

Dufry World

Corporate E-Magazine of the Dufry Group



D U F R Y

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Major internal reorganization, reshaping the way to success

-  Half Year Results 2012
-  Launch of One Dufry Awards 2012 and the winners of 2011
-  New shops in France, Armenia, India, China and Brazil
-  Interview with new CFO Andreas Schneider

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Dufry reorganization: Getting ready for the future

by CEO Julián Díaz

As it was announced, Dufry has gone through a significant internal reorganization which started at the beginning of the summer. The transition period ends on September 1st when the reorganization process will be fully completed and implemented.

In the past eight years, Dufry has undergone a significant evolution where the company's size has increased by five times and during which we have become the leading travel retailer with 8% market share.

We believe our profitable growth strategy that we have implemented over the past years is still a valid one, and we aim to continue to grow organically through higher passenger numbers, and be improving our productivity and increasing sales per passenger. Equally, we want to continue improving our operational margins as well as to better use our capital. Therefore, we need to adapt the structure of the company to be able to pursue this path of growth and the reorganization is a critical step for further reinforcing our business model.

The key principles of the reorganization are very simple: We aim to decentralize business execution and give greater responsibilities to the regions for the day-to-day operations and we plan to centralize those functions where we can leverage our scales and create global synergies, like procurement and logistics.

In summary, the reorganization is designed to empower our employees and get closer to our customers and landlords and reinforcing our corporate focus on growth and efficiency.

I would like to congratulate the newly appointed persons and to thank all executives for their outstanding contribution in



Julián Díaz, CEO

the past years. Each of them has been a key player in the development of Dufry and will continue to be in their new functions.

We are convinced that this reorganization will make Dufry more effective in developing the business model and it will strengthen even more our position as the leading travel retailer worldwide. ■

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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 13'500 people serving customers in more than 1'200 shops in 45 countries.



Dufry News

Regional News

Continued strong growth and margin expansion

Dufry continued to perform strongly in the first half of 2012 with turnover growth of 28.4%. Gross margin increased by 0.8 percentage points and reached 58.8%. EBITDA grew by 48.4% to CHF 220.1 million and EBITDA margin reached 14.5%, 190 bps higher than in the same period in 2011. Julián Díaz, CEO of Dufry Group, commented: "Dufry managed once more to deliver a strong set of results. Thanks to our disciplined approach, we increased turnover as well as our margins. We also generated a significant free cash flow allowing us to deleverage considerably over the last three quarters. Our last acquisitions continue to perform as expected and the first synergies generated give us the confidence that we are in the right track for achieving our goals. Once more, thanks to our global diversification, we could balance differing performances across the regions and deliver profitable growth".

Some regions, such as Eurasia or South America, increased their turnover by more than 50% supported by the integration of acquisitions. All other regions also increased sales and depending to the respective local economic situation, growth varied between 6% and 22%. As Julián Díaz declared the global prospects for the industry remain positive. "There are substantial regional differences though" –he added– "and some markets remain fragile. We will therefore continue to be alert to the development in all our operations." ■

Nice: Temporary shop Mc Gregor in Nice's airport

Dufry implemented a pop-up shop in Nice for the Monaco Formula 1 Grand Prix from May to June. The chosen brand for the shop was Mc Gregor, this competition's official textile sponsor. The store was located in an airside zone and it sold more than 1200 pieces. "We will repeat this operation next year, and we are currently working on the same kind of project with Kipling for August, September and October", informs the retail manager in Nice, Christophe Ricard. ■

Mauritius: Business partnership with Mauritius Duty Free

In January, a contract was signed with Mauritius Duty Free to develop the duty free business in Mauritius. The operation strengthened the company's commitment with Mauritius Airport's new terminal that will be completed by the end of 2012. There will be a new Departure Shop (1500 m²), two arrivals (700 m²), a Fashion Shop (270 m²) and 3 High End Luxury shops (each aprox. 30 m²) as well as a new Departure Shop on Rodrigues Island (220 m²). ■

China: Growing in the southwestern of China

Seven duty free stores opened their doors for the first time on July 28th in the Terminal 2 departing area of Chinese Chengdu Shuangliu International Airport. Five of them are specialized in well renowned brands like Armani, Swarovski, Hugo Boss, Coach and Tumi. The other two stores offer Perfume & Cosmetics and the variety of Hudson Market concept. The total retail space is 2249 square meters. ■



India: 45 opportunities to enjoy Hudson News & Café

The first stores of "Hudson News & Café" have been launched at Delhi Metro Rail Corporation (DMRC) stations. By the end of July there will be 20 shops opened and ultimately the number of shops will reach 45 outlets.

