MESSAGE FROM
THE CHAIRMAN
OF THE BOARD
OF DIRECTORS
DEAR SHAREHOLDERS

In the financial year 2018, Dufry delivered resilient results, despite a challenging market environment and volatile currency developments in some key markets. Thanks to the implementation of the new Business Operating Model (BOM) initiative and driving our digital strategy, Dufry is well prepared to tackle its next strategic steps ahead. Equally important, we have reduced leverage considerably and as a result started returning cash to shareholders through dividend payment and a share buyback program in 2018. Last but not least, the IPO of Hudson on February 1, 2018, set the basis to strategically develop our North American business.

Record levels of turnover and EBITDA.

From a performance perspective, turnover climbed by 3.7% to CHF 8,684.9 million, resulting in a new all-time high. Our geographic diversification strategy has once more proven effective, generating positive organic growth of 2.7% despite adverse trading conditions in some key markets such as Spain, Brazil and Argentina. EBITDA continued to grow, reaching CHF 1,040.3 million and achieving a record high free cash flow of CHF 617.1 million.

Operationally, Dufry focused on the implementation of the BOM initiative, pro-
viding a solid base for operational excellence. With the completion of the BOM and the implementation of our digital initiatives, we are now ready to move further in the strategic development of Dufry.

Finally, we successfully executed the initial public offering (IPO) of our North American business unit under the name of Hudson Ltd. in February 2018. While Dufry continues to own the majority of this division, the strategic flexibility provided by the listing facilitates the capturing of additional opportunities in the North American travel concessions market.

Over CHF 600 million returned to shareholders.

Consistent with our priorities on the operational side, we also deleveraged considerably in 2018 and reduced net debt by a total of CHF 400.8 million, mainly due to the strong free cash flow generation of CHF 617.1 million and the proceeds from the Hudson IPO.

In 2018, we also started to return cash to our shareholders. As an ongoing element of our revised capital allocation strategy, shareholders approved the payment of a dividend of CHF 4.00 per share for the financial year 2017, resulting in a total payback of CHF 198.7 million. Secondly, we executed a one-off CHF 401.9 million share buyback program of 3.3 million shares completed at the end of October, which we intend to propose for cancellation at the 2019 Annual General Meeting. Through both initiatives, in 2018 we returned a total of CHF 600.6 million to our shareholders. In addition, Dufry bought 877,666 treasury shares for CHF 120.8 million in the first quarter of 2018, which will be kept as treasury shares. For the financial year 2018, the Board of Directors’ proposal to the shareholders will be a dividend of CHF 4.00 per share. This dividend level will allow us to maintain the flexibility to further reduce debt or allocate capital into M&As. In this context and as outlined in our strategy, our focus will be on the highly fragmented Asian market, where we are seeking opportunities to execute small and mid-size acquisitions.

Our market capitalization at December 31, 2018, amounted to CHF 5.0 billion. Daily trading volumes on all platforms reached CHF 101.4 million, confirming the good liquidity of our shares. The SIX Swiss Exchange remains the most important trading venue for Dufry shares, despite the fragmentation of our trading volumes onto other stock exchanges. As is our tradition, we have maintained a continuous dialogue with our shareholders and the financial community in close to 1,200 meetings, conference calls and emails in 2018.

Besides our long-term shareholders, such as Travel Retail Investments, Qatar Investment Authority and Richemont, in 2018, we also welcomed new and former shareholders such as Franklin Mutual Advisors and GIC Asset Management, both with participations of above 5.0%. Together these major shareholders represent approximately 38% of our share capital and continue to strongly support Dufry through active participation.

Long-term and new shareholders supporting Dufry.

In 2018, we continued to develop the Board of Directors: Ms. Lynda Tyler-Cagni and Mr. Steve Tadler were both elected by shareholders as new members and they contribute to the strategic discussion with their
wealth of experience. Dufry’s Board of Directors has evolved considerably and we are very pleased to have increased the proportion of women on the Board as well as counting on a broad representation from different geographies, resulting in a dynamic combination of experienced long-standing board members and the fresh points-of-view of members who have joined over the past few years.

Always cognizant of changing market environments and dynamics, we announced a new simplified organizational structure in early January 2019 that will allow us to be more agile and generate additional efficiencies.

Further extended CSR engagement and reporting.

As part of our commitment to further develop CSR reporting, in 2017 we presented our first CSR report in accordance with the Core Option of the Global Reporting Initiative (GRI) Standards.

In 2018, we revised and disclosed the Dufry Code of Conduct and we have established a new Supplier Code of Conduct that we have started to share with our major suppliers. 82% of these suppliers, representing 40% of our sales, have already acknowledged the Code. We have started to extend the dialogue in 2019 with more brand partners in order to increase its reach. Moreover, we have widened the spectrum of our reporting by including more operations, as well as increasing the granularity of our KPIs.

Ongoing community engagement.

Concerning our community engagement, we continued to support disadvantaged children around the world and assist communities in markets where we operate. It is now the 9th year that we have supported the funding of SOS Children’s Villages initiatives in Brazil, Russia and Mexico. In 2018, we endorsed community projects in many other parts of the world such as Haiti, Greece, Korea, Turkey, the United Kingdom, Switzerland, the United States and Australia.

Last but not least, we renewed our support for the United Nation’s Global Goal awareness-raising campaign #YouNeedToKnow. We deployed the campaign in our shops at 34 airports around the world and reached an audience of over 55 million people traveling through these hubs in 2018.

I thank our management and employees for the immense amount of work they have done and the positive changes implemented in 2018. Their persistence and motivation has built a solid base for the further successful development of Dufry. I also thank our suppliers, landlords and business partners for their ongoing support and trust in our longstanding relationships. We also extend our thanks to our shareholders and bondholders who repeatedly foster our common vision to further develop Dufry as a WorldClass.Wide company.

Sincerely,

Juan Carlos Torres Carretero