

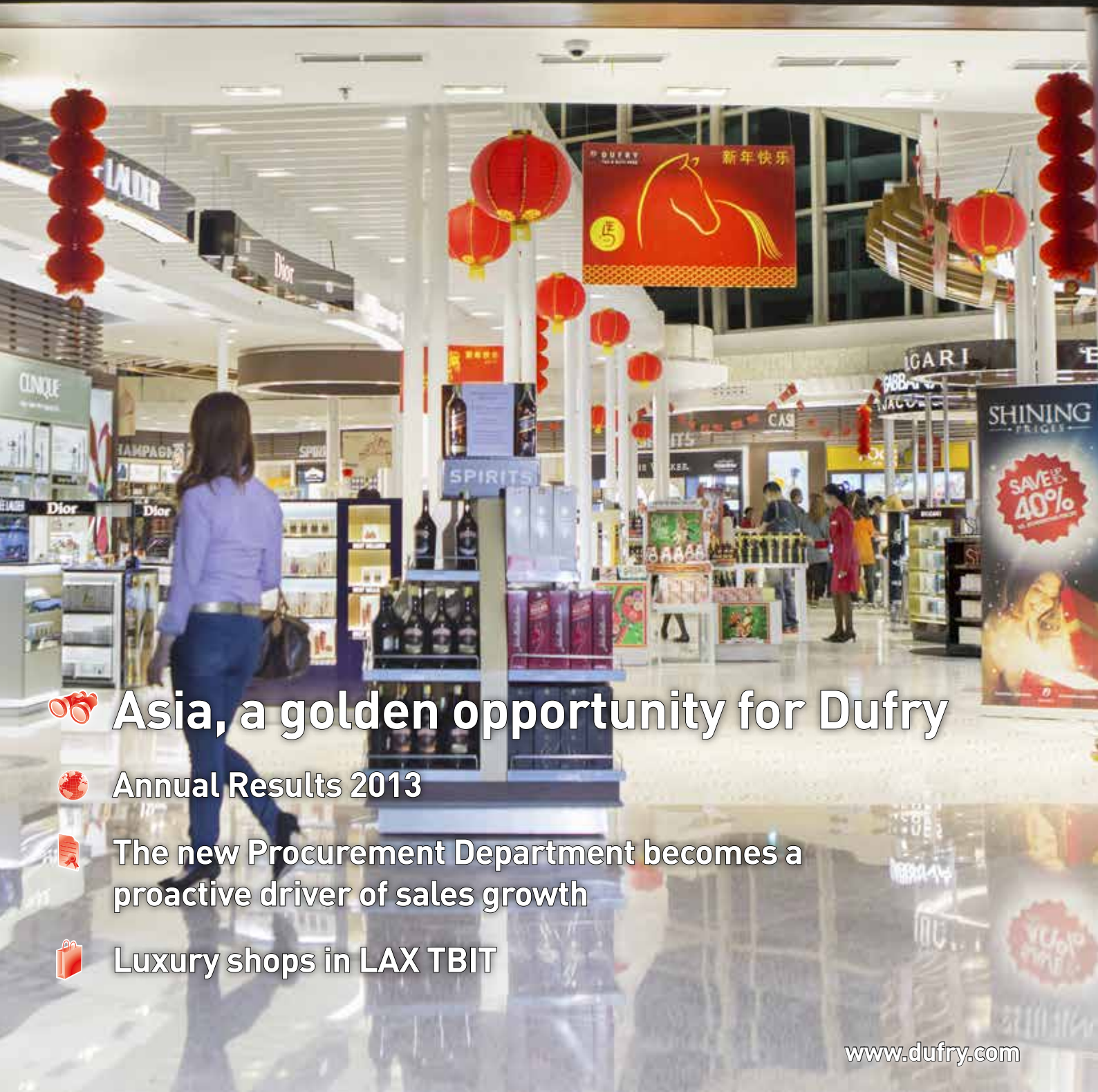
# Dufry World

Corporate E-Magazine of the Dufry Group



DUFRY

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## Asia, a golden opportunity for Dufry

