



D U F R Y

DUFRY AG
ANALYST PRESENTATION



D U F R Y

**Introducing Dufry's new organization
and operating model**

Zurich, June 7, 2012

Information in this presentation may involve guidance, expectations, beliefs, plans, intentions or strategies regarding the future. These forward-looking statements involve risks and uncertainties. All forward-looking statements included in this release are based on information available to Dufry AG (the “Company”) as of the date of this release, and we assume no duty to update any such forward-looking statements. Factors that could affect the Company’s forward-looking statements include, among other things: global GDP trends, competition in the markets in which the Company operates, unfavorable changes in airline passenger traffic, unfavorable changes in taxation and restrictions on the duty-free sale in countries where the company operates.



1. Welcome and background

CEO

2. Presentation of the new organization and operating model

CEO

3. Business update per Region

Regional COOs

4. Global Procurement Platform (DTR)

Global COO

5. Financial update

CFO

6. Trading Update

CFO

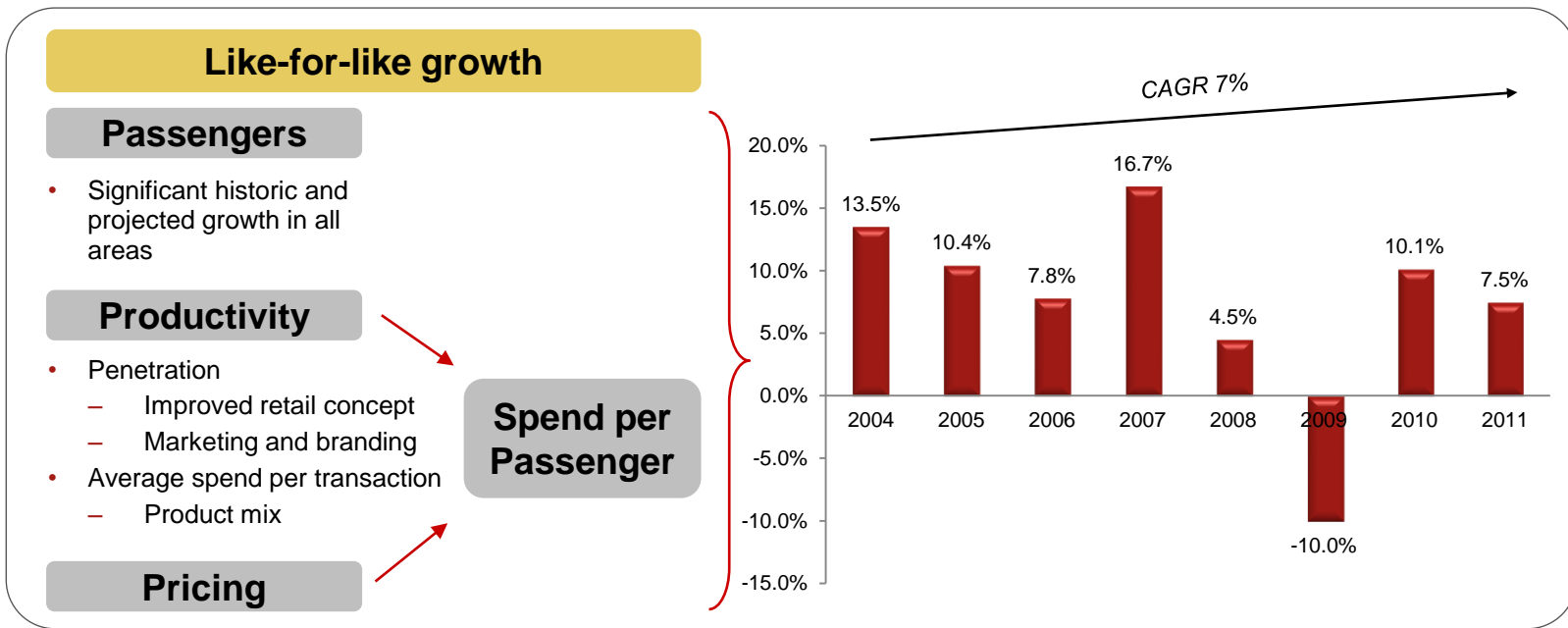
7. Conclusions and closing

CEO



1. Welcome and background

Three levers have fueled Dufry's top line growth over the last years



New concessions (net) → Average growth ('03 - '11) of 5% p.a.

Acquisitions → Average growth ('03 - '11) of 10% p.a.

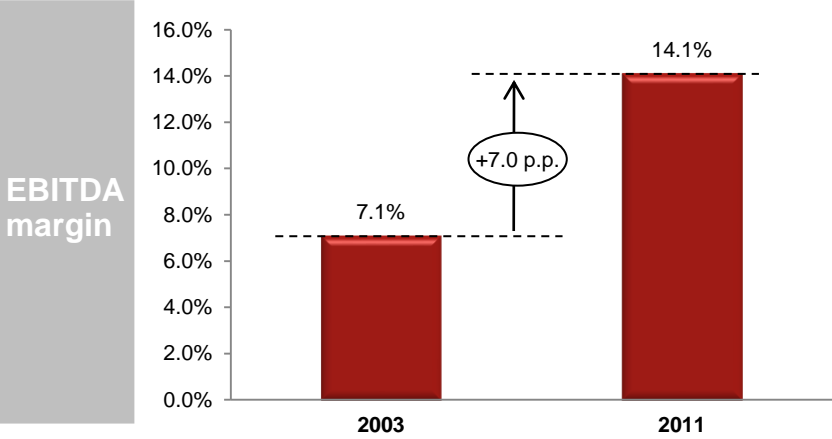
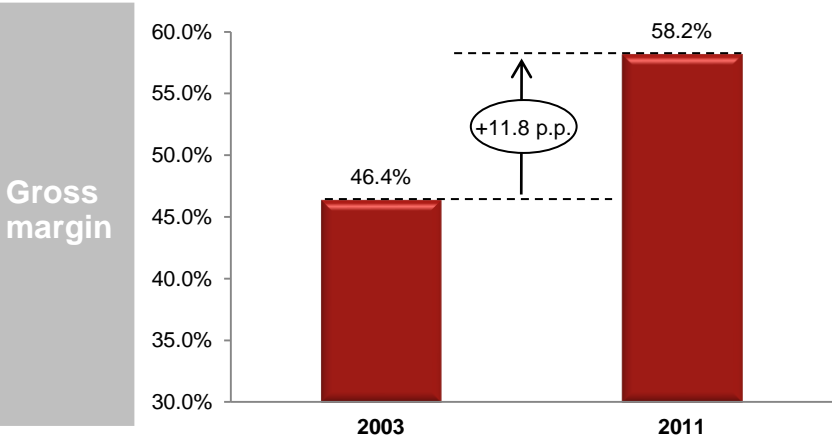
Organic Growth ('03 - '11): 12% p.a.

Top-line Growth ('03 - '11): 22% p.a. (1)

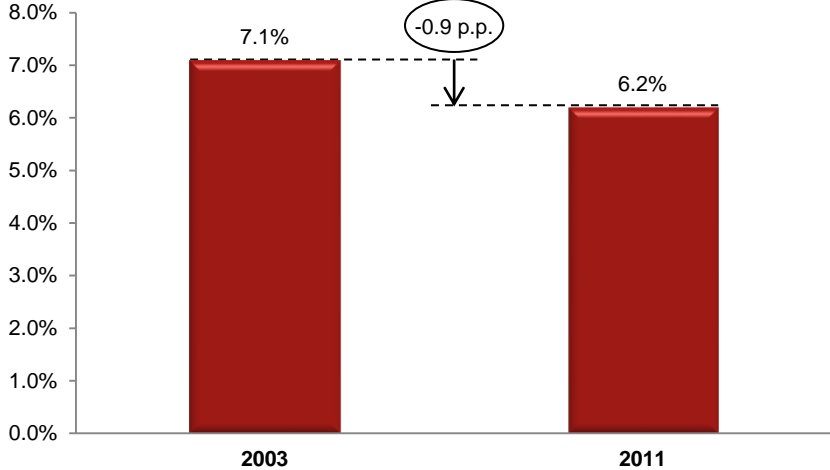
Note: (1) On constant FX rates; FX effect -4% p.a.

