

Dufry World

Corporate E-Magazine of the Dufry Group



D U F R Y

Issue 8 / February 2013

DUTY FREE MOSCOW

 **Region 1: Four key markets in one wide-ranging area**

 **Q3 Results: We continue with positive results**

 **Promotions in new markets**

 **Store Openings in Brazil, USA and Spain**

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Region 1: A good mix between consolidated and new markets

by Xavier Rossinyol, COO Region EMEA & Asia

In September 2012, Dufry implemented an internal reorganization aiming to continue delivering sustainable long-term growth and shareholder value creation. The re-shaping of the regional structures from six to four regions is designed to allocate increased responsibilities to the regions to have greater flexibility to execute and implement the global strategy, with more responsibility in management of the operations and the business development, and also increasing the control. Along with the decentralization, Dufry centralizes those functions where we can leverage our scale and create global synergies, like procurement and logistics.

In the region, as in the Group, we want to follow our customers to maximize our sale per passenger, which shows our efficiency. For this reason we are organized in six business units, to be close to the daily operations, and we cover four key markets:

- a) The Mediterranean (South of Europe and North of Africa), the single largest tourist area in the world, with 250m tourists per year and a growing number of visitors from Russia and Asia. With the Greece acquisition we'll strengthen our leadership in this area.
- b) Russia, Eastern Europe and former CIS countries: we already have strong leadership in this market and we see potential growth in itself and also for growing number of visitors to other Dufry markets.
- c) Middle East: Expanding hub in the travel between Asia and Europe.
- d) Asia Pacific: Including India, China and South East Asia, the future of our growth. This is already the largest travel market in the world and we see many opportunities for our business model focused on emerging markets.

Each of the markets might have different dynamics but there are more passengers flying between them. We use our global database on the customer behaviour to improve our retail efficiency, we quickly adapt the assortment, merchandising, pricing, promotions and advertising when the profile of customers changes.



Xavier Rossinyol, COO







The new region also allows using the resources of the more consolidated areas to expand even further in the new markets. Additionally, we have embarked on a restructuring of those operations with lower performance, so that the resources of the Group will be deployed where the return on investment is higher.

As leader of Region 1, I'm thrilled by the challenge and the many opportunities of improvement already identified and ..., we'll do better in our current operations while growing in new ones. I'm personally delighted by the quality, dedication and energy of all the team members. With their enthusiasm and capabilities, we'll deliver. ■

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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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Dufry is a global travel retailer with more than 14'000 people serving customers in more than 1'200 shops in 43 countries.



Dufry News

Regional News

HQ-Q3 Results: Nine months, one record

In the first nine months of 2012, Dufry's turnover grew by 25.8% to CHF 2,363.9 million and gross margin increased by 80 basis points to 58.8% in the period. EBITDA increased by 40.5% to CHF 360.2 million and EBITDA margin improved by 160 basis points, reaching a record of 15.2%.

Turnover of Region EMEA & Asia grew by 22.1%. The good performance in the region was mainly driven by the strong growth of the operations in North Africa and Russia. Dufry's operations in France, Switzerland, Spain, China and Sharjah showed vigorous performance with double digit growth. Acquisitions of operations in Martinique and Armenia in 2011 and Russia in 2012 contributed to turnover increase in the region. The closing down of the Singapore operations impacted negatively.

Region America I increased its turnover by 78.4%. The companies acquired in August 2011 (Argentina, Uruguay and Ecuador) added 66.1% to the turnover growth. Operations in Mexico continued to see healthy growth rates. The operations in the British Caribbean remained weak due to a change in the passenger profile and different itineraries of the cruise lines. The operations in Argentina and Uruguay were affected by the bankruptcy of the Uruguayan airline Pluna in July.

