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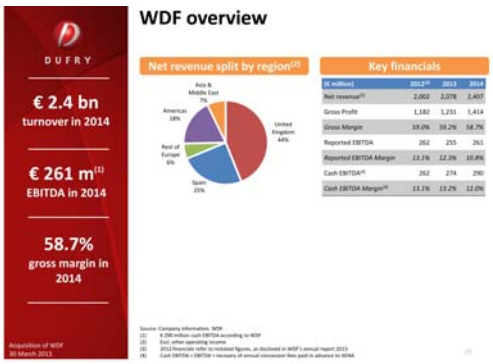
It's official: Dufry to acquire World Duty Free Group

Topping off a week of industry-changing consolidation announcements ranging from South Korea's Shilla Group buying 44% of DFASS (with a call option in five years for another 36%) to Gebr Heinemann acquiring a 60% stake in Schiphol Group, Dufry kicked up the tempo with the biggest change of all when it announced this weekend that it had entered into a binding agreement to acquire a controlling stake in World Duty Free Group.

"Dufry has entered into the most important milestone in the history our company … that we have been pursuing for some time…" said Julian Diaz, CEO of Dufry, at the start of a conference call Monday morning to discuss the acquisition.

In the deal, Dufry agreed to acquire a 50.1% stake in WDF from Edizione Srl, the holding company controlled by the Benetton family, and its investment vehicle Schematrentaquattro SpA, for €10.25 per share in cash. This price values the entire fully diluted share capital of WDF at €2.6 billion (CHF 2.7 billion) with an enterprise value of €3.6 billion (CHF 3.8 billion), representing a premium of about 25% on the volume-weighted average price of WDFG shares in the 30 days prior to January 28, 2015.



Following completion of Edizione's stake in WDF, Dufry will launch a mandatory tender offer for the remaining 49.9% of WDF's outstanding shares for €10.25 per share in cash.

The transaction is subject to Dufry's shareholders' approval as well as regulatory approvals.

Dufry intends to initially finance the acquisition of WDF and the refinancing of WDF's debt through a fully committed debt bridge facility of €3.6 billion, provided by BBVA, Goldman Sachs, ING, Santander, UBS and UniCredit.

The company expects the acquisition to close in the third quarter of 2015, and that the WDF operations will be fully integrated with Dufry within the next 18-24 months following the closing.

Milestone deal

In a statement issued on Monday, Diaz commented: "The acquisition of WDF is a truly unique and highly transformational transaction for Dufry and is equally a milestone for the travel retail industry overall. The transaction further enhances our global position and with a market share of 24% in airport retail, we plan to drive our business to new levels in terms of capturing global passenger flows, execution capabilities and efficiencies."

Dufry says that the transaction will enhance its portfolio with attractive long-term concessions across several major European airports, including the recently extended London Heathrow airport with a large number of emerging market consumers and the Spanish airports which ideally complement Dufry's strong Mediterranean footprint.

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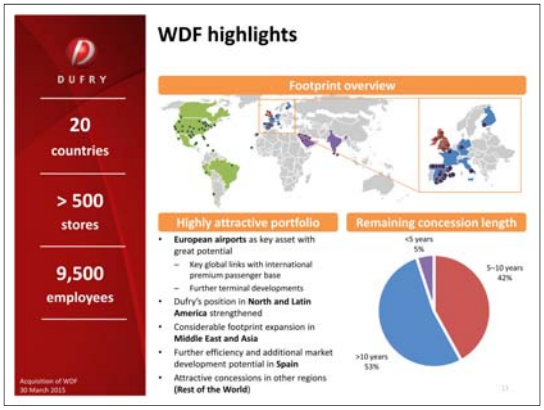
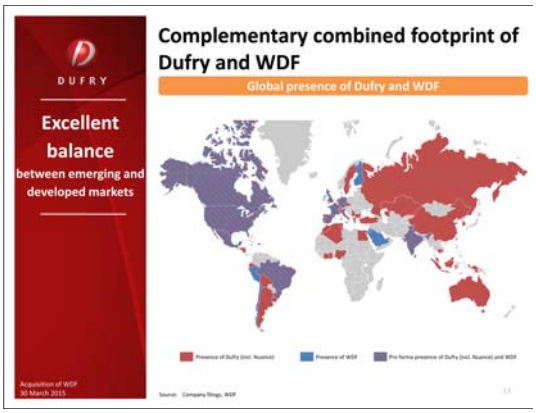




