

Dufry World

Corporate E-Magazine of the Dufry Group






DUFRY

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New acquisitions: Building a substantial presence in fast-growing markets

-  **One Dufry's main objectives and tools for the Controlling Department**
-  **Good results in the first nine months of 2011**
-  **Another step ahead in India, China, Brazil and USA**

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A welcome and strategic bet

Editorial

Editorial by Julián Díaz

On August 4th 2011, our company completed in four separate transactions the acquisition of the leading airport retailers in Argentina, Uruguay, Ecuador, Armenia and Martinique, as well as a wholesale platform located in Uruguay. These transactions strengthen Dufry's global leadership in the travel retail industry and specifically in the fast-growing emerging markets. The acquisitions will also support Dufry's profitable growth strategy and reinforce our position with regards to negotiations with suppliers and other business stakeholders, such as airport authorities and landlords. Overall, we aim to generate synergies of USD 25 million within the next two years, which should add significant value to shareholders.

The operations in Argentina, Uruguay and Ecuador will be managed through our existing organization in South America. The new wholesale company will be integrated into Dufry's existing logistics platforms in the Americas and is expected to further leverage the improvements in the supply chain with a significant contribution to our efficiency and increase of gross margin. The acquisitions specifically enhance our presence in South America, which allows us to increase our engagement in a very attractive market and at the same time, to diversify risks. The operation in Armenia will be run by Region 3 and will contribute in the development in this area.

As part of the transactions, we also acquired the most important airport retailer of Martinique in the Caribbean. This new operation will be run by our existing Region Europe as the island is French territory.

The integration of those operations will be executed by a dedicated cross-functional team, which is coordinated by our corporate Organization & Integration Office. The process of integrating the new operations has already started and it



Julián Díaz, CEO

will require a significant amount of effort. We have proven our capabilities to integrate new businesses in the past and I am sure we will succeed again in accomplishing the goals within the scheduled time frame.

Finally I would like to remark that the transactions concluded in August are fully aligned with our guiding principle to create value for our shareholders, employees and partners. ■

Content

Editorial 2, Dufry News 3, Dufry People 5, Well Done 6, Key Story 7, Favorite Shop 8

Symbols and Sections

<p>Editorial</p> <p>Statements and announcements by CEO/COO/CFD, editorials, facts & figures, milestones, company commitments, management changes.</p>	<p>Regional News</p> <p>New or modified shops, concepts, contracts, promotional activities, awards, local highlights or efforts.</p>	<p>Key Story</p> <p>Main topic or interview with important people (usually aligns with the cover image). Focus on special activities, business, occasions.</p>	<p>Well Done</p> <p>Success Stories, local background stories, best practice cases.</p>	<p>Dufry People</p> <p>Presentation of an employee for a special reason: new ideas, doing a good job, special interests, remarkable hobby.</p>	<p>Favorite Shop</p> <p>New or refurbished shop (e.g. Shop of the month) Back cover of printable PDF</p>
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Dufry is a global travel retailer with 13'500 people serving customers in more than 1'170 shops in 46 countries.

Dufry News

Regional News

Head Office: Dufry accelerates growth organically and through acquisitions

Dufry continues to deliver profitable growth with 13.8% turnover increase on constant FX rates in the first nine months of 2011 and 20.3% in the third quarter. Organic growth accelerated to 9.2% in the third quarter and reached 8.4% for the nine months to September. EBITDA grew by 23.7% on constant FX rates in the nine months. EBITDA margin reached 14.0%.

On top of organic growth, Dufry continued to expand its presence by opening approximately 6,700 m² of net new retail space, which contributed 2.0% of the turnover growth in the first nine months of 2011. In the third quarter, Dufry increased its space by 1,750 m².

