MOST CHALLENGING YEAR ENDS WITH STRONG LIQUIDITY

DEAR ALL

2020 was a challenging year for the travel retail industry. Dufry's results were heavily impacted by COVID-19, with turnover reaching CHF 2,561.1 million and organic growth of –69.8%. Our company had to deal with temporary and alternating closures of the majority of its operations in the second quarter 2020, with re-openings having started gradually from June onwards. Due to both, the closures forced by governmental travel restrictions and the low visibility on the pandemic's extent and duration, we had to react quickly and decisively across all levels of the organization and in close collaboration with our stakeholders such as landlords, global brands and suppliers, employees, banks, and our bond- and shareholders. Despite these challenges, we succeeded in significantly reducing our recurring cost base, organizational complexity and average monthly cash consumption and built a strong financial position of CHF 1,905.7 million in liquidity as of end-December 2020.

Dufry's capital structure strengthened.

Throughout 2020, Dufry worked on several strategic and financial initiatives. In March, we immediately implemented an action plan which included initiatives to accelerate sales volumes, stop inventory build, reduce personnel and other expenses as well as renegotiating rents to safeguard profitability, secure cash flow generation and protect liquidity.

Based on forecasts of industry associations and independent data providers, Dufry applied a -40%, -55% and -70% turnover scenario versus 2019 to the full-year 2020, and provided guidance on concession fees, personnel and other expenses accordingly. At the earliest point, we were able to reduce our average monthly cash consumption to CHF 70-75 million in a zero-sales worst-case scenario. Average monthly cash outflow has been better throughout the second half of 2020.

In April 2020, Dufry announced initiatives to strengthen its capital structure and liquidity position. Dufry successfully placed CHF 350 million in senior bonds due 2023, conditionally convertible into shares, with maturity on May 4, 2023, and 5,000,000 new shares out of existing authorized capital as well as 500,000 treasury shares, generating gross proceeds of CHF 151.3 million.

The company also secured commitments from some of its lending banks based on a term sheet for an approx. CHF 397.0 million 12-months facility with two 6-months extensions, which allowed Dufry to convert current uncommitted into committed facilities. Dufry also secured access to a total of CHF 205.0 million of COVID-19-related government-backed loans in different jurisdictions.

Dufry entered into an agreement with its bank consortium to waive the existing financial covenants of 4.5x net debt/adjusted operating cash flow (LTM/constant FX) until end of June 2021 and assign a higher leverage covenant of 5x net debt/adjusted operating cash flow (LTM/constant FX) for the September and December 2021 testing periods.

Dufry also recommended to shareholders to cancel the 2020 dividend payment to reduce short-term cash outflows in this unprecedented situation; the Annual General Meeting granted the motion in May 2020.

[1] For a glossary of financial terms and key performance indicators please see page 239 of this Annual Report.

1,906

CHF 1,905.7 million liquidity as of end December 2020.

During Q2 2020, the COVID-19 pandemic had spread globally and it became clear that short-term disruptions were ongoing, while mid-term impacts were unpredictable. Based on preparations for a Group-wide efficiency program initiated in 2019 and with implementation planned from 2020 onwards, we decided to accelerate the reorganization of the company to adapt it to the new business environment. Our cash consumption, defined as EFCF, during the first half 2020 was mainly attributable to concession fee payments, inventory build and tax, whereas during the rest of the year, cash consumption, was significantly reduced to a monthly average of CHF 45.7 million in the second half of 2020. For the full year 2020 we achieved savings of CHF 1,312.1 million consisting of MAG reliefs of CHF 551.4 million, personnel and other expense savings of CHF 527.3 million and CHF 233.4 million respectively, significantly overachieving the previously communicated target of around CHF 1 billion.

Significant structural cost savings.

We expect to generate structural savings of around CHF 400 million, with around CHF 280 million from personnel costs and around CHF 120 million from other expense savings, not including some inflation in the mid-/longer-term.

As part of our reorganization to further simplify our corporate structure, we acquired all remaining equity interest in Hudson for approximately CHF 280 million, and delisted 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) in October, and the transaction was closed in December 2020. The North-American business was already fully consolidated by Dufry before the transaction and delisting; the reintegration contributes materially to the anticipated cost savings.

Sufficient liquidity to navigate crisis.

As part of the capital increase in October, Dufry had secured participation commitments from two new important shareholders 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%. Dufry entered into an additional agreement, under which Alibaba Group invested CHF 69.5 million in Dufry via mandatory convertible notes, generating total gross proceeds of CHF 890 million through the capital increase. The liquidity position of Dufry at the end of December 2020 amounted to CHF 1,905.7 million, giving us enough stability to navigate the crisis and financial flexibility to act on selected growth opportunities during and beyond the recovery.

Financial performance impacted.

