

Dufry World

Corporate E-Magazine of the Dufry Group



DUFRY

Issue 6 / April 2012

Hudson News



Hudson News anniversary, 25 years more innovating

-  Full year results 2011
-  Training programs in Italy and Brazil
-  Big steps in Russia and Dominican Republic

A friend for travelers – since 25 years

Editorial

Editorial by Joseph DiDomizio

Twenty-five years ago, the Hudson News concept was – founded on a simple idea – to provide travelers with the products they want and need to make their airline or train trip easier and more enjoyable. Especially important were magazines, books and a wide range of travelers’ necessities.

The founder of Hudson Group Retail was my father, Mario DiDomizio. Mario was hired by and worked closely with the late Robert Cohen, then head of Hudson County News, a company that distributed newspapers, magazines and books in the New York metropolitan area. (Sadly, Mr. Cohen passed away just recently on February 1, 2012, following a lengthy illness.)

Coming from a supermarket background, Mario understood how to design stores that focused on impulse sales and core convenience products. He and his team completely re-engineered the airport newsstand: creating open storefronts, wide aisles and centralized point of sale counters, perfect for merchandising impulse products. As the changes were made, profits soared.

As Hudson celebrates its 25th anniversary, we continue to drive innovation: healthier snack and food alternatives; brand-name products in every category; and the rapid expansion of a vibrant new product concept: electronics.

Since the acquisition of Dufry in 2008 and the integration in Dufry’s organization as Region North America, Hudson has also built an enviable portfolio of specialty retail brands, and has now taken on the operation of the company’s duty-free business in North America.



Joseph DiDomizio, President & CEO, Hudson Group

But at heart, this diverse and dynamic Region North America still has as its main goal to be what one of our customers called us on Twitter a while ago: The Traveler’s Best Friend! ■

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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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INPRINT
Publisher: DUFY AG, Hardstrasse 95, 4020 Basel Switzerland **Editorial Team Headquarters:** Julian Díaz, José Antonio Gea, Xavier Rossinyol, Jordi Martin-Consuegra, Javier Gonzalez, Lubna Haj Issa **Content Team Regions:** Marcus Griffin (HQ), Emorine Franck (R1), Tijani Djaziri (R2), Celine Heinrich (R3), Madelin Moreno (R4), Tiago Gloria (R5), Laura Samuels (R6) **Design, Text Writing and Process Coordination:** Match Communications, Zurich; Itziar Marañón, Roland Sennhauser, Christian Staub **Production:** Match Communications, Zurich and x-site, Basel **Published languages:** English, French, Italian, Portuguese and Spanish **Website:** <http://emagazine.dufry.com>

Dufry is a global travel retailer with 13'500 people serving customers in more than 1'200 shops in 46 countries.

Dufry News

Regional News

Strong performance of Dufry in 2011

In 2011, Dufry generated a turnover growth of 16.5% on constant FX rates, and gross margin went up for the eighth consecutive year to 58.2%. EBITDA increased by 26.9% on constant FX rates to CHF 435.5 million and EBITDA margin improved by 100 basis points to 14.1%. Like-for-like growth contributed 7.5 percentage points to turnover growth in 2011, which is a very strong performance considering the negative impacts of the political turmoil in North Africa, the snowstorms in the USA and the bankruptcy of Mexicana in Mexico.

Acquisitions contributed 6.7% to turnover growth. In August 2011, Dufry acquired airport duty free operations in several Emerging Markets, namely Argentina, Uruguay, Ecuador, Armenia and Martinique, as well as a logistics platform in South America. In addition, the expansion of Dufry’s retail space through new concessions generated a net increase of 2.3% in turnover. Combining acquisitions and space expansions, Dufry added more than 20'000 sqm to its retail space. The group also signed very important contracts with operations to be opened in 2012, namely the first contract for Dufry in India and adding a new location in China at Chengdu airport. Furthermore, in January 2012, Dufry also acquired a travel retailer in Russia.

