STRONG FINANCIAL SET UP AND SOLID CASH GENERATION DEAR ALL

2021 was another challenging and dynamic year for the whole travel sector and for Dufry. From my perspective as Dufry's CFO, it was at the same time a rewarding year with positive developments and progress on our main initiatives such as the resilient cash flow performance and strong liquidity position we were able to achieve. I am also referring to the successful execution of our CHF 1.6 billion refinancing early in the year, completing the financing measures accomplished throughout 2020 already. We have exhibited continued financial discipline and managed our costs flexibly and fully in line with business recovery. We made further progress on increasing efficiencies in the finance organization with the shared service center roll-out close to completion and by advancing on the implementation of tools for automating our processes. We have continued the close engagement with our investors, analysts, banks and rating agencies – not only virtually but by resuming physical meetings and roadshows, which was among my personal highlights.

Cash flow performance above expectations.

As mentioned, our achievements in 2021 relate to the continued cost savings and our Equity Free Cash Flow performance well-above our initial expectations at the beginning of the year. Based on forecasts of industry associations and independent data providers, Dufry applied a –40% and –55% turnover scenario versus 2019 to the full-year 2021, and provided sensitivities on concession fees, personnel and other expenses as well as Equity Free Cash Flow to the investor community accordingly. Throughout 2021, Dufry was in a position to positively update the sensitivities based on the better than initially targeted execution on all items provided. Overall, Dufry achieved CHF 1,919.7 million in cost savings in 2021 versus the initial target of CHF 970 million at the beginning of 2021 in a –55% turnover scenario. Savings consist of CHF 1,077.8 million of MAG reliefs as well as of CHF 607.9 million of personnel and CHF 234.0 million other expenses savings compared to 2019.

Based on our tight cost and cash management, we concluded the year with an EFCF of CHF –33.4 million – versus the initially anticipated around CHF –480 million in a –55% turnover environment. We generated positive cash flows in the months May to October 2021, and reached same levels in Q3 and Q4 compared to the respective quarters in 2019. The negative cash flow was mainly coming from the first half of the year, where the impact from Covid was still more pronounced. While turnover versus 2020 improved by 52.9%, EFCF improved by 96.7% compared to 2020. Performance was supported by MAG reliefs received during 2021 as well as by variable cost savings and ongoing government support schemes, which came on top of the structural changes implemented in 2020. CAPEX of CHF 88.1 million came in below the initial estimate for the year. EFCF also benefitted from an inflow of working capital of CHF 75.7 million resulting from the relatively steep business recovery of selected regions in the second half of the year. We expect further working capital inflow in 2022 in line with sales normalization.

[1] For a glossary of financial terms and key performance indicators please see page 231 of this Annual Report.

Through our strong focus on cost control, we have underpinned and confirmed Dufry's cash generating capability, which allowed us to build a solid financial structure and a strong balance sheet.

Yves Gerster

2,244

CHF 2,243.9 million
liquidity as of December 31, 2021.

The cash flow performance during 2021 confirms the high variability of our expenses as well as the low capital intensity of our business, which allows for strong cash generation and fast deleveraging despite the challenging business environment. Our net debt as of December 31, 2021 amounts to CHF 3,079.5 million, a position below pre-crisis levels already.

Throughout 2020, Dufry effectively worked on several initiatives to strengthen its capital structure and liquidity position. Early in 2021, we concluded this set of initiatives by successfully executing the comprehensive refinancing of our debt positions with no material maturities until 2024. We made use of a diversified product mix including convertible bonds, senior notes and bank debt, thereby optimizing terms in the current market environment.

Dufry's capital structure strengthened.

In detail, Dufry issued CHF 500 million new convertible bonds due 2026 with a 0.75% coupon and CHF 87.00 conversion price, while early converting its existing CHF 350 million 2023 convertible bonds. Further, Dufry priced EUR 725 million 3.375% Senior Notes due 2028 and CHF 300 million 3.625% Senior Notes due 2026 used to refinance existing bank debt. The maturities for the remaining term loans have been extended to 2024. At the beginning of 2022, Dufry agreed with its lending banks on an extension of the previously agreed covenant holiday until and including June 2023. The September and December 2023 testing deadlines require a 5.0x net debt/adjusted operating cash flow before the company will return to its 4.5x net debt/adjusted operating cash flow threshold in 2024. We concluded 2021 with a strong financial position and an overall liquidity of CHF 2,243.9 million as of December 31, 2021. We are well-equipped to drive the reopening and recovery, even in a still relatively volatile environment, while having the financial flexibility to act on selected growth opportunities during and beyond the recovery.

