

Dufry World

Corporate E-Magazine of the Dufry Group



DUFRY

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DUTY FREE STORE



 **Nuance and Dufry making every journey an experience. Together.**



Editorial

Today, we're transforming the travel retail industry – together

By Julián Díaz, Dufry CEO

On September 9th, Dufry concluded the acquisition of The Nuance Group. Together, we are once more confirming our position as the leader in the travel retail market, taking the travel retail industry to the next level. This is demonstrated by our combined presence in more than 60 countries worldwide as well as at 221 airports, managing and operating over 1,700 shops.

Acquisitions have always been part of Dufry. We know how to bring the best knowledge together: in this case, Dufry's growth competence and execution efficiency along with Nuance's customer excellence. Nevertheless, the acquisition of Nuance is unique – the size and scope of its operations will unquestionably be a challenge. However, thanks to our experience, I am confident that the integration process will go smoothly. We expect the transition to take place gradually over the next 18 to 24 months. We will also integrate both organizations in six to nine months. Together, we are going to be one company with one goal and one way of doing things.

Today, I am proud to share the news of the acquisition. It will change the travel retail market and it will move Dufry into a clear leading position – basically enabling us to transform the travel retail industry: From a less fragmented to a more competitive travel retail market. Together, we will set the course for a highly successful future. I invite you to join the journey.



Thanks to our experience and the support of Nuance and Dufry teams we will make this integration a success. I would like to welcome all our Nuance colleagues to our Dufry community and as part of this large global organization you are welcomed to participate in this new Dufry. ■

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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 around 21'500 people serving customers in over 1,700 shops in more than 60 countries.



Dufry News

Regional News

HQ: Dufry accelerates organic growth in the second quarter of 2014

In the first half of 2014, Dufry's turnover reached CHF 1,707.9 million and grew by 6.7% in constant FX rates and 2.4% when translated into Swiss francs. Organic growth accelerated in the second quarter to 5.0% from 2.2% in the first quarter, where new concessions played an important role as well as improvements in all businesses in Latin America, most notably in the Caribbean, Uruguay and Brazil, with signs of improvement. The US & Canada and EMEA & Asia followed the positive trends of Q1. EBITDA reached CHF 221.4 million for the first half year of 2014 and EBITDA margin reached 13.0% in this period and 14.2% in the second quarter.

Turnover in the EMEA & Asia region increased by 12.9% in CER and reached CHF 552.1 million in the year to June. Europe, France, Italy and Switzerland showed good performance. Eastern Europe, Serbia and Armenia also continued to deliver good results, while in Russia, the Russian ruble and the political situation in the Ukraine impacted the business. Performance in Africa also continued to be impacted by the political situation in the region. In the Middle East and Asia, existing operations performed well.

Turnover in the America I region stood flat in CER and reached CHF 357.3 million in the first half of 2014. The performance of the region accelerated in Q2 (4% growth in CER).

Turnover in the America II region reached CHF 318.4 million. In the second quarter turnover growth in CER had a positive momentum of 3.7% compared to -9% in the first quarter. Sales when measured in Brazilian reais also accelerated to 9% in the period, but the devaluation of the local currency continued to mask the turnover growth when measured in USD. In May, Dufry opened most of the planned shops in Brazil and expects to see a positive impact on sales reflected in the following quarters.

Turnover in the United States & Canada region surged by 13.4% in constant FX rates. The business continues to perform, strongly driven by the roll out of the new Hudson format and by the expansion of the business through new concessions. ■

HQ: Award for Dufry at «Pitti Uomo 86» in Florence

Dufry received the "Firenze Home Town of Fashion" Award in the opening ceremony of "Pitti Uomo 86," the key international trade event showcasing men's fashion and contemporary lifestyle trends held in Florence from 17th to 20th June 2014. In Florence's historic Palazzo Vecchio,



CEO Julián Díaz between the Italian Prime Minister, Matteo Renzi (left) and the President of the "Centro di Firenze per la Moda Italiana", Stefano Ricci.

