# Annual Figures 2012

Amsterdam, January 24th 2013

## Agenda

| | |
|---|---|
| • Welcome | Koen Slippens |
| • Annual Figures 2012 | Huub van Rozendaal |
| • Foodservice | Koen Slippens |
| • Food retail | Koen Slippens |
| – Medium-term plan 2013 - 2015 | Johan van Heerebeek<br>Kees Kiestra |
| • Outlook for 2013 | Koen Slippens |

## Profit and loss account

| | 2012 x € M | 2011 x € M | Delta % | 2012 % | 2011 % |
|---|---|---|---|---|---|
| Revenue | 2,467 | 2,420 | 1.9 | 100.0 | 100.0 |
| Gross margin | 558 | 562 | (0.7) | 22.6 | 23.2 |
| Other operating income | 3 | 4 | (25.3) | 0.1 | 0.2 |
| Expenses | (417) | (407) | 2.6 | (16.9) | (16.8) |
| Ebitda | 144 | 159 | (9.7) | 5.8 | 6.6 |
| Depreciation | (43) | (44) | (2.0) | (1.8) | (1.8) |
| Amortization | (11) | (10) | 7.0 | (0.4) | (0.5) |
| Ebit | 90 | 105 | (14.5) | 3.6 | 4.3 |
| Interest expense | 0 | (2) | - | 0.0 | (0.0) |
| Profit before tax | 90 | 103 | (12.9) | 3.6 | 4.3 |
| Tax | (20) | (25) | (18.4) | (0.8) | (1.1) |
| Profit after tax | 70 | 78 | (11.1) | 2.8 | 3.2 |

## Segmented analysis of results

| x € M | Foodservice | | Food retail | |
|---|---|---|---|---|
| | 2012 | 2011 | 2012 | 2011 |
| Revenue | 1,634 | 1,609 | 833 | 811 |
| Other operating income | 2 | 1 | 1 | 3 |
| Ebitda | 117 | 127 | 27 | 32 |
| Ebita | 89 | 100 | 12 | 15 |
| Ebit | 86 | 98 | 4 | 7 |
| Ebitda as % of revenue | 7.1 | 7.9 | 3.2 | 3.9 |
| Ebita as % of revenue | 5.4 | 6.2 | 1.4 | 1.8 |
| Ebit as % of revenue | 5.3 | 6.1 | 0.5 | 0.9 |
| Net capital expenditure[1)] | 24 | 32 | 9 | 14 |
| Depreciation and amortization | (31) | (29) | (23) | (25) |

*1) In tangible assets , software and assets for sale*

## Profit and loss account H1-H2

| x € M | SFG Consolidated | | | |
|---|---|---|---|---|
| | **2012-II** | **2011-II** | **2012-I** | **2011-I** |
| Revenue | 1,257 | 1,235 | 1,210 | 1,185 |
| Other operating income | 1 | 2 | 2 | 2 |
| Ebitda | 83 | 87 | 61 | 72 |
| Ebita | 61 | 64 | 40 | 51 |
| Ebit | 56 | 59 | 34 | 46 |
| Ebitda as % of revenue | 6.6 | 7.0 | 5.1 | 6.1 |
| Ebita as % of revenue | 4.9 | 5.2 | 3.3 | 4.3 |
| Ebit as % of revenue | 4.4 | 4.8 | 2.8 | 3.9 |

## Segmented analysis of results H1-H2

| x € M | Foodservice | | | |
|---|---|---|---|---|
| | **2012-II** | **2011-II** | **2012-I** | **2011-I** |
| Revenue | 841 | 830 | 793 | 779 |
| Other operating income | 1 | 1 | 1 | 0 |
| Ebitda | 69 | 73 | 48 | 54 |
| Ebita | 55 | 59 | 34 | 41 |
| Ebit | 53 | 58 | 33 | 40 |
| Ebitda as % of revenue | 8.1 | 8.8 | 6.1 | 6.9 |
| Ebita as % of revenue | 6.5 | 7.2 | 4.3 | 5.2 |
| Ebit as % of revenue | 6.3 | 7.0 | 4.2 | 5.1 |

## Segmented analysis of results H1-H2

| x € M | Food retail | | | |
|---|---|---|---|---|
| | 2012-II | 2011-II | 2012-I | 2011-I |
| Revenue | 416 | 405 | 417 | 406 |
| Other operating income | 0 | 2 | 1 | 1 |
| Ebitda | 14 | 14 | 13 | 18 |
| Ebita | 7 | 5 | 5 | 10 |
| Ebit | 3 | 1 | 1 | 6 |
| Ebitda as % of revenue | 3.3 | 3.4 | 3.1 | 4.5 |
| Ebita as % of revenue | 1.6 | 1.2 | 1.2 | 2.4 |
| Ebit as % of revenue | 0.7 | 0.2 | 0.3 | 1.5 |