PEOPLE

Safilo names former L'Oréal exec to head up Travel Retail

Premium Italian eyewear company **Safilo Group** has appointed **Marc Schulte** as new Head of Global Travel Retail, effective May 17.

Schulte has 14 years of experience at the L'Oréal Group, where he mastered several retail channels globally. He has been general manager L'Oréal Luxe in Mexico since 2008.

In his new role, Schulte will report to Safilo Global Commercial Director **Henri Blomqvist**, based in Italy at Safilo Group headquarters. There, he will coordinate worldwide areas with specific focus on strengthening the company's market leading position in Asia, and accelerating growth in EMEA and the Americas.

Commenting on the appointment, Henri Blomqvist said: "We are thrilled that Marc is joining our Group. He brings with him a unique combination of broad business experience as a General Manager, and deep change management knowledge. Our commercial strategy is based on a quality driven policy with zero tolerance guidance and we need people with the clarity and the strength that Marc demonstrates.

"He has a long-term vision that perfectly matches the philosophy of our recently presented 2020 Plan in which GTR plays a key development role. This is another significant progress towards Safilo's goals and ambitions to secure our continued success further. I have no doubt that our team and clients will benefit from Marc's leadership."

Safilo Group's proprietary brands include Carrera, Polaroid, Smith, Safilo and Oxydo, and licensed brands Dior, Fendi, Alexander McQueen, Banana Republic, Bobbi Brown, BOSS, Bottega Veneta, Céline, Fossil, Givenchy, HUGO, J.Lo by Jennifer Lopez, Marc by Marc Jacobs, Max Mara, Pierre Cardin, Saint Laurent, Saks Fifth Avenue and Tommy Hilfiger, among others.

Dufry – Nuance – WDFG to total 24% market share in airport travel retail

Continued from page 1.

In a global conference call presentation Monday morning, Diaz outlined how complementary WDF's business is to Dufry's existing footprint, saying it "will reinforce our leading position in the Mediterranean, the Americas as well as the Middle East and Asia. At the same time, having access to one of the most diverse passenger flows in Heathrow, combining attractive emerging and developed market customer profiles, it will allow us to leverage our existing expertise on all the customer groups and to further develop our global offering."

He continued: "The combined entity will have a very attractive concession portfolio, one of the best, in terms of duration, rent to be paid and risk diversification strategy. The combination of Dufry, Nuance and World Duty Free, in 67 different countries with close to 400 locations with the best airports in the developed as well as emerging markets with footprints in five continents, and more than 2,500 shops, with obviously the position of worldwide leader. .. this puts Dufry in the best position in the travel retail industry… in Central and North Europe, in the important UK airports, in South of Europe in Italy and will also reinforce our portfolio in the Americas: USA, Canada, Mexico, Brazil, Peru and Chile.

"And by adding attractive locations in the Middle East, [it will] enhance our presence in some of the other areas where we have been focused over the past few years. This transaction confirms our market share of 24% in travel retail," he noted.

In the formal statement, Diaz went on to say: "The transaction will transform Dufry into an even more distinct global business with a balanced exposure to developed and emerging markets.

"This acquisition is a continuation of the global geographic diversification strategy which we have communicated and executed for many years, lastly with the acquisition of Nuance last year… We have a successful integration track record and will work closely with the local teams."

