

Dufry World

Corporate E-Magazine of the Dufry Group



DUFRY

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The integration of Hellenic Duty Free Shops: a fast and well-structured process

-  Half Year results
-  Dufry's Stylebook: An easy and complete design tool
-  Hudson, a new travel essentials shop concept



Editorial

Proud to welcome our more than 1,500 new colleagues

By Julián Díaz, Dufry CEO

On 22nd April 2013, Dufry successfully concluded the acquisition of the Hellenic Duty Free Shops (HDFS), the travel retail division of Folli Follie Group. In this issue, we welcome our new colleagues and explain the importance of the integration project of HDFS that was initiated in May. Dufry has made the integration process a top priority.

HDFS, the leading travel retailer in Greece, operates 111 stores in 44 locations with more than 18,000 m² of retail space an exclusive duty free license through 2048. Therefore, this acquisition is one more step in the realization of Dufry's profitable growth strategy, and consolidates its presence in one of the major tourist markets in the Mediterranean area.

The HDFS integration is expected to take around six to nine months, and the team in charge consists of Dufry as well as of Hellenic specialists. The main goal of the integration project is to align HDFS to Dufry's business model. But the team is also focused on identifying best practices at HDFS that are applicable to creation of additional value for Dufry.

Obviously, one of our main goals for this integration will be business continuity and providing a framework for realizing our business targets for the first year, including synergies. The financial consolidation of HDFS from April onwards will be an important contributor to profitability and top-line growth.



Finally, I would also like to welcome our more than 1,500 new colleagues under the continued leadership of George Velentzas, General Manager and Deputy Chief Operating Officer Greece. We are very proud that they have joined our team and diversified, even more, its culture, providing a competitive edge in today's highly competitive business climate. ■

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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 more than 16'500 people serving customers in more than 1'350 shops in 45 countries.



Dufry News

Regional News

HQ: Dufry grows turnover by 10% in the first half of 2013

Turnover growth accelerated in the second quarter with all regions posting a flat or positive turnover growth. Regions EMEA & Asia and US & Canada and parts of America I showed solid growth following the trends in the last quarters. Region America II and the operations in Uruguay and Argentina continued to improve in the second quarter. The operations in Greece, which Dufry started to consolidate in April, performed strongly. EBITDA in the second quarter grew by 9% and EBITDA margin reached 14.3% for the quarter. For the first six months of 2013, EBITDA amounted to CHF 218.1 million versus CHF 220.0 million in the first half of 2012 and EBITDA margin reached 13.1%. Turnover in Region EMEA & Asia surged by 33.9% in the first half of 2013 and reached CHF 498.8 million. France, Spain, Switzerland, Morocco, Tunisia, China, Cambodia and Greece have been the highlights in their areas. Turnover in Region America I reached CHF 376.5 million in the first half of 2013. Mexico, other locations in Central America as well as parts of the Spanish Caribbean remain dynamic, and there are improvements in Argentina. Turnover in Region America II amounted to CHF 342.6 million in the first half of 2013, down by 4.1%. In the second quarter, Brazil saw an acceleration in the performance reaching flat turnover year-on-year from negative growth in the first quarter. Turnover in Region United States & Canada grew by 8.6% to CHF 420.1 million in the first half of 2013, through a combination of like-for-like growth and new concessions. Julian Diaz, CEO of Dufry Group, commented: "Based on the trends that we saw in the second quarter as well as the opening of the new retail space in Sao Paulo, we should see acceleration in top-line growth in the second half of the year." ■

HQ: Advancing with the management training program "Step Ahead"

Dufry has developed a management training program called "Step Ahead" that has been piloted at Sharjah International Airport in the United Arab Emirates. "Recently we completed there a month long pilot session, reports Raymond Cotter, Dufry's Regional Training & Development Manager EMEA & Asia, and the experience was really successful. "The program's mission is to improve retail managers' ability to manage business globally and cohesively. Therefore they use standard processes and tools as well as enhance their management skills. "Step Ahead" is expected to accomplish all of the following: Equip all retail and commercial managers to fully understand their role and responsibilities and act according to the Dufry way; consistently apply standard processes and tools through

MODUS; obtain quality assessment of retail managers to develop them individually; improve their management skills; increase sharing of good practices across locations; and leverage key retail practices. "Step Ahead" is part of Dufry's Global Training & Development strategy, together with the "Dufry Plus One" and "Out in Front" programs. ■

Asia: Dufry expands its presence in South Asia

Dufry recently signed a master concessionaire agreement to operate duty free spaces at Mattala Rajapaksa International Airport (MRIA) in Sri Lanka. MRIA was opened as Sri Lanka's second international gateway in March 2013. A joint venture between Dufry and Sri Lankan company Perpetual Capital Holdings, Dufry will operate all airside retail space in the terminal. The main duty free offering will include core Liquor, Tobacco, Perfumes & Cosmetics and Confectionery categories. Moreover, Dufry will work with trusted Sri Lankan partners to provide an attractive range of electronics, local souvenirs, convenience and other items to travelers. With the addition of Sri Lanka, and the recently secured Bali and Kazakhstan concessions, Dufry now operates in eight countries in the Far East, Middle East, and Central Asia, bringing the total number of countries in our global portfolio to 47.

