**Media Release**

Basel, July 30, 2019

# Dufry reports ongoing improvement in organic growth and resilient cash generation in the first half of 2019

**Dufry posted steady turnover in the first half of 2019 reaching CHF 4,180.1 million driven by organic growth of 2.2%. Growth accelerated in the second quarter, propelled by improved like-for-like performance with the trend continuing in the first weeks of July. Adjusted operating cash flow was CHF 409.0 million. Dufry confirms the Equity Free Cash Flow target of CHF 350-400 million for the full-year 2019 and the medium term organic growth target of 3% to 4%.**

In the first half of 2019, organic growth reached 2.2%, confirming the ongoing positive trend seen in the first quarter. In the second quarter, organic growth accelerated to 2.3% with further improvements in the first weeks of July. The like-for-like performance in the second quarter of 2019 improved significantly as compared to first quarter, and reached a turnaround in June and July. By geography, Asia-Pacific and Middle East continued to perform very well, driven by new concessions. Europe and Africa accelerated, benefitting from a notable recovery in Spain. North America was positive, while the Central and South American division remained challenging but showed encouraging signs of recovery in July.

Dufry continued working on expanding and revamping its operations. In the first half 2019, the company refurbished 31,700 $m^2$. Dufry also opened and expanded 15,400 $m^2$ of gross retail space and has signed contracts for opening a further 15,300 $m^2$ in 2019/20.

In early June 2019, Dufry announced the acquisition of a 60% participation in RegStaer Vnukovo which will considerably expand Dufry presence in the Moscow area. Dufry expects the acquisition to close in the second half 2019, thus allowing for its full consolidation afterwards. The duty-free and duty-paid shops operated by RegStaer at Vnukovo airport generated a sales volume of EUR 58.8 million in FY 2018.

## TURNOVER

Turnover in the first half of 2019 reached CHF 4,180.1 million versus CHF 4,097.1 million in the same period in 2018, representing a total growth of 2.0%. Organic growth was 2.2% to which like-for-like growth contributed -0.6%, thus showing an improvement versus the first quarter. Net new concessions added +2.8%. The translational FX effect in the period was -0.2%, as a net effect of the strengthening of the US dollar and weakening of the Euro and British Pound.

### Europe and Africa

Turnover in the region was CHF 1,725.5 million in the first half of 2019, from CHF 1,743.2 million one year ago. Organic growth in the division reached +3.9%.

In the UK, performance accelerated, driven by excellent results at Heathrow Airport. In Spain, performance improved and June showed promising growth for the summer season. Turkey continued the good performance trend seen in recent quarters and posted solid growth. France, Italy, Malta and Africa also reported positive growth.

**Asia-Pacific and Middle East**
Turnover increased to CHF 623.8 million in the first half of 2019, versus CHF 546.5 million in the same period in 2018. Organic growth in the division continued the positive momentum with double-digit growth, achieving 13.9% mainly from the contribution of new concessions in the first half of 2019.

Eastern Europe was positive, with good performance in Serbia. Asia-Pacific achieved double-digit growth driven by new openings, such as the successful opening in the MTR high-speed railway station in Hong Kong. China, Macau and Cambodia also posted good growth. In Australia, sales grew double digits supported by the start of operations in Perth.

**North America**
Turnover reached CHF 954.5 million compared to CHF 896.6 million in the first half of 2018. The performance in the region remained resilient, with organic growth reaching 3.7%, mainly supported by the good performance of the duty-paid business.

**Central and South America**
Turnover was CHF 761.8 million in H1 2019 as compared to CHF 821.3 million one year earlier and organic growth was -10.6%. Mexico and especially the Caribbean operations posted good performance positively supported by the Cruise business. In South America, most operations continued to be impacted by the devaluation of local currencies, particularly in Brazil and Argentina.

## FINANCIAL RESULTS

With the introduction of IFRS 16, most lines of the Income Statement and the KPIs become non-comparable with 2018 reported figures; except for the KPIs related to cash flows. At the end of this press release, we provide an additional set of information with comparative data by quarter and for FY 2018.

