World Duty Free: BoD approves optimisation budget for the 2015-2017 period

Group´s focus to be maximizing the value of the existing portfolio, completing the integration process, improving the profitability of the Spanish operations and expanding the US business

€587 million in cumulative net cash is expected to be generated over the period along with significant deleverage

Expected financial targets of the three-year budget 2015-2017 (taking as a base the 2014 expected financial results)

- Expected consolidated revenue: €2,403m in 2014 and CAGR of 7.7% to €3,004m in 2017
- Expected adjusted EBITDA[1]: €284m in 2014 and CAGR of 5.7% to €335m in 2017
- Investments expected for the 2015-2017 period: € 190m
- Total cash generation over the 3-year period: € 587m
- Expected net financial position to improve from €950m at the end of 2014 to €365m in 2017
- Preliminary guidance for 2015: Revenue to be in the range of € 2,630m and € 2,670m. Adjusted EBITDA to be between € 279m and € 294m

Milan, Italy, 15 January 2015 – The Board of Directors of WDF S.p.A. (WDF) (Milan: WDF IM) has today approved the three-year budget for the years 2015 to 2017, accompanied by the *Due Diligence* carried out by a leading auditing firm (KPMG).

WDF S.p.A. will present the financial community with its 3-year optimisation budget for the 2015-2017 period at 14:30 CET today, which includes the expected financial results for the year ending 31 December 2014.

Budget Optimisation for the 2015-2017 Period

The Group objective for the next three years is clear: to focus the Group activity in fewer, bigger and bolder actions, including maximising the value of the portfolio of existing concessions, the completion of the integration process, improving the profitability of the Spanish business and expanding the US business.

The programme does not take into account new growth prospects through acquisitions that the company may address in the coming years nor upsides related to potential business combination; the Budget is in fact mainly focused in streamlining operations and implementing efficiency initiatives across the whole Group.

This programme, which combines organic growth and acceleration of the internal processes towards integration and efficiency of the Group´s operations, aims to make a more solid, agile and competitive company, able to maintain in the coming years the leading position in the global travel retail industry.

In greater detail, the main lines of action in the 2015-2017 Budget include:

1. **Maximising the value of the current portfolio of concessions and extension of existing contracts**
   The first lever of growth and value creation of WDFG for the next three years will be the continued development of the portfolio of existing concessions, both in the UK and internationally. The Group's portfolio of concessions has an average length of 9 years, among the highest in the industry, with a peak of 11 years in the UK, a market which accounts for about 44% of the Group 2014 expected revenues. The portfolio offers significant opportunities for profitable growth, to be pursued through the development of new store designs, the incorporation of new formats and product categories and a more sophisticated offering. In addition, the Company plans to create value thanks to the extension of some

[1] Please see complete definition of adjusted EBITDA in the definitions section at the end of the document

of these major contracts, as it happened recently with the extension of the contract at Heathrow airport until 2026.

2. **Completion of the integration process**

   Today´s WDFG is the result of the integration of three different entities: Alpha Group, WDF and Aldeasa. In particular, the integration process of Aldeasa and WDF suffered a slowdown. One of the objectives of the 2015-2017 Budget is to complete the integration of European platforms, with the aim to streamline processes and release synergies.

   In particular, measures are planned in the following areas:

   Organisation- It includes the integration and simplification of corporate structure and central functions at the Spain and UK offices – which will become the operational centre of the Group - reducing operating expenses and redesigning the organizational structure towards a leaner model

   Supply chain and Logistics: The reduction and consolidation of warehouses and the reduction of transport costs is planned along with the implementation of global best practices across warehouses and an increase in product availability

   IT systems integration: The Budget foresees converging into one Retail platform, eliminating duplications and standardising processes. This integration is essential for achieving the above objectives in the areas of Organization, Supply Chain and Logistics.

   The objective pursued with these initiatives is to generate an EBITDA contribution by 2017 of € 26m.

