



MESSAGE FROM THE CHAIRMAN OF THE BOARD OF DIRECTORS

DEAR SHARE- HOLDERS

In last year's annual report, we announced the transformational acquisition of World Duty Free. In 2016, we successfully completed the integration of World Duty Free and implemented the full amount of the expected synergies of CHF 105 million, which will be fully reflected in the financials in 2017. This important business, which we had started to consolidate in August 2015, was another step in our diversification strategy, which reduces our exposure to single markets and provides for a more stable performance.

World Duty Free was also a trigger for more developments within Dufrey. In January 2016, we started to operate under the new organizational structure based on five divisions, which reflect our geographic diversification strategy. Along with the organization, we have also started to deploy our new business operating model, which allows us to further optimize our internal processes and to generate efficiencies at different levels of the company. Both, the implementation of the synergies and the definition of the new business operating model are a considerable accomplishment and provide Dufrey with a well-structured organization that is ready for the next step of development.

A successful year for the New Dufrey.

Besides the integration of World Duty Free, Dufrey's focus was twofold in 2016: to accelerate organic growth and reduce the leverage resulting from the two recent acquisitions. The high volatility detected in the financial markets that negatively impacted our organic growth in 2015 continued during the first half of 2016 and affected our operations in key emerging markets

such as Brazil, Russia and Turkey. However, the second semester saw a distinct improvement with a return back to positive growth in the third quarter and reaching +5.6% in the fourth quarter allowing us to complete the full year with a positive growth performance of +1.0% including World Duty Free.

Equally important, in the year under review, Dufrey was able to renew a series of relevant concessions well ahead of time, maintaining or improving in some cases the financial conditions. Such early renewals are very important to secure our business for the future.

From a financial performance perspective, 2016 was another record year for Dufrey: our turnover grew by 27.5% to CHF 7,829.1 million, while EBITDA developed at a similar pace increasing by 29.2% and reaching CHF 935.1 million. Our cash flow generation remained strong allowing us to early repay on December 2, 2016, the USD 500 million bond due in 2020; thus reducing our interest costs by CHF 27.5 million as of 2017.

Dufrey's performance in the equity market saw a further increase of its market capitalization, reaching CHF 6.8 billion at December 31, 2016; an increase of 6% on the previous year. This confirms Dufrey's position among the 30 largest Swiss publicly listed companies. Overall trading volumes of Dufrey shares on all platforms reached a daily average trading volume of CHF 56.2 million in the year under review, indicating a good liquidity of the shares. With a daily average trading volume of CHF 20.1 million, the SIX Swiss Exchange continues to be the most relevant trading platform for Dufrey, despite today's fragmentation of the trading volumes across several secondary platforms. The appetite for Dufrey's investment case remains strong: In 2016, Dufrey held over 500 meetings with investors and analysts, which is a testimony of the large interest in our company.

425,000 m²

Dufry operates
close to 425,000m²
of retail space.

Dufry's shareholder structure remained stable in 2016. The participation of the syndicate led by the long-term shareholder Travel Retail Investments stood at 19.5%, through registered shares, as per December 31, 2016, and key investors joining Dufry's shareholder base in the previous year, most notably GIC, Qatar Investment Authority and Temasek, held their positions throughout 2016. Free float of our shares was 80.5%, thus providing a very good trading liquidity.

Important changes in the Board of Directors in 2016.

In terms of corporate governance, earlier in 2016 Messrs. James S. Cohen and José Lucas Ferreira de Melo decided not to run for reelection. On behalf of the entire Board of Directors, I would like to thank both of them for their valuable contributions over the many years they served in the Board and for their great support to our company.

Our shareholders have subsequently voted in favor of our proposal for the election of two women to our Board and elected Ms Heekyung (Jo) Min and Ms Claire Chiang as new board members at the Annual General Meeting in April 2016. We value their travel and retail experience and their deep knowledge of the Asian markets as important assets. Ms Min was also elected by the Shareholders' Meeting as a member of the Remuneration Committee.

The Board has further reorganized its different Committees and Ms Chiang has become a member of the Audit Committee. All members of both the Remuneration and the Audit Committees are independent Board Directors.

Now that the New Dufry has been shaped, we also want to formalize further our reporting on the Corporate Social Responsibility engagement, a topic that is very relevant to us. As a first important step, in 2016 we performed a materiality assessment to identify and evaluate relevant sustainability topics for Dufry and its stakeholders. The Materiality Matrix will serve as a framework for our sustainability reporting, which we will gradually develop going forward.

Apart from the reporting, we continued our engagement focusing on charity projects helping disadvantaged children around the world and supporting communities in markets where we operate. The funding of SOS Children's Village initiative has now reached its 7th year underlining the long-term character of our engagement. Moreover, in 2016, Dufry has endorsed projects related to Children in many parts of the world as in Africa, Mexico and Russia.

We fostered our engagement focusing on charity projects.

Furthermore, we have continued to support projects in other countries such as in Haiti, Greece, Serbia, Spain, Switzerland, the US, the UK and Brazil, to name a few. Last but not least, we have partnered with the United Nations and the Geneva Airport Authority to support their Global Goals awareness-raising campaign “#YouNeedToKnow”; an initiative which has subsequently been extended also to the Zurich and Heathrow airports. The list illustrates, that we do consider ourselves to be part of the local communities and that it is important for us to provide support for those people which may be less fortunate.

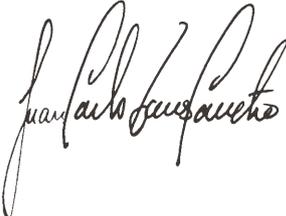
Looking into 2017, the year started with a continuation of the improvement in the business conditions, already seen in the second half of 2016. Currency markets have so far remained relatively stable and global economy is further improving. We also expect the political instability seen in certain locations not to have any significant effect in 2017 any longer.

Improvement of business environment continues in 2017.

2016 has been a year of tremendous work for our management and employees, since besides accomplishing their day-to-day responsibilities and coping with some exceptional external factors, they also strongly contributed to the integration of World Duty Free. On behalf of the Board of Directors, I would like to thank the

whole Dufry team for their extraordinary accomplishments to complete all the different projects and for their outstanding dedication and motivation. I also thank our suppliers, landlords and business partners for their ongoing support and the longstanding relationships. Finally, I extend my thanks to our shareholders and bondholders, who continue to share and strongly support our vision of further developing a company that is WorldClass.WorldWide.

Sincerely,



Juan Carlos Torres Carretero