The Delhi Metro transports approx. 2 million commuters per day and is one of the largest growing transport networks in India. Dufry will develop around 2000 m² of retail space throughout the DMRC network in the next 3 months. ■



We welcome the new staff in India.



Regional News

Mobile point of sale successfully implemented on cruise ship shops

Dufry Region Latin America has launched a mobile point of sale device for Flagship Retail Services, our Company operating on board cruise lines. This system is a breakthrough and will allow to make sales from anywhere on the ship in real time. The implementation of the pilot on board the NCL Dawn was a resounding success and was possible thanks to the collaboration between the Flagship operational team, the regional IT department in Miami and the management teams of the Norwegian Cruise Line. ■



The customers have an easier access to our products.

Brazil: Five colleagues test their limits

This year's Ultra Marathon race had again a group of participants from Dufry's staff of Brazil and Argentina: Pedro Henrique, Claudia Lacerda, Carlos Maciel, Miguel Bravo and Marcos Salomão represented our company in this famous sport event. "We learned a lot from this experience: We can stretch our limits far beyond where we had imagined. We also would like to thank Dufry for giving us this unique opportunity", declared the participants. ■



Brazil: Kiehl's cosmetic shops

Since May 2012, Dufry is operating a new brand in Brazil: Kiehl's, a cosmetics brand that belongs to L'Oréal. For this reason, there are six new stores operating in Brazil: Three in Rio de Janeiro, two in Belo Horizonte and one in São Paulo. Kiehl's is committed to the nature care and uses no preservatives, its bottles are recyclable and the shampoos are not tested in animal. ■



Kiehl's belongs to L'Oréal and takes care of the nature.

Dallas: New Retail and Food Concessions Coming to Dallas Love Field

Two joint ventures led by Hudson Group have been selected by the City of Dallas in a recent competitive bid process to provide both retail and food services in the newly renovated Dallas Love Field Airport (DAL).

The award includes over eight retail and two food & beverage packages and includes: three newsstands, a bookstore, 11 specialty retail concepts and five food & beverage locations, totaling nearly 4877 m².

The winning brands and concepts will all be "distinctly Dallas," in line with the RFP's stated preference for local themes and concepts. So, some of the stores will have names like West End News and CNN Newsstand – Dallas, alongside national brands Hudson News and Hudson Booksellers.

On the specialty retail side, there are shops representing more local businesses and attractions, including Fair Park TX, Billy Bob's Texas, Mallasadi menswear, and Famous Texas Boots. Additional specialty concepts will include Desigual women's wear, Tech on the Go, Travel + Leisure, Spectacles, Bliss, Soybu and Fire CZ.

On the Food & Beverage side, local award-winning eatery Jason's Deli will make its airport debut in one large restaurant, while Dunkin' Donuts, Baskin Robbins and a new grab-and-go concept called "Texpress Gourmet" will offer coffee and snacks in several locations to travelers in a hurry. ■



Dufry's People

Industry recognition



Armen Unusyan, Maintenance Supervisor in the Zvartnots International Airport

Armen Unusyan who works as Maintenance Supervisor in Dufry's operations at Zvartnots International Airport in Yerevan, Armenia, has been awarded a certificate by Lacoste for exceptional approach to Customer Service. Prior he was nominated by his fellows to The Moodie Report magazine's awards "The front line". Armen is responsible for a wide range of duties relating to customer service and in particular supporting the work of the cashiers –including training, evaluation and supervision.

"I've been working for the company for over five years because I enjoy my job" – declared Armen. "I like to study issues from a practical perspective and working with people. I try to share my knowledge and approach with others". The Dufry employee has also shared a tip to solve difficult situations: "You must be flexible and be ready to make quick and responsible decisions".

The main reason for this recognition is that due to his "devoted work and efficient multitasking that the store as a whole can provide such a good level of customer service". ■

Andreas Schneider



Andreas Schneider, Chief of Financial Operations (CFO)

Since the last internal reorganization Andreas Schneider is the new Chief Financial Officer (CFO), a challenge that he faces with enthusiasm.

DW: You are in charge of Dufry's Finance Department, what are your main duties?