On top of the reporting changes, it is important to remember that Dufry has a very seasonal business: most of our operations are located in the Northern hemisphere and the third quarter has the highest passenger flows. Consequently, the first semester is the least important period of the year for turnover, profitability and cash generation.

**Gross profit increased by 40 basis points**
Gross profit reached CHF 2,515.1 million from CHF 2,450.6 million in the first half of 2018. Gross profit margin reached 60.2% in H1 2019 from 59.8% one year earlier. The improvement of 40 basis points is mainly due to continuous improvements in global and regional negotiations with suppliers as well as further implementation of brand plans, such as the launch of exclusive products and novelties.

**Adjusted operating profit (adjusted EBIT)**
Adjusted operating profit (adjusted EBIT) reached CHF 237.0 million and adjusted operating profit margin (adjusted EBIT margin) reached 5.7% in the first half of 2019.

As mentioned, Dufry started to report under the new IFRS 16 framework, which mainly changes the accounting treatment of leases. In short, while before leases were accounted as expenses, now fixed components are capitalized and amortized over the lifetime of the contract.

Lease expenses reached CHF -722.0 million in the first half-year 2019. These expenses are related to variable concessions and the variable part of concessions, which contain a minimum annual guarantee.

Personnel expenses reached CHF -618.6 million in HY 2019, from CHF -584.9 million one year earlier. As a percentage of turnover, personnel expenses increased by 50 basis points to 14.8%, of which most of the increases relate to North America, which has been impacted by an increase in minimum wage as well as a one-off charge of USD 7.6 million of accrued severance expenses related to changes in the local management structure.

Other expenses reached CHF -281.2 million in H1 2019. Other expenses mainly replace the former income statement line “general expenses” and also includes the former “other operational result”. Certain expenses, not related to concessions, previously shown in the former “selling expenses” line are also included under Other Expenses.

Depreciation (excluding right of use) reached CHF -95.5 million, remaining stable as a percentage of turnover (-2.3%) when compared to H1 2018. Amortization was largely unchanged in absolute terms at CHF -183.8 million as compared to H1 2018 (CHF -183.3 million). Depreciation of right of use was CHF -530.9 million, which relates to the leases that are capitalized.

**Net profit**

Net profit to equity holders reached CHF -116.8 million in the first half of 2019. Financial results (excluding lease interest and FX) reached CHF -62.8 million, showing an improvement of CHF 2.0 million versus the same period last year. Income tax reached CHF -26.8 million, versus CHF -46.8 million in H1 2018, mainly driven by deferred taxes. Minorities were CHF -16.9 million in the first half of 2019, versus CHF -23.3 million one year earlier.

Adjusted net profit reached CHF 72.8 million in H1 2019, while the respective Adjusted EPS was CHF 1.46.

**Cash Flow**

Contrary to the Income Statement, the effects of IFRS 16 in the cash flow are minimal. Cash flow KPIs will therefore continue to be key for measuring the performance of the business. It is also worth remembering that, due to the seasonality in the business, the first and fourth quarters tend to be the weakest in terms of cash generation, while cash generation improves in the second quarter and peaks in the third quarter.

Adjusted operating cash flow reached CHF 409.0 million in the first half of 2019 compared to the CHF 452.4 million in H1 2018. Changes in working capital reached CHF -16.8 million in H1 2019, compared to CHF +41.9 million in H1 2018. Here, it has to be noted, that the second quarter 2018 saw an unusual cash inflow pattern, which then normalized in the third quarter 2018. Changes in working capital are very seasonal, with Q1 and Q4 being typically negative. Capex amounted to CHF 125.3 million in H1 2019, similar to the CHF 127.3 million one year earlier. Income tax paid reached CHF -27.6 million from CHF -51.2 million in H1 2018, mainly due to a tax refund of about CHF 17 million.

Equity free cash flow reached CHF 140.4 million in H1 2019, from CHF 222.2 million one year earlier.