 Annual Results 2013

 The new Procurement Department becomes a proactive driver of sales growth

 Luxury shops in LAX TBIT



Editorial

# A strong base for further business growth

By Julián Díaz, Dufry CEO

2013 was an important achievement-filled year, especially regarding Company expansion into key markets. In Brazil we secured our most important contract at Guarulhos International Airport, where we signed a 10 year contract. In addition, we were also able to sign 10 year agreements in Brasilia and Viracopos, and taking all these projects as a whole we will almost double our retail space. Our attention will be focused on the new shops, which will require significant resources, especially with regard to the most important global sporting event, namely the football World Cup, which is forecast to attract over 600,000 tourists to Brazil later this year.

Regarding our expansion in Asia, as is explained in this issue's Key Story, we have been able to grow our business significantly in the region and Dufry will be present at 14 locations in 10 countries, which creates a diversified platform for further development in the region.

We are equally excited about our expansion plans in the United States and Canada. The Hudson business continues to win market share and is showing remarkable performance with a brand new concept. For 2014 Dufry has already signed contracts to open 53 new shops in the region, including several brand boutiques and specialty shops.

Another important event in 2013 was the two-step transaction with the leading travel retailer in Greece, Hellenic Duty Free (HDFS). From a strategic point of view, by acquiring HDFS, Dufry has added a very attractive business with long-term contracts, which further diversifies its concession portfolio and at the same time strengthens its market position in the Mediterranean, the most important region for tourism globally and one of its strategic areas.



Furthermore, the business has shown strong organic growth based on good passenger growth in Greece.

Our focus in 2014 will be on the execution of the projects announced so far. For 2014 and beyond, Dufry will continue to pursue its strategy of profitable growth. As for the industry, the prospects continue to be good for 2014. International passenger numbers are forecast to grow by 5.4% in 2014 according to the Air4Cast agency. In that context, Dufry's global footprint will be an important asset in taking this opportunity to grow the business even further. ■

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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

## INPRINT

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Dufry is a global travel retailer with more than 16'000 people serving customers in more than 1'400 shops in 47 countries.



# Dufry News

Regional News

## HQ: Solid 2013 results for Dufry Group

2013 was an important year for the development of Dufry, with a number of important projects being concluded in Brazil, Asia and the United States, in addition to the acquisition in Greece. The company delivered strong performance: turnover increased by 13.3% and reached CHF 3,571.7 million. EBITDA amounted to CHF 511.1 million and the EBITDA margin was 14.3%, while net cash flow from operating activities rose by 13.8% and stood at CHF 435.1 million. Free cash flow also grew and reached CHF 294.8 million in 2013.

Dufry moved ahead with its organic expansion by signing important agreements with several airport operators in all regions. In the America II Region, Dufry signed agreements to double the existing retail space in Brazil in 2014 by adding 13,600 sqm. In the EMEA & Asia Region Dufry signed contracts to operate shops in seven new locations, adding 7,900 sqm and increasing its footprint in one of its key regions. Including these contracts Dufry will operate in 14 locations in 10 countries. With a total of 140 shops and total retail space of 14,000 sqm in the Far East, Middle East and Central Asia, Dufry has established a solid base in the region. Last but not least, in the United States & Canada Region, 53 new shops and 3,400 sqm are planned to be opened in 2014 at several major airports. These expansion projects are of great relevance to the Company and will require substantial resources, as already seen in 2013. ■