## Segmented analysis of results

**Return on capital employed** 1)

| | Foodservice | | Food retail | | Total | |
|---|---|---|---|---|---|---|
| **In € M** | **2012** | **2011** | **2012** | **2011** | **2012** | **2011** |
| CE (year-end) | 425 | 435 | 190 | 214 | 615 | 649 |
| EBITDA | 117 | 127 | 27 | 32 | 144 | 159 |
| EBITA | 89 | 100 | 12 | 15 | 101 | 115 |
| EBIT | 86 | 98 | 4 | 7 | 90 | 105 |
| **As % average CE** | | | | | | |
| EBITDA | 27.2 | 29.6 | 13.3 | 14.6 | 22.7 | 24.6 |
| EBITA | 20.7 | 23.4 | 5.7 | 6.7 | 15.9 | 17.7 |
| EBIT | 20.0 | 22.8 | 1.9 | 3.2 | 14.2 | 16.2 |

*1) Excluding financial assets*

## Cash flow statement (€ M)

| | 2012 | 2011 |
|---|---|---|
| From operations | 147 | 142 |
| Interest etc. | 0 | (1) |
| Corporate income tax | (18) | (17) |
| **From operating activities** | **129** | **124** |
| Acquisitions/ divestments | (1) | 0 |
| Net capital expenditure | (33) | (48) |
| **From investing activities** | **(34)** | **(48)** |
| Changes in debt | 0 | (53) |
| Dividend paid/ Re-purchase own shares | (49) | (34) |
| **From financing activities** | **(49)** | **(87)** |
| Movement in cash and short term bank borrowings | 46 | (11) |
| Balance at start of year | 56 | 67 |
| Balance at year-end | 102 | 56 |

## Segmented analysis of cash flow

| **x € M** | **Foodservice** | | **Food retail** | |
|---|---|---|---|---|
| | **2012** | **2011** | **2012** | **2011** |
| EBIT | 86 | 98 | 4 | 7 |
| Depreciation and amortization | 31 | 29 | 23 | 25 |
| Other operating income in CAPEX | (1) | (0) | 1 | (0) |
| Changes in WC and pensions | (6) | (12) | 9 | (5) |
| Corporate income tax paid | (17) | (16) | (1) | (1) |
| **From operating activities[1)]** | **93** | **99** | **36** | **26** |
| Acquisitions/ divestments | 0 | 0 | (1) | 0 |
| Net capital expenditure | (23) | (34) | (10) | (14) |
| **From investing activities** | **(23)** | **(34)** | **(11)** | **(14)** |
| **Free cash flow** | **70** | **65** | **25** | **12** |

*1) Excluding associates and interest*

## Balance sheet (before profit appropriation)

| x € M | 29/12 2012 | 31/12 2011 | | 29/12 2012 | 31/12 2011 |
|---|---|---|---|---|---|
| **Fixed assets** | | | Equity | 555 | 541 |
| Intagible assets | 171 | 177 | | | |
| Property, plant & Equipment | 293 | 307 | Provisions | 35 | 38 |
| Investment property | 14 | 15 | | | |
| Financial assets | 53 | 52 | Non current liabilities | 175 | 174 |
| | 531 | 551 | | | |
| **Current assets** | | | **Current liabilities** | | |
| Inventories | 211 | 197 | | | |
| Debtors | 115 | 119 | Current portion long term debt | 0 | 0 |
| Assets held for sale | 9 | 8 | Creditors | 122 | 107 |
| Cash | 102 | 56 | Other | 81 | 71 |
| | 437 | 380 | | 203 | 178 |
| | 968 | 931 | | 968 | 931 |

## Summary 2012

**Renevue (€ M)**

| | 2012 | 2011 | as % |
|---|---|---|---|
| Food retail | 833 | 811 | 2.7 |
| Foodservice | 1,634 | 1,609 | 1.6 |
| Total | 2,467 | 2,420 | 1.9 |

| | | |
|---|---|---|
| Organic growth | 1.9% | 3.7% |
| | | |
| Food retail | 2.5% | 3.3% |
| Foodservice | 1.6% | 3.9% |

## Summary 2012

**Gross margin** down from 23.2% to 22.6% of revenue

- Continuing squeeze on prices in the markets of both FR and FS, lessening in Q4
- Shift in distribution channels and customer mix within FS places extra pressure on gross margin – impact approx. 0.2% for the Group
- Improved purchase conditions only partially compensate for squeezed margins on sales side

## Summary 2012

**Other operating income (x € M)**

| | 2012 | 2011 |
|---|---|---|
| Rental income | 2.6 | 3.1 |
| Book profit [1)] | 1.1 | 2.1 |
| Fair value adjustments / impairment property | (0.8) | (1.3) |
| | 2.9 | 3.9 |
| Foodservice | 1.9 | 0.9 |
| Food retail | 1.0 | 3.0 |

*1) Book profits mainly from sale of assets held for sale*

## Summary 2012

**Total expenses**[1)] almost unchanged at 19.1% of revenue

- Cost-saving programmes
  - Productivity and logistics optimisation within DS network, including effect of Van Hoeckel 3.0
- Costs under control but savings partially wiped out by lower average spend per customer
- Cost increases due to government fiscal measures > €3 million
- Foodservice mix impact likewise 0.2%

*1) Including depreceiation and amortization*

## Summary 2012

**EBIT:** - 14.5% tot €90 million (from 4.3% to 3.6%)

- Foodservice
  - C&C sales down, DS growing
  - Prices squeezed
  - Sales held up partly at cost of gross margin
  - Shift in customer mix
- Food Retail
  - Pressure on prices in the market puts squeeze on gross margin, lessening in Q4
  - Effect of cost savings wiped out by increased taxes etc.

