. In South America, Brazil continued to improve by turning positive in Q3 and recording double-digit growth in September. Peru and Chile also performed well in the third quarter. While Argentina reported a slight improvement, it remained overall in negative territory.

North America
Turnover reached CHF 1,245.2 million in the first nine months of 2016 from CHF 968.0 million in the previous year. Underlying growth reached +3.8% in the nine months, while in Q3 it reached +4.7%. Duty-paid formats such as Hudson continued with a strong performance. On the duty-free side, the stronger US dollar positively impacted our operations in Canada and had the opposite effect in the United States.

FINANCIAL RESULTS

Gross profit margin further improved by 30 basis points
Gross profit margin improved by 30 basis points and reached 58.4% in the first nine months of 2016, versus 58.1% in the same period last year. The improvement was mainly driven by the synergies from the Nuance integration and constitutes a remarkable result, considering that the reduced contribution of the Turkish operation impacted the gross profit margin by 40 basis points.

EBITDA[1] increased by 34.9% in 9M 2016
EBITDA grew by 34.9% and reached CHF 685.4 million in the first nine months of 2016, versus CHF 508.0 million in the same period of 2015. EBITDA margin stood at 11.7% in the first nine months of 2016, which includes synergies from the Nuance acquisition.

EBIT growth accelerated
EBIT grew by 44.3% and reached CHF 193.6 million in the first nine months of 2016, compared to CHF 134.2 million in the same period in 2015. Depreciation, as a percentage of turnover, remained practically flat at 2.0% in the 9M 2016, compared to 2.1% in the previous year. Amortization reached CHF 91.8 million in the third quarter of 2016, slightly lower compared to the second quarter 2016

[1] EBITDA before Other operational result

(CHF 96.7 million). Linearization was CHF -45.3 million in the first nine months of 2016, and CHF 7.5 million positive for the third quarter 2016 as indicated beforehand. Finally, other operational results (net) reached CHF -42.9 million, mainly due to restructuring related costs, as well as opening costs of new projects.

Cash EPS climbed by 47.5% and reached CHF 4.55

Net earnings to equity holders were CHF +0.2 million in the first nine months of 2016, compared to CHF -37.3 million in the previous year. Financial results reached CHF 53.1 million in the third quarter of 2016, close to the CHF 48.1 million reported in Q2 2016. Income tax was CHF 12.1 million in the 9 months 2016 and minority interest reached CHF 29.7 million for the same period.

Cash earnings, which add back the acquisition-related amortization, grew by 83.9% in the first nine months of 2016 and reached CHF 244.5 million versus CHF 132.9 million in 9M 2015. The respective Cash EPS increased to CHF 4.55, from CHF 3.08 in the first nine months of 2015. In the third quarter 2016, Cash EPS more than doubled to CHF 2.86 from CHF 1.17 in Q3 2015.

Free cash flow 64.1% above same period last year

Free cash flow before interest increased by 64.1% and reached CHF 535.7 million in the first nine months of 2016, compared to CHF 326.4 million in the same period in 2015. Besides EBITDA growth, a more efficient management of net working capital was key for this achievement. Capex for the nine months to September 2016 amounted to CHF 197.6 million.

Net debt / EBITDA at 3.72x; comfortable headroom to level agreed with banks

Dufry continued to deleverage in the third quarter 2016 and net debt was reduced to CHF 3,566.1 million at the end of September 2016, CHF 389.9 million lower than at the end of December 2015 (CHF 3,955.9 million). The main covenant, net debt/adjusted EBITDA, reduced to 3.72x as per 30 September 2016 from 3.92x at the end of December 2015.

In terms of financing strategy, Dufry decided to call in advance its USD 500 million Senior Notes with maturity in 2020. The repayment planned for 2 December 2016, will allow to further improve the debt structure and to reduce interest costs going forward.

Organic growth back to positive, first synergies from WDF, strong deleveraging

Julian Diaz, CEO of Dufry Group, commented: “The focus for 2016 has been to drive organic growth, to generate cash to deleverage, and to integrate the WDF business. Now at the end of the third quarter, we have delivered on all the points.

During the third quarter, our initiatives have begun to show positive results. We saw a distinct improvement in the business which finally brought organic growth of 1.3% back to positive territory. As to the growth drivers, major contributions came from Spain, with its ongoing good performance, and the UK showing a increasing sales since the devaluation of the GBP. Last but not least, we had a clear improvement in the performance of Brazil: The year-on-year strengthening of the Brazilian Real versus the US Dollar has given back the purchase power the Brazilians were lacking in the past three years.

In terms of generating cash and deleveraging, we continued to have a strong financial performance with a substantial growth in free cash flow generation and a further reduction of our debt levels. Since the beginning of the year, our net debt reduced by almost CHF 400 million.

The integration of World Duty Free continues on track. On the cost side, we already completed most initiatives and we have implemented yearly efficiencies of CHF 59 million, which is at the upper end of the estimated range of CHF 50-60 million. With respect to the gross margin synergies we are currently finalizing the implementation and synergies will build up along 2017. We confirm the total of CHF 105 million synergies, which will sequentially be reflected in the financials over the coming quarter and in 2017.

This set of results represents in many ways the strengths of Dufry's business model, from the turning point to a positive organic growth, to the substantial deleverage achieved in the quarter and the well-advanced implementation of synergies of the World Duty Free integration. Should current conditions and trends remain unchanged, we would expect a further improvement in the next quarters."

Key Figures Dufry Group

In CHF million	9M 2016		9M 2015		Var.
Turnover	5,877.2		4,216.3		39.4%
Gross Profit	3,434.7	58.4%	2,449.5	58.1%	40.2%
EBITDA (before other operational results)	685.4	11.7%	508.0	12.0%	34.9%
Net Earnings to Equity Holders	0.2	0.0%	-37.3	-0.9%	
Cash EPS (in CHF)	4.55		3.08		47.5%

Dufry's 9M 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 over 29,000 people. The Company, headquartered in Basel, Switzerland, operates in 64 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.