AS: To ensure that the financial strategy fits into the overall strategy; to overview the main Finance tasks for the Group including the regions; and to be an intermediary for external parties, such as investors and banks. I will be part of a bigger team effort, so fortunately I won't have to do this alone.

DW: What do you expect to change?

AS: We need to improve our competence in areas such as risk management. The world has become more volatile in recent years and we have grown a lot. Hence, mistakes can have a much bigger impact than in the past and we want to make sure that we make as few as possible. Another constant topic is how to develop the business to add value. If we can combine the expertise of operations and finance, there will be opportunities to improve our business.

DW: Is there anything that will stay the same?

AS: I will remain busy.

DW: What feature of your personality helps you in your position?

AS: I am an open-minded person and I like working with people.

DW: Could you tell me about anything in the financial department that you find especially interesting?

AS: Finance is a way to reflect reality. Finance is not about shuffling numbers, but about providing information within a framework that allows the managers and employees to make the right decisions. ■



Well Done

A prize to the efficiency and the teamwork

On January 2012 the One Dufry Awards were presented. This was the first time that our company organized this competition and the results are a good reflection of the diversity and the commitment of the international Dufry team. We are proud to present the winners in the three categories:

1. The One Productivity Award:

1st Place (Joint): Dominican Republic and Tenerife, Spain.

2nd Place: Brazil.

2. The One Customer Award:

1st Place: Dominican Republic.

2nd Place: Sharjah (UAE).

3rd Place: Puerto Rico.

3. The One Innovation Award:

1st Place: "Mega Event" Promotion Initiative – Group Wide. The Mega Event Promotion team are: Javier Gonzalez, Marketing HQ; Ian Foster; Santiago Perez, Marketing Manager, Spain; Daniil Petrov, Marketing Manager, Russia; Lelia Chouk, Marketing Manager, Tunis; Michelle Coloma, Marketing Manager, Sharjah; Carla Cora, Marketing Manager, Puerto Rico; Christina Sadlak, Marketing Mgr, Newark; Otilia Solano, Marketing Mgr, Dominican Rep; Mario Portela, Marketing Director, Brazil; Alejandra Velazquez, Marketing Mgr, Mexico; Luca Giusti, Marketing Manager, Italy; Franck Emorine, Marketing Mgr Basel & Prague; Muriel Runser, Procurement P&C Category Manager; Pilar de Garrastazu, Global Head of P&C.

2nd Place: The X Team – Sharjah, UAE

The members of the Sales Professional Team are: DCOO, Erik Van der Veen; Operations Manager, Bala Krishnan; HR's Raymond Cotter.

3rd Place: The Fachada Viva Project - Brasil

The participants of this team are: Mario Portela, Marketing Director, Brazil; Andre Mafra, Marketing, Brazil; Fernando Chaves, Marketing, Brazil; Cleber Amaral, Merchandising .

The 2012 Dufry One Awards edition was launched in May, the winners and prizes of which will be announced early in 2013.

An international effort to increase sales

Ian Foster, Global Promotions Manager based at the Head Office in Basel, was a very active member of the team that

won the first place in the One Innovation Award 2011. The project was called Mega Event and it ran simultaneously across 5 Regions through June 2011 to launch Carolina Herrera's latest fragrance L'Eau. 14 team members (Marketing & Procurement) from more than 10 countries participated in this global promotion initiative.



Ian Foster, Global Promotions Manager

Dufry World: What was the first thing that came to your head when you were informed that your team had won?

Ian Foster: I was first informed by our Global Human Resources manager that the Mega event promotion and efforts of the marketing & procurement collaboration was being considered for the award. We had to wait a further month before Mr. Díaz announced the results and obviously we were thrilled that our innovation and teamwork was recognized in this way.

DW: Which prize did you win?

We have a fantastic crystal award that is proudly displayed in my office, together with a framed winning certificate. I am only the caretaker of the award as it belongs to the whole team, however each team member will receive a winning «recognizing excellence» certificate, for their own office, signed by Mr. Julian Díaz.

DW: Why do you think that you won?

The event resulted in not only driving sales of the product that we promoted, but through interaction with our customers outside stores, and it generated greater footfall into our shops. Additionally the project was so successful that it will be extended from 12 to 31 Dufry locations.

DW: Would you like to add anything?

The Mega event has now evolved to be a permanent activity. A continuing programme that each month highlights and promotes a different brand or product. Again, I would like to applaud the commitment, hard work & dedication of both procurement & marketing teams on this initial Mega Event project. ■



Key Story

A change to reinforce the will of growth

On 1 July, our company started a significant internal reorganization in order to continue with our growth strategy and a corporate culture based on teamwork.