Italian Prime Minister Matteo Renzi honoured Dufry and two other top retailers chosen personally by Stefano Ricci President of the "Centro di Firenze per la Moda Italiana." with this dedicated award. CEO Julian Diaz attended the opening festivities and received the award on behalf of Dufry. ■

EMEA: Great results for the new shop in Korea

On March 15th Dufry opened a 400 sqm store at the Busan Gimhae International Airport in South Korea. Most of the customers are Korean (65%) followed by Chinese (15%) and Japanese (10%). A total of 100 people work at this shop. Busan is South Korea's second largest metropolis after Seoul, with a population of approximately 3.6 million. Busan Gimhae International Airport handled 4 million International passengers in 2012.

Dufry has formed a joint venture with a local partner in Korea, called Dufry Thomas Julie. It specializes in the supply of Korean products into Dufry free channels. In October 2013 Dufry won the bid for 436 sqm and will enjoy the exclusivity of the sale of Tobacco and Liquor. Dufry also operates other core categories, such as Fashion & Accessories, Watches & Jewelry, Confectionery, Souvenirs and Electronics. ■



A group of employees working in the new Dufry store at the Busan Gimhae International Airport celebrate the successful opening.



Regional News

EMEA: New Hudson Shop opened at Pulkovo Airport St. Petersburg

Dufry Russia is proud to announce the opening of the new duty paid travel essentials shop under the Hudson brand, located in the arrivals area of Pulkovo-1 Airport – New Terminal in Saint-Petersburg. The store opened its doors to customers on May 9th with a total shop area of 116 sqm. The shop has a lease period until the year of 2019.

The local team of nine employees work to offer to customers a wide variety of convenience products to travelers from a variety of leading domestic and international brands. The featuring categories are: confectionery, non-alcoholic beverages, books and magazines, snacks, health and beauty aids, travel handbags, luggage, etc. ■

EMEA: Hudson arrives in Spain in the Canary Islands

In November 2014 Dufry will open nine shops covering a total of 1,229 sqm, in the Canary Islands: two in Lanzarote, two in Fuerteventura, four in Gran Canaria and one in Tenerife North. 50 employees will work in these new stores. Moreover, this is the first step by Hudson in Spain. The Brand Manager in the area is Luis Padrón, who has been With Dufry since 2008. The Area Retail Manager is Rafael Lucena, who has been with Dufry since 2007. ■



The Canary Islands, a major tourist destination in Spain, will be the first place in the country to implement the Hudson concept.

America I: Strengthening partnership with Norwegian Cruise Lines

Three months ago, Dufry signed agreements to renew for a minimum of 5 years the partnership with Norwegian Cruise Lines to operate gift shops on a total of 11 Norwegian Cruise Line Vessels. The bid was for the existing nine ships in the fleet plus an opportunity to bid on two new vessels: The NCL Escape and NCL Bliss, which will be launched in 2015

and 2017. Both of them are “Megaships” – almost twice the capacity of any of the line’s existing operations, with the ability to carry over 4,200 passengers each. “I would like to thank everyone who was involved in the process for their invaluable contributions, said Gary Clarke, DCOO of Flagship business unit 11.” From now on we must work even harder to improve guest services onboard, achieving our business plan, sales and profit goals, and growing the business further.”

Norwegian Cruise Lines is one of the leaders in the cruise travel market, with 47 years of experience. The innovative Norwegian style and the excellence of Dufry combined have led to a successful partnership that will improve even further. The shops will offer: liquor, tobacco, perfumes/cosmetics, food/confectionery, sundries, electronics, fine china and crystal, logo products, souvenirs and destination products, watches & jewelry, handbags, accessories and clothing. ■

United States & Canada: Hudson Names Courtney Thornton VP of Partner Relations & Business Diversity

Courtney Thornton, a practicing attorney for nearly 20 years, has been named Vice President of Partner Relations & Business Diversity for Hudson Group. She will be responsible for managing diversity at Hudson locations across the country, including Airport Concessions Disadvantaged Business Enterprises (ACDBEs).



