DUFRY

CHAIRMAN LETTER

ANNUAL GENERAL MEETING **2022**

May 17, 2022

CHAIRMAN LETTER
DEAR SHAREHOLDERS,

Looking at our global business, we are in a much better situation today than we were a year ago. The business environment for travel retail has improved significantly in 2021. The initiatives we began implementing in 2020, which include the reorganization of the company, strict cost control, equity and debt financing as well as refinancing, cash generation and collaboration with suppliers and landlords, proved their efficacy throughout 2021, and resulted in significantly improved results.

We have strengthened Dufry's resilience
Dufry was able to increase turnover by 53.2% compared with 2020 through organic growth, reaching a level of 46.5% of pre-crisis 2019. We continued to focus on adapting the organization to the new business requirements and have progressed well, implementing defined structural adaptations, whilst closely monitoring costs at all levels. With these measures in place, we overachieved our previously communicated cost savings target, originally estimated to reach CHF 970.0 million but which ultimately came in at CHF 1,919.7 million at year-end. Cost savings are related to a better alignment with landlords allowing win-win reliefs in Minimum Annual Guarantees (MAG), to personnel and to other expense savings. The continued cost discipline was critical from a company perspective and also reflects the requirements of our shareholders. Over 85% of our stores are open and operational, and we welcomed back employees to best serve our customers. We could increase our staff from 17,795 to 19,946 FTEs while government support schemes largely ended throughout the year. Voluntary salary reductions as in 2020 were not required.

Sales acceleration and tight cost management resulted in an adjusted net profit of CHF 23.4 million with a corresponding Adjusted EPS of CHF 0.27. Both key performance indicators turned positive only one year after the most severe crisis in the history of our company. We also reached positive cash generation from May through October, and ended the year 2021 with a strongly improved Equity Free Cash Flow of CHF -33.4 million, significantly better than expected. Our very solid liquidity position at the end of the year amounted to CHF 2,243.9 million. Net debt stood at CHF 3,079.5 million as of December 31, 2021, a position below pre-crisis levels already. Dufry successfully executed the refinancing of CHF 1,619.9 million of gross debt in 2021 and has now no significant maturities upcoming until 2024. As part of the refinancing initiatives, we made an offer for an early conversion "in-the-money" to the holders of the existing CHF 350 million convertible bonds due 2023, and raised CHF 500 million of new convertible bonds at improved terms, which are due in 2026. No other capital measures were conducted throughout 2021.

With this set of results and achievements, we are prepared to take full advantage of the expected recovery in traveling and travel retail. Despite these positive developments, it is certainly true that we still do not have full visibility on the pandemic and the related recovery trajectory. The Board of Directors therefore resolved to propose suspending the dividend payment for the business year 2021. This allows us to protect our liquidity and further strengthen the company's financial position. The Board of Directors will consider re-initiating dividend payments in line with the recovery.

We have progressed on our ESG engagement
In addition to our achievements on the financial and operational side, we have made significant progress on implementing our Sustainability Strategy. Dufry's four focus areas, which are Customer Focus, Employee Experience, Protecting Environment and Trusted Partner, align our eco-system with the main stakeholders and define the key topics that are material to our business. Our Environment, Social and Governance (ESG) engagement is an inherent part of our company strategy, supervised by our Board of Directors and implemented by a dedicated ESG Committee. A detailed description of the ESG Strategy is available at **www.dufry.com/en/sustainability**. In 2021, Dufry has – among many other improvements – further evolved its ESG commitment by developing dedicated Environmental Management Guidelines and defining SBTi-based (Science Based Target initiative) emission reduction targets, which complement the overall ESG Strategy. We aim to reach climate neutrality for scopes 1+2 by the year 2025 as well as to considerably reduce carbon intensity of scope 3.

We continue to strive for diversity and inclusion among our workforce, including Dufry's leadership. Dufry's Board of Directors has a 36% female representation and is highly diverse in terms of nationalities, professional and personal background, expertise and skill set. Our workforce comprises colleagues from 144 nationalities across all functions and levels of the organization. Around 65% of our employees are female, thereof 2% in senior management positions. In 2021, we have further evolved our diversity & inclusion engagement and appointed a Chief Diversity & Inclusion (D&I) Officer, who is also a member of the Global Executive Committee and reports to the Group CEO; set up a D&I Committee, and performed a dedicated D&I survey to learn more about and listen to the feedback of our employees. With its global reach and covering over 70% of our staff, the survey provides representative findings on our employee's perspectives and highlights areas where we can improve further. We view our continued efforts for diversity as a key element in the successful development of our Group and in the implementation of our long-term growth strategy. We made improvements in all four of our focus areas and I invite you to visit pages 73–109 of our Annual Report 2021 to discover detailed information on the progress made.

We have considered shareholder feedback on remuneration
We have actively engaged with the financial community and thoroughly considered shareholder feedback with respect to the 2020 Remuneration Report. In consequence, several changes to our remuneration system were implemented in fiscal year 2021:

- Simplified disclosure in the Remuneration Report with additional relevant information.
- Annual bonus solely based on pre-defined financial targets, without discretionary adjustments or elements. The performance objectives for 2021 were Turnover and Cost savings.
- Balance between short-term and long-term remuneration by reintroducing PSU grants for fiscal year 2021, which represent more than a quarter of the overall Global Executive Committee remuneration.
- PSU plan with two different performance conditions: cumulative adjusted EPS and cumulative Equity Free Cash Flow.

