



STATEMENT OF THE CHIEF EXECUTIVE OFFICER DEAR ALL

2016 was for Dufrey a year of successful transformation. Since January 1, 2016, Dufrey has operated under the new organizational structure following the acquisitions of Nuance and World Duty Free, and throughout the year we focused on and successfully accomplished our three main goals: completing the integration of World Duty Free, driving organic growth and maximizing cash flow generation to deleverage.

From a financial perspective, Dufrey delivered a strong performance despite some significant headwinds driven by external factors. Our turnover increased by 27.5% to CHF 7,829.1 million, while EBITDA came in at CHF 935.1 million, a step up of 29.2% on the previous year. The company underlined again its strong cash generation capability and free cash flow reached CHF 483.8 million, an increase of 43.0% compared to 2015. This remarkable result, allowed us to reduce our net debt by CHF 205.6 million in the year under review.

Strong financial performance.

Completion of World Duty Free integration

The integration of World Duty Free has been completed by the end of 2016. We defined our new business operating model, we implemented the organizational structure and we have aligned processes and procedures across all teams at Group and divisional levels.

This considerable achievement will benefit the company in two very important aspects. Firstly, we already saw more than half of the expected synergies reflected in the 2016 financials, including CHF 49 million of cost synergies; while the remaining synergies will build up quarterly in 2017 to reach the confirmed

CHF 105 million by the end of the year. Secondly, we further accelerated the full implementation of the new business operating model, which should allow us to reach a more efficient cost structure. This will ultimately increase our flexibility and competitiveness to further accelerate our company's growth.

Integration of WDF completed and synergies confirmed.

Successful acceleration of organic growth

Dufrey successfully managed to accelerate organic growth along the year and including World Duty Free organic growth reached +1.0% for the full year 2016. While in the first semester of the year under review the reduced purchasing power of Brazilian and Russian consumers as well as some political unrest in specific geographies (mainly Northern Africa and Turkey) impacted the company's performance, we saw a clear rebound of the business in the last two quarters.

The strong performance in Spain, an acceleration of sales in the UK after the Brexit vote in June, the distinct improvement in Brazil from the third quarter onwards and a solid development in many of our other operations played an important role on the growth acceleration as did the contribution of several growth initiatives launched in late 2015. The global alignment of our promotions and the extensive refurbishment plan covering over 30,000 m² of retail space in 119 shops not only supported our performance in 2016, but will also be one of our key organic growth drivers in 2017.

2,200

Dufry is a real global player operating close to 2,200 shops throughout all continents.

In terms of refurbishment, in Europe, we concluded the renovation of the main departure duty-free shop at Lisbon Airport, Portugal, as well as our main shops at Birmingham and Heathrow (T4) airports, UK. In Asia, our operations in Cambodia received a major upgrade, in both Phnom Penh and Siem Reap airports, while in Brazil we opened our new operations at Galeão airport, Rio de Janeiro, ahead of the Olympic Summer Games. Last but not least, North America continued very dynamically with a total of over 7,000 m² of refurbished retail space, across several locations.

Refurbishment of important operations executed in 2016.

Retail space considerably expanded

One of our growth initiatives was focused on growing and improving our retail space. In 2016, our gross retail space grew by 41,800 m² with major expansions done among others at the Rio de Janeiro Galeão airport in Brazil, the revamped operation in Lima, Peru, as well as expansions done in Cambodia and Macau. Including all our shop formats and retail concepts, we opened over 220 new shops in 2016. Moreover, Dufry already signed additional retail space of over 22,000 m² to be opened in 2017 and beyond.

Considerable number of contract extensions secures business for many years

In 2016, we also successfully managed a number of early contract renewals which cover some of our most important concessions. Among many others, we renewed our contracts in São Paulo, Rio de Janeiro, Viracopos, Lima, Cancun and Cozumel, Guadeloupe,

Birmingham, Bristol, Zurich, Basel, Melbourne, Casablanca, Seattle, Cleveland, Calgary, St.Louis and Los Angeles.

Dufry wins new and successfully extends existing concessions.

Furthermore, in 2016 we succeeded in winning several new concessions, which will add over 18,000 m² of retail space to our portfolio. Among the main achievements are two important concession wins in Africa: in Cairo we have been awarded the duty-free concessions at Terminal 2, covering 3,000 m² of retail space, while in Marrakesh we were awarded a concession for 10 years to operate 13 shops at the airport. The United States have also seen major developments on new locations, such as at Detroit Metropolitan Airport for the operation of 13 shops covering 1,700 m², at the Hard Rock hotel in Las Vegas for the operation of 5 shops across 1,300 m², among many others.

The contracts signed for either existing or new locations only confirm the leading position of Dufry in the travel retail industry and the trust landlords have put in us. These developments also support the continuity of the business, maintaining the remaining life-time of our concession portfolio of over eight years.

Creating the next generation of travel retail

In 2017, we will further roll out our new business operating model which will allow us to generate a considerable competitive advantage within travel retail as well as further differentiate our profile as compared to high-street and online retail.

There are four components, all of which will complement each other. As to the process side, we deploy a standard operating framework in all locations; on logistics, we operate centrally through our three logistics platform; we systematically develop our business relationships with airports; and we use digital technologies along the value chain. The ambition is clear: by continuing to focus on our customers to provide them with a unique and personalized shopping experience, and by bringing all these elements together, we will generate more value to Dufry.

Seizing the opportunities of digitalization.

In this context, digitalization offers a whole series of opportunities for Dufry. We launched a number of initiatives: Firstly, we want to increase our communication with the customers by adding additional touch-points. Secondly, we want to offer a more individualized shopping experience to our customers, which starts on the internet even before the travel begins and ends after the shop visit with an unbeatable customer service. The third project involves the digitalization of our shops, which will allow for much more dynamic promotional activities and simplification of in-store processes. And last but not least, we will further expand online services such as reserve-and-collect and the customer loyalty program RED by Dufry.

Benefitting from internal efficiencies and a more favorable business environment

The start of 2017 has confirmed the positive trends seen in the second half of 2016. Above all, the return to organic growth seen in the last two quarters in 2016 is continuing including the ongoing improvements we have seen in Brazil and a return of Russian tourists in selected markets. We also continue to see a reduction of currency volatility in emerging markets. Thanks to the additional efficiencies we implemented over the past 12 month, our organization is ready to perform, backed by our solid strategy.

Positive fundamentals on the global economy and the resilient growth in passenger numbers indicate a positive overall business environment. Combined with our focus on operational improvements and the already signed additional space of 22,000 m² to be opened in 2017 and beyond, we expect a successful year for Dufry.

Thank you

2016 was a very intense year for Dufry due to our internal integration projects and the definition of the new business operating model as well as unexpected external factors, which resulted in an additional workload for all our employees. I would like to thank our colleagues and teams around the globe for all the extraordinary contributions made by them – their motivation and engagement for the company have been truly exemplary.

I also thank our suppliers, landlords and business partners for their continuous support in an important year. We appreciate the increasing support in looking for new ways to expand the level of collaboration along the complete value chain of our business. We are convinced that this path will lead us to further mutual success and a beneficial development of our businesses. Finally, in the name of the senior management, I would like to thank the members of our board of directors and our shareholders for their support, trust and contribution to make our company WorldClass.WorldWide.

Best regards,



Julián Díaz González