Region America II posted a growth of 2.7%. Operations in Brazil continue to be impacted by the economic slowdown in the country as well as capacity constraints in some of the Brazilian airports. Region United States & Canada grew its turnover by 18.3%. Turnover continues to show solid growth thanks to constantly adapting and refining the assortment and introducing new products and partnerships. ■

HQ: Dufry sponsors the Street Child World Cup "Road to Rio 2014"

Dufry and Street Child United are delighted to announce that Dufry Group is a sponsor of the next Street Child World Cup (SCWC), which will take place in Rio de Janeiro, Brazil, in March 2014. The Street Child World Cup acts as a catalyst so that individuals, companies and governments around the world do more to safeguard the rights of millions of children who live and work on the streets. In addition to the football tournament, SCWC hosts an international conference and arts programme to give children a platform to talk about the issues they face. Dufry's CEO, Julian Diaz, said: "Dufry is proud to help



those most in need – disadvantaged children. The Street Child World Cup uses the power of football to give street children the support and protection that all children are entitled to. No child should have to live on the streets." ■

Europe: The first company with three stores at Reina Sofia Airport

Dufry was awarded with two new concessions at Reina Sofia Airport, in the Spanish Tenerife island. They will be opened on December 12th and both are located in the Terminal 1 (departures area). Dufry operates now three stores with 1,508 m². One of the shops, called "Sweet Treats", has 144 m² and it offers chocolate and sweets of well-known brands like Lindt or Nestle. The second one has 164 m² and is called "Discover Canary Islands. Gourmet and Delicatessen". This shop sells first class local products like Honey Run, Wine, Canarian sauces and Cheese. ■

Latin America: Mystery Shopper's perfect score for Puerto Rico sales team

Dufry's store number 21 located at Terminal B of the Luis Muñoz Marín International Airport received a perfect score of 150 in the 3rd Wave visit of Dufry's Mystery Shopper Program. It is the first time that a store receives such a result. The store's appearance, product provision, customer service and service checkout were verified during the visit. The "mystery shoppers" qualify the employees for their appearance, service and knowledge of the products, promotions, global services like Customer Service, Return and Satisfaction Programs. ■

Brazil: Opening of two new stores in Sao Paulo and Curitiba

In August 2012 a new store with 67,5 m² was opened at the Brazilian Curitiba Afonso Pena International Airport. After this opening Dufry operates there three shops (2 Duty Free and 1 Duty Paid). Moreover, in October our company expanded its presence at the Guarulhos International Airport (São Paulo), the largest airport in Brazil, with a flow of over 30 million passengers in 2011. This store with 116 m², is at Terminal four. Now Dufry has nine Duty Free shops and four Duty Paid stores there. "In Curitiba we have a team of two shop supervisors and 4 sales people, under the management of Renato Lopes. In São Paulo we incorporate to our sales staff six employees and two shop supervisors, under the management of Camila Veneziani", adds Tiago Gloria from Brazil. ■



Regional News

Brazil: An increase of 50% retail space at Guarulhos International Airport

On November 16th, 2012, Dufry signed an agreement with Guarulhos International Airport in Sao Paulo to renew its duty free retail contracts at that airport until 2016. Dufry currently operates eight duty free shops at the airport with a total area of 4,500 m² of retail space. The agreement also foresees that Dufry will enlarge its retail space by 2,100 m². The new operations are expected to start in the second quarter next year. The expansion of the commercial area will be located at the arrival and departure area of Terminal 2, adding almost 50% more retail space to Dufry's activities at this airport. The expanded retail space will allow Dufry to further enhance its comprehensive range of products, and offer its clients international best selling brands and a unique shopping experience. ■



... expansion in Brazil.

This project, managed by Roberto Baence, began in 2011. As Tiago Gloria informs from Brazil the results are very positive: "The warehouse is operating in a much more mature way, delivering Fill Rates of 99,5% to AIRJ stores. That's a good rate, considering the implementation of this system happened just 10 months ago and a performance near 90%, but with good prospects for improvement in the short term". ■



Humberto Mota, Regional Advisory President, Antonio Miguel Marques, CEO Guarulhos Airport and Julian Diaz, CEO Dufry

Brazil: Good implementation of new Warehouse Management System

To increase the warehouse operational efficiency and bring greater agility in product availability at the point of sale the new warehouse system was implemented on August 2012.



