

News Release

Basel, November 03, 2020

**Continued gradual improvements in Third Quarter 2020,
with Dufry successfully implementing strategic initiatives and
increased efficiencies**

- **Turnover reached CHF 2,073.9 million with organic growth¹ -67.8% during the nine months of 2020, and CHF 487.0 million with organic growth -79.7% for Q3 2020**
- **Further costs savings² in Q3 2020 reaching a total CHF 760 million in the nine months 2020 yoy, in line to reach the total savings target of around CHF 1 billion for full-year 2020**
- **New organization implemented; Hudson reintegration and Group restructuring to be finalized in Q4 2020, generating recurring cost savings of at least CHF 400 million**
- **Successful execution of rights issue, with Advent International and Alibaba Group taking a stake in Dufry, generating total gross proceeds of CHF 890 million to be used to finance Hudson buy-out and for strategic growth opportunities**
- **Dufry and Alibaba Group in process of setting up strategic joint-venture for travel retail in China and digital transformation by the end of 2020**
- **Confirmation of cash flow scenarios for H2 2020, with cash consumption of CHF 51 million in Q3 2020 and liquidity position of CHF 2,065 million as of end September pro-forma (including net proceeds from capital increase and cash outflow from Hudson Transaction)**

Julián Díaz, CEO of Dufry Group, commented: “Today, we are standing as a stronger and more resilient company than three months ago for three specific reasons. First, we have reached final stages in the implementation of our restructuring initiatives and group-wide reorganization, which include the full reintegration and delisting of our Hudson business in North America, which we expect to close in the fourth quarter of this year. Besides adding agility and simplifying the daily operational management of the company, these initiatives will allow us to reach significant cost reductions of CHF 1 billion in 2020, of which at least CHF 400 million are resilient structural savings also enduring in 2021 and beyond.

Second, with the total gross proceeds of CHF 890 million we have raised through the rights issue process, we have considerably strengthened our financial position and increased our flexibility to act on growth opportunities including new concession contracts and strategic partnerships. I would like to thank our existing shareholders and our new partners Advent International and Alibaba Group for their trust and support of the company’s long-term strategy and path towards recovery to emerge as a more efficient travel retail company.

¹ Organic growth in constant exchange rates (CER)

² Compared to 9M 2019, including reductions on personnel expenses, other expenses, and minimum annual guarantee waivers

Third, the collaboration with Alibaba Group, for which we are currently setting up a Joint-Venture company in China, will not only allow us to further develop travel retail in China but also to accelerate Dufry's digital transformation globally. This is a considerable contribution in driving our e-motion strategy to increase customer touch-points and engagement along their journey. We will keep you informed on the progress of the collaboration and the opportunities identified.

With respect to the current performance, our business and the travel retail industry remain particularly exposed to the dynamic macroeconomic situation and the travel restrictions. We have seen an encouraging travel uptake in July and August, with a plateauing in September caused by the increased quarantines imposed by certain countries. Nevertheless, the comprehensive set of actions implemented in 2020 in close alignment with our landlords, suppliers and other business partners as well as our current liquidity position will allow Dufry to comfortably endure even a prolonged recovery.

I would like to express again my personal gratitude to our employees, who continue to support the company through this challenging time and are embracing the new organization and ways of working with a high motivation. Their resilience and commitment have allowed us to quickly adapt the company to the new environment while also engaging in opportunities and new partnerships. Sadly, we have colleagues who were infected and I want to remember them and their families globally. We will continue to take all necessary steps to provide our employees with a safe working environment."

TURNOVER

The third quarter 2020 saw a turnover performance of -79.7% in constant exchange rates (CER) versus Q3 2019, reaching CHF 487.0 million versus CHF 2,501.9 million in Q3 2019. Organic growth was -79.7%, with like-for-like performance reaching -76.9% due to the reduced passenger traffic across most airports and other travel-related channels globally. Contributions from net new concessions amounted to -2.8%. The translational FX effect in the period was -0.8%, mainly as a result of the USD weakness, only partly offset by other main currencies.

Summarizing the first nine months of 2020, turnover reached CHF 2,073.9 million versus CHF 6,682.0 million in the same period in 2019, representing a decrease of -67.8% in CER, and organic growth was -67.8% as well as no change in scope. The translational FX effect in the period was -1.2%. Net sales did not significantly deviate compared to prior year or quarter by segment, channel or product category.

