The Moodie Report
The Week in Travel Retail
7 Days
THURSDAY 2 APRIL 2009
300th Edition

WELCOME to **The Moodie Report 7 Days**.

> *"I have no fear, no fear at all. I wake up and I have no fear. I go to bed without fear. Fear, fear, fear, fear. Yes 'fear' is a word that is not in my vocabulary."*
> –Steve Martin, 'Born Standing Up'

The great American comedian got it (as so often) just right. A couple of decades later his words are painfully symptomatic of widespread sentiment in the travel retail industry. We all like to quote alternative words – resilience being the perennial favourite – but there is indeed a very real fear out there and inside most of us.

We are one quarter down in this *annus horribilis* – a nasty three months that may yet turn into something worse. One of the industry's most senior retailers, an individual who has been involved in the sector almost since its beginnings, told me today that the sales curve remains sharply downwards. "The bottom has not been reached," he said.

Another top retail executive whose insight I value highly said that March proved to be "a wake-up call". He and several other retailers told me of monthly revenue declines in excess of -20%, sometimes much higher.

Others are marginally more optimistic. In revealing February's international passenger numbers today (-11.3% year-on-year) ACI Director Andreas Schimm said that once adjusted (for an extra day in the month in 2008) the month's figures "might be the worst we will see this year". He went further, opining that the first quarter of 2009 "may be close to the bottom of the trough." Let's hope he is right. A trough it certainly is.

Given the unprecedented external circumstances, it has been hugely difficult to get an accurate read on the gravity of the decline in this channel, let alone when it might bottom out. So far much reliance has been put on year-on-year traffic comparisons, but now an ominous new indicator is emerging – a downturn in average spends.

Guillaume Rascoussier, Financial Analyst (Hotels & Catering) for Oddo Securities, tracks the travel retail sector. In applauding The Nuance Group's "respectable" second-half earnings he noted (as did Nuance management) "a substantial deterioration in sales over the past weeks with, not surprisingly, a drop in the number of passengers but also (and this is new) a decline in spending per passenger".

The latter is a clear and present danger for the business. We and many others have made much of the industry's potential (though largely unproven) ability to drive ➤

Image of the Week

This great photograph (by The Moodie Report's own Matt Willey) captures the unique way that World Duty Free celebrated the first anniversary of its London Heathrow Airport Terminal 5 stores last week. The celebrations featured a live performance from internationally acclaimed soul singer Mica Paris against the backdrop of the retailer's digital high-definition feature wall. The concept is the best example to date of a travel retailer embracing the digital world – and whether it is performers or duty free products being showcased, the visibility is simply sensational.

REACH, RELIABILITY, RESPECT

QUOTES OF THE WEEK

"In these turbulent times, our company achieved €4.7 million net profit without disrupting passenger comfort and financial discipline. This figure indicates the resilience of our businesses to external shocks." TAV Airports Holding CEO **Sani Sener** on the Turkish group's excellent performance in 2008 – underpinned by a major contribution from duty free sales.

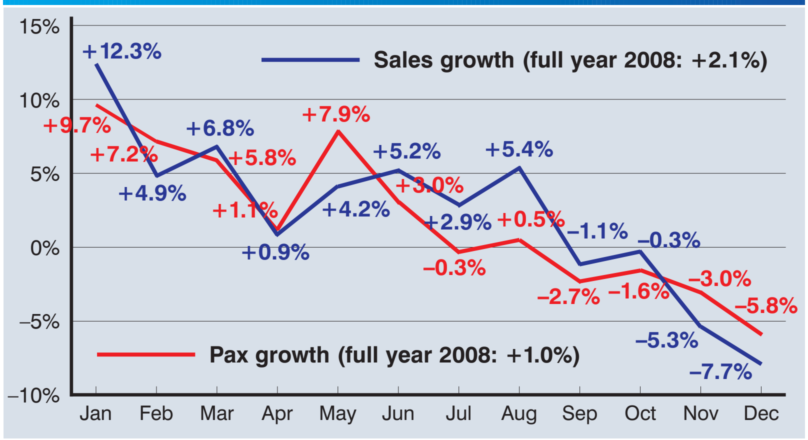
"I think it is exactly what is required during this downturn – something different, something extraordinary, something shared, something gained together." Diageo's effervescent Global Travel & Middle East boss **Phil Humphreys** unleashes what he describes as an "unprecedented" summer consumer campaign which takes precise aim at travel retail's Achilles heel, its low footfall and penetration rates.

"The work we have done on improving our business in the past few years will stand us in good stead to withstand the current environment better than most." The Nuance Group President & CEO **Roberto Graziani** welcomes the group's return to profit while acknowledging the gravity of "a material decline in passenger volumes and a softening of passenger spend".

increased penetration to offset the passenger decline. But what if shoppers are spending less per ticket – a clear reflection of flagging confidence and a new, more prudent approach to spending in general?

The same issue emerged this week when Hellenic Duty Free Shops (also see page 6) posted a highly creditable 2008 performance with travel retail sales up by +2.1% and EBITDA off by just -3.0% to €53.1 million. But as wth Nuance, the numbers had a sting in the tail. Look at the chart to the left which measures sales against departing passengers. The last two months tell an important story as the decrease in sales in both November and December (down -5.3% and -7.7% respectively) outstrips the fall in passenger numbers (-3.0% and -5.8%).

