# Shareholders' meeting

Veghel, March 17th 2010

## Agenda item 3, Report of the Executive Board

| | |
|---|---|
| • Welcome | Koen Slippens |
| • Annual Figures | Huub van Rozendaal |
| • Annual Report | Koen Slippens |

# Annual Figures

## Profit and loss account

| | 2009 x € M | 2008 x € M | Delta % | 2009 % | 2008 % |
|---|---|---|---|---|---|
| Net sales | 2,258 | 2,168 | 4.2 | 100.0 | 100.0 |
| Gross margin | 526 | 516 | 1.9 | 23.3 | 23.8 |
| Other operating income | 2 | 8 | (80.2) | 0.1 | 0.4 |
| Expenses | (379) | (377) | 0.3 | (16.8) | (17.4) |
| Ebitda | 149 | 147 | 1.3 | 6.6 | 6.8 |
| Depreciation/amortization | (51) | (48) | 4.5 | (2.2) | (2.3) |
| Ebit | 98 | 99 | (0.4) | 4.3 | 4.5 |
| Interest expense | (0) | (7) | (95.3) | (0.0) | (0.2) |
| Profit before tax | 98 | 92 | 6.0 | 4.3 | 4.3 |
| Tax | (24) | (21) | 12.3 | (1.0) | (1.0) |
| Profit after tax | 74 | 71 | 4.2 | 3.3 | 3.3 |

## Segmented analysis of results

| x € M | Foodservice | | Food retail[2)] | |
|---|---|---|---|---|
| | 2009 | 2008 | 2009 | 2008 |
| Net sales | 1,531 | 1,444 | 727 | 724 |
| Other operating income | (0) | 3 | 2 | 5 |
| Ebitda | 120 | 119 | 29 | 28 |
| Ebit | 92 | 95 | 6 | 4 |
| Ebitda as % of net sales | 7.8 | 8.3 | 4.0 | 3.8 |
| Ebit as % of net sales | 6.1 | 6.6 | 0.8 | 0.5 |
| Net capital expenditure[1)] | 37 | 38 | 8 | (9) |
| Depreciation an d amortization | (27) | (24) | (24) | (24) |

*1) In tangible and intangible assets*

*2) New classification in accordance with IFRS 8*

## Segmented analysis of results H1 - H2

| x € M | Foodservice | | | |
|---|---|---|---|---|
| | 2009-II | 2008-II | 2009-I | 2008-I |
| Net sales | 807 | 745 | 724 | 699 |
| Other operating income | (0) | 0 | 0 | 3 |
| Ebitda | 70 | 69 | 50 | 50 |
| Ebit | 55 | 57 | 37 | 38 |
| Ebitda as % of net sales | 8.7 | 9.0 | 6.9 | 7.1 |
| Ebit as % of net sales | 6.9 | 7.4 | 5.1 | 5.4 |

## Segmented analysis of results H1 - H2

| x € M | Food retail | | | |
|---|---|---|---|---|
| | 2009-II | 2008-II | 2009-I | 2008-I |
| Net sales | 365 | 345 | 362 | 379 |
| Other operating income | 2 | 2 | 0 | 3 |
| Ebitda | 18 | 13 | 11 | 15 |
| Ebit | 7 | 1 | (1) | 3 |
| Ebitda as % of net sales | 5.0 | 3.6 | 3.0 | 3.9 |
| Ebit as % of net sales | 1.8 | 0.1 | (0.3) | 0.9 |

## Cash flow statement (€ M)

| | 2009 | 2008 |
|---|---|---|
| From operations | 150 | 129 |
| Interest etc. | (3) | (10) |
| Corporation tax paid | (24) | (16) |
| **From operating activities** | **123** | **103** |
| Acquisitions | 1 | (1) |
| Net capital expenditure | (50) | (29) |
| **From investing activities** | **(49)** | **(30)** |
| Long-term borrowings/ associates | (31) | (29) |
| Dividend paid | (19) | (14) |
| **From financing activities** | **(50)** | **(43)** |
| Movement in cash and short-term bank borrowings | 24 | 30 |
| Balance at start of year | 1 | (29) |
| Balance at year-end | 25 | 1 |

## Balance sheet (before profit appropriation)

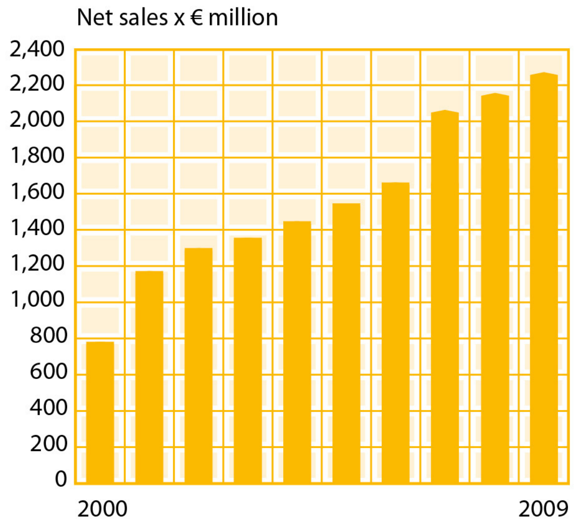
| x € M | 02/01 2010 | 27/12 2008 | | 02/01 2010 | 27/12 2008 |
|---|---|---|---|---|---|
| **Fixed assets** | | | Equity | 483 | 426 |
| Intangible assets | 170 | 176 | | | |
| Property, plant & equipment | 285 | 284 | Provisions | 31 | 34 |
| Investment property | 24 | 25 | | | |
| Financial assets | 44 | 41 | Non-current liabilities | 128 | 154 |
| | 523 | 526 | | | |
| **Current assets** | | | **Current liabilities** | | |
| Inventories | 189 | 200 | Banks | 29 | 53 |
| Debtors | 112 | 124 | Creditors | 110 | 129 |
| Assets held for sale | 3 | 2 | Other | 71 | 79 |
| Cash | 25 | 23 | | | |
| | 329 | 349 | | 210 | 261 |
| | 852 | 875 | | 852 | 875 |