3. **Improving the profitability of the Spanish operations**

   The 2015-2017 Budget includes the introduction of best practices – some of which already existing within the Group, aimed at improving business performance and optimise business processes and costs. More specifically, actions on the commercial front related to refocusing the offer, improving the attractiveness of the points of sale, revising some product categories and commercial spaces and introducing incentive schemes to sales force; the optimization of processes and costs will derive from the improvement of opening hours or by streamlining costs and work planning. The goal is to generate an EBITDA contribution in 2017 of € 17m.

4. **Expansion of the US business**

   The actions include the identification of selected opportunities for growth and revitalization of US assets as well as improving the profitability of the entire business by leveraging on the Group´s retail expertise. These actions are pursued particularly through the expansion of the perimeter of the Duty Free and Duty Paid activities by identifying new opportunities in the segment, revisiting the current formats, as well as through a review process of the regional organization to support the development of American assets. The objective is to generate an EBITDA contribution in 2017 of € 13m.

The extraordinary and one-off costs; and investments related to the corporate reorganisation and restructuring process mentioned above are to amount, for the period 2015-2017, € 19m and € 17m respectively.

Expected financial targets

For year 2015, revenue is expected to be in the range of €2,630m and € 2,670m. The budget foresees reaching consolidated revenues of €3.004m at the end of 2017 with compound annual growth rate of 7.7%.

Adjusted EBITDA for 2015 is expected to be between € 279m and € 294m. The Adjusted EBITDA is expected to reach €335m (Adjusted EBITDA margin of 11.2%) in 2017 with compound annual growth rate of 5.7%.

Investments expected for the 2015-2017 period amount € 190m, including the €17m mentioned above in connection with the reorganisation process.

Strong cash generation over the period, expected to be € 587m, will allow the Net Financial Position to be reduced from €950m expected by the end of 2014 to €365m in 2017.

The aforementioned targets are calculated considering an average airport traffic growth in the regions where the Group operates, excluding the US, of 3.3% annually.

Linearisation of Spanish rents

As previously disclosed, Spain's concession contracts, grouped in three lots, require to pay as rental fee a percentage of sales with a Minimum Annual Guaranteed (MAG).

At the inception of the contracts, the Group evaluated their substantial conditions based on several factors[2] and the plans then in force, and in relation to the rents to be paid, the expected scenario was one where the percentage of sales exceeded MAG each and every year during the concessions' term. The changes in the circumstances and consequent impact over the dynamics, have lead the Group to expect the MAG for the coming periods will be higher than the fees calculated as the percentage of sale, for Lots I[3] and II[4] exclusively.

As established in International Accounting Standards 17, rents of Lot I and II the Group will consider MAG for lots I and II as minimum fixed payments and will recognize them in its consolidated income statement on a straight-line basis (starting December 2014).

It is expected that this accounting entries, recorded in a special separate line of the income statement below EBITDA, will have a negative impact of circa €90m in the 2014-2017 period, with the effect reverting completely in the period 2018-2020 (which will record a corresponding positive impact of € 90m). The adjustment will have a purely accounting effect and will not involve any cash outlay, and have no impact on the covenants required by the bank financing.

2014 Expected financial results

The fourth quarter of 2014 maintained the strong revenue growth trend, with an increase of 15.1% versus the same period of the previous year. Without the contribution of US Retail, growth was 15.5% (10.4% at constant fx).

World Duty Free Group expected revenues for 2014 will reach € 2.403m, a 15.6% increase versus the previous year (+10.7% without the contribution of the US Retail division).

Adjusted EBITDA is expected to reach € 284m, an increase of 3.6% versus 2013. Expenses accrued in connection with the reorganisation process amounted to € 9m.

Net financial position of the group expected as of 31 December 2014 is € 950m, an improvement of € 77m compared to 31 December 2013.