## Summary 2012

**Finance income and expense** from - 0.0% to + 0.0%

| | 2012 | 2011 |
|---|---|---|
| Net financing expense | (5.3) | (6.9) |
| Profits of associates | 5.5 | 5.1 |

- Financial expense lower because of repayment 1st USPP at 2011 year-end

## Summary 2012

| | | |
|---|---|---|
| **Profit after tax** | € 69.5 M (€ 78.2 M) | - 11.1 % |
| **Earnings per share** | € 1.59 (€ 1.78) | - 10.7 % |

Proposed dividend: € 1.05 (+ 0%):

- Regular dividend € 0.80 (2011: € 0.85)
- Variable dividend € 0.25 (2011: € 0.20)

## Summary 2012

- Cash flow from operating activities: €129 million (2011: €124 million)
  - Operating profit down
  - Strong improvement in working capital due to improved supplier payment conditions
  - Inventories incidentally high at year-end
  - November tax bill of €7 million paid on 31 December[1)]
- Cash flow from investing activities: €34 million negative (2011: €48 million negative)
  - Level of capital expenditure lower for both FR and FS
  - Former Sanders store conversion CAPEX FR in 2011

*1) Falls into 2013 financial year*

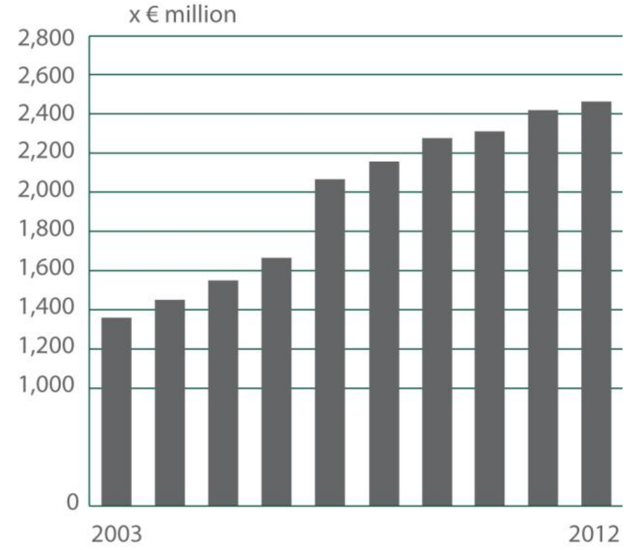
## Summary 2012

| **Net interest bearing debt x € M** | **29-12 2012** | **31-12 2011** |
|---|---|---|
| Gross [1)] | 171 | 169 |
| Free cash | (102) | (56) |
| Net | 69 | 113 |

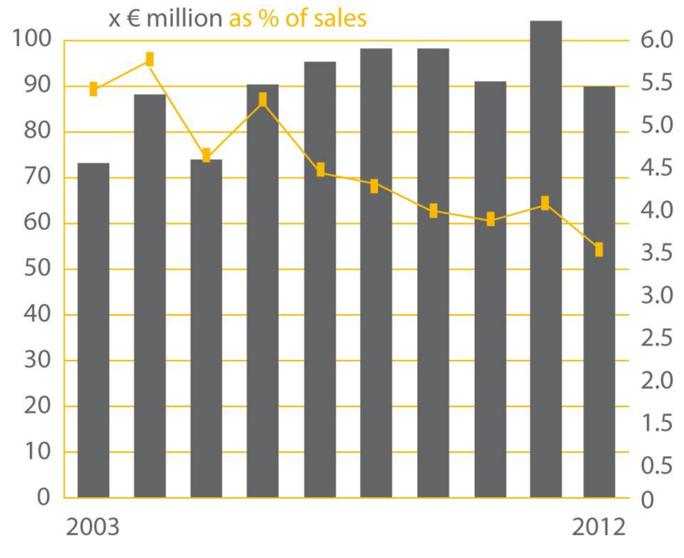
| | **2012** | **2011** | **2010[2)]** | **2009** |
|---|---|---|---|---|
| Free cash flow | 95 | 76 | 66 | 73 |
| **Used for:** | | | | |
| Dividend/ Re-purch. own shares | (49) | (34) | (48) | (19) |
| Acquisitions | 0 | 0 | (41) | 1 |
| Change in debt/ cash | 46 | (42) | 23 | (55) |

*1) Excluding fair value derivatives*
*2) 2010 includes 'one-off" payment to pension fund (€ 6 M)*