Africa: New arrival shop in Ghana

This summer, Dufry opened a new store at the arrival side of the Accra Kokota Airport in Ghana. Seven people serve the travelers, offering them the regular Dufry Free assortment of products: tobacco, alcohol, confectionary and fragrance. ■

Africa: Growing in Casablanca

In June 6th Dufry inaugurated two shops at the departure side of Terminal 2 at Casablanca's airport. With these additions our company manages a total of 19 stores in the Moroccan city with a staff of 30. In the future, a Victoria's Secret shop will be open at the location. ■



Dufry also continues with the expansion of Hudson News with new stores located in Terminal 2.



Regional News

Brazil: Dufry doubles its retail space at Guarulhos Airport

One of Dufry's priorities in Brazil for 2013 was to accomplish the expansion of its shops at Guarulhos Airport in Sao Paulo. On August 18, the first part of the additional retail space in Terminal 2 was opened. The new retail space will add 1,600 m² at the arrivals area. In total the additional retail space will be 2,290 m² in arrival and departure duty free shops. Moreover, the new store layout will benefit from a 100% passenger penetration. The walk through and traffic circulation patterns through the shop will maximize the visibility of Dufry's merchandise. ■



The store sizes have increased by more than 200%.



Dufry's exploits the commercial possibilities of the walk through.

Brazil: Viracopos inaugurates a Duty Free Shop

The International Viracopos Airport has opened a Dufry Duty Free store. For the President of Dufry Brazil, Humberto Mota, the presence of Dufry in Campinas is important for the consolidation process of the company in the main airports of the South American country. He is confident about the partnership between Aeroportos Brasil Viracopos and Dufry, certain that users of this international airport will have "excellence in customer service with the best products and prices. We expect that Dufry Standard Quality will help us capture the award of Best Duty Free Operator Americas

in 2013 for the sixth consecutive year." The new stores offer a variety of imported products including beverages, fragrances, cosmetics, food, electronics, watches and gift items. The Departures area store has 87 m² and the Arrivals area store has 237 m². ■



The International Viracopos Airport has opened two Dufry Duty Free shops.

Brazil: Inauguration of the first Dufry Sports Store in Rio de Janeiro

On July 22, the first Dufry Sports store in Santos Dumont Airport (Rio de Janeiro) was inaugurated. With more than 48 m², it's located at the departure level of the airport. The new shop will have exclusive automotive brands such as Ferrari, Red Bull, BMW, Mercedes, Senna, etc. Moreover the customers can also find official products of the latest FIFA Confederations Cup Brazil 2013 and the upcoming FIFA World Cup Brazil 2014. ■



First Dufry Sports Store in Congonhas airport, São Paulo.



USA: New Hudson concessions program at LAX's Tom Bradley International Terminal

Last month's preview gala showcasing Los Angeles International Airport's new Tom Bradley International Terminal featured a stellar lineup of exciting retail brands from a joint venture headed by Hudson Group. Last year Westfield Concessions Management, the Terminal Concessions Manager for LAX, selected a business venture comprised of Dufry's Hudson Group and a group of local partners to build and operate 19 new shops in the newly renovated international terminal. The list of shops includes five travel essentials stores; 13 specialty retail stores, including luxury brands like Emporio Armani, Bulgari, Coach, Michael Kors, Hugo Boss, Tumi, Virgin/Boost and Bliss; along with local favorites such Fred Segal, See's Candies and Pinkberry. ■



Dufry will manage 19 stores, through a joint venture headed by Hudson Group.

USA: Dufry opens Hudson stores and iconic fashion brands in New York's JFK T4

The new travel essentials concept called Hudson (see Favourite Shop on pg. 8), is popping up all over the country. Hudson can now be found in Seattle, St. Louis, Chicago O'Hare, DFW – and in the latest round of openings, in JFK Terminal 4.

As part of an expansion project currently underway at JFK International Airport Terminal 4, a joint venture led Hudson Group will be implementing a dynamic new concessions program to enhance the shopping experience for millions of travelers at JFK's Terminal 4. The program includes five new specialty shops featuring fashion icons like Michael Kors, Coach, Thomas Pink, Solstice and Victoria's Secret. Eventually there will be seven new Hudson travel essentials stores, as well as a Discover New York souvenir shop. All stores will open by October of this year. ■

George Velentzas



Dufry's People



George Velentzas, General Manager HDFS and DC00 Greece

Dufry World: How long have you been working in Hellenic Duty Free?