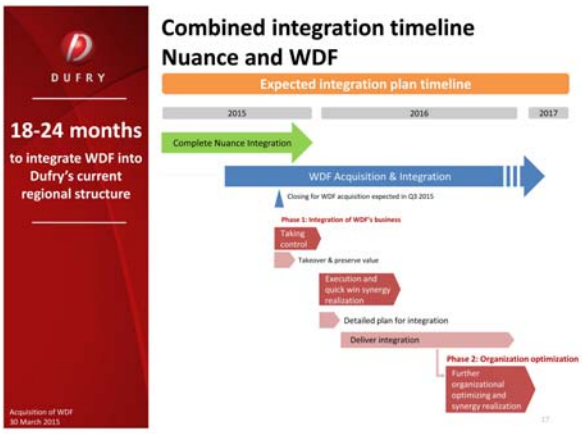
The Dufry executives spoke at length about the synergies that they expect from the new deal -- enhancing its global industry position in travel retail as well as key strategic areas and emerging market exposure and value to shareholders; plus cost synergy and gross margin improvement potential of as much as €100 million (pre-tax) per year by 2017.

They also enumerated the synergies to be achieved by consolidating two quality operators, including creating additional avenues for growth: "The combined entity is expected to be better positioned to secure new contracts and renew existing agreements. Together, Dufry and WDF expect to benefit from leveraging their mutual core competencies such as scale of procurement operations, assortment expertise and consumer insights and build on long-term relationships with airport operators.

"The combined group's airport retail capabilities and logistics network is expected to offer a differentiated proposition when competing for concessions and provide a solid foothold to successfully realize renewals and win new contracts in key strategic areas."

Diaz also said that the new deal will not impact the integration of the Nuance business into Dufry and that the Nuance integration is on track to be completed in 2015 as planned.

In conclusion of Monday's statements, Dufry said that this acquisition is the start of a new era in travel retail, and Diaz noted:



"Dufry has great respect for the achievements of WDF and we look forward to working with our more than 9,500 new colleagues in 20 countries and across more than 100 locations. Ultimately what we want to achieve is to develop a better company for our employees, customers, suppliers and landlords and a more valuable asset for our shareholders."

What the impact the new mega-Dufry will have on suppliers and smaller companies throughout the industry is yet to be seen.

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S. Korea's Shilla buys stake in DFASS to expand its TR business

The news at last week's Duty Free Show of the Americas started off with a bang with the announcement on Monday, March 23, that South Korea's Hotel Shilla and DFASS Group have entered into a broad strategic partnership to become a global leader in Travel Retail.

Shilla Duty Free will acquire a 44% stake in inflight specialist DFASS Group for US$105 million, and hold an option to purchase a further 36% of the equity in five years.

US-based DFASS is the world's largest in-flight duty free retailer supplying duty free goods to over 30 carriers globally including Air Canada, Singapore Airlines, Hong Kong Airlines, Hawaiian and Avianca. It also operates over 35 duty free/duty paid shops across the United States, Latin America, and the Caribbean, and has key distribution agreements with various luxury brand owners for liquor, cosmetics/perfumes, and watches.

The Shilla Duty Free, owned by Hotel Shilla, in a turn a subsidiary of Samsung Group, has spent months negotiating terms for an equity stake in the business, according to Asian media. Hotel Shilla operates in three business areas: hotel business, duty free business, and lifestyle and leisure business. Duty free is the largest segment in terms of revenue contribution. As the 2nd largest travel retailer in Korea, Shilla currently operates five shops in Korea, in downtown Seoul, Downtown Jeju, Incheon Int'l Airport, Gimpo Int'l Airport, Daegu Int'l Airport and two shops overseas, at Singapore's Changi International Airport and Macau International Airport.

According to the announcement, Shilla and DFASS will "collaborate to develop new and existing duty free concessions, expand in-flight concession services and strengthen distribution agreements with brand owners."

The acquisition allows Shilla to significantly expand its global footprint and capabilities in the United States, Latin America, the Caribbean, in addition to Africa, the Middle East and South East Asia. The collaboration will also permit Shilla to diversify its business to include master distributor agreements.