Courtney Thornton will be responsible for managing diversity at Hudson locations across the Hudson Group.

Courtney comes to Hudson following 16 years as In House Counsel to the New Orleans Aviation Board (NOAB). Michael R. Mullaney, Hudson Group’s EVP of Corporate Strategy & Development, said: “We are delighted to welcome an expert of Courtney’s stature and airport experience to the Hudson team. Her vast knowledge in the area of ACDBE regulations and compliance provide our company with expertise and proper guidance in an area of our business that is directly connected to our growth and long-term success.”

Ms. Thornton added: “I am very pleased to join Hudson Group, which has a distinguished record in diversity and inclusion in every facet of the business.” ■



Silver anniversary



The loyal group of employees celebrates their 25 years in the company.

Sharjah was the chosen place to celebrate the silver anniversary of a group of Dufry's employees: Doris Daniel, Abdul Kader Chontham, María Luisa Aspillera, Juliet Liwag, Victoria Bulahan and Edith Navaro (in the picture above) experienced the public recognition of this company.

25 years as a part of a company is a long time and deserves to be celebrated. Therefore Dufry organized a party in Sharjah to honor and thank some of the employees in the region, who have been with the company for a quarter of a century.

In a relaxed atmosphere, and supported by their colleagues, Doris Daniel, Abdul Kader Chontham, María Luisa Aspillera, Juliet Liwag, Victoria Bulahan and Edith Navaro, made a toast to their shared history and the years to come. ■

Irene Haberthür



Irene Haberthür, Corporate Human Resources Specialist at Dufry headquarters in Basel, is celebrating the extraordinary jubilee of 45 years with Dufry: she started her journey with the company in 1969!

Dufry World: What is your history with the company?

I came to Basel from Zürich in 1969 because I was getting married. I was looking for a job and selected one from several offers. I chose Weitnauer (later Dufry), a company with international operations, as this matched my previous experience in a well-known gastronomy chain in Switzerland with staff from more than 20 nations. I started with a three year commitment – which turned out to be more than 45 years. I started as a secretary to the then HR Director and assisted him for 22 years in different departments (HR and Sales). After that, I became the assistant to other members of top management.

Since 2003, when the company became Dufry, I have worked for the IT, Legal and COO offices. Then in 2007 I returned to HR, my department of choice, so to speak.

DW: Did you ever look for other opportunities?

I grew with the company and lived its history; I always felt that I was needed, so I never looked for anything else. It was always a sweet and sour challenge working for Dufry; there have been tremendous changes within the company itself, especially in the last 15 years. This has kept me interested and flexible with respect to change.

Then the best thing happened to me: in 2009, Dufry offered me the chance to continue working part-time after retirement.

DW: Is working for Dufry also in your future plans?

Well, yes. I really enjoy my work in the current HR team and I very much like working with people from different cultures and nationalities.

DW: How do you spend your free time?

I do a lot of sports, to keep myself fit. I do biking and hiking in the outdoors. I travel and take a lot of pictures, and then I produce my own art books with those pictures, and I love gardening, and then my cat... Did I forget anything? ■



Key Story

Making every journey an experience. Together.

Based on a consideration of CHF 1.55 (USD 1.73) billion, Nuance is the largest acquisition in the history of Dufry. Not only will it transform the marketplace in the travel retail trade, it will also bring together the valuable core of two distinct companies and two extraordinary teams.

As of September 9th, Dufry and Nuance together form the world's biggest travel retail company. The new Dufry is committed to taking travel retail to the next level, driven by the vision of being the industry's most innovative and efficient company. Taking up this challenge means teaming up with a partner who is "at the heart of every journey", as it is said in Nuance's mission statement.

As the formerly sixth-largest duty-free retailer in the world, Nuance, with its headquarters in Zurich, has commercial operations in 19 countries and territories across EMEA, Asia, the Americas and Australia. The merger with Dufry will result in over 1,700 shops in more than 60 countries worldwide.