Hellenic Duty Free Shops: Sales vs departing passengers 2008



Source: Hellenic Duty Free Shops

For another industry giant, Autogrill, it was a similar story as the Aldeasa-to-WDF owner noted recently that its fourth-quarter performance had been hit by the "spiralling economic crisis", which damaged traffic in Spain (down by -12.7%) and slowed growth in the UK (Heathrow traffic down -3.6%).

By the time many European and Americas readers have seen this edition, Dufry's results (out Friday morning) will have offered further insight into how the market is shaping. We suspect those 2008 numbers will tell a similar story – of a well-managed company, and a generally strong year, undermined by a difficult final quarter and a worrying outlook. But it is one that should be respected, not feared.

Fear certainly doesn't seem to feature in either the mindset or the vocabulary of Phil Humphreys, Diageo's duty free supremo, whose creativity fizzes like a newly poured gin (Gordon's of course) and tonic. This channel needs individuals who come along every once in a while and decide they want to shake the tree. It doesn't matter whether their sometimes grand ideas (Humphreys wants to double the spirits category in five years) come off. It's the energy that matters as much as the great notions.

So we applaud Diageo's self-styled "different and extraordinary" summer campaign (see the full story online at www.TheMoodieReport.com) which confronts the industry's abysmal footfall and penetration rates head-on. And we applaud Humphreys simply for having the nerve to proffer solutions and to try things.

"In collaboration with our operators and customers, I think we should be spending our way out of this recession," he noted, in a refreshing antidote to the disinvestment mentality (and, that word again, fear) that is currently paralysing elements of the industry. We'll drink to that literal and metaphorical spirit.

Against a somewhat sombre backdrop we 'celebrate' our 300th edition today. In the evolution of any start-up company each landmark is important to those involved. Already in our short, momentous history we have ridden out the market downturn caused by the post-9/11 climate and the SARS-ravaged period. If the editors of the next edition of Roget's Thesaurus are looking for a new synonym for 'volatile' they could do worse than choose 'travel retail'.

This crisis is taking a bigger toll on the industry than its predecessors did. But we hope too that it is bringing out the best in us as we set forth on the next stage of our journey, with conviction and not in fear.

AUSTRALIA. The Nuance Group has doubled its Arrivals duty free offer in Pier C at Sydney Airport's International Terminal to more than 900sq m. The Nuance Group Australia and New Zealand Business Development Director David Odgers said: "This store expansion helps us to provide returning Australians and international visitors with the best duty free Arrivals offer available anywhere in the world."

Operating as 'SYD Airport Tax and Duty Free', the store provides newly arrived customers to Australia with a wide range of liquor, fragrances, cosmetics, wine, Champagne, tobacco and confectionery as well as low-priced consumer electronics. Odgers continued: "These are exciting times for us at Sydney Airport with building work shortly to commence on the new Departures Megastore which will occupy nearly 4,000sq m and provide a better and broader offer for our customers. It also demonstrates our confidence in the Sydney Airport Shopping environment."

BRAZIL/MEXICO. Duty Free World has been granted the full service duty free concessions onboard AeroMéxico and Brazilian carrier TAM Airlines. The Miami-based concessionaire confirmed the AeroMéxico agreement to The Moodie Report and while it declined to comment on the TAM contract, we understand reliably from notifications sent to the vendor community that the deal has been concluded. Both are five-year agreements, starting 1 June.

TAM Airlines is reputed to be the Southern Hemisphere's busiest airline (in terms of passengers enplaned and flights operated). Based in São Paulo, it operates scheduled international services to Argentina, Chile, Bolivia, Uruguay, Paraguay, Peru, Venezuela, the US, the UK, France, Spain, Italy and Germany. Duty Free World is already well-established in Brazil through its contracts with fellow (and soon to be merged) airlines Varig and Gol.

Commenting on the AeroMéxico agreement, Duty Free World President and CEO Mayra Del Valle told The Moodie Report: "The Mexican passengers are big shoppers. We expect a big success with this contract." Duty Free World Chief Operating Officer and Vice President Leylani Cardoso added: "This is a really excellent market for us – the Mexican passenger is phenomenal." Aerovías de México (AeroMéxico) operates scheduled international services to Asia, Canada, Central America, Europe, South America and the US. It is the only Latin American airline that flies to Asia, and was the only Mexican carrier with scheduled services to Europe until Mexicana initiated its London Gatwick service earlier this year.

Mayra Del Valle started Duty Free World in 1995 with a single account. Today the company has over a dozen concessions, including United Airlines, US Airways and Iberia. Her daughter, Leylani Cardoso, joined the business in 1999.

CHINA. Bvlgari has opened its second store at Beijing Capital International Airport Terminal 3. The boutique is operated by Heinemann Commercial & Trading (Beijing) Co Ltd, a 100% subsidiary of German travel retailer Gebr Heinemann – marking the latter's debut in Mainland China. The official opening ceremony will take place on 10 April.

Located beyond passport control on the domestic departure side, the 53sq m store carries a selected assortment of jewellery, wallets, watches, eyewear and bags for men and women. The boutique is understood to be Bvlgari's first in an airport domestic departure area. It is the second store operated by Gebr Heinemann in China, following the opening of a Versace boutique at Hong Kong International Airport last month.

FRANCE. The country's leading travel retailer Aelia Group this week commenced trading at its newest location – Tarbes-Lourdes Pyrénées Airport. Aelia won an open tender to operate a 300sq m multi-category store at the airport from 1 April. The store offers a full range of fragrances & cosmetics, liquor, tobacco, fine food & confectionery, gifts, souvenirs, regional specialities and toys. A selection of press titles is also available, courtesy of an agreement between Aelia and sister company Relay.