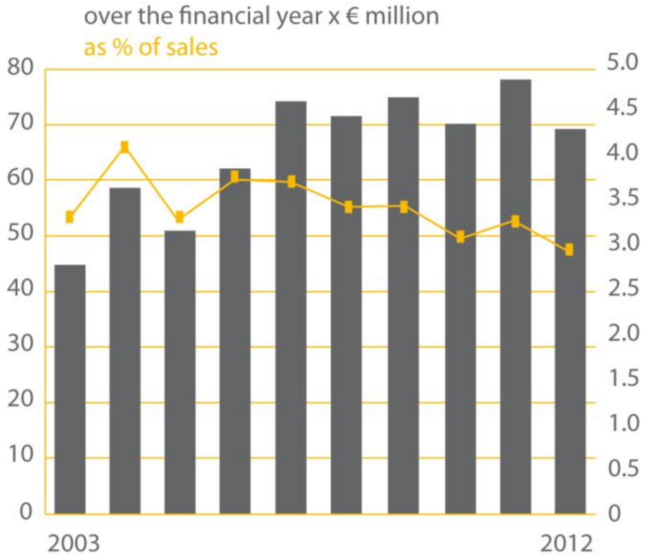
## Revenue



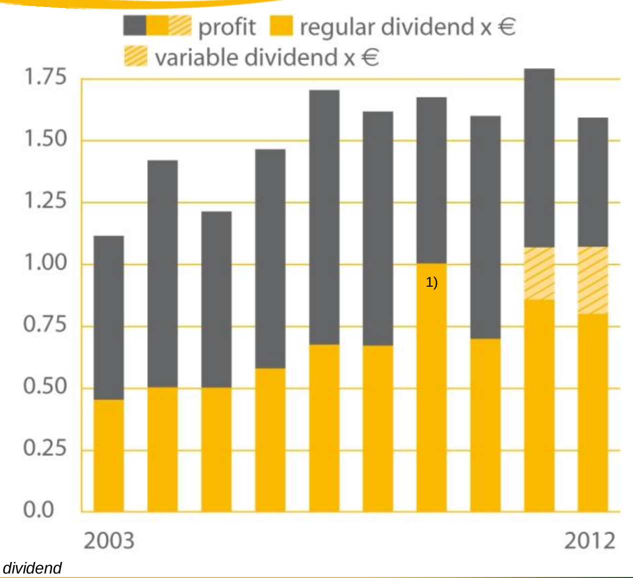

## EBIT



## Profit after tax




## Per share




1) Anniversary dividend

# The food market 2012

Total consumer spending €274.6 billion (-0.7%)

Netherlands population 16.7 billion

Total expenditure on other products and services €218.2 billion (-0.9%)

Total spending in foodservice channel €17.9 billion (-1.1%)

Catering trade €8.9 billion (-0.7%)

Caterers €3.3 billion (-1.8%)

Convenience €5.7 billion (-1.3%)

Total spending in supermarkets and specialist retailers €38.6 billion (+0.6%) excluding non-food

Supermarkets €28.2 billion (+1.8%)

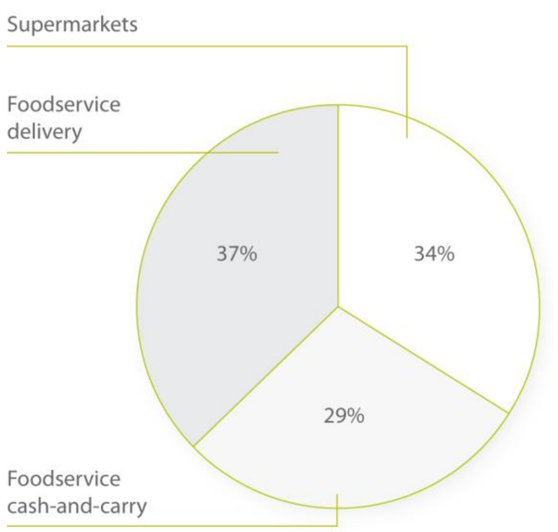
Other retail outlets €10.5 billion (-2.5%)

*Source: FSIN*

# Organization scheme Sligro Food Group

| Central distribution centre and head office in Veghel | | |
|---|---|---|
| **Food retail** | **Foodservice cash-and-carry** | **Foodservice delivery** |
| **EMTÉ** | **Sligro** | **Sligro/Van Hoeckel** |
| 130 Own outlets | Restaurants and bars, leisure, caterers, petrol outlets, larg e-scale users, institutional | |
| 2 Distribution centres | National network of 46 cash-and-carry outlets | National network of 11 delivery outlets |
| **Sligro Fresh Partners & Production** Specialised production facilities for convenience products (Culivers), fish(SmitVis) and meat (retail), patisserie/traiteur (Maison Niels de Veye) and participating interests in four fresh food businesses | | |

# Sligro Food Group revenue per activity



# Foodservice

- Foodservice market developments
- Sligro Food Group Foodservice
- Foodservice plans 2013

# Foodservice market developments 2012

- Consumers remain reluctant to spend
  - Reduced footfall
  - Lower spend per visit
- Foodservice market sales down by 1.6% in wholesale value terms[1)]
- Our estimate of volume sales: down by approximately 3.5%–4.0%
- Increasing price competition and shrinking volumes depressing results of nearly all players → further rationalisation in sector

*1) Source: Foodservice Beleidsmonitor*

## Market share Foodservice 2012

**As %**

| **Competitors** [1)] | **Market share 2012** | **2011** | **2010** |
|---|---|---|---|
| Sligro Food Group | 19.9 | 19.2 | 18.6 |
| Various breweries | 14.0 | 14.0 | 15.0 |
| Lekkerland | 13.5 | 14.8 | 15.1 |
| Deli-XL | 10.8 | 10.6 | 11.3 |
| Metro - Makro | 9.6 | 9.2 | 9.1 |
| Hanos/ISPC | 6.4 | 6.4 | 6.3 |
| Kruidenier | 3.8 | 3.6 | 4.5 |
| De Kweker | 2.1 | 2.1 | 2.1 |
| Others | 19.9 | 20.1 | 18.0 |
| **Total** | **100.0** | **100.0** | **100.0** |