Julián Díaz, CEO of Dufry Group, commented: "I am convinced that these results confirm the rationale and credibility of Dufry's strategy defined back in 2004 of being a pure travel retail player with focus on emerging markets and tourist destinations. Following this orientation, we were able to present a continuous organic growth in the nine months of 2011 and to improve our profitability based on the initiatives we started in 2010. Going forward, we will manage the group based on the same fundamentals and our aim is to continue delivering superior growth rates based on our three pillars: organic growth, new concessions and expansions, and acquisitions." ■

Basel: New arrival shop

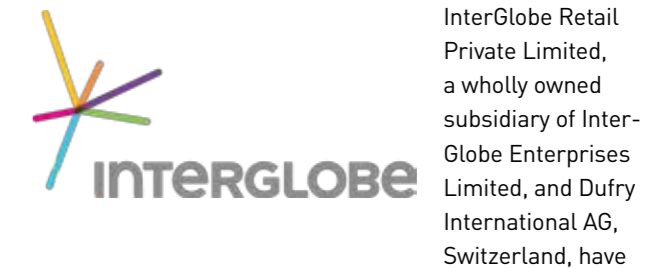
Dufry increases its presence in Basel's Euroairport with a new Nomade shop, opened on June 9th. Located in the arrival area, Swiss side (only passengers visiting Switzerland are allowed to buy), it is a duty paid store and offers tobacco, food, fragrances and spirits. Retail prices are in Swiss francs with prices lower than the local market. "The



Tobacco has a big saving advantage in this store.

performance in the first months shows 83% of the sales are tobacco, this is a real saving advantage versus the local market," says Emorine Franck, Marketing Manager Business Unit Europe. ■

India: InterGlobe and Dufry announce travel retail foray



InterGlobe Retail Private Limited, a wholly owned subsidiary of InterGlobe Enterprises Limited, and Dufry International AG, Switzerland, have

signed an agreement to establish and operate retail outlets under Dufry's Hudson News brand across various transportation nodes like airports, metro and train stations in India. With around 48 outlets opening across all six existing lines of Delhi Metro (DMRC), the Hudson News Café concept will revolutionize travel for daily commuters by offering them a comprehensive selection of reading materials, a wide range of snacks, bottled beverages, health and beauty aids as well as other travel convenience items. "This association marks our foray into the Indian market," Julian Diaz, CEO of Dufry, commented, "InterGlobe and DMRC are both strong partners, and we are convinced that this will prove to be a strong team for the further development of travel retail in India." ■

China: Chengdu concession agreement

Dufry signed a five year concession agreement in the Chinese city of Chengdu to operate a retail area of 2,240 m² in the new terminal of the Shuangliu International Airport. Operations are scheduled to start in February 2012. ■



Dufry continues its growth.



Regional News

Cambodia: A pleasant walk-through shop experience

Last July, the extension work of the Dufry stores at the Cambodian Phnom Penh and Siam Reap International Airports was completed. The surface of the four shops is 1,320 m² (727 m² in Phnom Penh and 593 m² in Siam Reap). The staff is composed of 88 people who can now welcome customers in a more pleasant space with better visibility and presence of every brand. ■

Egypt: Four shops opened

In October, Dufry opened four stores in Egypt's Assiut Airport. Three of the stores are in the departure zone and one in the arrival area. The latter has 35 m² and offers tobacco, spirits and perfumes. A similar range of products is sold in the departure's area main shop, which has 38 m². The other two stores in this area are a souvenir store called Nefertari and a Bijoux Ternier (both 9 m²). ■

Algeria: Concession renewed

For the next 5 years Dufry will continue managing its stores in the Algerian airports of Alger & Hassi Messaoud. The concession to operate three boutiques was renewed last July 1st. ■

Dominican Republic: Six stores remodelled

At the end of this year, six of the 23 Dufry shops in the Dominican Republic will be renovated. The work affects 1,328 m² of sales surface where souvenir, Hudson News, cigar and fashion stores are located. Moreover a new space will be developed for special events like promotions and other marketing activities. ■



1,328 m² will be renovated.

Brazil: New tenders



Successful opening of Dufrys Duty Paid store in Curitiba.

In April 2011, three new shops began operations: two Duty Free stores in Curitiba and one Duty Paid store in Campinas. In July, this last store's performance was remarkable, reaching the 4th place compared with all other Duty Paid shops in Brazil, behind Congonhas, Guarulhos (São Paulo) and Santos Dumont (Rio de Janeiro). ■

USA: New business opportunities in the US

RDU Air Ventures JV, a joint venture composed of Hudson Group and Shaw Food Services Company, has been awarded the lapsed lease of the closed Borders bookstore in Raleigh-Durham International Airport for the duration of the contract. Borders is an international bookstore brand that went out of business this year.