George Velentzas: I joined the company in 1980. I have had over 32 years in the company and never once did I feel the urge to move anywhere else.

DW: You have participated with Dufry's CEO, Julián Diaz, in the "Employees Meeting" organized in Athens in May, which was the launch of HDFS' integration in Dufry. How was this experience?

GV: Good communication between management and employees is the hallmark of a well-run company. This is a shared belief, a value that Dufry and HDFS truly believe in. It was therefore an occasion of magnitude where over 600 people had the chance to come in direct contact with the management at Dufry. It was a highly rewarding experience. The gravity of the situation could not have been underlined more effectively than by the presence of Mr. Diaz. He is a charismatic leader who can inspire and talk directly to peoples' hearts and minds. It was an open, honest discussion that helped mobilize employees to take action.

DW: During these first months in Dufry, what has been the biggest surprise?

GV: Being part of the same industry, we share a common vision and practices. The two companies are quite similar in the way that they are organized and operate. I've seen the professionalism and expertise of the executives at Dufry that I expected and a set of values I felt at home with.

DW: What do you expect for the next years?

GV: Growth, as simple as that. We are here to offer value to our shareholders and this is exactly what we will deliver. ■



Well Done

The new Stylebook: How to become a perfect Dufry store

The Dufry Stylebook website is an internal design manual that has been launched with the main purpose of assisting all Dufry personnel involved in the design and operation of our shops worldwide.

This website, accessible via Dufry's Portal, is the main source for the design documentation. It has become a fundamental tool to maintain a coherent Dufry brand image throughout the globe and to facilitate the communication of Dufry standards within the communities.

Dufry's shops define our company's image and standards worldwide. Therefore, their design is a vital way of showing customers our values and characteristics of this company. In Brazil, China, Switzerland or the United States a traveler should know and feel that he or she is buying in a Dufry store. To achieve this goal, a standardized tool like the Stylebook is necessary. It has been developed as an easy and ample manual that provides all the information and procedures to support Dufry teams in any store development and project follow-up, from its creation to refurbishment. This information tool is confidential and the manual is for internal use only.



The new Dufry Stylebook website.

The Dufry Stylebook's aim is to align all projects with our corporate commercial objectives by standardizing the analysis, definition and presentation of layouts and business opportunities as well as providing a standardized framework for all product categories, including furniture, brand personalization, finishes, fixtures communication and all other related aspects.

With the support of the Global Technical and Retail Operations Department, the regional and local teams are taking ownership of this initiative by implementing all the processes detailed in the manual. Cyrille Beauviche, Global Retail Operations Project Head, details how this tool is being implemented: "We did a presentation to the Regional teams

(Business development, technical and Commercial Director) in July with the participation of the Regional COO highlighting the main information detailed in the manual, how to manage any project including the interaction between HQ and the Regions. Moreover, we collected their first feedback and agreed on the timing and next steps of the implementation within their region; then we would provide on going support, follow-up and reinforcement with each business community."

It is also very important for the development of this initiative that the teams provide continuous feedback. "The stylebook is very much a "live" tool, it can be modified to add new information and it is expected to evolve," says Martín Barona, the Architect from the Technical Department. "The local teams feedback is key to improve the information/material of the tool, as they are the ones who experience it on a daily basis," adds Cyrille Beauviche.

Interview with Martín Barona, Project Architect of Dufry's Technical Department

Dufry World: Why is the Stylebook a good tool for the people in charge of the stores' design?

Martín Barona: It explains in clear language how to organize a store and what the key elements are so they are all taken into account during the design phase. All those involved in designing Dufry shops should know the criteria used and have access to all the know-how behind our shop design.

DW: How would you recommend somebody to start using it?

MB: The best way is to spend some time navigating all the options available since it is quite an extensive amount of information.

DW: Which is your favourite part of this tool?

MB: The furniture web page for me is the most interesting tool. It will allow having a single repository of Dufry fixtures worldwide, and we will be able to improve it constantly by adding or modifying our furniture and having it instantly updated throughout the organization.

DW: Do you have anything to add?

The stylebook is not only a tool for store design; it also includes visual merchandising reference, information about brands and how to follow up on their proposals, the procedure to approve an investment, fixture details and construction documents etc. It is an extremely ample tool whose aim is to become a key reference point for everything related to a shop from its first layouts, passing through the approval process on to its construction and opening. ■



Key Story

Dufry builds strategic strength in the Mediterranean area

This year Dufry extended its presence in the heart of the largest European touristic destination, the Mediterranean region. With the integration of the travel retail leader Hellenic Duty Free Shops into our company's structure, Dufry has not only added a very valuable asset, but has also found a commercial soul mate.