Additionally, Dufry has significantly improved its operating margins and working capital requirements

Operating margins (% of turnover)

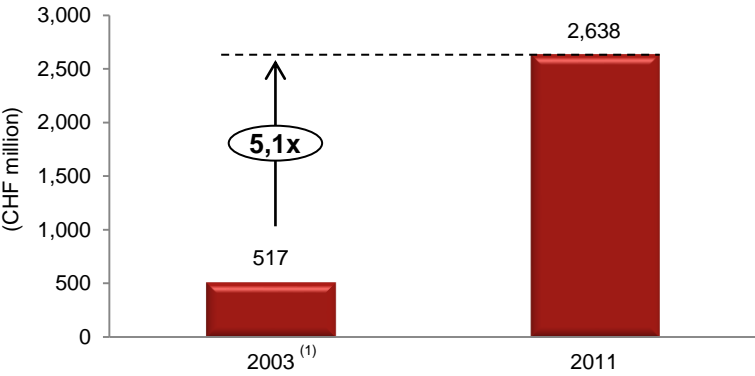


Core NWC (% of turnover)

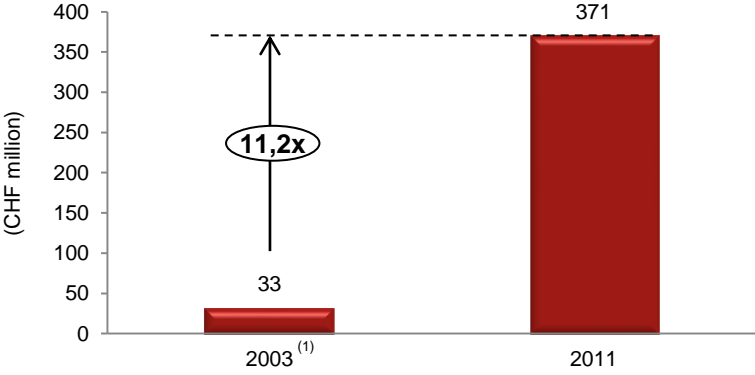


As a result, Dufry has become a leading player within the travel retail industry

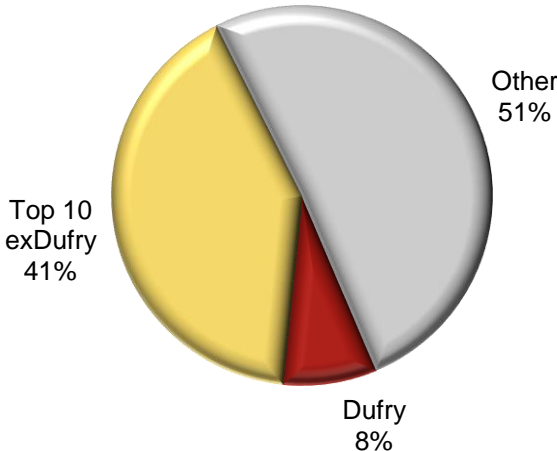
Turnover



EBITDA



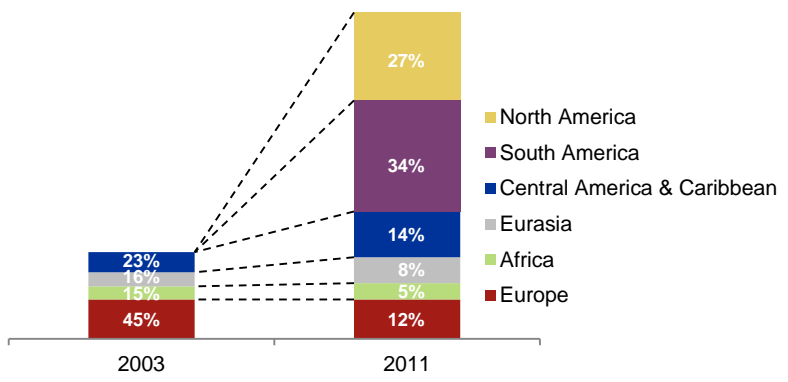
The Global Travel Retail industry



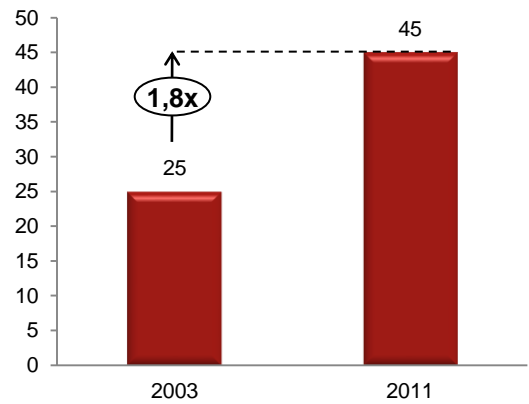
Note (1): Constant exchange rate (base: 2011)

This track record has transformed Dufry into a true global retailer with a larger scale and complexity

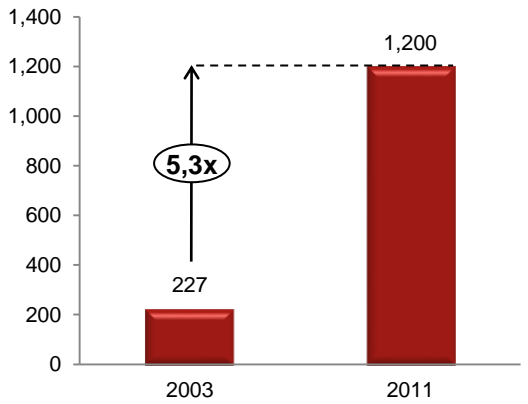
Turnover by region (% of total)



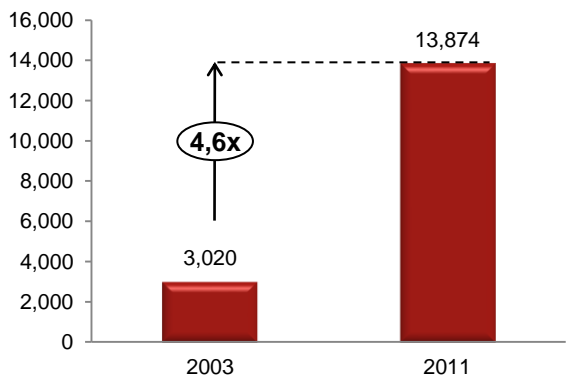
Countries



of Shops



Employees



Dufry's ambition is to deliver further sustainable growth and value creation for its shareholders in the future

Dufry's Strategic drivers

- Present in the emerging markets and tourist destinations with high growth potential
- Preferred partner for long term business relationship
- Operate as a true retailer focused on customer needs
- Enhance central functions to improve profitability
- Focus on profitable growth

Our industry requires to compete globally through local operations

Travel Retail industry drivers	Scope
<ul style="list-style-type: none"> • Passengers • Suppliers • Competitors 	Global
<ul style="list-style-type: none"> • Employees • Landlords (i.e. airport managers) • Local elements of global drivers: <ul style="list-style-type: none"> – Passengers – Suppliers – Competitors • Regulation 	Local

In order to achieve this ambition, Dufry has reviewed its operating model and structure around **three design principles**

