

# Dufry World

Corporate E-Magazine of the Dufry Group



DUFRY

Issue 2 / July 2010



## New shopping mile of luxury in Shanghai

 Merger between Dufry AG and Dufry South America

 Dufry Plus One - the customer at the centre

 First Hudson News store at Milan Railway station



Editorial

# On the way up with best qualifications

## Editorial by René Riedi (COO)

In my previous contribution (to Re-tales), I wrote that China and India “represent two massive and rapidly emerging opportunities as both countries are on a catch-up mission to develop an aviation infrastructure to meet the demands of the 21<sup>st</sup> century. And world class retail will need to be part of their passengers’ experience”.

We challenged ourselves to seize that opportunity in China to ensure that Dufry becomes a leading player in airport retail in a country which now has the third largest economy in the world and which could be the largest by 2030. With our development at Shanghai’s Hongqiao International Airport Terminal 2, we have made a fantastic start. We will not be resting on our laurels. Our Shanghai development signals our commitment to building a leading presence over the long term.

There are a number of highly significant indicators – all pointing in the right direction to justify our commitment to China. In addition to foreign travelers, tens of millions of Chinese are about to be able to afford air travel. The airlines are growing their fleet of aircraft and route networks rapidly and airports are expanding their facilities to service this demand.

There will be literally dozens of airports capable of sustaining significant retail operations: The Chinese passengers are able to afford not just air travel, but luxury airport shopping as well. According to Visa’s Travel Smart Survey 2009, Chinese travelers are already the second highest spenders per head, after Koreans.

As an international retailer with a proven track record in Asia, we are in a strong position and well qualified to provide the retail concepts and offers to match this trend. We



have learnt to understand the Asian market and we have a fantastic track record in successfully integrating ourselves into local business cultures and communities. I believe this skill – as much as our core airport retail experience – will help us to succeed in building a strong presence in what has already become the country with the single greatest potential for travel retail anywhere in the world.

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### Symbols and Sections



#### Editorial

Statements and announcements by CEO/COO/CFO, editorials, facts & figures, milestones, company commitments, management changes.



#### Regional News

New or modified shops, concepts, contracts, promotional activities, awards, local highlights or efforts.



#### Key Story

Main topic or interview with important people (usually aligns with the cover image). Focus on special activities, business, occasions.



#### Well Done

Success Stories, local background stories, best practice cases.



#### Dufry People

Presentation of an employee for a special reason: new ideas, doing a good job, special interests, remarkable hobby.



#### Favorite Shop

New or refurbished shop (e.g. Shop of the month) Back cover of printable PDF

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Dufry is a global travel retailer with 11'000 people serving customers in more than 1'100 shops in 40 countries.



# Dufry News

Regional News

## Dufry AG combines with Dufry South America Ltd. in a unique and groundbreaking merger.

The final step of the merger between Dufry AG and Dufry South America Ltd. was executed on April 20<sup>th</sup>, 2010, when Dufry AG's Brazilian Depository Receipt programme was admitted to the Brazilian Stock Exchange BM&FBOVESPA. The transaction was successfully concluded after 6 months of hard and intense work involving hundreds of people.

The transaction was structured as a so-called "cross-border triangular merger" between Dufry South America Ltd. (DSA), a Bermuda company listed in Luxembourg and Brazil and a wholly-owned subsidiary of Dufry AG (DAG), a Swiss company listed on the Swiss Stock Exchange. This structure had been never done before in such a setup and raised many complex legal, regulatory, financing, valuation, and settlement issues. It also required a clear and consistent presentation of the transaction rationale and detailed explanations on valuation and process considerations to investors.

The overall transaction actually combines several "sub-transactions", each one a challenging project in itself:

- (I) structuring the international merger of two publicly listed companies,
- (II) the relative valuation of the two companies,
- (III) the listing of a BDR programme of Dufry AG in Brazil (similar to an IPO process),
- (IV) capital increase of Dufry AG and listing of the new shares on the SIX Swiss stock exchange,
- (V) the revision of the Dufry Group bank financing, and
- (VI) disclosure and consistent explanation of this unique and highly complex transaction to investors and the press in Latin America, the United States and Europe.

The transaction process required 6 months of intensive work of Dufry's legal, finance and investor relations teams and senior management with the involvement of 12 different law firms in 6 different jurisdictions, and the retention of 5 different financial advisors. Furthermore, tax advisors, auditors

and investor relations advisors were taken on. As part of the transaction, a road-show visited cities including Sao Paulo, Cancun, New York, Boston, London, Paris, Frankfurt and Zurich. Last but not least, complex and intense negotiations and meetings were held by the members of the Board of Directors of Dufry AG and Dufry South America Ltd. (and/or Committees thereof) and their various advisors to negotiate the terms and conditions of the merger.