The airport serves not only as a gateway to skiing resorts in the Pyrenees, but also as the main arrival point for thousands of Catholic pilgrims visiting the famous grotto at Lourdes.

HONG KONG. Nuance-Watson (HK) has opened its first new store for 2009 – an 'Amazing Grace' Asian destination merchandise shop at Hong Kong International Airport (HKIA). The retailer said the occasion marked the beginning of a wave of new store openings that will continue until mid-2009.

The company described the new 70sq m store as "a treasure trove that guarantees constant discovery of Asia-wide uniqueness". It is located at the expanded new space on Level 7 of the East Hall in Terminal 1. Amazing Grace has also teamed up with the China Schools Foundation (www.chinaschoolsfoundation.org), a Hong Kong-registered charity, in supporting charitable initiatives for school children in rural China.

For full story and pictures see www.TheMoodieReport.com

INTERNATIONAL. Following its recent success in extending its inflight duty free contract with Kenya Airways to 2013, South African concessionaire Tourvest Duty Free has also been achieving strong gains in its UK travel retail business.

Driven by the success of its inflight duty free concession with Virgin Atlantic Airways, Tourvest UK's average trading for the last quarter of 2008 was up +21% on the previous year. That result was particularly impressive given a backdrop of High Street gloom, falling consumer confidence and the demise of several famous UK retail brands. Tourvest also reported record UK sales, both per day and in terms of spend-per-head levels. The latter are currently averaging about £3 per passenger for duty free sales. For an interview with Tourvest Duty Free CEO Selwyn Grimsley about the key drivers of this success see www.TheMoodieReport.com

Grimsley said: "In the current climate it is more vital than ever to listen to your customers and adapt your sales proposition accordingly. Our inflight retail sales figures go to prove that through well-targeted and creative strategies it is still possible to increase revenue and keep staff and customers happy. We consider this approach the best way to transcend the somewhat depressing outlook currently facing the retail sector in general."

LATIN AMERICA. Panama-based travel retailer Grupo Wisa is opening four new stores at Guatemala City La Aurora Airport in the months ahead, as it presses on with its expansion at the location. The company has already opened three units under its La Riviera retail fascia. In total, the company will operate 1,200sq m of duty free space once all the stores are completed.

La Aurora's new terminal has raised the bar for design and functionality in the region – "avant-garde, and one of the most modern in Central America", said Commercial Director Marcelo Montico. "We will offer passengers a purchasing experience that [matches] the highest standards in the region, as much in our interior furniture and fittings as in the overall design of the stores," he said.

Grupo Wisa will steadily integrate La Aurora's operations into the rest of its regional retail network. "From April Guatemala will be included in all the promotional programmes that we have in the region," Montico said. The company will also be undertaking further renovations at Bogotá Airport in Colombia, and refurbishment of four of its stores in El Salvador.

RUSSIA. Incumbent retailer Kapo Duty Free has been awarded the duty free concession at Ekaterinburg Koltsovo Airport's new International Terminal after a competitive tender. The airport is the gateway to the Urals region of Russia.

Kapo works closely with German travel retailer and distributor Gebr Heinemann. Gebr Heinemann Area Director Russia and the CIS Pierre Viarnaud told The Moodie Report: "Gebr Heinemann and Kapo have developed together the shop design and assortment for this exciting new project and will work together very closely to make sure that our ambitious sales goals are reached.

"Ekaterinburg is the third-largest city in Russia and we expect a strong growth through this airport, starting the first year with just under 1 million international passengers."

Kapo is scheduled to open the new duty free shops in May or June depending on the finalisation of construction works in the terminal. The new duty free shopping area will comprise a main 660sq m shop offering all main product categories, including fashion and accessories and Russian souvenirs; a last-minute shop; and a VIP shop in the VIP terminal.

Gebr Heinemann is developing its business fast in East Europe in general and Russia in particular. As revealed by The Moodie Report on 4 March, the company has signed an exclusive support and supply agreement with Riviera Duty Free at Sochi International Airport's new terminal.

UK. Alpha announced today that it has been awarded the inflight retail contract for Thomas Cook Airlines, commencing May 2009. Thomas Cook is one of the UK's leading travel companies, operating out of 16 UK airports with over 8 million passengers in 2008. It formerly ran the business in-house.

Alpha will be responsible for the development and delivery of a "new, exciting and innovative" range of products which meet the airline's high standards, the company said.

THE MOODIE REPORT 7 DAYS | FOOD & BEVERAGE & OTHER COMMERCIAL REVENUES

AUSTRALIA. Australian coffee company Santos Coffee Bars is to open another outlet in Sydney Airport's new International Terminal. The award-winning family owned business, now in its third generation, currently has outlets in all three airport terminals. It is said to serve over 4,700 cups of gourmet coffee every day – equating to 1.7 million cups of coffee per year.

And in another boost for the terminal, Bambini Wine Room and Danks Street Depot, two of Sydney's premium dining and drinking establishments, will open later this year. Michael Potts, owner of the Bambini Wine Room, said: "We are excited by the opportunities opening at Sydney Airport will present. The designs for the new terminal are truly amazing and I think Sydneysiders are going to be shocked, happily so, with the new look and feel of their airport."