As Julian Diaz, CEO of Dufry Group pointed out: “Dufry delivered a very strong performance in 2011” and he added: “For 2012, we already laid the groundwork to expand our footprint in Region Eurasia. The integration and ramp up of the new businesses will be a priority.” ■

Basel: High quality watches

Dufry launched in February a new exclusive watch brand in its main shop at EuroAirport Basel-Mulhouse and dedicated a full corner for it. This brand is Frédérique Constant Genève and was established in its current form in 1988. Aletta Bax and Peter Stas launched their first collection in 1992, comprising six models fitted with Swiss movements



Frédérique Constant Genève at Basel’s Euroairport.

and assembled by a watchmaker in Geneva. Their philosophy is to reach both connoisseurs and a broader selection of appreciative enthusiasts who want to enjoy high quality and timeless yet classical watches at sensible prices. ■

Italy: “Out in Front” training program launches

Between January 24 and 26, 2012, the pilot phase of a new training program was launched in Italy. Called ‘Out in Front’ it advances all shop supervisors and shop managers to “Dufry Certified Trainers” by teaching them a balanced leadership style as well as a format for delivering on-the-shop-floor training to their sales professionals.



“Engagement and willingness to try was great – reports Anni Maley, Dufry’s Global Training and Development Manager. The best part was the full participation from the shop managers Marco Zaccaria, Roberto Geniale, Diego Marro, Adele Giussani, Tiziana D’Aleo, Marco Piciollo, Davide Damoli, Claudia Castellucci, and Anna Maria Salla!” Due to the good feedbacks Dufry will continue with this training program. ■

France: Boutique Hermes in Nice gets on the podium

Dufry France achieved an exceptional 2011 with an increase of sales at Nice Airport. The local team got an exciting challenge initiated by Hermes and the results exceeded the targets by far. Our Hermes shop is stated now as one of the leading Hermes shops in travel retail industry worldwide. The professionalism, the enthusiasm and the quality of the joint Dufry and Hermes team in this location are part of its success. ■



The successful Hermes shop at Nice Airport.



Regional News

Morocco: Hudson News shops opening

Dufry increases its number of Hudson News shops in Morocco with the opening of seven stores between January and March 2012. They are located in: Rabat (30m²), Marrakech (60m²), Agadir (62m²), Fes (36m²), Tanger (25m²), Oujda (44m²), and Casablanca (101m²). This last shop is in Terminal 2, another one will be opened in 2013 in Terminal 1. ■



Seven new stores managed by Dufry in Morocco.

Russia: Dufry acquires a leading travel retail company

On January 10 Dufry acquired 51% of Regstaer Group, which holds duty free operations at Moscow's Sheremetyevo International Airport in Russia and it generates annual sales in excess of USD 50 million. The transaction also includes a commercial and purchasing agreement for Regstaer Group's operation at Vnukovo Airport in Moscow. ■



Dufry grows in the attractive Russian market.

Dominican Republic: Double presence

Dufry has increased its footprint in the Dominican Republic. In the last [xxx] months, five stores were remodelled and six new stores will be opened in the second quarter of 2012, three in Santo Domingo and another three in Puerto Plata. Including the new shops, Dufry will operate a total of 15 shops in Dominican Republic, which offer a wide range of products within the different Dufry store's concepts: Fashion, Hudson News, local products, a smoking room and the regular Dufry Free offer. 40 new employees will join the Dominican team that will have a total number of 115 employees. ■

Brazil: Social project graduates 30 students

On November 18, 2011, the graduation of the Brazilian social project's 17th promotion took place. More than 300 people attended the event, among them students, parents, authorities, Dufry employees and volunteer teachers.



We are committed with the Brazilian young talents.

Mr. Humberto Mota, President of Dufry Brazil, and Mr. José Carlos Rosa, COO of Dufry's Region South America, made speeches congratulating the students when they received their diplomas. The students had as patron the Minister of Civil Aviation, Mr. Wagner Bittencourt, who shared his successful story as an example for them. ■

Brazil: eCommerce for the best beverage brands

The DufryShopping website was launched in January 2012 with the purpose to offer the best beverage brands through a website with very attractive prices for the Brazilian market. The website offers a range of attractive features: Customers can manage their "wish-list", track orders, choose gift kits, among many other benefits. Also, goods are delivered home in all of Brazil as part of the service offering. "The



Regional News

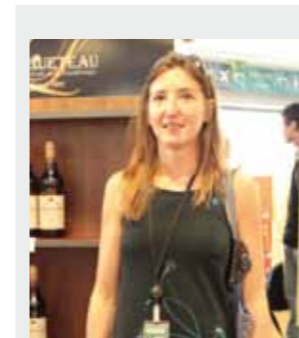
idea is to be the Top of Mind eCommerce website for beverage retailing in Brazil. Later, the project can be extended to other categories", explains Tiago Gloria from Dufry Brazil. ■