## EMEA: New shops in Nigeria

Dufry Duty Free (DDF) has signed a 10-year concession agreement with the Federal Airport Authority of Nigeria (FAAN) to operate three duty free shops in two of the major airports in the country. The first duty free shop will be located at Murtala Muhammed International Airport in Lagos, which is Nigeria's largest. Dufry will operate 421 sqm in the departure lounge area. The shop will offer core categories such as perfumes, wine and spirits, confectionery, fashion and accessories, watches and jewellery, tobacco and souvenirs. Dufry will also operate two duty free shops, totalling 85 sqm, opposite the first class lounge and VIP lounge in the departure hall of the Nnamdi Azikiwe International Airport in Abuja, which is the second largest in the country. It will offer spirits, confectionery, perfumes and tobacco. Julian Diaz, Chief Executive Officer of Dufry said: "We are pleased to extend our duty free operations in the EMEA Region through this strategic concession in Nigeria, which will enhance our presence in Western Africa, adding a new operation to those already managed in Ghana and Ivory Coast." ■

## America I: Star Award Winners

In 2013 Dufry's Region 2 implemented the Service Star Awards to recognize those employees who perform above and beyond their job duties. The candidates were nominated by their colleagues and recognized during the regional Holiday Party by the COO Rene Riedi and the HR Director Marcus Griffin. The 2013 winners were: Rui Camphos Filho, Flagship Warehouse Manager; Patricia Moore, Director of Accounting and Administration; Silvia Esquijarro, Executive Administrative assistant. They each received a beautiful flower arrangement in addition to a plaque. All of them admit that the most gratifying part of this award is to know that their efforts are appreciated. ■



The COO Rene Riedi and the HR Director Marcus Griffin with one of 2013 winners: Patricia Moore, Director of Accounting and Administration.

## America II: Reorganization in R3

At the end of January, Dufry's CEO Julián Diaz announced an important reorganization in the management team of Region 3 America II (Brazil & Bolivia). Juan Antonio Nieto, former Region 2 Commercial Director, has been appointed as Region 3 DCOO, reporting directly to Mr. José Carlos Rosa. José Luis Rego, who was Operations Director for Argentina, is now the new Retail Operations and Business Director. Pedro Henrique is the Duty Free Operations Director; Andre Baldi the Duty Paid Operations Manager; Eugenio Filho, Supply Chain Director; Mario Portela, Marketing Manager is also responsible for the Global Customer Service and Ricardo Alves remains as Regional Deputy IT Director. Two women complete the management team: Neli Gandra as Regional Procurement Manager and Renata Razo as Business Intelligence Manager. ■



## Regional News

## USA: Super Bowl responsible for huge incremental sales in the US

Fans of first-time Super Bowl champions the Seattle Seahawks have been buying team merchandise in Hudson's Seattle stores during the post-season championship like it's going out of fashion. Eye-catching storefront displays are part of the reason why.



Eye-catching storefront displays contributed to Hudson sales increase in USA

The Seattle warehouse reported sales of over 55,500 units covering a wide range of merchandise sold, including caps, T-shirts, hoodies, jerseys, mugs, pencils and plush items, and in this "green" city, nearly 1,700 reusable shopping bags!

A continent away, close to the scene of the first cold-weather Super Bowl, in East Rutherford, New Jersey, the local airports (Newark Liberty, JFK, LaGuardia and Atlantic City) and in some transit locations achieved excellent sales from pop-up kiosks. Not the case in Denver, whose team was on the wrong end of the big football game's lopsided 43-8 score. Bad weather the day after the Super Bowl delayed many travelers, leaving them with not a whole lot more to do than eat and shop! ■



## Dufry's People

## Luis Marín



Luis Marín, new Chief Corporate Officer

This year started with the recognition of Luis Marín's excellent performance: from January 1 he is Dufry's new Chief Corporate Officer and member of the Group's Executive Committee. His career in this company started 10 years ago, when he moved to Basel.

### *Dufry World: How long have you been at Dufry?*

Luis Marín: I have been working at Dufry now for 10 years. I landed in Basel on March 1 2004. Before then I helped Xavier Rossinyol for some weeks on an acquisition project called "Project W" (W for Weitnauer, the former name of Dufry). It was a project regarding a company located in Basel (a city not too familiar to me at that time). Thankfully, the project materialized and I was offered the possibility to come to Basel.