Dufry continues its...

North America: The first Kitson airport store opened in Terminal 7 in LAX

Trendy retailer Kitson, on hip Robertson Boulevard (as well as several other locations in and around Los Angeles), has become the favorite stop for many celebrities in Hollywood. The store's success is based on the idea that shopping should be fun, and this sense of play will be a chief component of the new Kitson store in Terminal 7 at LAX. Kitson's buyers are always on the hunt for great stuff: the hottest and newest apparel, handbags and accessories for men, women, babies, toddlers and tweens... along with housewares, giftware, toys, games and so on, including the famous Kitson line of signature tote bags. ■



New Kitson store in Terminal 7 at LAX.



Regional News

North America: Dufry Joint Venture lands in Seattle

A joint venture led by Dufry has won a competitive bid to operate duty free concessions at Seattle-Tacoma International Airport (SEA). The award consists of three stores located in the South Satellite, Central Terminal and Concourse A areas of the airport. The three new shops, totalling around 650 m² of prime selling space, will feature high-end local merchandise, top-selling cosmetics and fragrances, liquor, tobacco, confection and luxury accessories – jewellery, watches and sunglasses from distinguished international brands like Bally, Eddie Bauer, Emporio Armani and Mont-blanc. Term of the contract is seven years. ■

North America: Hudson scores at Louis Armstrong New Orleans International Airport

Revitalization of the retail concessions program at New Orleans Louis Armstrong International Airport (MSY) is now in full swing. A joint venture headed by Hudson Group has opened the first of 18 new stores coming to the airport in preparation for Super Bowl XLVII at the Mercedes-Benz Superdome in February. Opened in September was the New Orleans Saints store, an exciting black-and-gold homage to the Big Easy's favorite team, followed by Perlis, the Cajun clothing store noted for its iconic crawfish logoed merchandise for men, women and children. The airport will in the next couple of months unveil 10 newsstands, including multiple locations of Hudson News, Essence News and Westwin News brands. Specialty stores set to open in coming weeks are a Hudson Booksellers/Dunkin' Donuts combination store, two Creole Kitchen stores, two Jazz Essence stores and an In-Motion store. ■



Dufry's People

Martha Barrios



Martha Barrios, Shops Manager

Martha Barrios, Shops Manager in La Isla Shopping Mall (Cancun)

Dufry World: How long have you worked for Dufry?

Martha Barrios: I am working here since July 7th 1999.

DW: Have you held other positions?

MB: I started at the company as cashier, later I was during 7 years Operations' Supervisor. I am in charge of the operations here in La Isla for the past four years. Another thing that I have done in Dufry is to train other colleagues as Dufry certified Trainer (DC1).

DW: What do you most enjoy in your job?

MB: What I like about my job is dealing with people. I can meet people from many places and that's really interesting. I want them to return home with the best impression about Mexico and about Dufry. Another thing that I enjoy in this job is the relationship with my coworkers. We are a great team!

DW: What do you find most difficult?

MB: The hardest thing for me is the administrative part. I prefer to be directly on the sales floor because that has always been my passion.

DW: If you had to give to someone starting in a position like yours helpful advice, what would it be?

MB: That he or she should be patient and that it's vital to enjoy their work.

DW: Something you should never do...

MB: Underestimate the contributions of others.

DW: How would you define Dufry?

MB: In Dufry there is the commitment to provide to its employees the necessary tools to develop a good performance. I would define it as modern, humane and successful. ■



Promotions in new markets

Dufry's greatest strength is the initiative and the motivation of its people. Therefore some members of our staff have recently been promoted to take more responsibilities.

Erik Van der Veen



As of September 1, 2012, Erik van der Veen was promoted to Regional Commercial Director for the newly formed Region 1. With this new role Erik will be responsible for the commercial plan implementation for the entire region as well as new projects and will be reporting to Xavier Rossinyol COO of R1. Erik started in Dufry in June 2007 as Regional Category Manager in Eurasia, then was promoted to Deputy Chief Operating Officer for the Middle East & India in July 2008.