A meeting in the ancient city of Athens was the milestone for the launching of Hellenic Duty Free Shops' (HDFS) integration process into Dufry's structure. In front of HDFS employees Dufry's CEO, Julián Díaz, introduced the international and growing company that he leads, explained the objectives of the integration and invited the whole team to contribute heartedly to this project as the foundation for its success. On that same occasion, George Velentzas, the top leader of HDFS, presented the long and impressive history of the company. Started in January 1979 from two sales outlets, it now operates an extensive network of 111 shops at 44 locations throughout Greece (22 airports, 11 border stations and 11 ports).

As Xavier Rossinyol, COO of Region 1, points out, HDFS means for Dufry broad coverage of a main tourist country with more than 18'000 m² of retail space and an attractive concession portfolio with a very long duration. Noted Rossinyol: "Dufry expects to generate synergies around EUR 10 million within 18 months through increasing spend per passenger, gross margin improvements and reorganization of backoffice functions." HDFS generates more than 80% of its turnover with international customers, mainly German, British, Russian and Turkish.

From local to global

The integration process will closely follow the integration methodology of Dufry. Accordingly, after one month, the activities needed to secure the control of the business were concluded. The next stage of the project performed during June was the identification of the business processes and practices at HDFS. On the basis of the findings of this stage, Dufry and Hellenic experts will elaborate the outline of HDFS in the future, implementing the high performance business model of Dufry in the second part of this year.

The outline for the future processes and practices at Hellenic will be based on understanding of current practices and on the evaluation of the gaps to Dufry standards. "Bridging the gaps will imply changes in the ways the organization works and runs the business, explains Alberto Iglesias, Retail Operations Director and appointed as Chief Operating Officer

for HDFS. In order to increase the level of awareness and acceptance of the need for change, the integration will include mixed teams in all areas, from Dufry and Hellenic, who will report together."



Dufry and HDFS leadership met last Spring in Athens.

But the team is also focused on identifying best practices at HDFS that are applicable in the Group for the creation of additional value. "I believe that Dufry can take advantage of our knowledge of operating border shops be it for duty paid (Bulgaria) or duty free sales (Turkey, Albania, FYROM)," explains George Velentzas. "We have also identified several areas where HDFS can contribute, especially in technical know-how. We are a company that strives for innovation and compliance to procedures. The fit-to-purpose approach requires careful steps to ensure functionality, acceptance, conformity and compliance especially when leveraging systems to global level."

"During this integration, we will have an excellent opportunity to optimize the best practices of the two companies, combining the global and local know how. And also a great opportunity to integrate two cultures and two excellent teams," adds Xavier Rossinyol. In the recent past Hellenic has undergone various integration processes as a result of different acquisitions. This will have a positive impact on the integration with Dufry, Mitch Panzar notes, the manager in charge of the integration process implementation. "We expected to find a team that was used to working in an integration mode. This really happened and showed good results during the first stages. The fact that sales are so far 10% above last year's helps in maintaining a proactive atmosphere." This positive atmosphere is a view shared with HDFS leader, George Velentzas. He predicts in five years, HDFS will be a company free of debt, with strong profitability, satisfied customers, staff and shareholders. An integral part of the group, it will continue to contribute to Dufry's profitability and growth. Five years from now, as one company, we will be bigger, stronger and leaner." ■



Favorite Shop

“Hudson” travel essentials store debuts in Seattle

The ribbon was cut April 16th on Hudson Group’s newest concept, called, simply, Hudson. Located in Seattle-Tacoma International Airport’s (SEA) Central Terminal, the 3’500 m² flagship store is the first large Hudson store to open. The grand opening ceremony was attended by representatives of the Port of Seattle, the airport, Hudson Group, its partners and mascot, Hudsy, the News Hound. The gala event included product samplings and book signings by seven Seattle-based bestselling authors courtesy of Hudson Booksellers. The Hudson concept offers modern travelers a wider selection of the products they want and need in well-marked sections – Media, Essentials, Marketplace and Destination – that are easy to access and shop. The store features magazines and books, as well as

electronics and media related items; health and beauty aids; healthy meals, snacks and beverages; and authentic local and regional merchandise from the Puget Sound region.

Joe DiDomizio, COO of Dufry’s Region 4, noted: “Our goal was to redesign our core concept (Hudson News) to create a more open, friendly and welcoming environment for travelers. We have accomplished this not only with the creation of “smart” tablets mounted directly on our displays, but through whimsical, color-coded signage to attract customers’ attention to featured products and promotions.” ■