Objective

Centralize the functions that yield global synergies and decentralize the business execution

Key principles

1. **Regional execution empowerment, accountability and agility**
2. **Global scale leverage in procurement and logistics, as well as travel retail and customer knowledge**
3. **Corporate focus on growth and efficiency**



2. New Dufry organization and operating model

Dufry's new organization and operating model introduces eight changes

Main changes

Sustain growth and improve profitability

Regional execution empowerment, accountability and agility

Global scale and customer knowledge leverage

Corporate focus on growth and efficiency

- 1 The Regional configuration will be **consolidated from the previous 6 regions into 4**
- 2 The Business Unit (BU) configuration will be **consolidated from the previous 19 BUs into 15**
- 3 The role and functions of Headquarters and the Regions has been redefined, to **enable the Regional COOs assume greater business execution and P&L accountability**
- 4 The **appointment of a Regional Advisory President per Region will reinforce “localism”**, business development, political and institutional relationships and company image
- 5 **A 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**
- 6 The **operational processes and tools** (Commercial plan, Category Strategy and SLAs) **will leverage global travel retail and customer knowledge**
- 7 The **content and role of the GEC has been reviewed** to ensure strategy definition and implementation follow-up, budget approval, optimal risk management and key business decision making
- 8 The **Management Committees will optimize the communication and coordination between communities** and increase the joint ownership of common initiatives

1 The global configuration will be consolidated into four regions from the previous six

New global organization

Region 1

Europe, Middle East, Africa and Asia



Region 2

Latin America



Region 3

Brazil



Region 4

North America

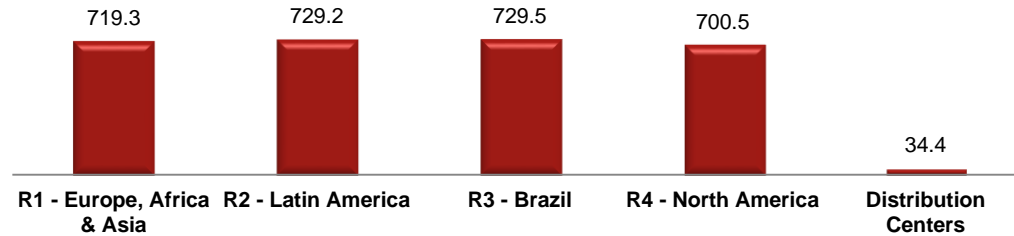


The new configuration strengthens the business development and the commercial functions within the Regions, and reinforces P&L accountability

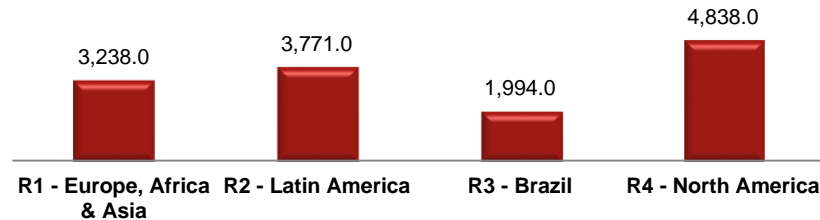
- 1 This **configuration is well balanced** and allows the Regional COOs to focus on their markets' specific challenges

Organization key metrics

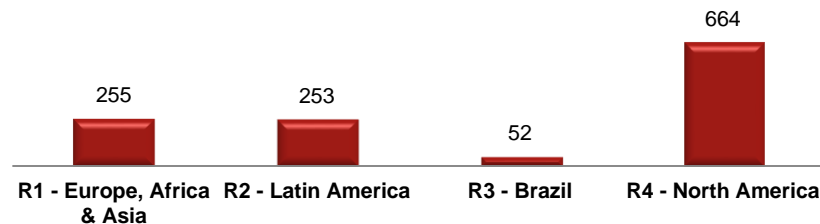
Turnover
(m CHF;
2011 proforma)



Headcount
(# of
employees;
2011)



of points of
sale
(2011)



2 The previous 19 business units will be consolidated into 15

BU configuration design principles

- Foster balance between BU in terms of sales volume and number of operations
- Group countries with similar structural dimensions
- Group countries with similar cultural characteristics to reduce complexity
- Limit span of control

New BU configuration

R1 - Europe, Africa & Asia

- BU1 – Italy
- BU2 – Europe
- BU3 – Africa
- BU4 – Eastern Europe
- BU5 – Middle East & India
- BU6 – Asia Pacific

R2 - Latin America

- BU7 – South America
- BU8 – Mexico & Nicaragua
- BU9 – Caribbean I
- BU10 – Caribbean II
- BU11 – Flagship & ports

R3 - Brazil

- BU12 – Brazil & Bolivia

R4 - North America

- BU13 – North America Duty Free
- BU14 – North America Duty Paid I
- BU15 – North America Duty Paid II

The new configuration allows the business to be closer to end customers and landlords, and to be more efficient

3 The role of HQ has been redefined to reinforce the focus on growth and efficiency, and leverage Dufry's global scale...

Main contribution from organizational layers

Corporate focus: growth & efficiency

- **Sets and monitors the overall growth direction** with business development guidelines, M&A decisions and strategic guidance
- **Leverages corporate functions** (Organization & HR, IT and corporate communication), ensuring strategic alignment and efficient allocation of resources

Global Operations: scale and knowledge

- **Maximizes Group economies of scale** with Procurement from global suppliers and Logistics
- **Coordinates sharing business intelligence to the Regions** with regard to marketing and customers
- **Provides retail operations best practices**, commercial model directions and monitors performance

3 ... and the Region has been empowered to assume greater business execution and P&L accountability