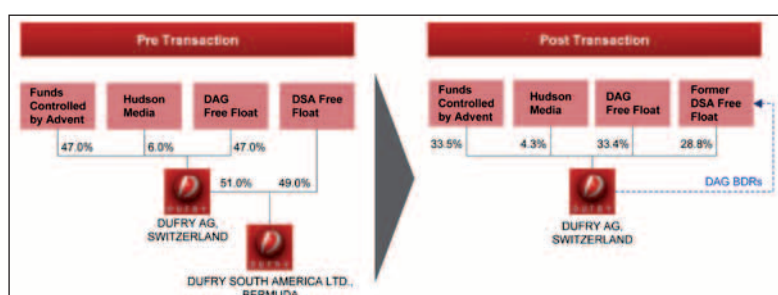


F.l.t.r.: Carlos Rosa (Chief Operating Officer South America); Juan Carlos Torres Carretero (Chairman of the Board of Directors of Dufry AG); Humberto Mota (President Dufry South America); Ricardo Bullara (Finance Director Dufry South America); José Antonio Gea (Global Chief Operating Officer); Pascal C. Duclos (General Counsel and Secretary to the Board of Directors); Julián Díaz (Chief Executive Officer); Xavier Rossinyol (Chief Financial Officer).

Both the Swiss and Brazilian investor communities supported the transaction as bringing significant shareholder value, which is also reflected in the approval ratings in the respective general meetings voting on the transaction: 100% of the shareholders present at DSA's shareholder meeting and more than 98% of the shareholders present at DAG's shareholder meeting approved it. The press in Switzerland and Brazil applauded it. Among others, the main Brazilian business publication (Valor Economico) published on January 11<sup>th</sup>, 2010 the announcement of the transaction on its front page.

In addition to being one of the few cross-border mergers of publicly listed companies done to date, the transaction resulted in the following impressive milestones:

- (I) first cross-border merger of a publicly listed company in Brazil,
- (II) first global non-Brazilian company (and first European company) to be listed on the Brazilian Stock Exchange (BMF&BOVESPA),
- (III) first merger of a Brazilian Depository Receipt issuer,
- (IV) first merger between Bermuda and Swiss publicly listed companies; and
- (V) first BDR program complying with the new Brazilian Securities and Exchange commission rules (which entered in force on January 1<sup>st</sup>, 2010).





### Regional News

The highly praised transaction resulted in a share price increase of the Dufry AG share of 30% between the announcement on January 11<sup>th</sup>, 2010 and April 20<sup>th</sup>, 2010, the first trading day of the DAG shares on the BMF&BOVESPA. This corresponds to an increase of Dufry's equity value of CHF 570 million in about 3 months. Today the market cap of Dufry AG amounts CHF 2.5 billion versus CHF 1.3 billion before the transaction, and the free float increased from 47% to 62%, or from CHF 0.6 billion to CHF 1.6 billion in absolute terms. Additionally the liquidity of the Dufry AG shares quintupled from a daily trading volume of CHF 2 million to almost CHF 10 million, helping to target a new investor base for the investment case.

In short, a very difficult, challenging and innovative process was very successfully completed thanks to the effort, commitment and high quality work of a team of Dufry people, who gave the best of themselves to achieve a common goal which has significantly increased the value of the company and its shareholders. ■

### Mexico: Rollout of the Dufry Plus One Global Retail Sales Training Program

Mexico City has recently experienced the rollout of the Dufry Plus One Global Retail Sales Training Program. The kickoff, with the backing of Rodolfo Velasco (Mexico Deputy COO) and Francisco Lucena (Retail Operations Director R4), has been a big success. Through the Mexico rollout, 14 managers were certified as Qualified Trainers. They now have the knowledge, experience and confidence to become advocates of the program's key messages. All 14 participants are excited to begin delivering the Dufry Plus One training to the Sales Associates in the Mexican operations over the coming months. ■



Congratulations to the employees who were certified as Qualified Trainers.

### Morocco: Thomas Galet new Deputy Chief Operating Officer



Thomas Galet, new DCOO for R2 and General Manager for Morocco.

From June 1<sup>st</sup>, Thomas Galet is the new DCOO (Deputy Chief Operating Officer) of the Business Unit 5 in Region Africa and General Manager for Morocco. Thomas has a solid background in retail markets. Since 1999 he has worked in different leading positions in the United Arab Emirates for famous retailers such as Carrefour and Dragon Mart as General Manager. ■

### Award: Hudson News voted best News & Gift Operator at ARN



At the Airport Revenue News magazine's annual awards event on March 16<sup>th</sup>, Hudson Group was again honoured as Best News & Gift Operator (large retailer division) in North America. Hudson is the perennial winner in this category.