South America: Integrating Human Resources

The Human Resources team of Region South America held a meeting in Rio de Janeiro last November. The objective was to share knowledge about Global HR standard procedures and Regional practices with the HR managers of the newly acquired companies of Argentina, Uruguay and Ecuador. The training was delivered by Wagner Rezende (HR Director for South America) and his team. The participants were Daniel Crinigan; Guillermo Rimoldi; Sara Santana; Ana Laura Fernández and Ana María García. They spoke and reflected about topics as career, use of website for HR purposes, recruitment processes, Performance Appraisal, Dufry Sales Academy, HR KPI's, and others. They also had the opportunity to share best practices and to visit Rio de Janeiro's Duty Free stores. At the end of the training an implementation plan was agreed. ■

North America: Iconic American brands for international passengers

During the past year, Region North America opened a number of exciting specialty retail shops. Vineyard Vines (Boston Logan Terminal C); Victoria's Secret (JFK Terminal 4 and Vancouver International Airport); Coach (Newark Liberty Terminal C); and Juicy Couture (JFK Terminal 1 and 7). 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. Their sizes are small, between 60 and 150m². But they pack a big punch! ■



Trip to Guadeloupe

Our last Quiz winner, Myrtille Harnist, Basel-Mulhouse EuroAirport, Warehouse employee, enjoying her trip to Guadeloupe where she also visited the Dufry shop. ■



Dufry's People

Sylvie Mignot



Sylvie Mignot, Country General Manager Ivory Coast

She is a woman one can trust when difficult times come. Sylvie Mignot, a French citizen whose career in Dufry began in Russia in 2004, is the General Manager in Ivory Coast. She was in charge of the business there during the post electoral crisis that hit the country last year. Therefore she is grateful to her team for their attitude: "They have secured our business in very tough conditions".

Dufry World: How many shops does Dufry have in Ivory Coast? Where?

We have 4 shops in the Houphoet Boigny Abidjan airport: One selling food, local art, textile, newspapers and magazines; the bigger one offering perfumes, alcohols and tobacco; one small space in the boarding area and another one on the arrival side. We do have also a diplomatic shop down town.

DW: Which are your main duties?

As Country General Manager my first duty is about supervising, coaching, and engaging all the team to ensure our business is successful. Success depends mainly on the engagement of your team. I would even say my job is the one of a sport coach driving the players to the win.

DW: What have you learnt in your position recently?

The main lesson I get is that as a foreigner your responsibility is to understand and accept the culture you are working in. This is the only way to be successful in engaging your team.

DW: What do you want to improve for the next year?

For this year Ivory Coast will hopefully recover well from the recent political crisis and consequently our business should grow significantly. ■



More than 20 years of a job well done

Well over half a century of concentrated retail experience, most of it at Hudson Group, is the remarkable achievement of, Roger Fordyce and Bryan Quinn, the two executives who share responsibility for operations that span the continent of North America.



Roger Fordyce works in Hudson Group since 1988.

Executive Vice President and Chief Operating Officers Roger Fordyce and Brian Quinn's oversee some 650 stores in over 70 airports and transportation terminals: From Nova Scotia to Alaska; from Miami to San Diego. Every climate and time zone on the American continent is their territory. Therefore both were honored for their longevity at Hudson Group's recent Management Seminar & Vendor Show.



Brian Quinn started in LaGuardia Airport in 1991.

Reporting to Roger and Brian is a well-seasoned Operations team of five senior vice presidents and a workforce of nearly 5,000 encompassing the whole organization of regional vice presidents, general managers, assistant general managers, sales associates and warehouse personnel. Supervising and coordinating this large team requires experience, common sense – and a lot of travel!

Roger Fordyce joined the Hudson Group team in 1988 as General Manager of the LaGuardia Airport operations in New York City. He was promoted to District Manager, overseeing operations in LaGuardia, Pennsylvania Station and Grand Central Terminal when Hudson acquired these additional New York City transportation terminal operations in 1990. In 1992, he was named Vice President, Operations. He became Senior Vice President, Operations in 1996, and was promoted to his current position in 2003.

Brian Quinn joined the Hudson Group team in 1991 as General Manager of the LaGuardia Airport operations. He was promoted to Vice President, Operations in 1992. He became Senior Vice President, Operations in 1996 and was promoted to Executive Vice President, Operations in 2003.



Brian and Roger (left and second left) attending a breakout session with other Hudson Group executive team leaders.