Danks Street Depot's Jared Ingersoll said: "We're intrigued by the vision Sydney Airport presented to us – to develop a terminal that will house the finest stores from around the globe and a fantastic food & beverage experience." Sydney Airport Corporation Limited General Manager Retail Derek Larsen said: "In just over a year Sydney Airport's new International Terminal will be unveiled. The vision behind the expansion and redevelopment of T1 was to provide travellers, with an extraordinary airport experience comprising exceptional dining facilities and a retail arena that is second to none.

"Our aim has always been to align with partners who share our determination to offer an outstanding airport and who are committed to excellence in everything they do. Bambini Wine Room and Danks Street Depot are two such establishments."

THE NETHERLANDS. Amsterdam Airport Schiphol, in association with food & beverage concessionaire HMSHost, has opened the first Café Chocolat outlet in The Netherlands.

It offers a wide range of chocolate delicacies, including chocolate spoons, chocolate fondue and chocolate mousse. The menu even includes a real 'Golddigger' – a glass of Champagne containing golden chocolate pearls. Café Chocolat is centrally located in Lounge 1 beyond passport control, and offers passengers a view of the airside aprons.

THE MOODIE REPORT 7 DAYS

CANADA. In a rare piece of good news for the beleaguered travel retail industry, Canadian land border duty free sales rose by +0.5% in February to C$7.6 million. Airport sales were also ahead, rising by +2.3% in the month to C$14.4 million.

Frontier Duty Free Association Executive Director Laurie Karson said that land border sales for the first two months were ahead by +1.4% year-on-year. Airport duty free sales rose by a healthy +6.2% in the first two months.

Karson said the FDFA was pleased with the overall sales gains, including the positive airport and land border figure, and solid showings in Ontario and the Pacific region. She warned however: "The land border duty free industry continues to face sales challenges as a result of border congestion at some land border crossings going into the US (tighter security checks); confusion over identification requirements; economic woes within the US; and decline of US travel to Canada."

Canadian duty free sales February 2009 vs February 2008

Product line	Airport sales February 2009	Change on year	Change YTD	Land border sales February 2009	Change on year	Change YTD
Accessories (purses, wallets, sunglasses etc.)	C$396,516.51	–18.9%	-15.4%	C$90,628.84	–1.1%	–0.7%
Alcohol (liquor, liqueur, wine, coolers)	C$3,298,407.98	+3.2%	+7.2%	C$2,914,056.93	+6.8%	+8.4%
Beer (beer, malt-based coolers)	C$30,612.33	+46.7%	+56.5%	C$388,613.31	–4.0%	–0.1%
Clothing (including hats, fur, leather)	C$285,854.63	–1.1%	–6.9%	C$116,849.10	+0.1%	–2.4%
Crafts/arts	C$5,100.08	–27.4%	–11.9%	C$5,461.46	–24.0%	–16.7%
Electronics, cameras, binoculars etc.	C$71,689.25	–5.7%	–4.3%	C$1,925.65	–57.3%	–41.7%
Food	C$842,447.86	–8.0%	–4.0%	C$322,740.79	+9.2%	+9.7%
Glassware, crystal, china, figurines, porcelain	C$25,210.34	+0.5%	+3.5%	C$49,725.08	–28.0%	–20.4%
Jewellery, watches, clocks	C$705,403.83	+24.2%	+21.6%	C$211,333.65	+15.5%	+23.5%
Office and travel supplies	C$450,505.05	+44.6%	+42.9%	C$24,832.68	–4.0%	–2.0%
Perfume, cosmetics, skincare	C$4,011,460.13	–0.4%	+5.6%	C$1,043,863.82	+5.4%	+5.0%
Souvenirs (excluding clothing)	C$247,153.83	+4.9%	+2.9%	C$64,170.94	+5.4%	+3.1%
Tobacco, cigars, loose tobacco	C$4,028,577.71	+3.0%	+7.3%	C$2,364,684.06	–8.4%	–8.3%
Other	C$0.01	–100.0%	–100.0%	C$17,804.10	–19.6%	–13.4%
Total	**C$14,398,939.54**	**+2.3%**	**+6.2%**	**C$7,616,690.41**	**+0.5%**	**+1.4%**

Source: Canadian Border Services Agency

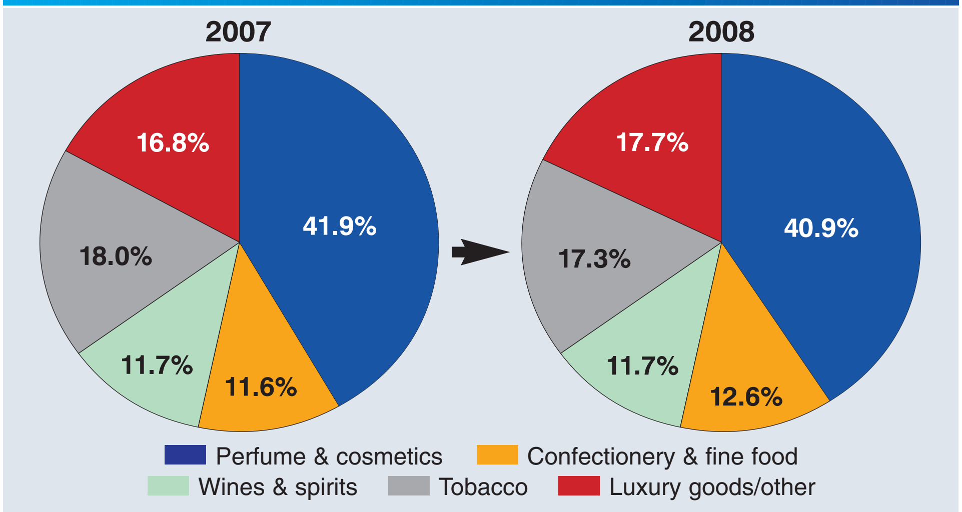
GREECE. Hellenic Duty Free Shops (HDFS) this week posted a +2.1% increase in sales for 2008 for its core travel retail and duty free activities to €268.2 million. Sales outstripped passenger growth of just +1.0%, though worryingly sales fell by more than passenger numbers in the final two months of the year (see chart, page 2). EBITDA fell by -3.0% to €53.1 million.