Fabio Di Nardo



As of September 1, 2012, Fabio Di Nardo was promoted to Regional Finance Director for the newly formed Region 1. With this new role Fabio will be responsible for financial integrity and accuracy of the financial systems and for maintaining financial statements and the management reporting.

Fabio previously served as Regional Finance Director for Europe based in Milan.



Celine Heinrich

As of September 1, 2012, Celine Heinrich was promoted to Regional HR Director for newly formed Region 1. Celine previously headed the Regional HR department for Eurasia region. With this new position Celine is responsible for leading the implementation

of global HR and organization development strategies, in addition she is reporting to Xavier Rossinyol COO of R1. Celine originally joined Dufry on 4 January 2009.



Mehdi Chahed

As of September 1, 2012, Mehdi Chahed was promoted to Regional IT Director for the newly formed Region 1. With in this new role Mehdi will be responsible for the IT implementation for the entire region as well as new

projects and will be reporting to Fabio di Nardo. Mehdi previously served as Regional IT Director for Africa. Mehdi originally joined Dufry in 01 January 2005.

Miguel Angel Martinez



As of September 1, 2012, Miguel Angel Martinez was assigned as General Manager Europe & Africa in Region 1. With this new role miguel will be leading the BUs under his report in the commercial execution according to the commercial plans and in the business management ensuring P&L

and financial objectives and will be reporting to Xavier Rossinyol COO of R1. Miguel started in Dufry in April 2004 as Managing Director of Dufry Tunisia, then was promoted to Regional COO Africa in September 2004.

Iain Forrest



On October 1st, Iain Forrest was promoted to DCOO for Business Unit 5, Middle East and India. He takes over responsibility for the Business Unit from Erik van der Veen and reports to Xavier Rossinyol, COO of Region 1. Iain originally joined Dufry in 2008 as General Manager in Belgrade, Serbia.

Adrian Alan Bradshaw



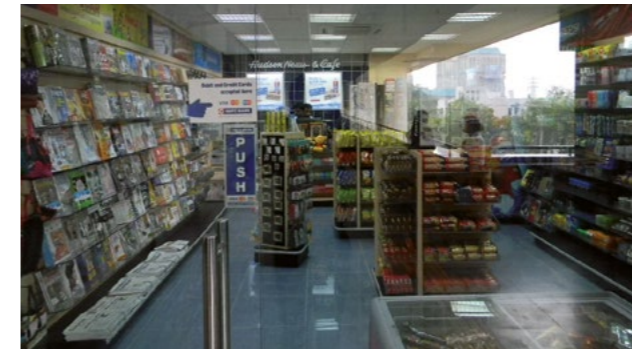
Also on October 1st, Adrian Alan Bradshaw was promoted to General Manager in Dufry Belgrade, replacing Iain Forrest. Adrian will be in charge of our Serbian Operations and reports to David Grady, DCOO Eastern Europe in Region One. He joined this company in 2011 as Area Retail Director in Barbados.

Further Promotion in R1: **Ranjith Kumar**, Finance Director Asia, **Abdeslam Agzoul**, Finance Director Europe & Africa, **Tijani Djaziri**, HR Director Europe & Africa, **Anthony Prakasam**, Business Development Director Asia and **Thomas Galet**, DCOO Africa. ■



A wide-ranging Region full of expanding opportunities

The new motto of the Region 1 is "Delivery: get things done". And as the following news show, the number of openings and acquisitions has already taken off. "Our expansion is perfectly faithful to the company's strategy and philosophy", highlights Erik van der Veen, Commercial Director, EMEA & Asia.



Hudson Shop in India

Greece:

On October 10th Dufry signed an agreement to acquire 51% of the travel retail business of Folli Follie Group, having the option to acquire the remaining 49% in four year's time. The business is the leading travel retailer in Greece and generated in 2011 turnover of EUR 291 million and EBITDA of EUR 84 million, with an EBITDA margin of 29.0%.