In 2009, after Hudson Group became part of Dufry, Brian served as EVP of International Operations, during which time he oversaw the rollout of the Hudson News format outside of North America. In 2010, he returned to Region North America to serve in his current role. ■



The executives were honored at Hudson Group's recent Management Seminar & Vendor Show.



A company built on values

At Hudson Group's annual Management Seminar & Vendor Show in December 2011, Dufry's subsidiary marked its silver anniversary in a proactive way by creating a long-term plan for operating the business for the next 25 years.



Joe DiDomizio, president and CEO of Hudson Group encouraging his team.

The executive management team of Hudson Group – some 250 people – spent an entire day in Las Vegas listening to keynote speakers, then working together to devise a strategic plan focused on the company's future. The theme of the meeting was "Innovation – The Next 25 Years."

In a series of round table workshops, the team called on years of experience and knowledge to brainstorm and offer suggestions for improving performance in a wide range of areas, from the customer experience, to improving productivity to uncovering new opportunities.

One of the topics was penetration, or how to increase foot traffic into the Region's 600+ stores. Another topic was conversion, or how to increase spend per transaction. How to make better use of emerging technologies was also considered, along with how to better capture, evaluate and utilize the ideas and suggestions of the more than 5,000 employees of Region North America.

"Great people are the most important ingredient in creating great companies," says Joe DiDomizio, president & CEO of Hudson Group. "Our seasoned executive management team has built Hudson Group from the ground up, growing it from nothing to the leading duty-paid travel retailer in the North America, with revenues of over \$700 million dollars. I am sure that our team will be just as successful in planning and executing the next phase."

Another historic milestone was the merger with Dufry back in September 2008. "It was a highly successful strategic move to complement the skills and organizational strengths of two great organizations," noted Joe. For Dufry, the acquisition provided the opportunity to build a far stronger position in the duty paid convenience segment. Dufry has opened

over 80 Hudson News stores around the globe, with more to come. As part of Dufry, Hudson Group has gained access to a wide range of highly desirable international specialty retail brands, many of which Hudson Group has now introduced to the North American market.

Hudson Group Runs of People and Values

Most of the Hudson Group management team has been with the company since its inception. During the course of the Las Vegas event, many employees and business partners were recognized with awards for tenure of 15-20-35 years' duration. Said Joe: "Our people have built their careers at Hudson. Our core values are the qualities that exist within them." These values are: Service, respect, passion, dedication, teamwork and innovation.

"On the surface, these Core Values may seem simple and obvious," observes Joe. "But there is a lifetime of learning and effort behind those words...and the work and effort of many individuals to make them stick in the challenging world in which we operate."

Travel retailing, particularly the newsstand/convenience segment, is indeed a demanding business, a commitment that is 24/7/365. Region North America stores open an hour before the first flight in the morning; they close after the last flight has departed. During severe weather conditions and delays, the stores stay open, sometimes all night. Employees sometimes stay overnight in airport hotels to ensure that adequate staff is on hand for the morning rush. This takes the responsibility and dedication of the entire team.

During this exciting 25th anniversary year, Hudson Group is celebrating the opening of three beautiful new duty-free shops in Chicago O'Hare Terminal 5, which join duty-free shops in Newark, Houston, Edmonton and Seattle now operated by Region North America. The year will also see the buildout of dozens of new stores in Los Angeles International Airport, San Diego International, Albuquerque Sunport, Dallas Love Field, Edmonton International, Boston Logan International, as well as a new high-end specialty retail mall in Las Vegas McCarran Airport, that came with a substantial contract extension, through 2030! ■



Favorite Shop

A shopping blue paradise

With pleasant music at a modern environment where the blue Caribbean Sea shines from the other side of the windows, sits Dufry's Cozumel shop, a top store, which offers a wide variety of products to cruise travelers. Located in the Puerta Maya pier, the Cozumel shop was opened in 2011 and marks the latest step to consolidate Dufry's presence at the Mexican Caribbean. It was a milestone that placed our company as the main operator on cruise destinations in the Caribbean. Cozumel is the most important cruise destination in the region with three international peers and one ferry terminal. Within this holiday atmosphere, the 1.040m2 shop provides well priced opportunities. Moreover, it includes different retail formats, such as a CEI shop and a Hudson News store. To attend the large amount of visitors with the highest quality standards, 68 employees work there, sharing their experience and the magical reflections of the Caribbean Sea with their clients. ■