*1) Source: Foodservice Nieuwjaarsmonitor 2013, figures previous years (significantly) adjusted*

## Sligro Food Group Foodservice

General

- Like-for-like sales growth of 1.6%, outperforming the market by more than 3 percentage points
- C&C sales down, DS sales growing
- Delivery Service growth thanks to several large accounts in convenience segment
- Sligro market share increased by 0.7 points to 19.9%
- Acquisition of Van Oers
- Exploration of international potential
- Customer survey: Sligro format rated very highly

## Sligro Food Group Foodservice

Cash and Carry business

- Slight fall in sales, better than the market
- Opening of the 46th C&C store in Assen (type I)
- Relocation and substantial expansion of C&C store in Zwolle (type III)
- Substantial investments in C&C stores in Alkmaar (type III) and Amsterdam (type IV)
- Marketing organisation strengthened

## Sligro Food Group Foodservice

Delivery Service business

- Delivery Service sales up by 3.8%, comfortably outperforming the market
- Growth achieved by investing in quality, but price becoming increasingly important
- Completion of Van Hoeckel 3.0 project – impact increasingly visible in institutional sales
- Logistics serving institutional market greatly improved
  - Partnership of Van Hoeckel DC and Big Five Sligro DS outlets
- Expansion of activities into Belgian market from Netherlands base coupled with professionalization of operations in Belgium

## Foodservice plans 2013

- Relocation of Maastricht C&C (type IV) and transfer of DS sales to new DS distribution centre in Venray
- New Venray DS distribution centre (16,500 m$^2$) open in H2 2013 accommodating delivery business from Haps DS (to close) and Maastricht store DS activities
- Phased integration of Van Oers in H1 2013
- Start of supplying AC restaurants in Belgium as from 1 January 2013
- Further refinement of positioning of Sligro format
- Acquisitions: further consolidation possible

## Food retail

- Food Retail Market developments
- Sligro Food Group Food retail
- Medium-term plan 2013-2015

## Food Retail market developments 2012

Market figures based on 52 weeks [1]:

| | | |
|---|---|---|
| IRI | 2.2% | ➔ approx. 1.7% |
| Nielsen | 1.8% | |
| GFK | 1.1% | |

- Start of dismantling C1000
- Competitive pressures high throughout the year, slight recovery as from Q4
- Growth largely down to inflation, volume flat or slightly negative

*1) Differences mainly due to estimates for hard discounters*

## Market share formats Food retail 2012

**As %**

| **Competitors** [1] | **Market share 2012** | **2011** | **2010** |
|---|---|---|---|
| Albert Heijn | 33.7 | 33.5 | 33.6 |
| C-1000 [2] | 12.0 | 12.1 | 11.5 |
| Jumbo | 9.6 | 7.4 | 5.5 |
| Super de Boer [3] | 0.0 | 2.4 | 5.5 |
| Plus [4] | 5.9 | 5.9 | 6.0 |
| Aldi/Lidl | 15.0 | 14.6 | 13.5 |
| Sligro Food Group [4] | 2.7 | 2.7 | 2.6 |
| Others [5] | 21.1 | 21.4 | 21.8 |
| **Total** | **100.0** | **100.0** | **100.0** |

*1) Source: Company press releases and market definition Nielsen and IRI, Figures of previous years slightly adjusted. 2) Acquired by Jumbo in 2012. 3) Acquired by Jumbo in 2009. 4) Member of Superunie, all members combined account for almost 30% market share. 5) Mostly remaining members of Superunie*

## Christmas report GfK 2012


## Medium-term plan Food retail

1) SFG Food Retail Masterplan evaluation
2) Market and positioning EMTÉ
3) Our building blocks for growth
4) Objectives

## SFG Food Retail Masterplan evaluation

- Main objectives of strategic plan for Food Retail:
  - 'House fully in order' operationally and commercially
  - Increasing organic growth, improving of market position
  - Recovery of profitability
  - Further expansion where there is proven success, including acquisitions
- Assumptions:
  - Economy poor, but not depression
- Each of following 3 aspects contributes €5 million to profitability improvement:
  - Rationalisation of store network (15% of sales of EMTÉ and Golff)
  - Optimisation of format and operations (sales growth and management improvements)
  - Normalisation of depreciation levels (lower depreciation charges, modest level of replacement investments)

## Evaluation - 'House in order' -

- Format strengthened along 'our house EMTÉ' lines affecting 3 key values:
  - Friendliness, 2012: most customer-friendly supermarket format in NL (Market Response)
  - Fresh produce, 2012: No. 3 in GfK Fresh Produce Report (after AH XL & Jan Linders)
  - Value, 2012: price index consistently lower than market leader
- Nearly all stores now have new house style / signage
- Good development relative to the 76 stores we started with at the end of 2008
  - Average sales per $m^2$ up from €112 to €138
- However, takeover of Sanders led to drawn-out process
  - Acquisition not yet a success
- Operational improvements (margin/costs) not yet achieved overall