The magazine's readers also selected Hudson's Victoria's Secret concept as the Best New Speciality Retail Concept of 2010 (large retail division). Hudson has been honoured in this category for the past four years – for Papyrus in 2009, Life is Good in 2008 and Made in Washington in 2007. The Victoria's Secret shop is located in JFK Terminal 4. ■

### Group: Continuous growth of Dufry Group in first quarter of 2010

In the first quarter of 2010, Dufry increased its turnover by 15.7% based on constant FX rates with organic growth contributing 10.6%. In absolute terms, turnover grew to CHF 585 million from CHF 538 million in the first quarter of 2009. Dufry will continue to capture the positive momentum and pursue profitable external growth targets. However, given the limited visibility of global economic developments, it will continue with a cautious stance and deploy financial resources step-by-step, paying special attention to the sustainability of efficiencies achieved and the lessons learnt in 2009. More information is available on the Dufry website. ■



Regional News

**Russia: Dufry lands with Hudson News store**

Sheremetyevo International Airport has been the first place to welcome Dufry's stores in Russia. On April 24<sup>th</sup>, a Hudson News shop was opened with an area of 97 m<sup>2</sup>. A wide range of newspapers, magazines, books, travel accessories, toys, etc are offered as well. A shop assistant and a shop manager, recently trained in the USA, attend to passengers' needs. The new Hudson News store is also the first duty paid Dufry shop in Russia ever, and Sheremetyevo is one of the three major airports serving Moscow and the second largest in Russia: In 2009 it handled 14,764,000 passengers and 158,606 aircraft movements. ■



The first duty paid Dufry shop in Russia ever.

**Brazil: Dufry Sports trains in the Stock Car competition**



All ready for the race: Marcio Queiroz (Dufry Shopping Comercial Manager), Pedro Henrique (Retail Superintendent) and sales team.

More and more people follow the big sporting events every year and Dufry is developing new brands and concepts to meet customer needs. Thus, Duty Paid Brazil is participating (through the brand Dufry Sports) this season in Stock Car, a renowned Brazilian automotive competition. Dufry is operating two or three stores in each of the 12 race circuits - as the official seller of original Stock Car products.

"The Stock Car racing retail operation will be a great opportunity to consolidate the Dufry Sports brand in Brazil and get more experience of performing well in such complex sporting events. We intend to make this kind of operation at major events like the FIFA World Cup in 2014 or the Olympic Games in 2016 in Rio de Janeiro as profitable as we can. This is just the first step", says André Baldi, R5 Dufry Shopping General Manager. ■



Dufry's People

**Cyrlene Clarke**



Cyrlene Clarke never thought that one of her many customers in the Colombian Emeralds store in Barbados would appreciate her assistance so much to eventually write about it. Well, an obviously satisfied customer did so: The Friday's Nation newspaper published an article signed by Delores Hall, explaining how Cyrlene and her "broad smile" turned Hall's unpleasant shopping day into her "best service experience ever." Cyrlene, who has been working for 17 years in this shop, is full of knowledge and sympathy - an advantageous 'blend' in many situations:

**Dufry World:** What is the most difficult thing about working in a jeweller's shop?

Cyrlene Clarke: I believe you can sell anything as long as you sell yourself as a good person.

**DW:** A lot of your customers are tourists. Do you give them any different attention?

CC: No, I think you should treat every person the same. You never know who you are talking to.

**DW:** Does it happen that you turn an unmotivated customer into a good one just by good service?

CC: Of course, it happens quite often. Sometimes these are the best customers.

**DW:** Recently Dufry took over Colombian Emeralds. What does it personally mean to you?

CC: It gives me more selling experience. For example we now sell other goods apart from jewelry. We also have bags, sunglasses, etc.

**DW:** What do you like most about your job?

CC: To serve a customer and get a smile back. This is very satisfying. ■



Report in the weekend edition of "The Nation".



Well Done

## Dufry Plus One, the closest road to the customers

**As a growing global company, Dufry has set up a couple of very ambitious plans to establish a global way of working, but most of all, to increase the productivity by focusing on the most important component of the retail business: Our customers.**



Customer focus is on the top of the list of the ambitious Dufry Plus One training programme. Pictured above are the Dufry Certified Trainers for Tunisia, Morocco and Algeria.

2010 brought new impetus to Dufry's Profitable Growth Strategy. The aim of increasing the spending per passenger and sustaining the results generated with the 2009 Efficiency Plan has two powerful tools: The *One Dufry* and the *Dufry Plus One* project.

Both go in parallel. The first one, which will create sustainable value through risk reduction and the generation of returns, will also provide the information, tools and know-how across all responsibilities to make the best decisions.