Main contribution from organizational layers

Region

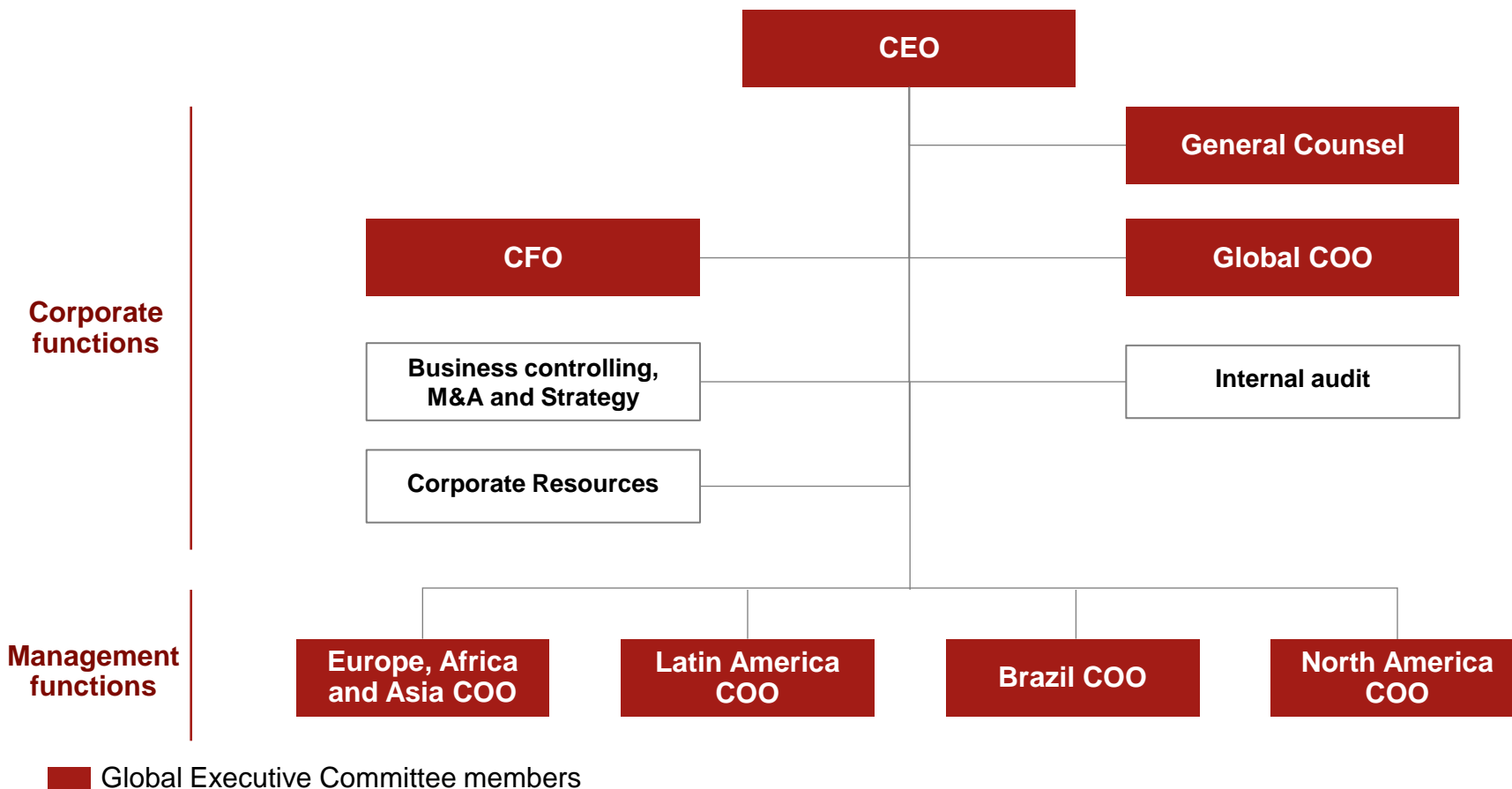
- The Regional COO is P&L accountable: Higher sales/pax and margins
 - Leads commercial activities, defines the commercial plans and oversees business execution by the Business Units (BUs)
 - Leads new business development, from new opportunities' identification to integration of operations
 - Consolidates the Resources' support functions within the Region

Business Units (BUs)

- Manages **operational day-to-day execution** to achieve commercial targets
- Provides **local customer input and intelligence on competitors**
- Manages the **relationship with local suppliers**

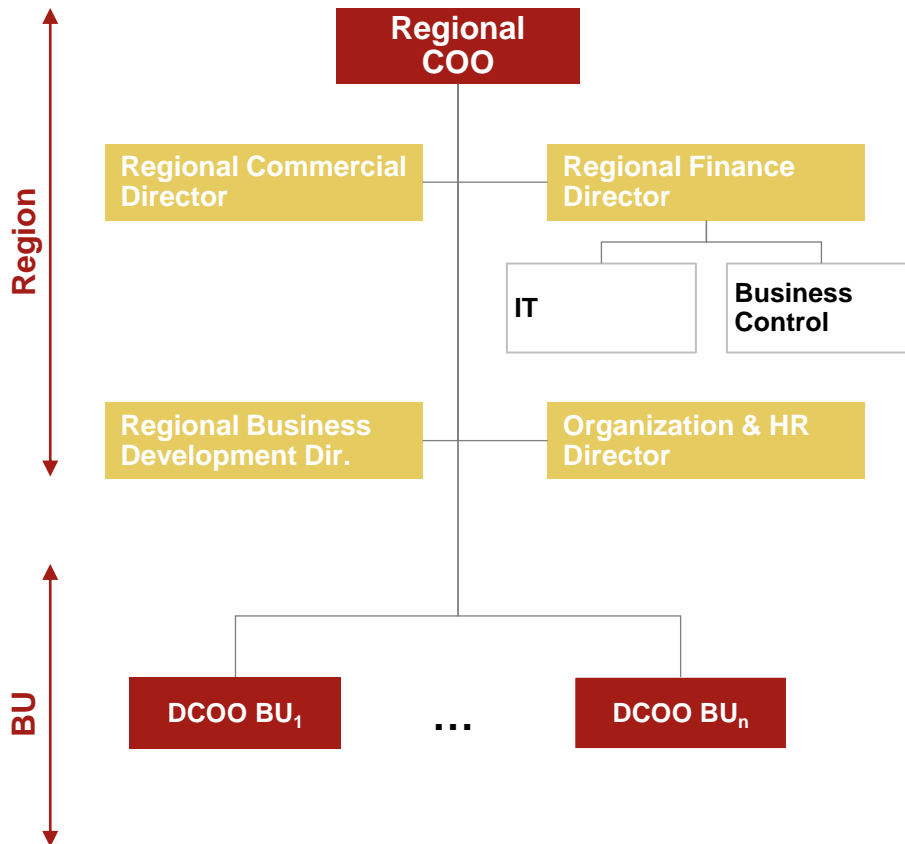
3 Dufry new organizational structure – Headquarters

New Dufry (simplified) organizational structure



3 Dufry new organizational structure – **Regions and BUs**

Regional organization structure



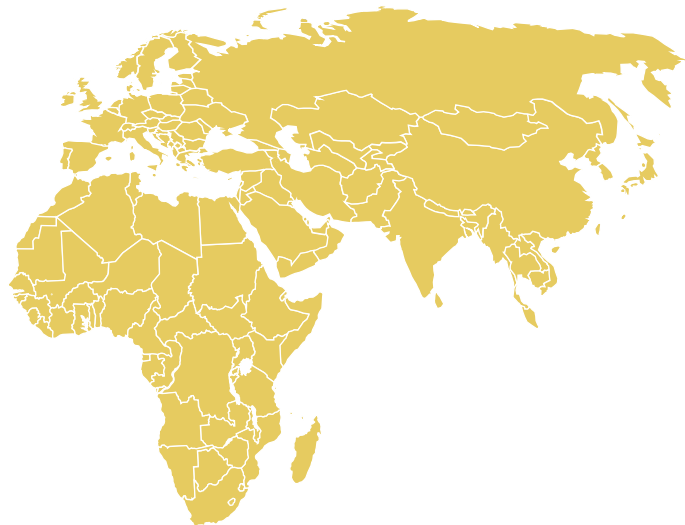
- **Homogeneous regional and BU structure globally:**
 - Clear interfaces between the regional organization and corporate functions
 - Improved processes with clear accountability
- **New regional business development and Commercial functions, coordinated with respective HQ**
- **Consolidation of regional support functions**

4 The appointment of a Regional Advisory President per Region will reinforce “localism”

Appointment of a Regional Advisory President per Region

Region 1

Europe, Middle East, Africa and Asia



Region 2

Latin America



Region 3

Brazil



Region 4

North America



These appointments further strengthen business development, political and institutional relationships and company image with local communities

5 Logistics and procurement from global suppliers will be centralized under a unique, global platform (DTR)

Value added by DTR

Logistics management

- Centralization of supply chain intelligence
- Streamlining of logistics assets, processes and flows
- Streamlining of replenishment and inventory management