### *DW: What was your last post?*

LM: I led the Business Controlling and Merger and Acquisitions areas.

### *DW: What is the first thing you have done as CCO?*

LM: The two immediate tasks were to thank the CEO, Julián Díaz, for his nomination and his trust in me, and to thank my team for the work done. This is not only a personal recognition, but also the result of many people working together, here in Basel and in the Regions.

### *DW: Please choose the two biggest goals you have as CCO for the next few years*

LM: Next few years? That is a long time at Dufry! My goals are no different from the goals of the organization. I think the whole organization must keep growing and developing. This is not just about figures, volume of sales or the number of countries or shops. The organization is a complex entity where all the different parts must be moving in the same direction, which is not easy to achieve. Things need to move fast, but without compromising the quality of what we do. On a more personal level I hope to keep on enjoying what I do.

### *DW: And what would you like to prevent?*

LM: How much time do you have? There are many things that we all need to prevent: inefficiency, lack of proper communication, lack of initiative or pro-activity. ■



Well Done

## Procurement department: ready to go global

**The Global Procurement Department has been recently reorganized in order to become a proactive driver of sales growth through the relationship Dufry has with its global suppliers and its continuous interaction with the regional organization.**

The new Global Procurement organization will be focused on 5 core categories: Perfumes and Cosmetics, Alcohol, Tobacco, Luxury Goods and Confectionery (Food, Toys, Souvenirs). "This reorganization was necessary because now we will easily be able to integrate new acquisitions within a category structure rather than a buying office structure," said Nigel Keal, Global Procurement Director. He has been working in Dufry for nearly seven years as Head of this department. He has thus followed the development of the Procurement area: "We want to exploit synergies of scale and scope throughout the business," added Mr. Keal.

Moreover, the new organization will help this company to increase sales and margin by working together with the global suppliers on how to make each category and specific brands grow in Dufry shops, they will also refine Global Procurement to ensure that an excellent customer experience is provided within the areas of price and margin management, product management and promotions management. Another goal is to ensure transparency and close collaboration across the procurement platform. The Global Procurement Management team took up their new posts on January 1. "Although we have been working on the process of integration and change in procurement since we were notified of our new posts back in November 2013", explained Manuela Facheris, Global Category Head of Confectionery, Food, Souvenirs and Toys.

### These are the new Heads of the core categories that make up Global Procurement:



**Manuela Facheris**, Global Category Head Confectionery, Food, Souvenirs and Toys.

**1. How long have you been at Dufry?**  
I started working at Weitnauer (a part of which became Dufry after the sell-off of the retail business) in January 1994.

**2. What was your last post?**

It was that of Group Category Manager for Food, Confectionery and Toys.

**3. As a consumer, which is your favourite product in your category?**

Since my category is actually split into various sub-categories it wouldn't be fair to name only one. If I had to choose one then it would be a chocolate product – the Lindt Thins Dark.



**Veronika Burtseva**, Global Category Head Luxury Goods.

**1. How long have you been at Dufry?**

I joined Dufry in October 2009.

**2. What was your last post?**

My post has not changed since I joined the company.

**3. As a consumer, which is your favourite product in your Category?**

My favourite product is a Hermes scarf. It adds glamour and makes any outfit special.



**Eduardo Heusi**, Global Category Head Alcohol.

**1. How long have you been at Dufry?**

More than 20 years counting my time in Brasil.

**2. What was your last post?**

I was Regional procurement director for Regions 2 and 4.

**3. As a consumer, which is your favourite product in your Category?**

I would say the Single malt Glenmorangie 10 year.



**Beatrice Knecht**, Global Category Head Tobacco.

**1. How long have you been at Dufry?**

I have been at the company for 12 years.

**2. What was your last post?**

Group Category Manager Liquor and Tobacco

**3. As a consumer, which is your favourite product in your Category?**

You don't have to smoke to work in this category... I like the innovations, which were recently launched, such as the Click cigarettes.