The two companies will cooperate to integrate key functions across their global concessions and supply chains, including purchasing and certain administration functions in order to generate synergies and enhance gross margins.

Shilla said that the partnership also provides a strong platform to jointly develop new concessions in target markets as well as to expand the scope of existing concessions.

According to Boojin Lee, President and CEO of Shilla, "The investment is consistent with our strategy of profitable growth and diversification of the duty free business, the largest segment of Shilla's business. The strategic partnership will enable both companies to diversify the value chain through business collaboration and generate synergies to enhance overall revenue and profitability. The alliance will also strengthen each company's concession portfolio, in-flight retail business, airport retail, and distribution agreements with brand owners. We are excited about the partnership that will lead to greater opportunities, especially on the back of the recent concession extension at the Incheon Airport."

Benny Klepach, Chairman and CEO of DFASS commented "I'm personally delighted to be working with Shilla. Both of our companies have unique skill sets and capabilities, and the combination of these will maximize our existing businesses and provide a formidable development vehicle for the future."

Shilla underlined its intent to grow the business by announcing that it had brought in Roberto Graziani, the well-respected former head of the Nuance Group, to be a board member and vice chairman of the newly created Joint Venture with DFASS.

Graziani joins Shilla to help grow duty free

Hotel Shilla announced that it has appointed Roberto Graziani as Board Member on March 25.

Graziani, who served as CEO for 11 years at Nuance until the sale of the company to Dufry in late 2014, has a wealth of experience with specialization in the DF industry as well as extensive networks with worldwide airport and brand partners.

He is tasked with contributing to the achievement of Shilla's DF organization's vision to become a global leader in Travel Retail. Graziani will lead the Merchandising Division in the definition of its strategic goals and in the development of its commercial relationship with its partners, as well as drive Shilla's global expansion in Travel Retail and its international business.

As Vice Chairman of the newly created Joint Venture with DFASS, Graziani will be responsible for business expansion and maximization of synergies with Shilla.

Ms. Boojin Lee, President & CEO of Hotel Shilla, commented: "At Shilla, we are very pleased about Mr. Graziani's decision to join us as Board Member. I have known him since 2007 and I have always appreciated his strategic view, international competence and knowledge, his passion for the business and his very strong commitment to the company for which he was working. I'm sure Mr. Graziani will play a pivotal role in the future success of our DF organization."

Graziani added: "I'm very honored to be part of the Hotel Shilla family. For a long time, I have been watching the development of the TR business in Korea with great interest and now I'm really looking forward to contributing to its global expansion."

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Unique new global Travel Retail agency network launches

Not all the industry consolidation announced last week involved the travel retail mega-companies. A group of individual Travel Retail specialists also teamed up to create a unique collaboration of globally based agents covering numerous multi category portfolios within the worldwide travel retail market.

International Brands Group (IBG) will be launching on April 1, 2015, offering brands and duty free retailers what it calls an "unprecedented network of experienced travel retail sole traders strategically located around the globe for maximum coverage and brand width availability."

Via the IBG network retailers have over 50 brands - encompassing all categories - at their disposal by utilizing the portfolio of the members, in addition to brand owners having a single point of contact for global coverage without the traditional margin restrictions applied by such coverage from distributor offices. All IBG members have been selected based on a minimum of 15 years duty free experience, sales and account management knowledge, geographical location and sole trader status (all offices maintain their individuality whilst utilizing the IBG Group).

The group will offer brands a low cost strategy to develop their business globally. The individual agents will maintain trading under their established office titles, while the collaboration will work under the **IBG International Brands Group** name.

The members of IBG consist of former consultants, company directors, travel retail managers and buyers. The group will supply brands and retailers with sales, marketing and account management experience.

IBG members are currently located to supply regional expertise within The Americas, Europe, Scandinavia, India/Pakistan, Asia and The Middle East.