We have ended the year 2021 with a Group turnover of CHF 3,915.4 million organically representing 46.5% of 2019 levels. The translational FX effect versus 2019 was –2.4% mainly as a result of the USD depreciation.

Turnover recovery progressing.

Regional performance
By region, turnover in Europe, Middle East and Africa was CHF 1,723.8 million in 2021 from CHF 1,144.5 million one year ago and organically representing 39.4% of 2019 levels. EMEA saw a significant step-up in July and gradual improvement ever since based on resuming of travel within the region and transatlantic routes. Best performing were the Mediterranean, including Turkey and Greece, Eastern Europe, Russia, Middle East and Africa benefitting from leisure demand and more flexible travel protocols compared to other countries in the region. Also France, Portugal, Italy, Spain, Switzerland and the UK saw an uptake since July as vaccination campaigns were progressing and authorities were implementing more convenient intra-European as well as transatlantic travel protocols. Departure destinations with inbound travel to UK benefitted from new regulations related to Brexit and duty-free quotas. Towards the end of the year, re-imposed restrictions and limited alignment between governments around the emergence of the Omicron variant resulted in a slight slowdown.

Asia-Pacific's turnover reached CHF 99.0 million in 2021 from CHF 160 million in 2020 and organically representing 15.1% of 2019 levels. APAC is still largely impacted by the respective governments' zero-case approach, and borders for inbound and outbound travel are mostly closed. Accordingly, shops in Dufry's Asia-Pacific locations such as Hong Kong are closed, or operating at very low levels in line with flights and passenger movements. Since the end of 2021, Australia, Cambodia, Singapore, Malaysia and Macau started to release restrictions and to allow a soft opening of travel. As soon as restrictions are further lifted, demand is expected to show a fast rebound.

The America's turnover stood at CHF 1,728.5 million in 2021 versus CHF 1,141.7 million in 2020 organically representing 53.7% of 2019 levels. North America, especially the US, performed above group average due to the higher exposure to domestic travel. Intra-regional travel from the US to Central America as well as the opening of the transatlantic route in November were also supportive. The performance was driven by Hudson convenience stores, food and beverage and other duty-paid offerings. Central America and Caribbean, including Mexico, Dominican Republic and the Caribbean Islands, were performing robustly as well, driven by intra-regional travel from the US and South America as well as international travel as more flexible travel conditions met continued demand. The cruise business, located in the region, continued to be impacted. South America started to trend upwards in the second half 2021, especially in Argentina, Colombia and Ecuador, in line with vaccination progress and an improved health situation.

Retail margin
not impacted.

While Group turnover recovery expectations might have been slightly higher at the beginning of 2021, we have seen strong uptake in demand as soon as restrictions were lifted and travel could resume conveniently. This gives us confidence for the mid-term view and on our offering being an integral part of the overall travel experience. Travelers' propensity to spend increases for certain product categories and offerings. Dufry made further progress on innovative, exclusive, and sustainable products, as well as attractive promotions and offerings in fast-recovering categories like convenience or food & beverage.

Gross profit
Gross Profit amounted to CHF 2,211.0 million in FY 2021 compared to CHF 1,377.3 million in FY 2020, reaching a 56.5% margin from 53.8% in the previous year. Margin was temporarily affected by the turnover mix, by continued short-term inventory management through wholesale as well as by higher duty and freight ratios. The main impact relates to the supply of Dufry's Hainan collaboration in China through the Hong Kong distribution center, which has largely handed over the supply to the local JV at the beginning of 2022. Excluding this temporary impact, the retail margin even increased by 1.2% as compared to 2019, and we expect a normalization of our Gross Profit margin in line with business recovery.