Turnover
In 2020, turnover reached -69.8% versus 2019 in constant currency, mainly impacted by the pandemic-related travel restrictions. Organic growth for the year stood at -69.8% with like-for-like at -67.2% due to reduced passenger traffic across most airports and other travel-related channels globally. Net new concessions represented -2.6%. The translational FX effect in the period was -1.3% mainly as a result of the USD weakness.

Despite the shift in travel behavior due to restrictive measures – more domestic and intra-regional travel, strongest decline in international and business – the category mix remained nearly unchanged compared to FY 2019 with highest demand for perfumes & cosmetics, followed by food & confectionary. Duty-paid gained in demand driven by domestic and intra-regional travel, with no significant channel shift despite travel restrictions.

Turnover in **Europe, Middle East and Africa** was CHF 1,144.5 million in 2020 from CHF 4,434.2 million one year ago. Organic growth in the division reached -73.2%.

Performance improved in July and August across Europe, especially in Southern Europe 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 the UK saw increased COVID-19 cases, resulting in renewed travel limitations put in place more broadly from end of September onwards. The Mediterranean region, but also Eastern Europe, Russia, the Middle East and Africa performed above average for the region, driven by less restrictions and available travel corridors, e.g. between Russia and Turkey.

Asia-Pacific's turnover reached CHF 160.0 million in 2020 from CHF 691.6 million in 2019 and organic growth for the year stood at –75.4 %, as Dufry's footprint in the region is geared towards international travel, which is still highly impacted. The APAC region was the first impacted and closing borders for inbound and outbound travel as the pandemic appeared in the region. The majority of the shops in Dufry's Asia-Pacific locations were closed, including Australia, Hong Kong, Indonesia, Malaysia, South Korea, as conditions were not beneficial for international travel.

Central and South America's turnover stood at CHF 497.3 million in 2020 versus CHF 1,536.1 million in 2019, with organic growth in the region reaching –65.8% in the year.

Central America and Caribbean, including Mexico, Dominican Republic and the Caribbean Islands, were performing more robustly compared to all other regions, 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, was heavily impacted. South America saw demand pick-up in the fourth quarter amid border shop openings and increase of domestic and intra-regional travel, with re-openings in Argentina, Brazil, Peru, among others.

Turnover in **North America** amounted to CHF 644.4 million compared to CHF 1,935.8 million in 2019 and organic growth came in at -65.3 % in the year. The region, especially the US, performed above group average due to the higher exposure to domestic travel. Intra-regional travel from the US to Central America was also supportive. Our operations in 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.

FINANCIAL RESULTS

Gross profit

Gross Profit reached CHF 1,377.3 million in 2020 compared to CHF 5,323.2 million in the previous year, reaching a Gross Profit margin of 53.8%. Our Margin was affected by the turnover mix from the retail versus the wholesale business, short-term inventory management through wholesale and promotions, and a higher duties and freight ratio. One-time inventory write-offs related to the heavily impacted cruise business and liquidation programs performed during 2020 accounted for 350 base points. Purchasing prices have not been affected by the pandemic and we expect a normalization of our Gross Profit margin throughout 2021 and 2022.

Adjusted Operating Profit (Adjusted EBIT)

Adjusted Operating Profit (adjusted EBIT) was at CHF −1,561.6 million in 2020 versus CHF 767.7 million the same period of 2019.

Lease expenses reflected an income of CHF 8.0 million in 2020 compared to CHF −1,372.9 million in 2019. Expenses decreased due to lower level of sales and COVID-19 related reliefs of minimal guaranteed amounts (MAG) negotiated with airport authorities and landlords. MAG reliefs refer to waiving of fixed rent components and implementing variable concession schemes instead, or to adjusting fixed MAGs to lower passenger numbers as well as reduced flights and operating hours. Up to December 31, 2020 we were able to close several lease obligation agreements releasing about CHF 551.4 million of MAGs, thereof CHF 380.3 million recognized in the 2020 P&L statement as MAG reliefs, with the remainder subject to different IFRS-16 accounting treatments and recognition over time. In our pursuit of the best result for Dufry, many concession negotiations included changes in terms not covered by the IFRS 16 expedient, thus resulting in a lease modification, i.e. reduced right-of-use assets and lease obligations generating lower depreciations in future periods rather than the recognition of the MAG relief in 2020.

Personnel expenses amounted to CHF -716.0 million in 2020, from CHF -1,243.3 million one year earlier, thus representing a decrease of -42.4% compared to 2019. Savings were driven by our efficiency program, which included reducing costs at all levels, making use of government support schemes whenever possible, as well as the implementation of voluntary salary reduction schemes. Personnel expenses include CHF 73.3 million for restructuring accrued in 2020.

Other expenses net reached CHF −328.2 million in 2020 versus CHF −561.6 million in the same period last year. The decrease of −41.6% compared to 2019 reflects our initiatives to reduce as much as possible all operating expenses and other cost items, as well as the effect of implementing the centralized OPEX management as part of the our Group re-organization.