Furthermore, the Remuneration Committee discussed how to include ESG performance criteria into the compensation structure of the Global Executive Committee going forward. ESG targets should be rigorously aligned with Dufry's overall strategy, long-term oriented, measurable, and any compensation should be strictly linked to achievement of the ESG targets. In addition, the introduction of a relative Total Shareholder Return (TSR) metric in the PSU plan is being worked in detail, and both additional measures will be added to the long-term incentive for the Global Executive Committee in 2022.

As further explained in our remuneration report, the 2021 compensation of the Global Executive Committee is strongly aligned with company performance and therefore shareholder experience. Compensation is reviewed annually regarding internal and external requirements, increased complexities of the business and responsibilities of members of the Global Executive Committee. In addition, together with an independent external advisor on competitive remuneration systems, Dufry also applies peer benchmarking as is standard practice. The peer group includes Swiss SMI and SMIM companies as those represent the peer group with which the company competes when it comes to attracting and maintaining key talent for its global business headquartered in Switzerland. It factors in geographic spread, demographic size of employee base and complexity of the industry, with Covid only temporarily impacting turnover and market capitalization. It is important to note that Dufry´s standard employee compensation is also based on fixed and variable performance-based components as was established practice also in 2020 and pre-crisis.

We were able to secure expert leadership
The Nomination Committee and the Board of Directors continue to strive for a highly skilled, diverse and expert composition of the Board and the Group Executive Committee to guarantee the most diligent oversight and strong leadership position of the company. Skills of particular relevance include industry expertise, global experience and network, retail background, commercial and operational excellence in travel retail, and wide-ranging relationships to airport authorities and landlords, suppliers and brands. Sustainability considerations as well as digital expertise, and overall the cultural fit to a fast-paced, ever-changing environment are of increased importance. Those considerations, as well as the requirement for a high level of engagement and sufficient capacity to contribute, were taken into consideration when proposing the selected candidates for election to Dufry's Board of Directors.
As a new independent Board member, we propose Xavier Bouton to be elected at the upcoming Ordinary General Meeting. He will contribute with his extensive, proven business acumen and deep financial expertise. Jorge Born, who had been a Board member since 2010, Julian Diaz Gonzalez, who had been a Board member since 2013, and Steven Tadler, who had been a Board member since 2018, decided not to stand for re-election. I thank Messrs. Born, Diaz Gonzalez and Tadler for their valuable contributions to Dufry, wishing them all the best for their future endeavors.

While reflecting the necessary skills and experiences, we aim for a more simplified, dynamic setup to further strengthen the efficiency of the work of our Board of Directors. Therefore, we propose to reduce the maximum number from eleven to nine Board members.

To account for the high level of needed skills and experience of our Board members and particularly the committee chairs, we decided to moderately increase fees for selected roles of the Board of Directors, which had been unchanged for seven years. This also takes into account the increasing requirements on non-financial reporting and related audits.

As announced on February 21, 2022, Julian Diaz will step down as Chief Executive Officer at the Ordinary General Meeting 2022. During his tenure, which started in 2004, Julian successfully executed the company's global expansion strategy of profitable and sustainable growth and earned the respect of the travel retail industry. Personally, in the name of the Board of Directors and on behalf of the whole company, I express our gratitude to Julian Diaz for his outstanding dedication and the extraordinary contributions he made to transform Dufry into the leading player and the only truly global travel retailer of the industry.

I am very pleased that we could appoint Xavier Rossinyol as new and experienced CEO who will further develop our company as of June 1, 2022. Following his first stay at Dufry from 2004 to 2015, he can build on his know-how of our company and the specificities of travel retail, and rely on the additional wealth of experience gained by leading for several years, as CEO of gategroup, a global player of an adjacent industry. Xavier is familiar with the expectations of the financial markets and our stakeholders and has the necessary skills and attributes to further evolve our growth strategy. We wish Xavier Rossinyol lots of success as new Dufry Chief Executive Officer.

We support our employees in Ukraine
In the recent weeks, the geopolitical developments in the Ukraine have been a focus of our concerns. Let me therefore end this letter by emphasizing our full commitment in supporting all our Ukrainian employees and their families during these extremely difficult times. We have already implemented a number of initiatives, such as supporting our Ukrainian colleagues and their families to leave the country if they wish, offering them jobs in our other operations, and continuing paying salaries. We will continue to closely analyze the situation and react accordingly.

Participating at the upcoming General Meeting
On behalf of Dufry's Board of Directors I would like to invite you, our esteemed shareholders, to participate in the upcoming Ordinary General Meeting 2022 by registering for your voting participation. The 2022 General Meeting will take place without physical participation due to the ongoing Covid-pandemic while we plan to meet in person again in the following year. We are keen to receive your questions and feedback, please reach out to ir@dufry.com. All necessary documents regarding your voting participation can be found on Dufry's AGM website **https://www.dufry.com/en/AGM2022.**

Finally, I would like to thank you for your ongoing trust and continued support, especially throughout the last two years. As we drive the reopening and engage in growth opportunities, we are committed to a consistent and open dialogue, thereby invigorating our longstanding relationships and allowing us to continuously foster our common vision to further develop Dufry as a WorldClass.WorldWide company.

Yours sincerely,

Juan Carlos Torres Carretero
Chairman

Dufry – Leading Global
Travel Retailer.

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