Luis Marín, Business Controlling and M&A Director, explains why this acquisition has been so interesting for Dufry: "It matches with one of Dufry's strategic geographical areas for growth, namely the Mediterranean corridor, contributing to diversify even more the geographical presence of the company". And he adds that there are some significant assets in this transaction namely: as "their diversified operations in different channels, with strong knowhow in channels other than airport retail, namely border shops and ports; their portfolio of contracts, with attractive terms; their exposure to international travellers; their mix of product assortment, quite similar to Dufry's, thus offering synergies potential, potential, etc."

Russia:

Last year, Dufry merged with the Russian company Regstaer. As David Grady, DCOO Russia, CIS and East Europe points out, this company offers a good opportunity to continue with Dufry's development in the region: "Regstaer is a well run company with an experienced management team having interesting shops and locations in Sheremetyevo's terminals C, E and F. We feel teaming up with them will help Dufry achieve its strategic goals for the fast growing Russian and CIS markets".

China:

Since July 2012 Dufry has operated 23 duty-paid stores at Chengdu Shuangliu International Airport Terminal 2, Domestic Departure (Airside).

These stores offer the products of such well-known brands as: Emporio Armani; Armani Jeans; Hugo Boss; Gant; Ferragamo; Montblanc; Swarovski; Estee Lauder; Lancome; L'Occitane; Tag Hauer, Maurice Lacorix; Frederick Constant and Versace.

As Samuel Wong, DCOO Dufry (Shanghai) Commercial Co., Ltd. explains, this operation is a golden door for Dufry's expansion in China: "Chengdu Airport is ranked no. 6 airport in China in terms of passengers and is Dufry second direct operation in China. The future success here shall leap frog us to exploring other potential airports in this country. Moreover it has our first Hudson in China and we are expecting to build a right model on that, in order to roll out this shop concept in China".

India:

Tarun Arora, General Manager in India informs: "We have opened 31 shops from April 2012. All the stores are located in the DMRC (Delhi Metro Railway Corporation) stations and the customer response has been very positive. We sell food, beverages, confectionary, books & magazines, gift items, calling cards, watches and jewelry".

Mauritius:

"Dufry has signed a Supply and Consultancy Agreement in January 2012 with the Mauritius Duty Free Paradise (MDFP), the owner of the duty free concession there. We are their main merchandise supplier and also their main operational consultant in terms of layout, assortment, pricing policy, training, merchandising and shops design", explains Miguel Ángel Martínez, General Manager, Europe & Africa. ■



Favorite Shop

A Pick & Mix sweet success

The dark brown wooden shop fitting along with the colourful packaging of the products, a 20m² very chic ambience wraps since July the travellers who enter our Pick and Mix Shop at the Italian Airport of Malpensa.

This store is located in Dufry's walk through area, and offers Lindt products with a "pick and mix" concept. This means that the customers can choose among 28 different items such as Napolitans, different flavoured Lindor Balls, Chocolate Sticks, Gianduiotti etc. when putting together their own selection of products which will be nicely wrapped in different sized boxes. When the selection is made the products will be sold on weight, i.e. gram price.

As Manuela Facheris, Dufry Group Category Manager – Food & Confectionery / Toys, explains: "It's Dufry's aim to explore and implement new concepts in order to differentiate itself from the competition and offer our customers a new shopping experience. From a sales point of view the

Pick & Mix shop actually represents around 25% of the total Lindt sales in this shop. She also stresses that the attitude of the team in Italy has been really helpful to have a good and smooth implementation of the Pick & Mix concept: "This is very important when new projects like this one are implemented".

No. 1 Retailer for Confectionery for 2012

The DUFY GROUP was voted No. 1 Retailer Relationship for Confectionery for 2012 through a survey in the travel retail industry completed by confectionery supplies. Dufry is very proud of this achievement as this reflects the strong cooperation, support and dedication of our people at headquarters, regions and the markets to have the category strategy, agreements, plans etc. professionally implemented in our operations. This is the base of being perceived as professional partner among the Confectionery World in Travel Retail. ■

Voted
the No. 1
by our
suppliers