# Evaluation – improving of market position -

- Market share SFG Food retail (based on Symphony IRI)

| Year | Y-end | Cons.sales (€ M) | (change # of stores) | |
|---|---|---|---|---|
| 2009 | 2.60% | 843 | - 14 | |
| 2010[1)] | 2.65% | 850 | +11 | |
| 2011 | 2.72% | 915 | - 6 | |
| 2012 | 2.73% | 940 | 0 | |
| | +/+ 0.13% | | -/- 9 | (= +22 -31) |

- Organic growth EMTÉ compared to market (based on average of 3 market researchers)

| Growth | Market | EMTÉ |
|---|---|---|
| 2009 | 3.0% | 7.6% |
| 2010 | 1.9% | 6.1% |
| 2011 | 2.9% | 3.4% |
| 2012 | 1.7% | 2.6% |

*1) Sanders only Q4 2010 included*

# Evaluation – rationalisation of store network –

- Year-end 2012: 130 EMTÉ stores
  - 100 company owned and operated
  - 30 franchise stores
- Conversion of Golff almost complete
  - Remaining 3 Golff stores converted with effect from January 2013 or disposed of
- Takeover of 20 to Sanders stores in 2010
  - Integration (conversion and integration of processes & systems) successfully completed
  - Development in sales and profitability disappointing
- 31 stores closed/disposed of
  - Not appropriate for format or region
  - Insufficient prospect of profitability

## Evaluation – recovery of profitability -

| Financial objectives: | Masterplan: | 2012: |
|---|---|---|
| – Sales per m2: | € 120 - € 140 | € 132 |
| – Ebita/ revenue | 3.0% - 3.5% | 1.4% |
| – Ebita/ CE | 15.0% | 5.7% |

## Evaluation – where are we now? –

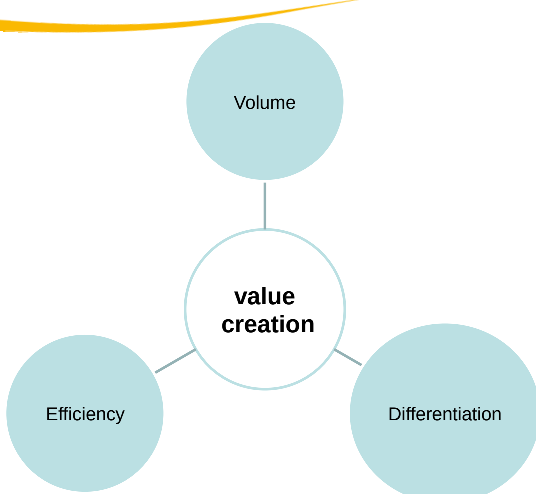
- 76 of the initial stores developing well
- Highly successful conversion of Golff to EMTÉ
- Good basis formed by 130 stores of uniform format
- Free cash flow 2012: €25 million

Winner of most customer-friendly supermarket accolade –>

## Medium-term plan Food retail

1) SFG Food Retail Masterplan evaluation
2) Market and positioning EMTÉ
3) Our building blocks for growth
4) Objectives

## Vision of the market and positioning of EMTÉ



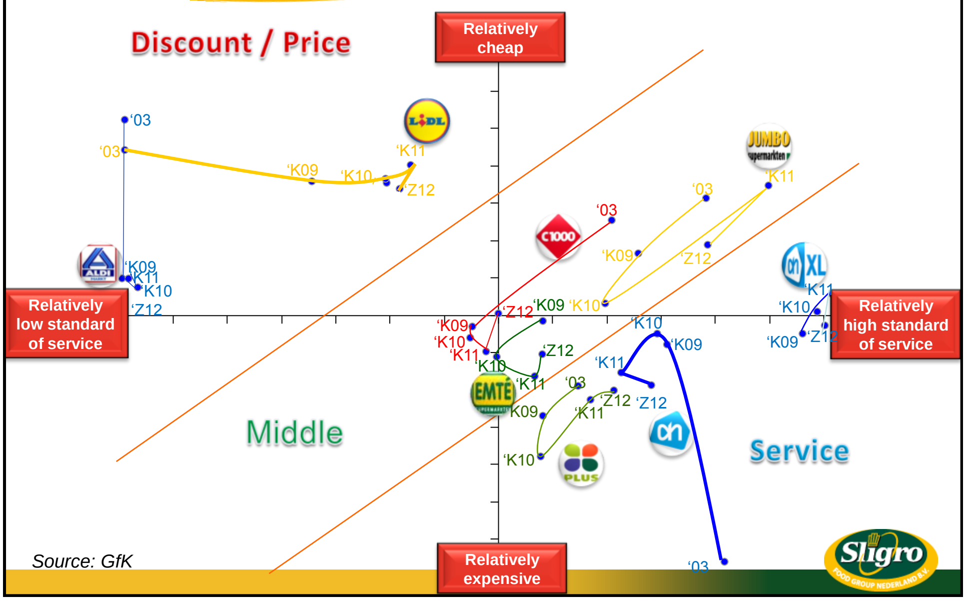
## Still plenty to achieve…

- Sales per square metre still structurally lower than competition
  - €130 versus €180 (AH, Jumbo)
- Costs still significantly higher than competition
  - Shrinkage
  - Wage costs
- Too large a share of sales class 1 stores (< €125k)
- Brand awareness and brand identity still insufficient, especially in new market areas
- Netherlands now country with the lowest supermarket prices in Europe

