DUFRY

Media Release

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Dufry with strong peak season performance: high organic growth and cash generation in the first nine months of 2017

In the first nine months of 2017, turnover reached CHF 6,270.5 million, driven by a strong organic growth performance across the group totalling 7.9%. Gross profit margin expanded by 100 basis points to 59.4% in the period. EBITDA further grew by 8.5% and reached CHF 743.6 million. Free cash flow generation in the third quarter was very strong with CHF 337.1 million.

Turnover growth continued strong and amounted to 6.7% in the first nine months of 2017. Organic growth remained at high levels and reached 7.9% in the year to September, which is the best performance since 2011. Most markets performed well and the summer season was strong in particular our Mediterranean operations, above all in Turkey. Organic growth continued at high levels in the third quarter with 7.6%.

Gross margin expanded by 100 basis points driven by the synergies from the World Duty Free integration, completed in 2016. EBITDA grew by 8.5% and reached CHF 743.6 million in the first nine months of 2017, which represents a margin of 11.9%. The good performance is also reflected in the bottom line with Cash EPS growing by 27.7% and reaching CHF 5.81.

Cash generation was strong in the third quarter of 2017 with free cash flow reaching CHF 337.1 million – the highest quarterly result ever. Given the seasonality of the business, the third quarter typically provides for the highest cash generation in the year. Dufry continued to deleverage and reduce its net debt, which as per September 2017, stood at CHF 3,475.7 million. The total reduction of net debt in the year to September amounts to CHF 274.7 million.

Continuing with the strategy of accelerating organic growth, Dufry kept on executing its current Shop Development Plan. Until September Dufry expanded its retail space by over 20,500 m^2 across 135 shops through new openings and expansions, and also refurbished over 23,000 m^2 across 60 shops. Furthermore, Dufry signed contracts that will add over 18,000 m^2 to the portfolio in the remainder of 2017 and in 2018.

Earlier in October, Dufry successfully placed EUR 800 million Senior Notes, with maturity in 2024 and a coupon of 2.5%. Proceeds will be used to early repay the EUR 500 million Senior Notes expiring in 2022, which had a coupon of 4.5%, as well as to reduce bank debt. Dufry is also currently working towards refinancing its bank facilities in the near future.

TURNOVER

Turnover amounted to CHF 6,270.5 million in the first nine months of 2017, from CHF 5,877.2 million in the previous year. This increase by 6.7% in the year to September was mainly driven by the positive development of organic growth, which reached +7.9%. Changes in scope were -0.3% and the translational FX impact was -0.9%.

Southern Europe and Africa
Turnover reached CHF 1,433.9 million in the first nine months of 2017, from CHF 1,319.3 million one year before. Organic growth accelerated to 7.7% in the first nine months 2017, driven by a strong third quarter with an organic growth of 10.1%. Most operations of the division performed well. In Southern Europe, Turkey grew strongly, driven by the comeback of Russian tourists in the country. France, Greece, Malta and Spain also posted positive growth. Africa posted strong growth with most operations growing high double digits in the year to September.

UK, Central and Eastern Europe
Supported by an organic growth of 8.4%, turnover grew to CHF 1,604.8 million in the year to September, from CHF 1,576.6 million in the respective period in 2016. In the third quarter the United Kingdom performed very well as it achieved a growth for the quarter of 5.9% and this despite the higher comparison base due to the annualization of the positive impact seen by the devaluation of the British Pound in June 2016. Other highlights in the division were the operations in Russia and Eastern Europe, as well as Finland.

Asia, Middle East and Australia
Turnover reached CHF 574.0 million in the first nine months of 2017 from CHF 569.4 million in the same period last year. Organic growth in the division was 0.5% in the first nine months 2017, with organic growth accelerating in the third quarter to 4.4%. Most operations in the division did well and contributed to the improvement. In the Middle East, Sharjah, Kuwait and Jordan were positive. In Asia, South Korea grew double digits, despite a reduction of Chinese travelers to the country. Both Hong Kong and Macau had a comeback and grew double digits in the third quarter. Other operations including Cambodia, Bali and Singapore also saw sales growth. After the recent shop refurbishment, Melbourne is now fully operational again with improved performance benefiting from the improvements done on the shop floor.

Latin America
Turnover grew by 13.0% to CHF 1,262.0 million in the first nine months of 2017 from CHF 1,116.9 million one year earlier. Organic growth in the division amounted to 12.7% in the same period, with the third quarter reaching 13.2%. In South America, Brazil, Uruguay, Chile, Peru and Dominican Republic all performed very well. Dufry Cruise services, also posted strong growth as we started operations on a number of new ships.

North America
Turnover grew to CHF 1,327.3 million in the first nine months from CHF 1,245.2 million in the same period 2016. Organic growth reached 6.0%, supported by the resilient duty-paid business and a good performance of the duty-free operations.

FINANCIAL RESULTS

Gross profit: Solid improvement due to WDF synergies
Gross profit margin reached 59.4% in the first nine months of 2017, improving by 100 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 743.6 million in the 9M 2017
EBITDA reached CHF 743.6 million in the year to September, from CHF 685.4 million one year earlier. EBITDA margin stood at 11.9% in the first nine months of 2017 from 11.7% in the 9M 2016. While the gross margin improvement supported the EBITDA margin increase,

[1] EBITDA before Other operational result

higher concession fees and general expenses partially compensated for it. There were two main drivers for the concession fee increases: first the increase in the annual minimum guarantees in Spain; second, the fact that in several of the operations where contracts were renewed, the new fee levels become effective immediately, whereas the shop performance is impacted during the refurbishment and upgrade phase of the shops and the full benefit is only reflected with a time-lag. Melbourne is an example, where increased performance will be fully reflected going forward, as the refurbishments have now been completed.

