DELIVERING ON OUR GOALS
DEAR ALL

2016 was a successful year for Dufry, both operationally and financially. Turnover grew by 27.5 % and reached CHF 7,829.1 million and EBITDA went to CHF 935.1 million. We executed on our three main goals for the year: acceleration of organic growth, integration of World Duty Free (WDF) as well as cash generation and subsequent deleveraging.

Organic growth improved along 2016, especially in the second half of the year, returning to positive growth numbers and showing a distinct acceleration. As a result, organic growth turned positive in the third quarter and posted 5.6 % in the fourth quarter of 2016.

We have also put our efforts to the integration of WDF, which was completed by year-end 2016. Overall we expect synergies of CHF 105 million per annum, of which more than half, including CHF 49 million of cost synergies, are already reflected in the 2016 financials. The remaining synergies will build-up in the next quarters and expected to deliver the full benefit by year end 2017.

> More than half of the WDF synergies already reflected in the financials.

Another key point for the year was cash generation and deleveraging. Free cash flow reached CHF 483.8 million, 43.0 % higher than in 2015. The increase is mainly related to synergies we achieved through the integration of Nuance and WDF, as well as improvements we made managing our core net working capital. As a result, we reduced net debt by CHF 205.6 million to CHF 3,750.4 million on December 31, 2016 and our covenant Net debt / EBITDA stands at 3.69x.

In terms of financing strategy, we have used cash generated to repay early our USD 500 million Senior Notes with expiry in 2020. The repayment, executed in December, was sourced by the Company's cash and existing banking facilities and will allow for CHF 27.5 million savings per annum, starting in 2017.

TURNOVER

Turnover grew by 27.5 % and reached CHF 7,829.1 million in 2016, from CHF 6,139.3 million in 2015. Organic growth was positive at + 1.0 %, a strong recovery from – 5.3 % reported in 2015. Changes in scope, which includes the consolidation of WDF, contributed 28.6 % to turnover growth, while FX translation effect was – 0.6 %, mainly driven by the devaluation of the British Pound.

As of the third quarter, Dufry managed to return to positive pro-forma organic growth of + 1.3 %, and saw the trend accelerating even more in the fourth quarter, with organic growth reaching + 5.6 %, resulting in a full-year organic growth of + 1.0 %.

Turnover in **Southern Europe and Africa** reached CHF 1,702.3 million in 2016, from CHF 1,269.9 million one year before. Organic growth in the division was – 2.5 % in the full year 2016 and + 1.6 % in the fourth quarter. Spain had a fantastic year, mainly driven by double digit growth in number of passengers visiting the country. In Turkey the business was impacted by the sharp decline in the number of travelers – especially the travel ban for Russians that was in place from February to August 2016 impacted the business during peak season. Greece held up relatively well and posted a small decline on sales. Last but not least, Italy also posted a solid performance in the year.

UK, Central and Eastern Europe's turnover grew to CHF 2,088.9 million in the year, versus CHF 1,427.8 million in 2015, with organic growth in the division reaching +3.9% (+8.7% in Q4 2016). The business in the United Kingdom had strong performance in the second half of the year, positively impacted by the weakening of the British Pound following the vote on BREXIT. Finland and Serbia performed well, while Sweden and Switzerland were both practically flat. Organic growth in Russia and other Eastern European locations remained negative, however showing improving trends in the second half of the year.

Turnover in **Asia, Middle East and Australia** amounted to CHF 770.7 million in 2016, from CHF 638.5 million in 2015. Organic growth in the division for the full year and fourth quarter was +0.4% and +1.5% respectively. India and Sri Lanka saw strong growth while performance in the Middle East was flat. Certain locations in Asia performed well, for example South Korea, Indonesia and Cambodia. On the other hand, operations such as Hong Kong, Singapore and Australia were impacted by a lower spend from Chinese consumers.

Latin America's turnover went to CHF 1,531.1 million in 2016 versus CHF 1,409.6 million one year earlier. Organic growth in the division was –4.1% for the full year, to which the fourth quarter contributed +3.7%. In Central America, Mexico performed very well, as did most operations in the Caribbean in particular the Dominican Republic and Jamaica as well as our Cruise business, to name a few. In South America, Brazil saw an important acceleration in the second half, recording double-digit growth. Other operations in South America also did well, such as Ecuador, Peru and Chile, while Argentina remained negative throughout the year, but showing improvements so far in 2017.

Turnover in **North America** reached CHF 1,660.9 million in 2016 from CHF 1,352.2 million in the previous year. Organic growth reached +4.5% in the full year, while in Q4 it reached +7.2%. Growth was stronger at the duty-paid business, while duty-free saw the strong performance in Canada being mitigated by lower trading in the United States, due to the stronger US Dollar.