– END –

The presentation of the Budget 2015-2017 will be shared by the Group's top management at a meeting with the financial community starting at 14:30 CET today. The event may be followed via live webcast here and using the phone numbers listed below. **A copy of the presentation will be made available in the homepage and in the Investor relations section of www.worlddutyfreegroup.com the day of the event.**

Direct Dial-in Numbers for participants:

2 Among others, the surface assigned to the shops, the time of availability of the commercial spaces, the variability of the traffic of passengers in the airports and the possibility of the parties, under certain circumstances, to obtain a minimum profitability derived from the contracts

3 Madrid being the main airport

4 Barcelona being the main airport

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USA	+1 646 254 3362	1 877 280 1254
UK	+44 (0)20 3427 1908	0800 279 5736
Spain	+34 91 114 6581	800 600 525
Italy	+39 02 3600 9868	800 145 654
France	+33 (0)1 76 77 22 31	0805 631 579

A playback option of the conference will be available in the company´s Investors website after the event.

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The Executive responsible for the preparation of the accounting documents - David Jiménez-Blanco - with reference to the Italian legislation clause 2 ,art 154 bis DL 58/1998 hereby confirms that the data reported in this release has been reviewed according to the rules.

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Terms and Definitions

EBITDA	EBIT excluding Restructuring Cost, Rent Linearisation Adjustment, Provision for risk and charges and Depreciation and Amortization.
Adjusted EBITDA	EBITDA plus the recovery of annual concession fees paid in advance to AENA.
NET CASH FLOW from OPERATIONS	EBITDA plus Change in Working Capital plus change in Non-Current Asset and liabilities and Other non cash items less Net Interests and Taxes paid.
FREE OPERATING CASH FLOW (FOCF)	Net Cash Flow from Operations less Capex paid, plus/minus Net Investments proceeds/paid.
NET FINANCIAL POSITION (NFP)	Current and Non Current Financial Liabilities minus Cash & Cash Equivalents and Other Financial Assets. Should the NFP be negative, it can be also be referred as Net Debt.

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Disclaimer

This press release contains forecasts and estimates that reflect the opinions of the management ("forward-looking statements"), especially regarding future business performance, new investments and developments in the cash flow and financial situation. Such forward-looking statements have by their very nature an element of risk and uncertainty as they depend on the occurrence of future events. Actual results may differ significantly from the forecast figures and for a number of reasons, including by way of example: traffic trends in the countries and business channels where the Group operates; the outcome of procedures for the renewal of existing concession contracts and for the award of new concessions; changes in the competitive scenario; exchange rates between the main currencies and the Euro, esp. the US dollar and UK sterling; interest rate movements; future developments in demand; changing oil and other raw material (food) prices; general global economic conditions; geopolitical factors and new legislation in the countries where the Group operates and other changes in business conditions The Group's business is correlated to traffic flows. The 1st and 3rd quarters usually represent the low and high points, respectively, in the business year. Quarterly operating results and changes in net financial indebtedness may not, therefore, be directly compared or extrapolated to obtain forecasts of year-end results.

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About World Duty Free Group

World Duty Free S.p.A., is the holding company of **World Duty Free Group,** one of the world's leading travel retailers, operating mainly in airports and with a broad geographical reach. It has operations in **19 countries** through **102 locations** with over **490 stores**, from its heartland in Western Europe, to the Americas, the Middle East and Asia. In 2013, the company posted a **turnover** of more than **2,078 million Euros**.

World Duty Free Group's core business is tax and duty free shopping and its proposition covers the complete spectrum of airport shopping including Beauty, Wines & Spirits, Food & Confectionery, Tobacco, Sunglasses, Watches & Jewellery and Souvenirs. World Duty Free Group operates some of the most exciting and engaging airport shops in the world, with focus on the customer and innovative marketing programmes, including multi channel digital and live in-store interactive promotions.

World Duty Free S.p.A. is listed on the Italian FTSE MIB 40 since 1 October 2013 with the ticker symbol WDF:IM. World Duty Free Group was named Airport Retailer of the Year in multiple locations for the second consecutive year in the 2013 Frontier Awards. For more information, please visit www.worlddutyfreegroup.com