At the same time, the Dufry Plus One project launches a set of connected initiatives to "better analyze and understand customer needs, identify their opportunities and provide them with the right purchase propositions in each shop," as CEO Julian Diaz explained in the March Newsletter.

These short and medium-term plans are being prepared by the Retail Operations, Marketing, Customer Service, Procurement, Logistics, Business Development, HR and IT departments. "We are looking for an overall global framework but at the same time we must take into account each customer's local needs in every market", explains Dufry's Head of Organization and Integration, Jaime Balcells.

The key drivers of the program, developed by the mentioned departments, are: gathering, analyzing and sharing customer knowledge through the organization; to set up right pricing and promotions; to offer the right assortment at top conditions; operational productivity; customer satisfaction; to implement a logistic model; expand and develop Dufry's business model; to support the team and to reward the best data. "With regard to the Human Resources area, the Retail Sales Training Program and the Sales Incentives are the most important initiatives related to this project," Balcells says. "With regard to the Organization and Integration area, we are eager to support the different departments that are leading these projects by coordinating their activities and making the implementation of this major transformation happen."

Furthermore, on June 1<sup>st</sup> and 2<sup>nd</sup>, Key Managers and General Directors of all regions met in Basel for different meetings and workshops to launch the Dufry Plus One project. "This project represents an opportunity to strengthen our company's position and to grow even more in the travel retail market," emphasizes Balcells. ■



Dufry Conference in Basel on June 1<sup>st</sup> and 2<sup>nd</sup>, 2010.



Key Story

## A luxurious welcome to the house of the big dragon

**The future has arrived and starts with a golden “C”. As COO René Riedi explains in this issue, the opening of 33 luxury branded retail outlets in Shanghai’s Hongqiao International Airport by Dufry involves much more than a good business opportunity. It opens a door to a complex and very promising market.**



New Chopard Shop at Shanghai’s Hongqiao International Airport

On March 16<sup>th</sup>, two weeks before the inauguration of the 2010 World Expo in Shanghai, the massive new Terminal 2 of Hongqiao International Airport was opened. The new terminal was meant to help the city handle the 70 million visitors expected to attend the biggest World Expo in history. For such an important occasion, Dufry opened a “shopping mile” of 33 luxury branded retail outlets, located airside (duty paid) that cover an area of total 3,000 m<sup>2</sup>. “It is quite a challenge even to describe what we feel now,” explains Jaswinder Singh, Deputy Chief Operating Officer for Asia and Pacific, “We had four months to complete both the negotiations with the brands and the construction of the shops. The expectations are indeed high. We have created an environment that has never been offered on such a high level in China’s travel retail”.

The line-up of brands is impressive and includes names like Hermes, Bulgari, Ermenegildo Zegna, Cartier, Omega, Chopard, Hugo Boss as well as Emporio Armani, Coach and Polo Ralph Lauren which makes its first appearance in China’s domestic travel retail market. To the Shanghai shops’ General Manager, Kevin Farrow, this challenge also comes with a certain amount of pressure: “There are very few

domestic airports in the world that have such an offering of brands all in one shopping street. Passengers expect better pricing than ‘downtown’ and the latest collections, so yes, the pressure is on and we have to deliver. It is also on from China’s government which demands extremely high standards of presentation and service”.



Jaswinder Singh, Deputy Chief Operating Officer for Asia and Pacific

Both Jaswinder Singh and Kevin Farrow are very aware of the fact that, as CEO Julian Diaz said, this opening means a “turning point in retailing at airports in mainland China”, and that it is a “significant step forward towards travel retail operator leadership in the Chinese market”. Moreover, the team going forward with Dufry’s project in this region is really motivated. “What do these shops mean to me? The impossible has just been done. And everything is possible!”, Farrow says and adds “I’m proud of our shiny new shops and even prouder of the team of people that devoted their time and effort to make this happen”.

This attitude and much more, Jaswinder Singh remarks, would be necessary to continue the expansion in the Chinese market: “The challenge is always to understand local mindsets. It is a challenge to encourage them to adopt our international standards, as they do not see the need to do so. Therefore, I play the role of building a bridge where both parties walk a little to facilitate the business growth”.



The line-up of brands is impressive: Hermes is only one of 33 luxury world brands.



## First store at Milan railway station opened

Last December brought along something new. Dufry launched a Hudson News store in Milan's Central railway station.

This opening was the first of the 41 signed for in October 2009. As published in our last Dufry World issue, these convenience stores will be positioned at the largest Italian railway stations. In fact, 6 shops are now open and there will be 15 by the end of this year.

The aim is to bring the Hudson News concept to the entire Italian market. All the stores will have an assortment of snacks, sweets and other travel necessities, local souvenirs and t-shirts as well as a wide variety of reading materials. Furthermore, some of them will also offer regional food and local crafts. ■