## …and what the market is doing…

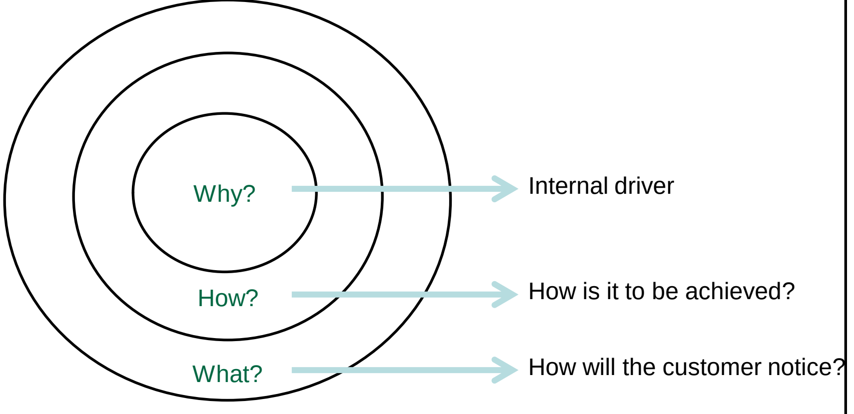
| | Development |
|---|---|
| Demographic development<br>– Hardly any population growth<br>– Ageing population | max. 0.5% p.a. |
| Economic development<br>– Falling purchasing power will continue until at least 2016<br>– Business / consumer confidence very low<br>– Consumer spending flat-lined | max. 0.0% p.a. |
| Societal changes<br>– Arrival of new competitors (including online traders) | max. -0.5% p.a. |
| Inflation<br>– Rising commodity prices<br>– Competitive pressures | max. 1.5% p.a. |

# …and the competition is changing




Source: GfK

# Positioning: who is EMTÉ?




Model: Simon Sinek

## Internal driver:

**We**  **food!**

## How is it to be achieved?

### We offer our customers ‘eatertainment’

- The tastiest quality products
- Not just niche products, ‘the tastiest meatball’ as well
- Staff who are passionate about their work
- An inspirational shopping environment
- Prices you can’t argue with
- And the best special offers in the Netherlands
- For people like you and me

## How will the customer notice?




## Medium-term plan Food retail

1) SFG Food Retail Masterplan evaluation
2) Market and positioning EMTÉ
3) Our building blocks for growth
4) Objectives

# Our building blocks for growth

| | | | |
|---|---|---|---|
| creating growth | **loyalty** | **unique product range** | **brand building** |
| strengthening our fundamentals | **back-office In order** | **category mgt.** | **operational excellence** |

# Loyalty is the key to growth

| | | | |
|---|---|---|---|
| creating growth | loyalty | unique product range | brand building |
| strengthening our fundamentals | back-office In order | category mgt. | operational excellence |

- Target:
  - To increase the share of primary and secondary customers
- How is it to be achieved?
  - By remaining the most customer-friendly supermarket in the Netherlands
  - By having the best loyalty programme in the Netherlands
- <u>Programme starting points</u>
  - Increasing average customer spend and visit frequency by making effective use of customer data
  - Rewarding customer loyalty
  - Integration with e-commerce in due course
  - Joint action with foodservice customers

## Unique product range

creating growth
loyalty
unique product range
brand building
strengthening our fundamentals
back-office In order
category mgt.
operational excellence

**Continuously developing products that help to advance the distinctiveness of EMTÉ in the market**

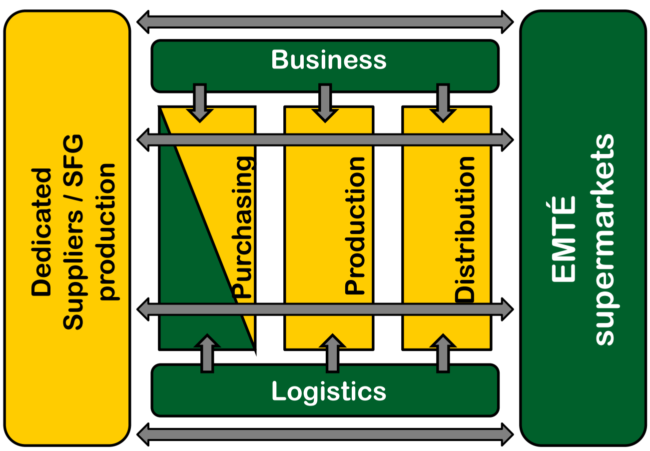
- For the mainstream instead of niche market segments
- Affordable, with a typical market price
- Tastier than products available elsewhere

Sligro

## Unique product range

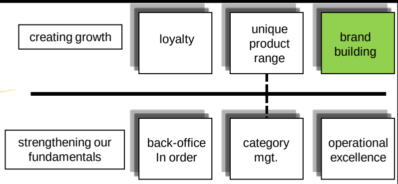
creating growth
loyalty
unique product range
brand building
strengthening our fundamentals
back-office In order
category mgt.
operational excellence