OPERATIONAL COSTS UNDER CONTROL

Gross profit

Gross profit grew by 28.2% and reached CHF 4,584.1 million in 2016 versus CHF 3,574.7 million in 2015. Gross margin improved by 40 basis points, reflecting the synergies achieved from the integration of Nuance and operational improvements.

Selling expenses

Selling expenses reached CHF 2,236.2 million in 2016 from CHF 1,684.0 million in 2015. As a percentage of turnover, they went to 28.6%, from 27.4% in 2015. The increase is due to the consolidation of WDF.

Personnel and general expenses

Both personnel and general expenses saw substantial improvement. As percentage of turnover, the former improved by 40 basis points to 13.5% and the latter by 50 basis points to 4.6% respectively. The improvement in these expenses is a combination of the consolidation of WDF and synergies achieved in the year.

EBITDA

EBITDA grew by 29.2% and stood at CHF 935.1 million (CHF 723.8 million in 2015). EBITDA margin was 11.9% in 2016, compared to 11.8% in 2015. While all synergies from Nuance are included in the result, also more than half, including CHF 49 million of cost synergies, of the expected WDF synergies have been reflected. We managed to improve EBITDA margin year-on-year despite the negative impact from some underperforming operations, such as Turkey or Brazil.

Depreciation, amortization, impairment and linearization

Depreciation was CHF 166.2 million in 2016 (CHF 135.8 million in 2015). As a percentage of turnover it remained nearly stable at 2.1% compared to 2.2% in 2015. Amortization increased by CHF 70.2 million and reached CHF 379.2 million in 2016, as a result of the additional amortization generated by the acquisition of WDF.

Linearization amounted to CHF –74.7 million in 2016. Linearization is a non-cash item related to the Spanish business and originates from the difference between the average minimum guarantee (MAG) over the full concession period and the effective MAG payable in the period. This item also includes the reduction in concession payments granted based on an upfront payment (prepaid lease) related to Spanish contracts.

EBIT

EBIT more than doubled to CHF 272.6 million in 2016 from CHF 132.7 million in the last year. Other operational result (net) reached CHF –42.4 million, compared to CHF –117.1 million in 2015, when CHF –77.4 million of transaction and restructuring cost were included.

Financial result

Financial results, net increased by CHF 36.0 million and reached CHF 215.5 million in 2016 from CHF 179.5 million in 2015. While the higher net debt due to the acquisition of WDF explains part of the increase, the repayment of the USD 500 million Senior Notes expiring in 2020 generated one-off costs of CHF 14.2 million. The repayment will allow for annual interest savings of CHF 27.5 million per annum from 2017 onwards.

Taxes

Income tax expense was CHF 11.3 million in 2016, versus a positive of CHF 10.1 million one year before. Tax rate in 2016 was 19.8%.

Net earnings

Net earnings improved by CHF 82.7 million and reached CHF 45.8 million in 2016 compared to CHF –36.9 million seen in 2015. Net Earnings to equity holders saw a similar increase year on year and stood at CHF 2.5 million in 2016, versus the loss seen in 2015, which was related mainly to one-offs from the WDF acquisition and the Nuance integration.

Cash earnings, which add back acquisition-related amortization, grew by 76.6% in 2016 and reached CHF 322.9 million versus CHF 182.8 million 2015. Cash EPS in 2016 grew by 50.4% and reached CHF 6.00, compared to CHF 3.99 in 2015.

DELEVERAGING ON THE WAY

Cash flow and debt

Free cash flow before interest increased by 43.0% and reached CHF 483.8 million in 2016, compared to CHF 338.4 million in 2015. In addition to EBITDA growth, a more efficient management of core net working capital was key for this achievement. Capex in 2016 amounted to CHF 262.2 million.

We reduced net debt and leverage in 2016 as expected: net debt reached CHF 3,750.4 million at the end of December 2016 compared to CHF 3,956.0 million one year earlier and our main covenant, net debt/adjusted EBITDA, stood at 3.69x as per 31 December 2016 from 3.92x at the end of December 2015. In terms of financing strategy, we decided to call in advance our USD 500 million Senior Notes with maturity in 2020. The repayment allowed to further improve the debt structure and to reduce interest costs going forward.

POSITIVE TRENDS SEEN FOR 2017

2015 and 2016 were intense years as our goals of integrating Nuance and WDF and generating synergies, recovery of organic growth, and reducing net debt were implemented in an environment where there were substantial headwinds in selected markets. By executing well on all these critical topics we have clearly strengthened and adapted the organization for the next phase of development of Dufry Group with sustainable growth and cash generation.

2017 looks to be a promising year in many aspects: the integration work is substantially done, the new organization has started to gain traction and global economy so far doesn't show any indicator for major headwinds for the year ahead. We are confident that given this scenario, the real potential of the new Dufry will be demonstrated.

We would like to thank our shareholders, bondholders, banks, analysts and key advisors for their trust in Dufry and their support throughout the year to contribute to Dufry's success.

Kind regards,

Andreas Schneiter