**Vivianne Nunes**, Global Category Head Perfume and Cosmetics.

**1. How long have you been at Dufry?**

I've been at Dufry since it acquired a travel retail company in Brazil in 2006, which means 8 years.

**2. What was your last post?**

I was Regional Procurement Director for R3, responsible for all categories.

**3. As a consumer, which is your favourite product in your Category?**

It's so hard to choose only one among so many great products, so these are my favourites: Shiseido sun block compact powder, Bvlgari fragrances (they are all good), Chanel nail polishes and Kiehl's shampoos. ■



Key Story

## Dufry maintains momentum with its expansion in Asia

**On February 14 Dufry opened its second shop at MRJA airport in Sri Lanka. Last year Dufry substantially extended its footprint in Asia by winning concessions in South Korea and China, signing contracts in Taiwan and Bali and opening its first stores in Kazakhstan and Sri Lanka. This year this pace is set to increase. Dufry is demonstrating its leadership in the travel retail industry through its expansion in Asia.**

“In 2014 we will continue with our efforts to identify interesting opportunities for Dufry in Asia and throughout the whole region. The number of publicly announced tenders from Sydney to Kuwait and Oman, to name but a few, in addition to direct negotiations, means that the number of opportunities will definitely not fall, and perhaps there will be even more than last year,” said Xavier Rossinyol, COO Region 1 (Europe, Africa and Asia). He has been leading this expansion process since he filled the post a year ago and shows his satisfaction with the team that has made it possible: “I would like to thank the whole team: Operations, Finance, Business Development, Sales, IT and HR. They are all key to the success of the region and Dufry. It is a privilege to work with them all. Their commitment is outstanding.”

In fact a similar outstanding effort is vital in a year in which Dufry has to “fully operationalize” Sri Lanka, Taiwan, Korea and our two new operations in Beijing and Shenzhen, according to Rossinyol: “We also finalized a key acquisition in Greece, and as the single largest revenue driver in Region 1, we are successfully integrating and stabilizing the operation in the Region. We also need to keep pushing our other operations in order to increase sales and profitability.”

All this in a region which, as Anthony Prakasam, BD Director for Asia reminds us, is home to three of the four BRIC countries (China, India and Russia). “In this area there is a growing middle class with disposable income, and an explosive growth in air travel in emerging Asia that fits very well with Dufry’s target of emerging markets and tourist destinations,” explains Prakasam, who is in charge of Sourcing for business development opportunities (new tenders, direct negotiations or acquisitions) in Region 1 (EMEA & Asia).

This increase in Asian tourism, especially from China, has a direct and positive effect on the Dufry strategy. “Chinese travellers are among the top spenders in Korea, Indonesia, Cambodia, Taiwan and increasingly in Sri Lanka (especially for transfer traffic to the Maldives) and in key European Airports. Having experience serving Chinese travellers both

within and outside China has strengthened our ability to cater to their preferences in every airport we work in,” said Rossinyol.

### Challenges

Although Dufry has laid out a clear expansion strategy and the results have been positive, this process is not free from challenges. The region is very fragmented and the markets are quite different – even for neighboring countries – because they have totally different languages, culture, legal systems and ways of doing things, and are not all at the same phase of development. “In South East Asia you have Singapore at one end and Myanmar, which was shut out from the world for most of the past 50 years, at the other,” stated Prakasam. “In North Asia, there are countries from Mongolia to South Korea. In every country we enter the learning curve basically starts from zero. Many of them are very protectionist regarding the duty free industry and restrict foreign involvement there.” Another risk to avoid, Rossinyol admits, is not to take each operation to its maximum potential. To do this Dufry can take advantage of the variety of interesting, high quality projects



Dufry opened two shops at the MRJA airport in Sri Lanka. The Arrival Shop was inaugurated in November 2013 and the store in the Departure area on 14<sup>th</sup> February 2014. Both have 200 sqm.



the company has delivered in Europe and Asia Pacific. "They enable us to build on the strengths of each location, and capitalise on efficiencies through implementing various projects simultaneously," added Rossinyol.