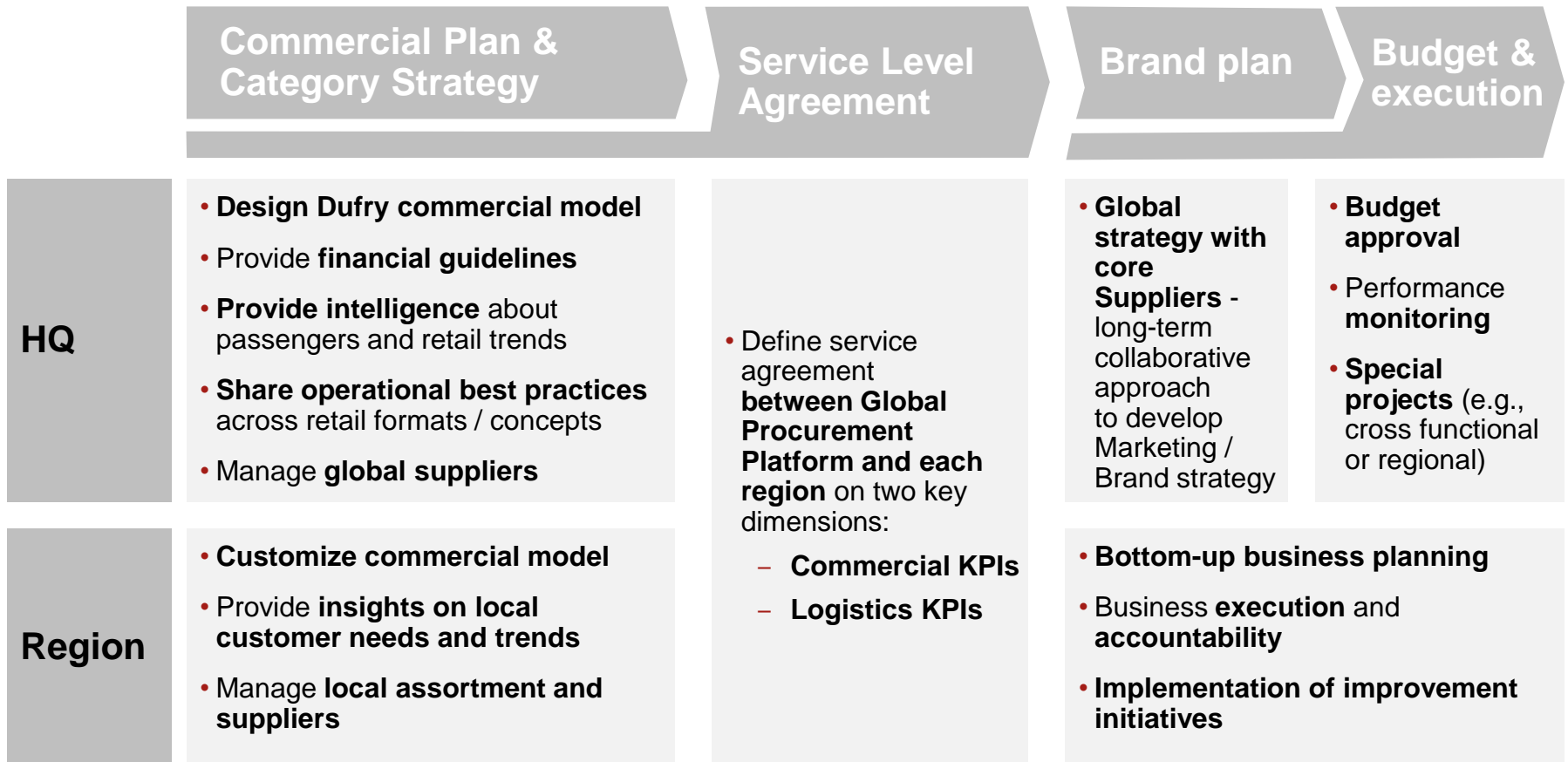
Procurement from global suppliers

- Coordinated category strategy
- Coordinated supplier negotiations
- Strengthened planning function

Maximize procurement and logistics synergies potential to sustain sales, gross margin and WC improvements

6 The operational processes and tools will **leverage global travel retail and customer knowledge**

Examples of global travel retail and customer knowledge leverage



- 7 The **role of the GEC** has been reviewed to **provide strategic direction**, decision-making and business monitoring

GEC's main Role

- **Define Dufry's strategic direction** and ensure **continuous performance monitoring** against plan
- **Review Commercial plan and SLAs**
- **Approve Budget forecast** and perform financial follow-up against forecast
- **Approve and monitor strategic (cross functional or strategic) projects**
- **Define risk profile and manage performance**

Additionally, ad-hoc Committees (e.g., Investment Committee) complement the GEC's role on key business decision-making

8 The **Management Committees will optimize the communication and coordination** between communities...

Management Committees' Role

- Executive, high-level forum to communicate and follow-up Dufry Group's strategic business activities within each department or project, particularly those requiring:
 - 1) **a decision; or**
 - 2) **coordination between departments**

... and will increase the joint ownership of common initiatives

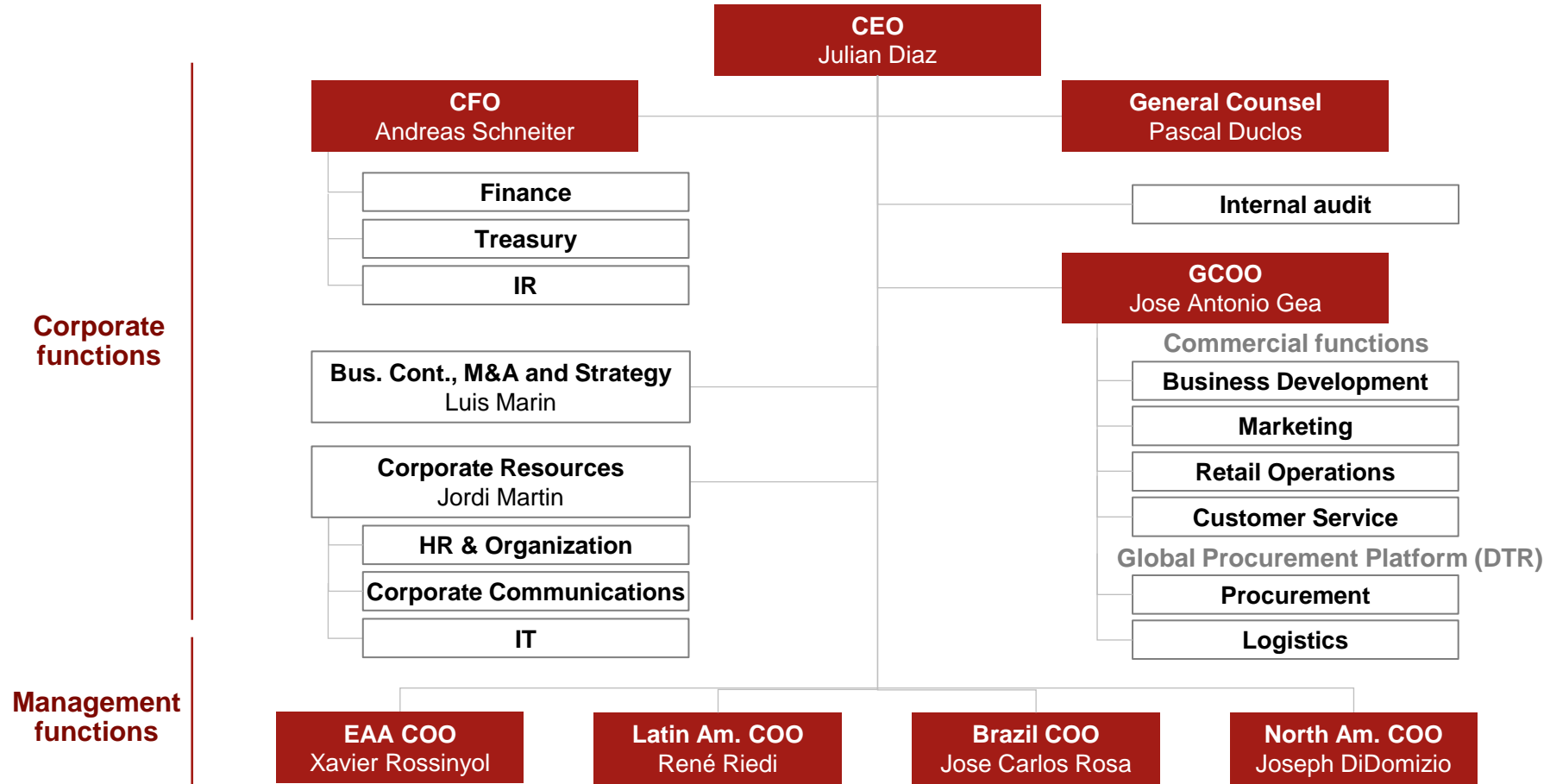
2. New Dufry organization and operating model