The consolidated results of the Hellenic Group (including Elmec Sport, Links and Hellenic Distributions) reached €617.1 million, an increase of +49.0% year-on-year, driven by the full-year consolidation of Elmec Sport, which contributed €250.7 million for the period. Group EBITDA reached €96.9 million, up by +38.8%.

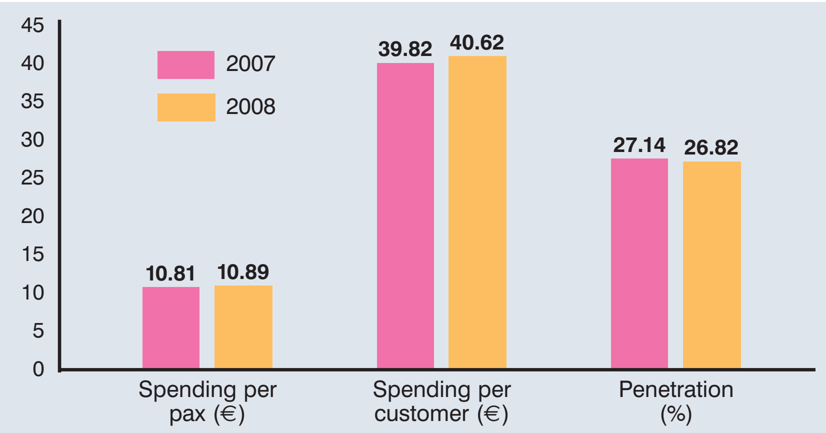
HDFS General Director George Velentzas said: "I am delighted with the performance of all the companies of the HDFS Group. Despite the adverse conditions resulting from the global financial turmoil, all the companies posted a growth in revenues and profitability while at the same time achieving the financial targets communicated a year ago."

In travel retail and duty free, Hellenic's sales of €268.2 million were driven by Athens International Airport (32.6% of

Hellenic Duty Free Shops: Breakdown by category 2008 vs 2007



Source: Hellenic Duty Free Shops



Source: Hellenic Duty Free Shops

sales) and other airports with 32.7%. Sales at Athens were up +1.6% year-on-year and other airports gained +3.6% over the same period.

Perfumes & cosmetics represented 40.9% of sales in 2008; luxury goods/other 17.7%; tobacco 17.3%; wines and spirits 11.7%; and confectionery/food 12.5%. The best-performing categories were confectionery/food, up by +9.7% year-on-year to €33.4 million; luxury goods/other, up by +7.5% to €47.4 million; and wines and spirits up +2.0% to €31.3 million.

ITALY. The Nuance Group last week released its financial results for 2008, which it said highlighted the impact of the global economic crisis on the travel retail channel. Despite strong first-half sales growth, a deteriorating second half which saw major currency fluctuations and weakening passenger traffic and consumer spending, resulted in an overall sales decline of -2.6% (+6.2% on a currency adjusted, like-for-like basis).

Nevertheless Nuance was able to increase operating profit (EBIT) by +14.5%. "The outlook for 2009 however looks ominous," it added. Overall, Nuance recorded consolidated sales in 2008 of CHF1,718 million (US$1,523 million), a -2.6% decrease on the previous year. Currency fluctuations impacted significantly on reported sales as in-country sales, on a like-for-like basis, actually grew by +6.2%.

Nuance said that the overall sales situation masked significant regional variances in sales performance. Singapore grew by +7.5% and both Australia and North America posted "solid growth", driven by operational improvements and currency factors. Softer market conditions were experienced in other regions, although in Europe, recent business development wins helped to offset some of the softness, the company said. Switzerland continued to be one of the mainstays of European operations. EBITDA grew by +8.8%, while operating profit (EBIT) grew by +14.5% to CHF49.9 million (US$44.2 million).

The Nuance Group President & CEO Roberto Graziani commented: "2008 proved to be the year when all of the work and effort we have put into optimising all aspects of our operations, including turning around our Australian operation, achieving significant purchasing efficiencies in Europe, implementing market leading sales training programmes for all of our front line staff and variabilising our cost base to the extent possible, started to pay off.

"Our business now has better flexibility to handle poor economic conditions as well as good ones. However, we now have significant challenges ahead in confronting the current economic environment, confirmed by the sales trend of the first two months of 2009 which has been impacted by a material decline in passenger volumes and a softening of passenger spend.

"Nevertheless, the work we have done on improving our business in the past few years will stand us in good stead to withstand the current environment better than most. Nuance believes in the resilience of our industry and that air travel and travel retail will be amongst the first industries to bounce back, as they have always done, once credit and economic conditions stabilise."