Rossinyol points to one of the more important projects: the creation of a more stable logistics platform for the region. "This will definitely be a priority in enhancing operational efficiencies, as we have grown the number of countries in Asia from just Cambodia and China, to more than triple the number of locations. We are working hard with our colleagues in logistics to operationalize this soon."

### Highlights from a frenetic year

In 2013 Dufry entered Beijing Airport through a tender, partnered by Shenzhen Duty Free, for a management and supply contract in the new international terminal. The company also won a tender in Busan, South Korea to operate a section of the duty free stores there, won a tender in Bali to operate duty free core categories in the new terminal, entered Sri Lanka through a master concessionaire in Mattala Airport, and Dufry was selected as a Joint Venture partner with Taiwan Land Development Corporation for a downtown store on Kinmen Island.

As Dufry's CEO Julián Diaz summarized at the end of last year: "The new contract to run duty free operations in South Korea represents a major step for Dufry by entering the single largest duty free market in the world. The partnership with Thomas Julie & Co will bring in a strong Korean partner for the Busan Airport operation, with an attractive offer of Korean products as part of the retail mix. As the largest foreign travel retailer in China, Dufry is well placed to work with DTJ to cater to the fast

growing number of Chinese passengers going through the airport. The signing of the two new agreements in Beijing and Shenzhen is a continuation of our strategy in China. Equally important, our cooperation with Shenzhen Duty Free will be our second duty free operation in Greater China, and will mark Dufry's entry into the duty free market in Mainland China."

Today Dufry is the largest international travel retailer by sales and locations in Mainland China, with operations in Beijing, Shanghai and Chengdu, which are in the top 3 of 5 airports with respect to passenger numbers. Many of the key travelers in the region, such as the Chinese, Japanese and Koreans, travel to different countries. "The more locations we have in Asia, the easier it is for us to adapt our offer to our key customers," says Prakasam, "a pleasant surprise for us is to find that Russian travelers are among the top spenders in our Bali operation. Dufry's experience as one of the largest international duty free operators in Russia has definitely helped us in catering to this key group of passengers in Bali."

This mix of countries, cultures, growing business opportunities and challenges permeates the working atmosphere among the members of the team in charge of Dufry's expansion in Asia: "I have been very enriched by the many different countries and cultures I have come into contact with since becoming Head of Region 1," emphasized Xavier Rossinyol. "My management team alone is from over a dozen countries, and very rarely have I entered meetings with my colleagues where everyone was from the same country. I am constantly reminded that our world is truly diverse, and interacting with colleagues from nearly 25 countries and learning from them on a daily basis brings me a lot of personal satisfaction." ■



Favorite Shop

## An Island of Luxury at LAX

Los Angeles International Airport's spectacular new Tom Bradley International Terminal features a stellar line-up of exciting duty-paid retail brands from a joint venture headed by Hudson Group (Region 4).

The seven-storey international terminal at LAX is as new as alluring. It has an impressive line-up of stores with luxury brands like Emporio Armani, Bulgari, Coach, Michael Kors, Hugo Boss, Tumi, Virgin/Boost and Bliss, along with local favourites such as Fred Segal, Kitson, See's Candies and Pinkberry. There are also five travel essentials stores, including the new Hudson brand.

Joe DiDomizio, Chief Operating Officer R4 USA and Canada, said: "This build out demonstrates our transition from a company perhaps best known as an excellent news stand operator to a company at ease with international luxury brands. For that we can thank the growing reputation of our operations, marketing and merchandising teams, together with the support of our Dufry colleagues. As the largest duty free operator in the world, Dufry has relationships with all the top designer and luxury brands. This access has greatly enhanced the portfolio we can offer to airports in North America." ■