Appointments



Dufry new organizational detailed corporate structure introduces the following **appointments at corporate level...**

New Dufry organizational structure



■ Global Executive Committee members

...and of **non-executive Advisory Presidents** for each Region

New appointments

**Region 1: Europe,
Africa and Asia**



Mr. Dante Marro

COO Region Europe since 2002

- Previously GM and Chairman of the Board (1987 –92) of Dufrital SpA and GM and Board Delegate of all Italian companies belonging to the Group from 1992–2002

**Region 2:
Latin America**



Mr. José H. González

COO Region Central America & Caribbean since 2002

- Joined Dufry in 1992 where he has held various managerial and business positions

Region 3: Brazil



Mr. Humberto Mota

President of Dufry do Brasil since 2006

- 2006-10 Chairman of the Board of Dufry South America. 1975-05 Various managerial positions at Brascan Brasil. Additionally, VP and Member of the Board of Brasif Group and relevant functions in the Public Administration

**Region 4:
North America**



Mr. Mario DiDomizio

Chairman of Hudson Group

- Started with Hudson County News Company in 1982. Founder of Hudson Group retail division in 1987 and creator of the Hudson News concept. President & CEO through 2007

3. Business update per region

The Regional COO appointed for each Region bring more than 65 years of Global Travel Retail industry experience

Profile of Regional COOs

R1 - Europe, Africa & Asia

Xavier Rossinyol



Summary of experience

- Since 2004 Chief financial officer (CFO) at Dufry AG
- 1995–2003 Various positions at Areas (member of the French group Elior) with responsibility for finance, controlling, strategic planning. Left Areas as its Corporate Development Director

Education

- Bachelor's degree in Business Administration at ESADE (Spain)
- MBA at ESADE and at the University of British Columbia (Canada and Hong Kong)
- Master's degree in Business Law from Universidad Pompeu Fabra (Spain)

R2 - Latin America

René Riedi



Summary of experience

- Since 2000 Chief Operating Officer (COO) Region Eurasia at Dufry AG
- Joined Dufry in 1993 as Sales Manager Eastern Europe. Product Category Manager Spirits & tobacco (1995–1996). Head of product Marketing (1996–1997) Director Division Spirits & tobacco (Weitnauer Distribution Ltd. 1998–2000)
- Prior to 1993, product marketing and international sales of Unilever

Education

- Degree in Business Administration from the School of Economy and Business Administration Zurich

R3 - Brazil

José Carlos Rosa



Summary of experience

- Since 2006 Chief Operating Officer (COO) region South America at Dufry AG
- 2000–2006 Retail Director at ANA-Aeropuertos de Portugal AS
- 1994–2000 General Director of AmoreirasGest.
- 1993–1994 Director of Property Management of Richard Ellis Portugal

Education

- Military and Civil engineer's degree from the Academia Militar of Portugal

R4 - North America

Joseph DiDomizio



Summary of experience

- Since October 2008 Chief operating officer (COO) region North America at Dufry AG
- 1992-2008 Several managerial positions in Hudson Group (April–September 2008: president and CEO)

Education

- Bachelor's of Arts degree in Marketing and Business Administration from the University of Bridgeport

3. Business update per region

Region 1 – Europe, Africa and Asia

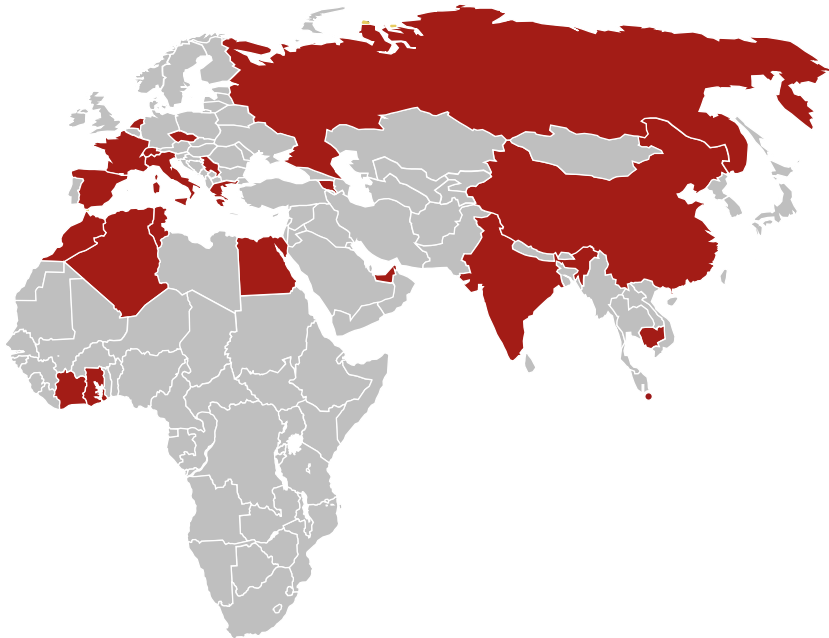
Region 2 – Latin America

Region 3 – Brazil

Region 4 – North America

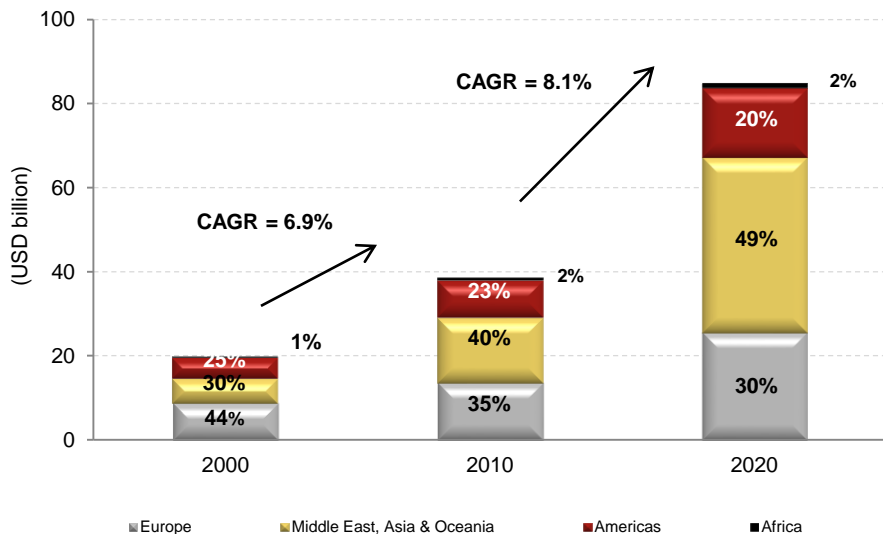
The region covers 255 shops across 21 different countries