Dufry has developed rapidly in the past years. Since 2003, the Group has multiplied 5 times its turnover, expanded into 20 new countries and increased by 5 times its number of retail locations and personnel. In 2011, Dufry generated a turnover of more than CHF 2,6bn with a workforce of more than 13'800 people across 45 countries in over 1200 stores.



Renato Tesliuk, Pedro Henrique, Mario Estima, Jaime Balcells, Pedro de Ayala, Cyrille Beauviche, Miguel Angel Martinez, Erik Van der Veen, Juan Antonio Nieto, Santiago Pérez, Mitch Panzar.

Such impressive numbers required an adjustment in the business structure to achieve the financial, commercial and efficiency goals set in the strategic plan. Therefore, Dufry has introduced the following changes:

1. The new Regional configuration will consolidate the previous 6 Regions into 4. The Regions, are headed by the following Regional COOs, all reporting to the CEO Julián Díaz: R1 Europe, Africa and Asia: Xavier Rossinyol; R2 Latin America: René Riedi; R3 Brazil: José Carlos Rosa and R4 North America: Joseph DiDomizio. "In this way the organization is more balanced and can be managed more effectively from a global point of view. On a regional point of view, this consolidation will allow the regions to focus on their specific challenges", explains Jaime Balcells, Head of Organization and Integration, the department that worked together with the firm AT Kearney and the different communities involved to implement this reorganization.
2. The new Business Unit (BU) consolidated the previous 19 BUs into 15. As Jaime Balcells points out, the main impact that this reorganization brings is "reinforcing the regional roles with very strong commercial functions".
3. The global procurement platform (DTR) is being deployed to serve Dufry operations worldwide, maximizing economies of scale by the centralization of the procurement and logistics functions.

4. The appointment of a Regional Advisory President per Region to reinforce local business development, political and institutional relationships and the company's image. The persons appointed as non-executive Senior Advisors are: R1 Europe, Africa and Asia: Dante Marro; R2 Latin America: José H. González; R3 Brazil: Humberto Mota; R4 North America: Mario DiDomizio.

The reduction in number of regions will also be reflected in the Group Executive Committee, which will be comprised of: CEO, Julián Díaz; CFO, Andreas Schneiter; Global COO, José Antonio Gea; Chief Legal Officer, Pascal Duclos and the four Regional COOs.

All these appointments are effective since July 1st but will become fully operational by September 1st. That day our customers didn't feel any direct change in their shopping experience with Dufry. Nevertheless, it was an important milestone for this company. "We hope that this reorganization affects directly the customer for good! I believe that they will perceive a more homogenous travel retail concept between our outlets spread around the world", concluded Balcells. ■

One of the more than 30 executives whose role and activities have been changed by this reorganization is Jordi Martín-Consuegra. The former Global Organization and Human Resources director is the head of a larger department that combines Organization, HR, Information, Technology and Corporate Communications.

Why was such reorganization necessary?

Because despite having grown a lot, our ambitions are even higher. The reorganization is a call to action to us all that we cannot live from past achievements.

How have you personally experienced all these changes?

This is a great growth opportunity. The increased responsibilities puts welcome pressure on me to grow as a Dufry leader, and I will be counting on our existing strong team to meet together this challenge.

What do you want to do first in this new position?

Meet everybody involved individually and listen to their ideas and concerns. Dufry is the leader in our market and its achievements as a result of a collective effort, so we need to count on everyone's input and support.

This reorganization affects directly to Dufry's executives, how will the other part of the staff (sales, shop managers, customer service...) perceive this changes?

There will be the obvious short-term change of having new people in new roles. However, the real important change is what we will achieve in the medium-term. In Corporate Resources this includes supporting the reorganization and new integrations, new HR and training programs, robust IT solutions and increased focus on people and communication.



Favorite Shop

A walk through efficiency in Armenia

The big Duty Free store that Dufry operates in the Armenian Zvertnots International Airport is an example of its 68 employees' commitment. Exemplary one member of the Dufry team, Armen Unusyan was awarded by the Moodie Report magazine "The front line" (see article on page 5). This 1,200 m² walk-through shop was opened in November 2011 and offers over 500 different brands that include a wide range of local and international spirits, tobacco, food, fragrances, luxury accessories and more. ■