EBIT: More than 50% improvement compared to last year
EBIT increased by 50.8% to CHF 292.0 million in the first nine months of 2017, versus CHF 193.6 million in the same period in 2016. Depreciation stood at CHF -40.2 million in the third quarter of 2017 compared to CHF -37.4 million in Q3 2016. Similarly, amortization remained almost stable at CHF -88.6 million in the third quarter of 2017, from CHF -90.6 million in Q2 2017. Linearization (non-cash accounting treatment in regards to Spanish concessions) reached CHF -35.1 million for the nine months and CHF +11.2 million for the third quarter. Linearization varies by quarter and due to seasonality the first semester is charged the most.

Strong increase in earnings
Net earnings reached CHF 122.0 million for the nine months 2017, an improvement of CHF 92.1 million versus the 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 84.7 million in the first nine months of 2017, compared to CHF 0.2 million one year earlier.

Financial results, net, reached CHF -42.6 million in the third quarter 2017 as compared to CHF -48.7 million in Q2 2017. Income tax reached CHF -37.1 million, driven by deferred taxes. Minorities amounted to CHF 37.3 million in the year to September, versus CHF 29.7 million in the first nine months of 2016.

Cash EPS, which add back acquisition-related amortization to net earnings, increased to CHF 5.81 from CHF 4.55 in the first nine months of 2016.

Solid cash generation
Cash flow before net working capital grew by 19.0% and reached CHF 733.6 million in the first nine months of 2017 from CHF 616.3 million one year earlier. Investments in net working capital amounted to CHF -6.5 million in the first nine months of 2017 and Capex was CHF 217.3 million, up from CHF 197.6 million in the first nine months of 2016.

Net Debt: Deleveraging underway
Net debt reached CHF 3,475.7 million at the end of September 2017, CHF 151.9 million lower than at the end of June, 2017 (CHF 3,627.6 million). Dufry's main covenant, net debt/adjusted EBITDA, was 3.45x as per 30 September 2017 compared to the threshold agreed of 4.00x.

Solid Q3 results; on the right track to achieve our 2017 targets

Julian Diaz, CEO of Dufry Group, commented: "The performance in the third quarter of 2017 makes me very optimistic. Even with a higher comparison base, the company kept the strong results. Despite the annualization of the positive Brexit impact, a very good summer season in Europe, together with strong performance in Latin America and growth acceleration in Asia contributed to the robust organic growth.

Travel retail is constantly evolving and we currently see considerable changes in customer profiles and in shopping behavior of our customers with an increasing propensity to use digital technology. Moreover, customers are more and more attracted by unique and individualized experiences. These are only a few reasons on why Dufry has engaged in and is deploying its digital strategy to attract more customers into the shops and increase sales per passenger.

As one of the key elements of our digital strategy we have opened the first two New Generation Stores in Melbourne and Madrid. They provide a unique experience, include the digitalization of the employees in order to better serve the customer, and allow us to adapt messaging, offers and promotions to the different traveler profiles present at the airport. In the same context we have also continued to expand or Reserve & Collect locations; where customer can order online before traveling and collect at the airport. Last but not least, we have further expanded our RED by Dufry customer loyalty program, which among other benefits allows us to send individualized offers to the customer, when he is at the airport. We strongly believe in the digitalization of the business as it makes travel retail become a prospect channel for the future.

With respect to new openings and refurbishments, we have opened over 20,500 m² of new space and refurbished over 23,000 m² in the year to September.

Among others we have refurbished the Intra-Schengen operations at the Athens International airport in Greece as well as refurbished and expanded our business in Morocco. With respect to the openings; I would like to highlight the opening of 18 convenience shops in China and a duty-free casino shop in Macau. We have opened several stores for domestic and international passengers in Rio de Janeiro and in the US, where we started operations of several shops in hotels in Las Vegas, such as the Hard Rock Casino, and several stores at Tulsa airport. Last but not least, we have launched our new Dufry Cruise Services center based in Miami and entered the Asian cruise market with nine shops spanning over 1,950 m² on the JOY, a vessel of the Norwegian Cruise Line serving the Asian market.

With respect to the future, we have already signed contracts to open further 18,000 m² of new commercial space in the last quarter of 2017 and 2018 and we are also currently working with a pipeline of additional opportunities which amount to around 38,000 m².

Profitability remained strong, with gross profit margin being the most important contributor. We are also working for future gains in efficiencies through our new Business Operating Model. The implementation of the program is going well and we expect it to be completed by the end of 2018. The new operating model, which aims at standardizing processes and procedures in our Group, is expected to generate efficiencies in the magnitude of 50 basis points at EBITDA margin level once it is fully implemented.

Dufry's Board of Directors continues to assess the possibility of 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 on the trends in food and beverage or master operators. A final decision on the IPO has yet not been made.

The positive market conditions seen so far in the year persist in the beginning of the fourth quarter. On the other hand the next quarters will reflect an increasingly higher comparison base. We remain committed to our strategy of profitable growth and the results seen thus far in 2017 are evidence that we are heading in the right direction."

Key Figures Dufry Group

In CHF million	9M 2017		9M 2016		Var.
Turnover	6,270.5		5,877.2		6.7%
Gross Profit	3,726.4	59.4%	3,434.7	58.4%	8.5%
EBITDA (before other operational results)	743.6	11.9%	685.4	11.7%	8.5%
Net Earnings to Equity Holders	84.7	1.4%	0.2	0.0%	
Cash EPS (in CHF)	5.81		4.55		27.7%

Dufry's 9M 2017 Financial Report is available at the following link:
https://www.dufry.com/en/investors/ir-reports-presentations-and-publications

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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 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 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.