Total savings 2020 amounted to CHF 1.3 billion.

Depreciation, amortization and impairment amounted to CHF -2,841.9 million in 2020 versus CHF −1,777.0 million last year. The increase is related to the recognition of impairments of CHF −1,193.2 million in 2020 as a consequence of the pandemic, whereof CHF −443.1 million are impairments on right-of-use assets and CHF −712.8 million refer to impairments on acquisition-related intangible assets. Nearly all our shops worldwide were required to close to help curb the spread of COVID-19 or have been subject to very low passenger traffic, all these affecting severally the actual turnover, as well as projections. An overall amount of CHF 1,024.8 million of impairments is related to depreciable and amortizable asset, and represent a timing shift in this regard. Only CHF 131.1 million are related to goodwill impairments, which were already disclosed with half-year 2020. As we have grown heavily in the past through acquisitions, future cash flow inherent to the corresponding concessions are capitalized on our balance sheet based on the purchase acquisition accounting. In a unprecedented year like this, these cash flows have not crystalized, leading almost mechanically to impairments.

Net Profit

Net Profit to Equity Holders reached CHF -2,513.7 million in 2020 versus CHF -26.5 million in the same period last year. Financial results (excluding Lease Interest and FX) amounted to CHF −191.8 million versus CHF −127.6 million in the previous period, due to one-off expenses related to financing measures, as well as lower interest income.

Income tax reached CHF 130.7 million versus CHF −78.2 million last year, driven by the loss situation of most of operations. Minorities were CHF –226.8 million for 2020 versus CHF 56.6 million last year.

Adjusted Net Profit reached CHF –1,658.4 million in 2020 versus CHF 349.3 million last year. The respective adjusted Earnings per Share (EPS) based on 58.5 million of weighted average shares outstanding was CHF –28.4 in the period versus CHF 7.00 in the previous year.

Cash flow
Cash flow metrics proved relatively resilient considering the significant drop in sales caused by the pandemic-related shop closures. Adjusted operating cash flow reached CHF –405.9 million in 2020 compared to CHF 960.0 million in 2019. Equity Free Cash Flow stood at CHF –1,027.3 million in 2020 compared to CHF 383.3 million in the previous year.

Net lease payments in full-year 2020 amounted to CHF –401.8 to million versus CHF –1,263.7 million last year. The reduction was driven by reliefs received from landlords.

Changes in working capital reached CHF –313.9 million in 2020, compared to CHF –24.4 million in 2019; changes in core working capital amounted to CHF –155.2 million compared to CHF 22.4 million in 2019. The main drivers for the variation were the decrease in trade payables of CHF –462.4 million with full payments to suppliers in Q4 2020 as well as other accounts payable due to a decrease in accrued concession fee payables of CHF –98.4 million. Inventories decreased by CHF –296.3 million due to inventory restructuring and efficiencies in liquidations. We expect a working capital inflow in 2021, with a full reversal with sales normalization.

Capex was significantly reduced from CHF –245.3 million in 2019 to CHF –106.0 million in 2020, as we put Capex investments on hold as much as possible since March 2020 and by adapting our overall Capex deployment approach. Therefore, Dufry expects no catch-up in Capex in the short- or mid-term.

Net Debt and Liquidity Position
Net Debt amounted to CHF 3,344.2 million at the end of December 2020 compared to CHF 3,102.0 million in December 2019. Our liquidity position stood at CHF 1,905.7 million as of December 31, 2020, including:
- Cash and cash equivalents of CHF 360.3 million
- Available credit lines of CHF 1,441.3 million
- Available uncommitted lines of CHF 104.1 million

Considering all measures taken throughout 2020, we expect to be well positioned for the re-opening and growth acceleration beyond the current crisis. For 2021, we provide again, as for Full-Year 2020, turnover scenarios to the market, which are in line with estimates of leading industry associations. Scenarios and respective sensitivities for concession fees, personnel expenses, other expenses, Capex as well Equity Free Cash Flow are provided in our Full-Year 2020 on Dufry's Investor Relations website.

Managing costs and cash flow in 2021.

We expect a stabilization of the business in 2021 while we engage in opportunities ahead of us: growth opportunities in Asia, through digitalization, further channel diversification, and new or renewed concessions in established channels. Visibility regarding a full recovery to 2019 turnover levels is still limited, with industry associations estimating a full recovery of passenger numbers to a 2019 level between the end of 2022 and 2024. However, based on the efficiencies created through our reorganization, our cost saving targets and tight cash management, we expects a return to 2019 profitability and cash generation levels even before full turnover recovery.

I would like to thank our customers, shareholders, bondholders, banks, analysts and key advisors for their continued trust in Dufry and their support throughout this difficult year, to initiate and execute the right measures to help us emerge stronger and be in the best position to be able to take advantage of the opportunities we see on the way ahead.

Kind regards,

Yves Gerster