IBG members:

David Roberts - Exclusive Brands International - Europe, North Africa and Asia
Andy Butcher - Red Zero 7 - Global specializing in wines and spirits
Tim Jobber - JES - Europe and Middle East
Lola Perez - Unique Luxury Goods - American continent
Amit Anand - KVM Luxury Retail & Business Consultancy - India, Sri Lanka, Maldives
Nicolas Guisan - Swiss Riviera Brands – Southern Europe and Latin America
To be announced shortly – Scandinavia

IBG for brands:

IBG members offer brands an unprecedented and cost effective route to the global travel retail market. With a simple one point of contact from the agency best located to manage your brand the network opens up for brands to penetrate the maximum travel retail potential.

IBG members will be present at all the major travel retail events during 2015 and will be pleased to discuss with buyers in more detail the extensive range of available brands. Brand owners are invited to contact IBG – in confidence - if they would like to discuss representation either internationally or regionally for their brands via part, or all, of the IBG group.

Please contact IBG at Sales@IBG.World quoting your region for more information.

Houston City Council votes to approve retail, duty free concession contracts for ATÜ Americas, WDFG

The Houston City Council voted last week to approve nearly $1.6 billion in airport concession contracts, including the duty free concessions recommended for Turkish-based ATÜ Americas, LLC (a joint venture in which Gebr Heinemann is a major shareholder and principal supplier), and WDFG North America, LLC.

The vote to approve followed "heated debate" according to local media, amid a controversy about the fairness of the bidding process for the 10-year concessions.

According to the *Houston Chronicle*, a motion made by Councilman Oliver Pennington to rebid the contracts eventually failed by a 6 to 9 vote. One of the coffee package concession contracts was delayed one week.

ATÜ Americas and joint-venture partner Air Ventures were approved as the winner of Package #3 at George Bush Intercontinental Airport (IAH), comprising 8 locations of 7,400sqf with estimated sales of $21 million. ATÜ Americas listed a Duty Free Wall Shop, Duty Free Shop and Specialty retail as key concepts in its RFP proposal.

World Duty Free Group and joint-venture partner Branch/McGowen were recommended for the retail and duty free concession at the new international terminal at William P. Hobby airport (HOU). For the Hobby airport concession, which consists of 7 locations totaling 6,950sqf with estimated sales of $14 million, WDFG listed M.A.C, Desigual, Culturemap.com, several news brands and World Duty Free as key concepts.

WDFG and joint -venture partner The Houston 8 Team have also been recommended as the preferred winner of a retail package at IAH. The IAH Retail Package #1 consists of 18 locations totaling 16,100sqf with estimated sales of $21 million, according to Houston Airport System documents. Among the key concepts WDFG listed in the HAS presentation for IAH are M.A.C, Quicksilver, local brands Cowboys & Indians, and Cuturemap.com, plus several news brands.

The airport was choosing operators for nine concession contracts at the two airports: three retail, two specialty coffee and two food and beverage packages at IAH and two retail packages at HOU.

Gebr Heinemann acquires 60% stake in Schiphol Airport Retail

In another strategic acquisition announced this past week, Schiphol Group sold a 60% stake in Schiphol Airport Retail to travel retailer Gebr Heinemann.

The companies have established a joint venture to operate the retail operations for the liquor, tobacco and confectionery business in the shopping area after ticket and passport control at Amsterdam Airport Schiphol.

Schiphol Group will retain 40% of the shares and the joint venture will continue to operate under the name of Schiphol Airport Retail (SAR).

In a statement the companies said: "With Gebr. Heinemann as a joint-venture partner, the position of SAR will be reinforced with knowledge and experience in travel retail, e-commerce and logistics topped with clear end-consumer focus and expertise. SAR will be certain to respond well to rapid future developments in the international travel retail market and changes in needs and demands of travelers."

As a result of the move, Schiphol Group expects to generate a book profit in the first half of 2015.

SAR operates six stores at Schiphol and had a turnover of around 85 million euros in 2014.