Nuance's announcement followed a statement from its co-parent Stefanel, the Italian fashion-to-retail group, which announced a return to profitability for the travel retailer in which it owns a 50% stake. It noted: "The result from investments, which reflects the performance of the Nuance Group, has turned positive again for €4.3 million, a distinct improvement on the loss of €0.4 million in 2007. This means that the Group's turnaround is practically completed, with a return to net profit."

TURKEY. TAV Airports Holding posted a +10% year-on-year surge in duty free revenues across its operations to €148.7 million. The group's subsidiary ATÜ Duty Free operates the key retail concessions at a number of leading Turkish airports, including Istanbul Atatürk, in partnership with Unifree, the company in which Gebr Heinemann is a leading shareholder.

Average duty free spend per passenger increased +4%, from €14.80 in 2007 to €15.40 in 2008. Per passenger spend averaged €16.50 (2007: €16.00) at Istanbul, €11.60 at Izmir Adnan Menderes (2007: €11.60) and €13.40 at Ankara Esenboga airports (2007: €11.60).

Commission from the sale of duty free goods (the fee paid by concessionaire ATÜ to TAV Airports) increased by +19% from €60.8 million in 2007 to €72.7 million in 2008. The commission paid by ATÜ to TAV Istanbul is around 43% of sales at Istanbul. The commission paid by ATÜ to TAV Esenboga and TAV Izmir is 40% of duty free sales at these airports.

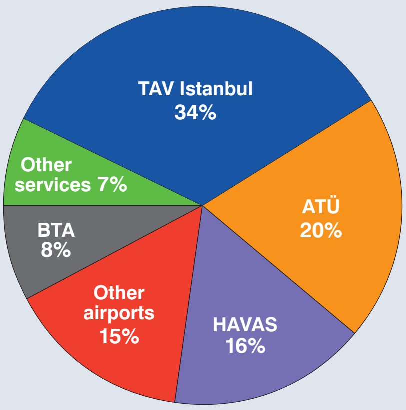
TAV Airports' food & beverage service income (principally through revenue from its BTA catering subsidiary) increased by +15% from €31.7 million in 2007 to €36.4 million in 2008. The increase mainly reflects an increase in per

TAV Airports Holding revenues 2008

€ million	2008	2007	Change	2008 (adj*)	2007 (adj*)	Change
Sales of duty free goods	148.7	135.5	+10%	148.7	135.5	+10%
Aviation income	129.1	98.9	+31%	158.7	127.4	+25%
Ground handling income	106.4	63.5	+67%	106.4	63.5	+67%
Commission from sales of duty free goods	72.7	60.8	+19%	72.7	60.8	+19%
Catering service income	36.4	31.7	+15%	36.4	31.7	+15%
Other operating income	104.4	88.6	+18%	104.4	88.6	+18%
Total revenues	**597.7**	**479.0**	**+25%**	**627.3**	**507.5**	**+24%**

*Adjusted figures include guaranteed passenger fee revenues from airports in Ankara and Izmir.
Source: TAV Airports Holding Inc.

TAV share of revenues 2008*



*Before eliminations Source: TAV

Average duty free spending per pax at TAV airports 2008

	2008	2007	Change
Istanbul Atatürk Airport	€16.5	€16.0	+3%
Ankara Esenboğa Airport	€13.4	€11.6	+16%
Izmir Adnan Menderes Airport	€11.6	€11.6	—
All TAV airports	**€15.4**	**€14.8**	**+4%**

Source: TAV Airports Holding Inc.

passenger spend and an improvement in BTA's Cakes & Bakes operations.

Other operating income increased by +18% from €88.5 million in 2007 to €104.4 million in 2008. The increase principally reflects an increase in income from CIP lounge services, income from car parking operations and bus services income. For full results see www.TheMoodieReport.com

Passenger numbers across the group's airports rose by +4% to 35.9 million, with international passengers also increasing +4% to 22.2 million. International passenger traffic at Istanbul, including transit passengers, rose by +8% year-on-year to 15.9 million.

TAV Airports Holding CEO Sani Sener said: "TAV Airports is a success story in the infrastructure industry. In these turbulent times, our company achieved €4.7 million consolidated net profit in 2008 without disrupting passenger comfort and financial discipline, thanks to the high cash generation capacity of our existing businesses and operational leverage. This figure indicates the resilience of our businesses to external shocks."

THE MOODIE REPORT 7 DAYS

SINGAPORE. Times Newslink is set to be awarded the three-year books, magazines and stationery concession at Singapore Changi Airport Terminal 1. The Lagardère Services Asia Pacific joint venture with Times The Bookshop offered the highest bid in both percentage of revenue and minimum monthly guarantee terms in a two-way race with King Power International (Hong Kong).

Interestingly, King Power submitted its offer under the WHSmith brand concept. UK company WHSmith is one of the world giants in the news/books/magazine and stationery category. The complex tender involved three locations which open over various periods due to the refurbishment of Terminal 1.

Times Newslink offered the Times Travel brand concept for one location and its popular Relay concept at the other two.

In each case Times Newslink bid significantly higher than King Power. For Premises A, for example, for the period from 11 June (or the date of physical handover) to 30 November 2009 (or upon the date of handover of Premises B to the successful tenderer, whichever is later), the company offered 18% of total monthly gross sales for turnover up to S$200,000 plus 23% of incremental monthly gross sales for turnover above S$200,000 – or a minimum monthly guarantee of S$68,000 (whichever is higher).