**Net debt**

Net debt amounted to CHF 3,291 million at the end of June 2019, including the dividend payment of CHF 199.1 million in May, compared to CHF 3,286 million in December 2018. Our covenant, net debt / adjusted operating cash flow was 3.58x as per 30 June 2019, compared to a maximum threshold of 4.50x.

**Organic growth continues to improve gradually**

Julián Díaz, CEO of Dufry Group, commented: "The good operational performance with an organic growth of 2.2% in the first half is a positive development. The second quarter has shown a further improvement versus the first quarter, reaching an organic growth rate of 2.3% and it is encouraging to see that this growth acceleration is picking up further in the first weeks of July. In particular, Asia-Pacific and the Middle East have continued with their strong performance. Recovery has started in Europe with Spain performing well, while North America has continued with its resilient growth. Even South America has shown encouraging signs of recovery in the first weeks of July.

In this context, I would like to highlight the considerable improvement we have seen in the like-for-like performance with respect to the first quarter this year and which reached a turn-around in June and July. This was the result of a combination of commercial and market initiatives launched in several markets. Organic growth further benefitted from strong contributions from our new concessions. Worth mentioning in the first half are the new operations at the MTR station in Hong Kong, the new airport in Perth, and the addition of new cruise ships to our portfolio.

In terms of business development, we added 15,400 $m^2$ of gross retail space and already signed 15,300 $m^2$ to be opened in 2019 and 2020 in existing and new locations across the globe. At the same time, we successfully extended existing contracts and refurbished 31,700 $m^2$ of retail space in the first half of 2019.

The improving market conditions in all divisions seen in the first half of 2019 continue as expected and are encouraging. Organic growth in the first three weeks of July accelerated and reached around 3%. Our goals for 2019 remain unchanged; to drive further growth with a strong focus on the customer, to leverage our business model to generate efficiencies, and to accelerate the implementation of the digital strategy. We therefore confirm our mid-term organic growth guidance of 3%-4% as well as the expected range of CHF 350-400 million for the 2019 equity free cash flow generation.

## ADDITIONAL BACKGROUND INFORMATION

**In order to further increase transparency and to support comparability of the company performance before and after the introduction of the IFRS 16 accounting standards as per the business year 2019, our corporate website provides an additional set of financial data for each quarter and the full-year 2018. Please follow this link to access the information.**

## GLOSSARY

The release of Dufry's first half 2019 results marks the implementation of the IFRS 16 framework in the financials. Given that the new accounting standards have a significant impact on Dufry's Income Statement and Balance Sheet, some of the reported figures are not comparable with 2018. While this press release explains the main results, a more thorough analysis will be made at the results' conference call and is available in the HY results presentation. Access all HY 2019 results documents, including press release, presentation, Financial Report 6M 2019 - **link**

- **Organic Growth:** Like-for-like + Net new concessions
- **Adjusted operating profit (Adjusted EBIT):** Operating profit (EBIT) + Acquisition-related amortization
- **Adjusted Net Profit:** Net profit to equity holders + Acquisition-related amortization + Lease interest + Deferred taxes on items
- **Net Debt:** Borrowings (short and long-term) - Cash and cash equivalents
- **Adjusted operating cash flow:** Cash flow before working capital changes + Lease payments - Lease payments received
- **Net working capital:** Decrease / (increase) in trade and other accounts receivable + Decrease / (increase) in inventories + Increase / (decrease) in trade and other accounts payable
- **Capex:** Purchase of property, plant and equipment + Purchase of intangible assets - Proceeds from sale of property, plant and equipment
- **Equity free cash flow:** Free cash flow - Interest paid - Cash flow related to minorities - Other financing items

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**Dufry Group – A leading global travel retailer**

Dufry AG (SIX: DUFN) is a leading global travel retailer operating over 2,400 duty-free and duty-paid shops in airports, cruise lines, seaports, railway stations and downtown tourist areas.

Dufry employs over 30,000 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.