Lease Expenses
Dufry received in 2021 MAG reliefs of CHF 1,077.8 million, related to the period affected by the pandemic. MAG reliefs refer to waiving of fixed rent components and implementing variable concession schemes instead. Of the total MAG reliefs received, CHF 847.1 million were accounted as "MAG reliefs" under "lease expenses" in the 2021 P&L. The remaining part refers to de-recognition or accounting modifications, leading to lower Depreciation of Right of Use Assets and lower lease interest in 2021 and going forward.

D&A
In addition, D&A in 2021 was also impacted by impairments. Shop closures in 2020 and some ongoing volatility in regard to passenger traffic in 2021 have affected actual turnover, as well as projections. Purchase acquisition accounting required almost mechanically impairments in an unprecedented year such as 2020, overall CHF –1,193.1 million. For 2021, some additional impairments of net CHF 280.5 million have been realized due to ongoing limited visibility in some of the operations. However, those impairments mostly relate to depreciable and amortizable assets, and only represent a timing shift in this regard, resulting in lower D&A going forward. Please refer for the full overview on 2021 D&A to pages 155–156 of this report

Adjusted Operating Profit and Net Profit
Adjusted Operating Profit (adjusted EBIT) was at CHF 374.9 million in 2021 versus CHF –1,561.6 million the same period of 2020. Adjusted Net Profit to Equity Holders reached CHF 23.4 million in 2021 versus CHF –1,658.4 million in the same period last year. The respective adjusted Earnings per Share (EPS) based on 87.8 millions of weighted average shares outstanding was CHF 0.27 in the period versus CHF –28.4 in the previous year. Dufry's adjusted key performance indicators reflect the operational performance of the respective year and exclude exceptional expenses and income such as acquisitions, divestures, impairments and amortization of acquisition-related intangible assets, which can differ significantly from year to year. With the Annual Report 2021, we have improved our disclosure around our alternative performance measures, providing additional commentary on the definition and rationale; please see pages 231–234.

Adjusted Operating Cash Flow
Adjusted operating cash flow reached CHF 147.1 million in 2021 compared to CHF –405.9 million in 2020. Adjusted operating cash flow represents one of our main KPIs, recognizing the full amount of concession fees for the period. Based on a similar concept, it can be considered as a proxy for pre-IFRS 16 EBITDA. Please see page 233 of our Annual Report for further details and full reconciliation.

Strong Stakeholder Relations.

Throughout 2021, we engaged in more than 1,700 meetings, calls and interactions with our equity and debt investors, analysts and rating agencies. We strive to continue the dialogue and close relationships, and thoroughly consider your feedback on our business and investor relations. I would also like to emphasize the progress we made within our ESG implementation strategy in all our focus areas. In particular, we defined science-based targets (SBT) to achieve climate neutrality by 2025 for scopes 1 + 2 and to considerably reduce carbon footprint of scope 3 emissions. We are continuing to evolve our ESG efforts as an integral part of our overall strategy, and are looking forward to continue to engage with you on related topics. Please visit also the ESG Report on pages 73–109.

At this point, I would like to welcome Deloitte as Dufry's newly appointed auditor as approved by our shareholders at our AGM 2021, and thank them for their support with the 2021 Annual Report.

Well positioned for 2022.

Considering all measures taken throughout 2021, we expect to be well positioned for the re-opening and growth acceleration beyond the current crisis. We expect a further stabilization of the business in 2022 while we continue to engage in opportunities ahead of us: new or renewed concessions, channel and regional diversification, expanded product offerings, or digitalization. Visibility regarding a full recovery to 2019 turnover levels is still limited, with industry associations now estimating a full recovery of passenger numbers to a 2019 level between the end of 2023 and 2024. Nevertheless, based on our strong cash conversion capabilities and with the current liquidity position, we are confident for the years ahead.

I would like to thank our customers, shareholders, bondholders, banks, analysts, rating agencies, business partners and key advisors for their continued trust in Dufry and their ongoing support to initiate and execute the right measures helping us to emerge stronger and be in the best position to take advantage of the opportunities we see on our way ahead.

Kind regards,

Yves Gerster