Region 1 – Europe, Africa and Asia

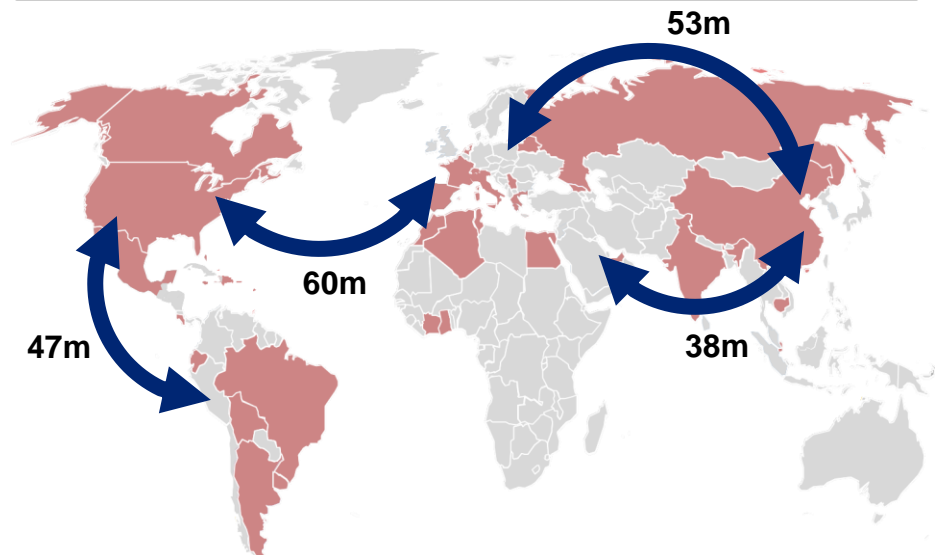


- 21 countries
- 45 airports
- 255 shops
- 3,200 employees
- Retail surface over 46,000 sqm

Travel Retail Industry by Region



Inter-Regional Passenger 2011 (millions)



Passenger numbers per Capita

Switzerland	4.98
USA	4.50
Brazil	0.83
Russia	0.47
China	0.33
India	0.10

2011/2010

Europe - Asia	9%
ME - Asia	6%
<u>New travelers (2011/10)</u>	
China	+19m
Brazil	+12m
India	+8m
Russia	+6m

The reorganisation will be the starting point to develop the new Region

Business Integration

- Integrate three former regions
- Simplify layers of decision: Be able to act quicker
- Eliminate duplicities - Identify efficiencies
- Reinforce Risk management

Leverage Group Initiatives

- Align region with new corporate initiatives:
 - Logistics/Procurement Platform
- Align commercial policies to maximise margins

Customer-centred Actions

- Follow the customer to increase Spend per PAX
 - Identify and develop commercial strategies for key nationalities
 - Develop a tailored product strategy to respond to their needs
- Adapt quickly to changes in customers trends

Business Development and M&A

- Key region for external growth
- Many local players in Asia and Mediterranean - fragmentation
- Key to deliver: Get closer - intensify relationship building for
 - New concessions
 - M&A

3. Business update per region

Region 1 – Europe, Africa and Asia

Region 2 – Latin America

Region 3 – Brazil

Region 4 – North America

The region covers 253 shops across 19 different countries

Region 2 – Latin America



- **19 countries**
- **34 airports**
- **253 shops**
- **3,700 employees**
- **Retail surface over 62,000 sqm**



Main initiatives and challenges

Key operational highlights

- **Business update on Argentina, Mexico and Caribbean**
- **Changes in customer trends**
- **Amex integration process**
- **Consolidating presence in the region**
 - New shops and refurbishments

Key strategic highlights

- **Dufry competitive position in Latin America**
- **Diversification of business channels and concepts**
 - Duty Free
 - Hudson
 - Jewelry
 - Cruise lines and ports
 - Border shops
- **Business development opportunities in Latin America**

3. Business update per region

Region 1 – Europe, Africa and Asia

Region 2 – Latin America

Region 3 – Brazil

Region 4 – North America

The region covers 65 shops, including 26 different airports

R3 – Brazil



- 26 airports
- 65 shops
- 1,900 employees
- Retail surface over 15,000 sqm

Main initiatives and challenges

Key operational highlights

- **Ensure management focus on specific challenges and opportunities of fast growing Brazilian market**
- **Differentiated business model**
 - Arrival business and customer profile specificities
 - Currency exchange rate impact on consumer behavior
- **Specific characteristics and opportunities in Brazil**

Key strategic highlights

- **Dufry's competitive position in Brazil**
 - Airports privatization
 - Concession renewal
 - Channel diversification

3. Business update per region

Region 1 – Europe, Africa and Asia

Region 2 – Latin America

Region 3 – Brazil

Region 4 – North America

The region covers 664 shops, including 61 different airports

Region 4 – North America



- **61 airports**
- **664 shops**
- **4,800 employees**
- **Retail surface over 55,000 sqm**

Main initiatives and challenges

Key operational highlights

- **Continued growth**
 - Resilience of business model to the economic environment
- **Evolution of the Hudson business model to address current publishing industry and customer behavior trends**
 - Focus on traveler needs and growth categories
- **Operational execution to support brand performance**

Key strategic highlights

- **Sustaining Dufry's competitive position in the US**
 - Development of duty free business in North America
 - Diversification through new commercial concepts, brands and partnerships
- **Further opportunity of the Hudson concept in the travel retail channel**



4. Global Procurement Platform (DTR)

DTR is the **integration of the actual 4 Dufry's platforms:**
DTR Europe, DAS North America, EuroTrade Brazil and IOSC
Uruguay

This new platform is created with 2 main targets:

1. **Consolidation and development of Dufry's commercial model**
2. **Creation of an unique vehicle to maximize the economic synergies and know-how of the Group**

DTR, as a global unique entity will operate with **offices in Europe and America, receiving the services of global commercial functions**