For the same proposition, King Power bid an additional rent of 10% of monthly gross sales or a minimum monthly guarantee of S$45,000. In all other cases Times Newslink's bids were also significantly higher. Though it will not win this bid, King Power International is hopeful of continuing the partnership with WHSmith. Managing Director Travel Retail & Duty Free Sunil Tuli told The Moodie Report: "We negotiated a franchise for this bid at Changi and we hope to take the relationship further. They are the best retailers of this category in the world and we are delighted to work with them."

SINGAPORE. Leading Singapore-based retailer and distributor Focus Network Agencies has been awarded the Chocolate/Candy/Delicatessen concession at Singapore Changi Airport Terminal 1. As reported, the company was also recently awarded one of the key concessions in Terminal 2. Focus Network Agencies will operate a 174sq m in the Departure/Transit zone of T1, with the three-year concession (with extension option) beginning on 11 June. The company beat competition from two rivals – King Power International and Saresco Travellers – to win the contract. Incumbent Dufry did not bid.

Focus Network Agencies split its bid offer to take into account the major T1 upgrading project that is taking place at Changi. The company's minimum guarantee offers before and after the upgrading project were below those of the other two companies. But significantly, its offer was well above the others for the period of the upgrade – a factor that appears to have swung the decision its way.

SOUTH AFRICA. Airports Company South Africa (ASCA) has issued tenders for a series of speciality retail and food & beverage commercial opportunities at Cape Town International Airport. The outlets are scheduled for phased openings in November 2009 and April 2010. The retail opportunities are spread throughout the airport's Domestic Departures Terminal, Domestic Arrivals Terminal (landside), and Retail Plaza (landside). The tenders close on 30 April. For full details see www.TheMoodieReport.com

ACSA has also issued tenders for a range of food & beverage, speciality retail and other retail opportunities at South Africa's newest airport La Mercy International, due for completion in the first quarter of 2010. The concessions include fashion accessories, luggage and leather, fashion, sports apparel, mobile phone sales, music, watches and sunglasses, gifts and flowers, a pharmacy and a health and beauty store, as well as a range of open concept stores, curio stores and a books and stationery outlet. Other retail will include commercial banks, a foreign exchange bureau and ATMs. Food & beverage opportunities include a family restaurant, a seafood restaurant, coffee shop, pub and grill, and various fast food, curry and health food options. The invitation to tender closes on 14 April. See www.TheMoodieReport.com for contact details.

THE MOODIE REPORT 7 DAYS | TRAFFIC NEWS

INTERNATIONAL. International passenger traffic plunged by -11.3% at the world's airports in February, compared to the same month last year, Airports Council International (ACI) reported today. Total passenger numbers were down by -10.3% year-on-year, with domestic traffic worldwide slipping by -9.4%. ACI said: "The setbacks are substantial throughout all regions, with the exception of international passenger traffic in the Middle East and domestic traffic in Asia Pacific (+1%)."

ACI region	February 2009 International pax ('000)	February 2009 Change on 2007	Year to date 2009 International pax ('000)	Year to date 2009 Change on 2007
Africa	3,598	–10.1%	7,695	–9.0%
Asia Pacific	23,858	–13.1%	50,839	–9.9%
Europe	41,412	–12.9%	84,727	–10.9%
Lat. Am. & Caribbean	3,690	–5.9%	7,7742	–3.8%
Middle East	6,288	+0.4%	13,088	+1.3%
North America	11,282	–9.4%	24,072	–7.7%
ACI total	**90,128**	**–11.3%**	**188,195**	**–9.1%**

Source: Airports Council International

It added: "Several factors should be taken into account in analysing February results. Firstly, 2008 was a leap year and the 29th additionally fell on a Friday, which is a busy travel day. This phenomenon may contribute as much as a 4% variation.

"Month-on-month comparisons for China were affected by two additional factors: Chinese New Year fell in January this year, whereas it was in February last year, and a major snowstorm snarled traffic early in February 2008."

ACI Director Andreas Schimm said: "Removing the extraordinary factors, the downward trend has not been further aggravated in February and there is hope that these figures might be the worst we will see this year. March traffic will lose the effect of Easter traffic, with Easter coming in April this year as opposed to March in 2008, yet there are indications that adjusted March traffic declines could be milder and that the first quarter of 2009 may be close to the bottom of the trough."

THE MOODIE REPORT 7 DAYS | TRAVEL & TOURISM NEWS

ASIA PACIFIC. The Tourism Forecasts 2009–2011 from Pacific Asia Travel Association offer good grounds for hope about the short-term future of the Asia Pacific travel and tourism trade.

The Forecasts, to be published this month, suggest growth in international arrivals for many destinations across the region – despite the global economic downturn. But the Forecasts also indicate significant variations across Asia Pacific.

Highlights include: **Southeast Asia:** International arrivals will grow to nearly 77 million by 2011 (compared to 62.2 million in 2007) with only Myanmar likely to record negative growth results. **Northeast Asia:** Mongolia and Macau (SAR) to grow at double digit rates; international arrivals to reach almost 240 million by 2011 (206 million in 2007).

South Asia: Sri Lanka to remain negative but the region will benefit as a whole from an increase in international arrivals to over nine million by 2011 (7.4 million in 2007). **Americas:** Chile is expected to perform above average with growth forecast at +4.3%. International arrivals by 2011 are forecast to top 106 million (90.2 million in 2007).

The PATA Tourism Forecasts publication for 2009-2011 covers visitor arrivals, trends and market share analysis for over 40 destinations and departure forecasts for 12 Asia Pacific source markets. Tourism receipts for 19 Asia Pacific destinations are also included.