Nuance business philosophy set the focus on special care for customers. Nuance's understanding of travel retail is to be an indispensable part on customers' journey, an essential stop as well as a destination that customers look

out for and return to. In parallel, as a contrast to a fast moving and ever-changing world, Nuance creates strong, lasting partnerships as well as innovative, industry leading retail experience.

Taking the journey, transforming the world of travel retail – together

By combining the best of both worlds – Nuance's customer excellence and Dufry's growth competence and execution efficiency – the new Dufry will unleash significant potential. "This acquisition is a continuation of the global diversification strategy which we have communicated and carried out for many years," says Julián Díaz, Dufry CEO. "Integrating Nuance is likely to combine management and people of both companies. Nuance's size means that the process of integration will be complex," Díaz adds. "However, we do have considerable experience with acquisitions."

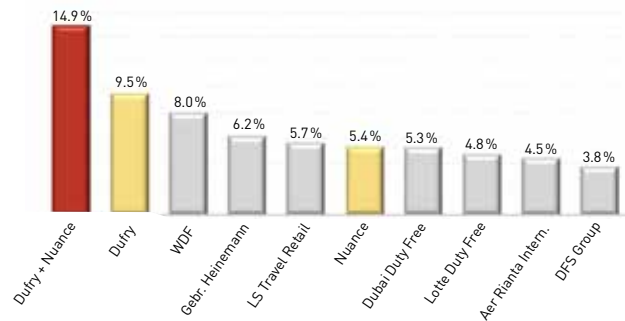
Dufry has prepared an integration plan with the priority being to incorporate Nuance's operations into the Dufry business model. "We'll work closely with the local teams to ensure that we capture the best of the Nuance and Dufry worlds," explains Díaz. "There are no good or bad business models. Each business model is right based on what your shareholders are expecting from you."





Growing together geographically

The geographic presence of Nuance is complementary to Dufry's positions in the strategic key markets. As a result of the transaction, the new Dufry will emerge with a leading position in the Mediterranean, Latin America, Caribbean and North America. In addition, the acquisition will strengthen the company's diversified business in Asia with attractive locations that will provide a strong basis for further growth in this important region. The combined Dufry and Nuance community will have in total over 21,500 employees. They will help to transform the world of travel retail together, making millions of travellers' journeys unforgettable. In line with the words of the famous Chinese philosopher Laozi, that "a good traveller has no fixed plans and is not intent on arriving," Díaz concludes: "It was not actually our goal to become the market leader." But it certainly brings advantages. ■



Ranking the airport retail industry 2013 by market share

Nuance in short

- Nuance is a duty-free and travel retail group serving over 31 million travelling customers each year.
- Nuance operates some 350 stores, primarily in airports, across 66 locations in 19 countries and territories globally with a total sales area of around 75,000 square metres.
- In 2013, Nuance generated turnover of CHF 2,095 million and EBITDA of CHF 131 million.
- The company has its headquarters in Zurich and is divided into four regions: EMEA, Asia, Americas and Australia.



Hudson lands in Brazil

Dufry has introduced the Hudson News travel essentials concept to Brazil with the opening in May of seven shops in Brasilia, Guarulhos and Natal. The first one to be opened was a store covering 156 sqm at Brasilia International Airport. Later, another three shops were opened at this airport: two in the departure area and one in arrivals (common area).

At the Natal Airport two new Hudson stores also opened their doors in May: one in the arrivals and one in the departure area, with 70 sqm each. Last but not least, Dufry has inaugurated a 204 sqm shop at the Guarulhos

Airport, at the new international Terminal 3. That has been the initial part of a strong expansion program planned for the coming years.

The Hudson News concept is focused on travel retail, where the consumer behavior is based on impulse and convenience shopping. The stores offer newspapers, magazines and books, and also a wide range of convenience products such as snacks, souvenirs, health and beauty aids, clothing, confectionery, electronics and travel accessories. ■