Hudson Group has been recommended for the award of competitive concessions Package 1 in San Francisco International Airport. It includes a 385 m² Hudson News and a 184 m² San Francisco Magazine News; and one specialty retail shop of 216 m².

A joint venture, composed among other companies of the Hudson Group, was selected by the San Diego County Regional Airport Authority for two retail concessions packages in San Diego's International Airport (SAN). As Joe DiDomizio, President and CEO of Dufry's Hudson Group noted: "Hudson, along with our joint venture partners, is delighted with this award, which opens a whole new market for us."

In addition, Dufry was awarded an important concession to develop the International Terminal 5 at Chicago O'Hare Airport. The concession includes eight shops with multiple concepts including duty free formats, Hudson News stores and a wide range of specialty retail with an overall space of 1,200 m². ■

From the Emirates to Brazil

Answering three questions gave Melroy Noronha the opportunity to live an unforgettable experience. The shop supervisor at Sharjah International Airport won the last magazine quiz and chose Brazil as his dream destination.

He travelled the first ten days of September and visited Sao Paolo, Rio de Janeiro and Iguassu Falls. He remembers especially the breathtaking view from the Christ The Redeemer Statue in Rio de Janeiro. There he was attended by Dufry staff: "They gave me a friendly welcome and a good understanding about Dufry Brazil". ■



And the winner of the last issue's quiz is...
Harnist Myrtille, EuroAirport Basel-Mulhouse-Freiburg

(Right answer of quiz issue 4: 1. Project Fênix; 2. 3. 3. Global Customer Services Department)



Dufry's People

Jorge Munir



Jorge Munir is a Shop Manager (Arrival Store Terminal 1 in Rio de Janeiro, Brazil) and a Dufry Certified Trainer.

After 18 years with Dufry, Jorge Munir (Dufry Certified Trainer) tells us how excellence in customer service on the shop floor makes a big difference in providing return in sales.

Dufry World: What is crucial for a sales person to achieve good results?

Jorge Munir: To sell well, you must "be present," listen, pay attention to customer needs and expectations, so that you can apply the known sales techniques associated with the right approach to offer the right products.

DW: What was the impact of the Dufry plus One training on the shop floor?

JM: It was excellent. It was delivered to all shop floor teams not just to the sales people. It provided a standard of excellence for the whole team.

DW: How can we maintain people's engagement with the Plus One concept?

JM: There is only one way: being a good example yourself. You must be with the team if you want to understand their routine and needs, as well as to motivate, coach and recognize them. It is important to focus on things that are well done and not on mistakes. ■



Controlling at One Dufry, a story of necessity for a world-wide company

Since One Dufry's Resources Plan was launched in 2010, a wide variety of initiatives has been developed.



Luis Marín, Dufry's Director of Business Controlling

How do you keep control of an international company composed of over 100 entities, with more than 13,500 employees and present in 45 countries? The answer, at least part of it, is called the Business Controlling Department, that is, for example, in charge of the analysis of the Group financial information and the budgeting process.

"Given the exposure of Dufry to financial analysts and institutions, investors and markets, as well as the fast growth of our company, it is of absolute importance to ensure the quality of the information flow, so that accurate information arrives on time to the appropriate person for the proper management of the company. Only this way we can react, adapt and manage pro-actively," explains Luis Marín, Dufry's Director of Business Controlling.

This philosophy fosters the main objectives that have been set by the One Dufry program in relation to the need of control across the Group. These objectives could be summarized as follows: 1) To maintain the highest level of compliance and control in a fast changing environment (we need to keep doing things properly even if we become a larger business and new operations are added); 2) To identify key areas to monitor and to develop and adapt resources where necessary; 3) To reinforce the idea of control at different levels within the group, which means in other words every employee must feel a sense of responsibility. We cannot rely on somebody else controlling quality.

These objectives are fully aligned with the key targets of Dufry's Resources Plan "One Dufry." According to Julián Díaz's March 2010 newsletter, these key targets are "to create sustainable

value through risk reduction and the generation of returns, and in parallel, to provide the information, tools and know-how across all responsibilities/functions to take the right/better decisions in a timely manner." In order to achieve these goals, the Controlling & Reporting teams are developing, coordinated by Andreas Isenring, two tools within the One Dufry project : a Financial Planning tool and the Dashboard.