INDIA. Passenger capacity at India's airports will double over the next six years, to around 200 million, according to Government of India Secretary of Civil Aviation Madhavan Nambiar. He was speaking at this week's Routes Asia 2009 Conference in Hyderabad, which gathered airlines and airports from across Asia Pacific to discuss air services, but which also focused on key challenges such as the growth of non-aeronautical revenues. The Moodie Report Deputy Publisher Dermot Davitt was also a speaker at the event.

Speaking at a special Leaders' Forum, Nambiar said: "Since we invited private companies to invest in airports infrastructure the situation has begun to improve. We earmarked 60 airports for development, and the government is investing INR120 billion (US$2.4 billion) under the current five-year national plan. That's around six times what we spent in the previous plan.

"Within six to seven years we expect capacity to exceed 200 million passengers a year at our airports, which will be double what they can cater for today. That includes the new Delhi T3 [which will cater for 34 million passengers a year –Ed].

Nambiar added: "A major thrust of that growth drive will be in second tier cities. Today, 70% of all traffic goes through the six major airports, and that uneven distribution is not encouraging. There are vast areas of the country where people have spending power and there is an opportunity for route development from airlines. We see over-capacity on trunk routes, and under-capacity on non-trunk routes within India.

"It's our aim to provide affordable connections for the common traveller in this vast country. It's my firm view that the current economic downturn is an opportunity to build more airports, ports and highways at competitive prices – rather than prompting major cost-cutting on this essential infrastructure."

US (HAWAII). Spending on shopping by Japanese visitors increased by US$9.27 per person per day in February compared with the same month last year, according to the Department of Business, Economic Development and Tourism. That increase will have helped travel retailers such as DFS Group offset a -5.5% year-on-year decline in Japanese visitors for the month to 92,789.

For February, total air visitor expenditures fell -15.9%. The decrease was driven by a -13.4% drop in visitor arrivals by air to 513,279 and lower average daily visitor spending (US$175 per person, down from US$180 per person in February 2008). Total arrivals by air and cruise visitors declined -12.7% from February 2008. However, a leap-year day in February 2008 partially contributed to the overall decline.

Among the top four visitor markets, air arrivals from the US West declined -14.9% while the US East fell -15.8%, Canada declined by -6.3% and Japan, as mentioned, was down -5.5%. However, the latter – so important to the Hawaiian travel retail market – needs to be seen in the context of a shorter month and a much heavier -12.7% year-on-year fall in January. In fact the average daily census in February for Japanese visitors was up +1% from the same month last year. For the first two months of 2009, Japanese visitor arrivals were down by -9.2%.

Hawaii arrivals from Japan: February 2009 vs February 2008

	Visitor arrivals		Average length of stay (days)		Spending per person per trip (US$)	
	Feb 2009	Change on year	Feb 2009	Change on year	Feb 2009	Change on year
Japanese arrivals	92,789	–5.5%	5.69	+3.2%	$1,715.5	+3.1%
Total arrivals by air	**513,279**	**–13.4%**	**9.51**	**–0.2%**	**$1,660.8**	**–2.8%**
	Jan–Feb 2009	Change on year	Jan–Feb 2009	Change on year	Jan–Feb 2009	Change on year
Japanese arrivals	181,408	–9.2%	5.78	+2.5%	$1,762.6	+6.7%
Total arrivals by air	**1,025,418**	**–12.9%**	**10.13**	**+1.0%**	**$1,757.5**	**–2.1%**

Source: Hawaii Department of Business Economic Development & Tourism – Research & Economic Analysis Division

THE MOODIE REPORT 7 DAYS | PEOPLE NEWS, JOBS, EVENTS & NOTICES

DENMARK. Copenhagen Airports (CPH) President Commercial Affairs **Henrik Busch** left the group this week after nearly five years of outstanding service. In a note to colleagues, partners and friends in the industry, Busch said that his departure had been driven by the financial crisis and the related traffic downturn at Copenhagen Airport.

Last December the group appointed Janne Moltke-Leth in a parallel commercial role to that of Busch, with the two posts being allocated to development and operation/marketing respectively. Moltke-Leth now assumes responsibility for the department. [See The Moodie Blog – 'One President Busch who will be missed'.]

UK. **Susan Gray**, the much-respected International Communications Director at SSP, is leaving the company, effective 6 April. She plans to remain involved in the travel retail and airport channels both in the UK and internationally.

Gray told The Moodie Report that she will focus predominantly on client and business relationship consultancy and strategic b2b marketing communications. Additionally she will remain with SSP on a consultancy basis, working on various communications and client relations projects.

She can be contacted by e-mail at susan_grayuk@yahoo.co.uk or by phone on +44 (0)7736 088640.

UK. Scorpio Distributors has appointed **David Roberts** as its new Travel Retail Manager for Europe. Roberts joins the company with many years experience in export sales and marketing in both duty free and retail outlets worldwide. He will be based at Scorpio's head office in Gatwick, Sussex, UK.

UK. American Express Global Foreign Exchange Services has announced the appointment of **Avinash Lalwani** as its Director Airport Foreign Exchange for Europe. Lalwani is tasked with expanding the American Express Global Foreign Exchange presence in airports across Europe, through the continuing development of relationships with airport operators and industry consultants.

Thank you for your readership and support of the first 300 issues of The Moodie Report.

Martin Moodie, Founder and Publisher