Turnover Growth	Q3 '20	Q3 '19	9M '20	9M '19
Like for Like	-76.9%	1.3%	-64.9%	0.1%
New concessions, net	-2.8%	2.8%	-2.9%	2.8%
Organic Growth	-79.7%	4.1%	-67.8%	2.9%
Change in Scope ³	-	-	-	-
Growth in constant FX	-79.7%	4.1%	-67.8%	2.9%
FX Impact	-0.8%	-2.5%	-1.2%	-1.1%
Reported Growth	-80.5%	1.6%	-69.0%	1.8%

³ No changes in overall retail space ("scope"), as positive contribution of the acquisitions of RegStaer Vnukovo (Russia) and the Brookstone airport stores (US), conducted in November and October 2019 respectively, offset by disinvestments in 2019 (defined as closure of all operations in a specific location).

REGIONAL PERFORMANCE

Following the [reorganization](#) announced in June, Dufry started to report under a new organizational setup as of September 1, 2020. Headquarters and divisions were integrated and countries have been grouped to better align the organization to the new business environment, to increase efficiencies and simplify the decision-making processes. In line with operational management Dufry reports the aligned regional setup from Q3 2020 onwards. Historical information under the new organizational setup has already been published and is available on Dufry's [website](#).

Turnover, in CHF million	Q3 2020	Q3 2019	Reported Growth	Organic Growth
Europe, Middle East and Africa	274.5	1,376.6	-80.1%	-80.2%
Asia Pacific	17.1	164.3	-89.6%	-88.8%
Central and South America	61.0	375.8	-83.8%	-82.7%
North America	121.6	515.3	-76.4%	-74.9%
Distribution Centers	12.8	69.9	-81.7%	-78.0%
Dufry Group	487.0	2,501.9	-80.5%	-79.7%

Turnover, in CHF million	9M 2020	9M 2019	Reported Growth	Organic Growth
Europe, Middle East and Africa	952.1	3,364.9	-71.7%	-70.6%
Asia Pacific	134.5	525.3	-74.4%	-72.7%
Central and South America	390.6	1,137.6	-65.7%	-64.5%
North America	513.8	1,469.8	-65.0%	-63.9%
Distribution Centers	82.9	184.4	-55.0%	-39.4%
Dufry Group	2,073.9	6,682.0	-69.0%	-67.8%

Europe, Middle East and Africa

The third quarter 2020 saw an organic growth performance of -80.2% versus Q3 2019, reaching CHF 274.5 million versus CHF 1,376.6 million in Q3 2019. Performance improved in July and August across most locations in Europe, especially in Southern Europe at the beginning of August with the peak of the summer holidays and supported by the lifting of travel restrictions. From end-August onwards, some countries such as Spain, France, and UK saw increased Covid-19 cases, resulting in renewed travel limitations, which were more broadly put in place across Europe starting end of September. The Mediterranean region, but also Eastern Europe, Russia and the Middle East remained less impacted and performed above average for the region.

Asia-Pacific

Turnover amounted to CHF 17.1 million in Q3 2020, versus CHF 164.3 million in the same period in 2019. Organic growth reached -88.8% as Dufry's footprint in the region is geared towards international travel, which is still highly impacted. The majority of shops in Dufry's Asia-Pacific locations were still closed, including Australia, Cambodia, Indonesia, Singapore and South Korea. China is recovering more strongly in the region and globally, driven by the significantly increasing demand in domestic travel since Q2, and Dufry benefitted with its portfolio of duty-paid businesses.

Central & South America

Turnover was CHF 61.0 million in Q3 2020 as compared to CHF 375.8 million one year earlier, with organic growth coming in at -82.7%. Central America and Caribbean, including Mexico, Dominican Republic and the Caribbean Islands, are performing more robust compared to all other regions, driven by intra-regional travel from the US and South America, especially during the summer months, and continued demand due to more flexible travel conditions. The cruise business remains heavily impacted. South America saw demand pick-up amid border shop openings and increase of domestic

travel with duty-paid businesses performing better compared to duty-free operations, and airports lacking behind other channels.

North America

Turnover reached CHF 121.6 million in Q3 2020 compared to CHF 515.3 million in third quarter 2019, and organic growth was -74.9% in the period. The region, especially the US, performed above group average due to the higher exposure to domestic travel and steadily increasing passenger numbers, despite some weather-related negative impacts in the quarter. Intra-regional travel from the US to Central America was also supportive. Canada remained negatively impacted due to a higher exposure to international flights and ongoing restrictive measures. The performance was driven by Hudson convenience stores, food and beverage and other duty-paid offerings.

The regional net sales split saw Europe, Middle East and Africa contributing with 57%, Asia Pacific with 4%, Central & South America with 12% and North America with 25%. Global distribution centers accounted for 2% of Q3 2020 net sales.