Global COO

**Global Procurement Platform
(DTR)**

Europe Office

- **Buying**
- **Planning**
- **Replenishment**
- **Traffic & warehouse**

Americas Office

- **Buying**
- **Planning**
- **Replenishment**
- **Traffic & warehouse**

Commercial functions

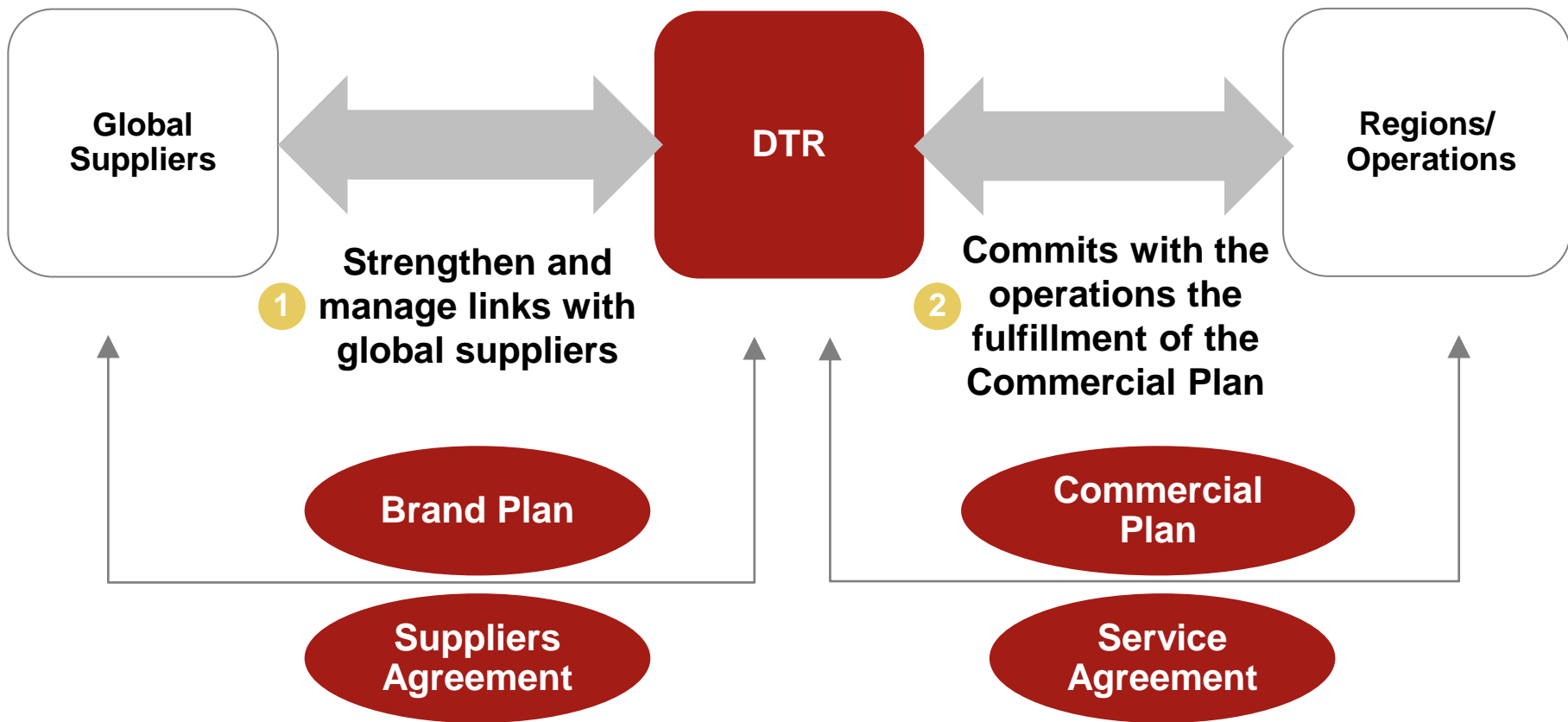
Marketing

Retail Operations

Customer Service

**Business Development &
Technical Department**

DTR develops it's role managing the relationship with suppliers and committing to deliver the commercial plans of the regions



Brand plans, as a global strategy with core Suppliers:

- 1) leveraging a long-term collaborative approach
- 2) developing Marketing / Brand strategy in Dufry's Network

Aim & Scope

Enhance and optimize the brands within Dufry World, combining both Suppliers and Dufry's Knowledge

Example (not exhaustive):

- PM
- Diageo
- Pernod Ricard
- Kraft Foods
- Nestle
- Luxotica
- Parbel
- Puig
- Hugo Boss

Content

- Assortment
- Pricing
- Promotions
- New launches
- Store layouts
- Collaboration scope:
 - Market trends visibility
 - Outlook & vision sharing

Differential elements

Long term vision

Centralized: single brand plan by supplier globally developed

Collaborative & mutual value-creation approach

Pillars of the Operating Model:

- 1) **new Buying and Supply Model**
- 2) **logistic network**
- 3) **tools**

Pillars of the Operating Model

1.- Buying and Supply Model

- **Centralized procurement** (buying and Supply Chain functions) for Europe and Americas offices
- **New combined pull** (regular sales) & **push** (promotions) **management model**
- More integration between buying and supply to strengthen negotiation with suppliers
- Reinforced **global coordination** mechanisms (e.g., Buying Executive Committee)

2- Logistic Network

- Global **Logistic Network managed** centrally ...
- ... and several **distribution alternatives benefiting from scale** to optimize logistic flows
- **New logistic infrastructures** (e.g. Distribution Centers,...)

3.- New Tools

- Global Master Data
- Pricing
- Business Intelligence – Data Warehouse
- Promotions & Advertising
- Forecasting and GPO upgrade

The supply chain will improve based on volume and centralized management. Allowing weekly orders to the operations, **optimizing costs and service levels**

Weekly orders to the operations, optimizing costs and service levels

Improvements

- Consolidated forecasting and ordering cycle leveraging scale
- Collaborative approach with suppliers (Sharing sales and buying forecast) to optimize supply chain (e.g. lead times) with suppliers to reduce lead-times
- Distribution alternatives for non-direct deliveries:
 - Consignment stock
 - Consolidation in Europe and American platforms
- Optimization of working capital through setting of specific inventory levels for key suppliers and optimization of stock financing ratios

The new DTR Platform **creates substantial value:**

Growth in the Spend per passenger

- Improving quality and availability of the assortment
- Global Promotion strategy: from 30 % to 40% in core category
- Improve store lay-out and brand presentation together with suppliers

Net working capital reduction

- Reduction of networking capital by increasing the frequency of order
- Increase the levels of merchandise “on consignment”
- Warehouse facilities through third parties agreements

Margin increase

- Global and volume negotiations
- Increase promotional activities
- Advertising income support

Costs reduction

- Synergies in overheads
- Transport and logistics costs

A further step in Dufry's consolidating model to continue delivering Productivity and Growth



5. Financial update

The **Finance and Resources** has a **track record** supporting the Group's growth, identifying and executing global synergies

Key areas of Finance and Resources

- Tax optimization and Corporate Insurance Programs
- Statutory and management reporting
- Internal Control System
- Global Treasury Management
- Financing
- M&A and Investment Controlling functions and methodology created
- IT Strategy and Plan
- Organization and Integration Management
- Global HR Programs

Finance will drive on the existing track record to perform in a growing, increasingly complex environment

Organizational points of action of the Finance function

- **Design of financial organization**, systems and processes will continue to be built with a view to high scalability, in order to:
 - Assimilate growth in geographies, channels, volume... complexity
 - Identification and execution of synergies
 - Support regional accountability
- Business Controlling and M&A to **push operational aspects down to region**; monitoring and co-ordination to remain central
- **Further develop local capabilities coordinated by Global Treasury** to continue centralization
- Reporting, Taxes & Insurance, and Investor Relations will **focus on enhancing current setup**

The new organization will continue to ensure the right degree of focus and specialization in each function

Additionally, **Finance** has **key topics to tackle in the short term**

Finance Key Topics for the next 12 Months

- **Financing**
 - Cash generation and deleveraging
 - Secure liquidity for existing business and future growth
- **Risk management is a priority to support further growth**
- **Support transition to new organization**
 - Changes in Regions
 - Reporting Segments
- **Global economic development**
 - Monitoring of performance
 - Identification of projects and acquisition opportunities

Finally, **Finance will keep actively contributing to Dufry's growth strategy**

Growth Strategy – Finance contribution

- **Funding of growth / Financing of acquisitions**
- **Integrate Risk Management**
 - Measure operational risks and combine with financial risk
- **Manage Complexity**
 - Push-down of responsibilities
 - Centralize and automate processes
 - Develop further standardization for back office responsibilities
- **Broaden Finance expertise across Group**
 - Best practice and education, especially in developing countries
 - Support operational activities



6. Trading Update

Trading Update

- Current Trading Environment
- Integration Russia Acquisition
- Brazil: Airport Privatization
- Integration of Acquisitions done in August 2011

7. Conclusions and closing

The organizational changes introduced reinforce value creation and will sustain our successful strategy in the future

Value drivers

Like-for-like growth

New concessions & acquisitions

Gross margin

Operating margin

Net working capital

Levers from new organizational model

- Regional commercial empowerment, accountability and agility
- Global customer intelligence

- Appointment of Regional Advisory Presidents
- Strengthening of regional Business Development function

- Economies of scale from Global Procurement Platform (DTR)
 - Globally coordinated category and supplier strategy
 - Centralized logistics

- Sharing of operating best-practices
- Management of concession fees

- Streamlined replenishment and inventory management processes

Dufry's new organizational and operating model will allow to...

Objectives and impact

- **Sustain Dufry's profitable growth strategy into the future, leveraging global synergies in customer knowledge and scale**

- **The organizational changes and appointments will be effective on July 1, 2012 and will be fully implemented by September 1, 2012**