The Planning tool was used for the first time during the budgeting process for 2011. It is a tool based in HFM, the system we use to gather financial information from the companies. Its main objective is to homogenize the way the budget is prepared across the group. "People must understand that the whole group's budget is a complex exercise, that is not resulting from the sum of all companies' budgets," points out Marín. There are lots of internal relations and implications between subsidiaries. You can only cope with them using an appropriate tool. This is more complex than having excel files, and provides transparency and consistency in our assumptions." Marín highlights that the feedback received from the different regions during 2011 has been very useful to upgrade this tool. The Controlling community will continue supporting regional users during the budgeting process and further improvements will be included after this year's process.



Lidice Luzietoso, Andreas Isenring, Elena Chiang, Swetlana Rummel, Roland Gilles, Gerard Diaz, Luis Marín

The Dashboard is a tool intended to enable easier data visualization. "With so many figures, we need to ensure that we focus on the really important indicators," says Marín. "The Controlling, Reporting and IT departments are currently assessing different alternatives in the market and the needs of the different regions, in order to properly develop this tool, making it useful and practical." ■



Five acquisitions: A bigger base to build Dufry's leadership in Latin America

A warm wind blew this summer for Dufry. On August 4th our company's shares rose 2,6% on the Swiss Stock exchange after the announcement of four acquisitions including the purchase of a wholesale platform.

The good financial result reflects confidence investors have in Dufry's strategy and execution capabilities as it strengthens Dufry's global leadership in the travel retail industry and specifically in the fast-growing emerging markets. It also points out the next steps in Dufry's development by adding some excellent long-term contracts to the concession portfolio.

"The acquisitions will have a significant impact on Dufry's profile going forward," explained CEO, Julián Díaz. As mentioned in this issue's editorial, the businesses comprise the acquisition of Interbaires, the leading airport retailer in Argentina with stores at Buenos Aires Ezeiza and Aeroparque airports, as well as at the airports of lively Cordoba, Mendoza and Bariloche.

The acquisitions also add airport retail operations in Uruguay (at Montevideo's Carrasco Airport and in the resort town of Punta del Este); Ecuador (Guayaquil), Armenia and Martinique, as well as the previously mentioned wholesale platform.

These 21 shops reinforce our presence in 10 airports with the large total retail space of around 13'500 m². More than 90% of sales are based on long-term concession contracts, such as the main Argentinean airport contract in excess of ten years, and the longest-dating contract has a duration of even more than 15 years.

Moreover, Dufry will integrate the businesses in the next twelve months and expects to generate cumulative synergies of approximately USD 25 million over the next two years.

The merger of the newly acquired wholesale company with the existing logistics platforms in the Americas is expected to further leverage the improvements in the supply chain that were planned as part of the "Dufry Plus One" and "One Dufry" initiatives. Once completed, Dufry believes that the new logistics platform will be one of the most advanced supply chain organizations in the travel retail industry.

As Julián Díaz said: "We have already started with the integration of the new businesses and creating synergies, which will be a main priority in the next 12 to 24 months. In this respect, our mid-term initiatives "Dufry Plus One" and "One Dufry" become even more important as we will include the new businesses directly in these projects focusing on top-line growth, productivity improvements and efficiency improvements. The integration of the new businesses will significantly enhance the improvements that we have already generated in procurement, marketing, risk and cash management, as well as through tax initiatives, and they will also increase the overall value of these projects." ■





Favorite Shop

Coach, Juicy Couture and Victoria's Secret

During the past year, Hudson Group (Region 6) has opened five exciting speciality retail shops for women, all located in New York metropolitan area airports. All three – Victoria's Secret (JFK Terminal 4 and Vancouver International Airport), Coach (Newark Liberty Terminal C) and Juicy Couture (JFK Terminal 7) – are doing extremely well with all passenger types. They are especially popular with international passengers eager to take home lingerie, fragrance, handbags, apparel and accessories designed in the US by one of these iconic American brands. The sizes of the stores are small: Victoria's Secret (60 m²), Coach, (117 m²) and Juicy Couture (60 m²). But they pack a big punch! ■