**Making optimum use of the distinctive aspects of SFG**




Sligro

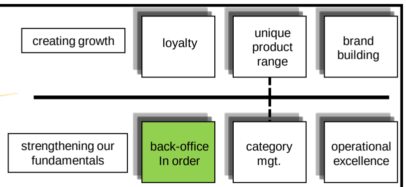
## Brand building



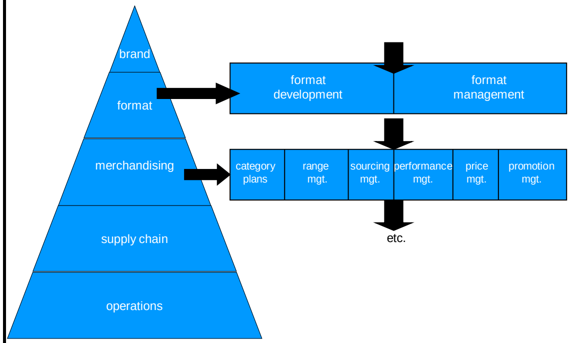

- Raising the identity profile and increasing brand awareness
  - Launch ‘above the line’ campaigns in January 2013
    - Product range
    - Price perceptions
    - Savings/promotional campaigns
    - Developing online activities (website, social media, mobile devices etc.)
- Centrally coordinated local activities
- More focused positioning

We food!

## Back-office improvement programme

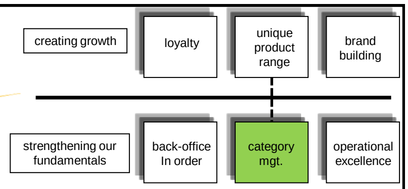



**Our process is hierarchical**



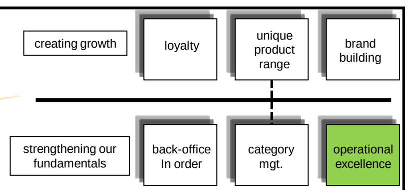

- Retail improvement programme
  - product range management
  - on-shelf availability
- Central control of sales promotions
- EMTÉ automated order system
  - Rollout of AOS across all product groups (i.e. including fresh produce)
  - Rollout of AOS to franchise stores

# Category management




- **Category management is in order to make further advances**
  - Consumer and format as point of departure for various categories
  - Focus on increasing sales per m²
  - More refined store space and module control
  - Increase distinctiveness and innovativeness
  - Manage price perceptions
  - Best special offers in the Netherlands
  - Stability in the store layout

# Operational excellence




- **3-dimensional cooperation**
  - Horizontal: no-nonsense cooperation (sales and operations)
  - Vertical: central services in Veghel and stores
  - Diagonal: uniform operations (involving standardised stores)

- **Standardised stores help keep control of costs**
  - Reducing wage costs and shrinkage by means of:
    - a modular approach to the product range, production and staffing levels
    - getting tighter control of actual operations more promptly
  - Logistics costs will be brought down by
    - Improved control of flyers under central management
    - Reducing returns from stores to DC and cutting shrinkage
    - Increased on-shelf availability of products

## Medium-term plan Food retail

1) SFG Food Retail Masterplan evaluation
2) Market and positioning EMTÉ
3) Our building blocks for growth
4) Objectives

## Objectives

Objectives:

- To strengthen our fundamentals:
  - turning the organisation around to create a professional retail business with a customer focus
- To outperform the market in terms of sales year-on-year
- To grow towards a reasonable return

| In financial term: | 2012: | 2015: |
|---|---|---|
| – Ebita/ revenue | 1,4% | 2,5% - 3,0% |
| – Ebita/ CE[1)] | 5,7% | > 15,0% |

*1)* Average capital employed will fall by €40 million over the next three years

## Summarising

- Outperforming the market in sales growth
  - Category management
  - Loyalty
  - Unique product range
- Raising the identity profile and increasing brand awareness
  - Investing in national TV commercials and strengthening online presence and use of social media
- Strengthening price perceptions
  - Category management
  - Communication
  - Value range

## Summarising

- Improving margins:
  - Better sales mix
  - Control of flyer-promotion pressure
  - Reduction of shrinkage
- Reducing wage costs:
  - Guidance and control ‘sales class 1’ stores
  - Modular approach
  - Standardisation
- Primarily replacement investments
  - Approx. 1% of sales revenue compared with depreciation / amortisation average of 2%
  - Further decline in working capital

# Outlook for 2013

## Outlook for 2013

- Economic crisis → new reality
- Highly competitive market both demand and supply driven → pressure on margins, but less than in 2012
- Government cost saving / tax increasing measures will have a further adverse effect on our sales markets
- Consumer confidence low
- New VAT rate on tobacco products comes into effect on 1 July 2013
  - Decline in tobacco products sales approx. €30 million in H2 2013 (2014: €60 million)

## Outlook for 2013

- Integration of Van Oers
  - H1 sales: €20 million; H2: €40 million
  - Integration costs will depress H1 results
- Pension costs + €5.5 million
  - Contribution levels unchanged
  - No impact on cash flow
- Retail medium-term plan 2013–2015
- Further consolidation in the foodservice market, which we are prepared for
- Sligro Food Group is ‘switched on’ to the new reality

## Outlook for 2013


**‘SWITCH ON’**


Sligro
FOOD GROUP N.V.
Annual Figures
2012