BUSINESS DEVELOPMENT

Dufry continues to deploy capital expenditures (CAPEX) in accordance with its business requirements and recovery trajectory, and confirms to spend around CHF 100 million in full-year 2020. The total gross retail space opened during 9M 2020 accounted for 4,700 m² or 1% of overall retail space operated by Dufry. New shops were opened, among others, in Odessa (UKR), Singapore (SG), [Salt Lake City](#), and Boston (US). Shops in Corfu, Mykonos, Thessaloniki (GR), Antalya (TUR), Belgrade (SRB), Nashville (US), among others, were refurbished, accounting for 10,500 m² or 2.3% of overall retail space operated by Dufry.

Dufry was awarded a [new 12-year concession contract](#) at Istanbul Sabiha Gökçen International Airport, the second busiest airport in Turkey and the closest one to Istanbul city centre. From Q4 2020 onwards, Dufry will operate a total of 3,900 m² of duty-free and specialty shops. Sabiha Gökçen International Airport will increase its operational capacity from today's 41 million to 65 million passengers by 2024. The new concession further consolidates Dufry's footprint in Turkey, and projected passenger growth and passenger profile making it an important operation for Dufry.

For full-year 2020, Dufry's expects to deliver around 23,000 m² of new and refurbished space, consisting of around 90 shops. This represents growth of around 5% compared to existing retail space. Current status of the delivery of retail areas is as follows:

- 11,750 m² of new space with 4,700 m² executed YTD Q3 2020
- 11,250 m² of refurbished space with 10,500 m² executed YTD Q3 2020
- Current pipeline opportunities stand at 29,035 m² as of October 2020

FINANCING INITIATIVES

As part of its re-organization to further simplify its corporate structure and to achieve material structural savings of at least CHF 400 million, Dufry announced to [acquire](#) all remaining equity interest in Hudson for approximately CHF 295 million and to delist the company from the New York Stock Exchange. Dufry's shareholders approved the financing of the Transaction through a capital increase by way of a rights offering at Dufry's [Extraordinary General Meeting](#) (EGM). Pending Hudson shareholders' approval and regulatory consent from the respective authorities, the Transaction and the delisting are expected to close in the fourth quarter of 2020.

Dufry successfully [concluded](#) the capital increase on 22 October with the settlement and first trading day of the newly issued shares. 24,696,516 new shares were issued at a price of CHF 33.22, and Dufry entered into an additional agreement under which Alibaba Group shall invest CHF 69.5 million in

Dufry via mandatory convertible notes, generating total gross proceeds of CHF 890 million. The proceeds will be used in part to finance the acquisition of all remaining shares of Hudson as well as for general corporate purposes, including projects and partnerships supportive for the future growth of the company.

As part of the capital increase, Dufry had secured commitments for participation from Advent International and Alibaba Group. Immediately following the closing of the offering, Advent International owned a stake of 11.4% in Dufry and Alibaba Group of 6.1%. Advent International and Alibaba Group have agreed to a lock-up period of six months following the first day of trading of the new shares.

Dufry has already concluded a comprehensive set of initiatives to strengthen its capital structure and liquidity position earlier this year. As of September 30, 2020, net debt amounted to CHF 3,735 million compared to CHF 3,659.4 million compared as of June 30, 2020, and CHF 3,101.9 million at the end of December 2019.

Dufry's liquidity position amounted to CHF 2,065 million as of September 30, 2020 pro-forma, including:

- Net proceeds from rights issue and mandatory convertible notes⁴ of CHF 867 million
- Cash outflow related to Hudson Transaction of CHF 295 million
- Cash and cash equivalents of CHF 748 million
- Available credit lines of CHF 745 million

Cash consumption, defined as equity free cash flow, stood at CHF 51 million in Q3 2020. Including the above-mentioned proceeds related to the capital increase and the cash outflow for finalizing the Hudson Transaction, pro-forma net debt as of September 30, 2020, stood at CHF 3,171 million.

SET UP OF STRATEGIC JOINT-VENTURE WITH ALIBABA GROUP

Dufry announced a [Joint-Venture with Alibaba Group](#) to jointly explore and invest in opportunities in China to develop the travel retail business and to enhance Dufry's digital transformation. The JV is in the process to be set up by the end of 2020 as a Chinese incorporated entity with Alibaba Group holding an ownership of 51% and Dufry of 49%. Alibaba will bring in its established network in China and its digital capabilities while Dufry will contribute to the JV its existing travel retail business in China, and will support the JV with its supply chain and strong operational skills. The governance structure and initial projects will be announced in due course. First operations are expected to start in H1 2021.

OUTLOOK

Given the current context and the low visibility to provide business forecasts, the company had already withdrawn guidance for full-year 2020 in its [Q1 Trading Update](#) in May. Dufry has implemented several measures to reduce cash outflows to a minimum, which are tightly controlled by a dedicated team at Group level. These initiatives include reductions in concession fees, personnel expenses and other expenses in line with the turnover and cash flow scenarios as [communicated with HYR 2020](#). Dufry expects to generate around CHF 1 billion in cost savings in full year 2020, of which around CHF 500 million are expected to be in the form of MAG reliefs related to the year ending December 31, 2020.

⁴ Net proceeds from mandatory convertible notes of CHF 68.4 million still to be received.

As some of those contract amendments include concession fee adjustments beyond June 30, 2021 or involve other changes in terms, Dufry will account for these reliefs as lease modifications in the year ending December 31, 2020 and will reflect these MAG reliefs as modifications of the underlying contracts with related changes in Right of Use (RoU) assets and lease liabilities. This is expected to result in a lower amortization of Dufry's RoU assets in future periods.

In line with the turnover scenarios provided, Dufry expects personnel expense reductions of around CHF 450 million in 2020, and around CHF 300 million cost reductions in 2021 due to a permanent restructuring, a decrease of around 35% and 25% compared to 2019 respectively. Dufry has recognized a provision in the amount CHF 62.7 million for restructuring related expenses as of September 30, 2020.

Other expenses related cost reductions for 2020 are expected to account for around CHF 230 million, for 2021 for at least CHF 100 million, a decrease of around 40% and 20% compared to 2019 respectively. In addition, Dufry has taken action with respect to capital expenditures, with expected cash savings of around CHF 145 million in full year 2020.

Based on information available to management, Dufry confirms its [previously communicated](#) cash flow scenarios for H2 2020, in particular:

- Average monthly cash outflow in the second half of the year of approximately CHF 60 million if full-year 2020 turnover decreases 70% compared to full year 2019 turnover;
- Average monthly cash flow break-even in the second half of the year if full-year 2020 turnover decreases 60% compared to full-year 2019 turnover

Those scenarios include changes in trade payables, trade receivables and inventory, but no other working capital changes.

In line with easing of travel restrictions and resuming of operations by airports and other landlords, Dufry re-opened its retail businesses gradually, following single-location productivity scenarios. As of end October, more than 1,350 of Dufry's approximately 2,500 shops globally were open, representing around 70% in sales capacity compared to full-year 2019. Newly opened locations include around 20 locations in the US, including Las Vegas, Orlando, Miami, Chicago, Oakland, or Tampa; stores in Bangalore, Buenos Aires, Cancun, Colombo, Greece, Helsinki, Jordan and Toronto. At the end of November, Dufry expects to operate around 60% of shops, representing 73% of sales capacity.

In October (until October 25, 2020), Dufry estimates organic growth to have reached -76.4% compared to the same month last year. By region, estimates for Europe, Middle East and Africa are -78.4%, for Asia Pacific -84.8%, Central and South America -75.7% and for North America -71.6%.

During the six months ended June 30, 2020, Dufry recorded total impairment charges of CHF 340.6 million. Based on the current business environment and there being no assurance as to how long closures, disruption or deterioration of shops may remain in effect, Dufry expects to perform additional impairments in the second half 2020.

With the successful financing measures implemented since April 2020, the support of Dufry's existing and important new shareholders, the finalization of its reorganization and restructuring as well as the financial and managerial flexibility to engage in strategically relevant initiatives and growth opportunities, Dufry expects to be well positioned to drive recovery and growth acceleration beyond the current crisis.

For further information, please contact:

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Dufry Group – A leading global travel retailer

Dufry AG (SIX: DUFN) is the leading global travel retailer operating over 2,500 duty-free and duty-paid shops in airports, cruise lines, seaports, railway stations and downtown tourist areas, in more than 420 locations in 65 countries across all six continents.

The Company, founded in 1865 and headquartered in Basel, Switzerland, is offering customers a first-class shopping experience, global brands, a unique market access and landlords a reliable, value-enhancing partnership. To learn more about Dufry, please visit www.dufry.com.



**SOS CHILDREN'S
VILLAGES**

Social Responsibility

Dufry cares for children and supports social projects from SOS Kinderdorf in Brazil, Cambodia, Mexico, Morocco and Ivory Coast. SOS Children's Villages is an independent, non-political and non-demonstrational organization established for orphaned and destitute children all over the world.