## Summary 2009

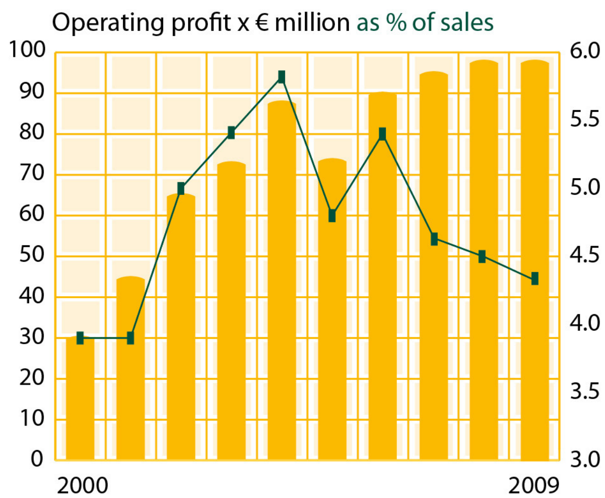
| | | |
|---|---|---|
| **Net profit** | €74.3m (€71.3 m) | + 4.2 % |
| **Earnings per share** | €1.68 (€1.63) | + 3.1 % |

Special anniversary dividend of €1.00 in cash to mark the Group's first 75 years on 19 April 2010.

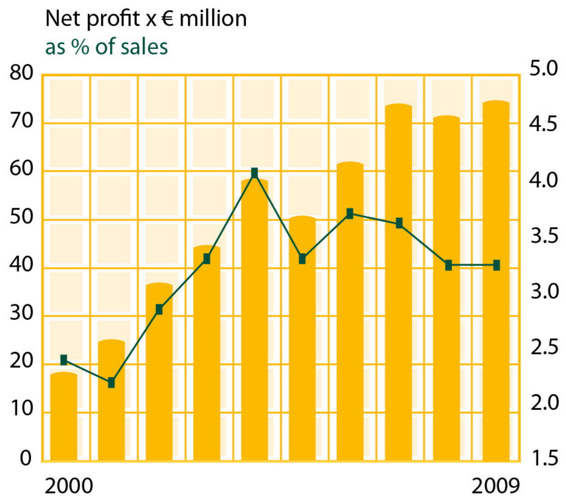
## Net sales x € M



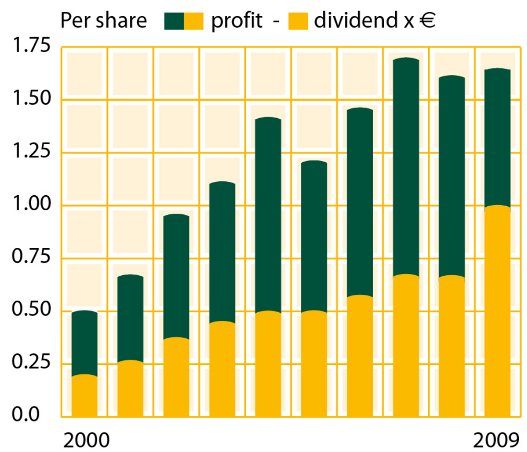

## Operating profit x € M as % of net sales



## Net profit x € M as % of net sales



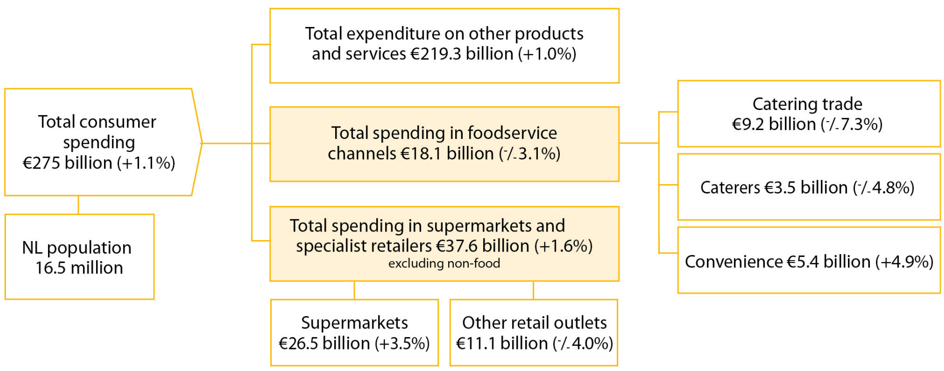

## Per share x €



# Annual Report

## The Food market

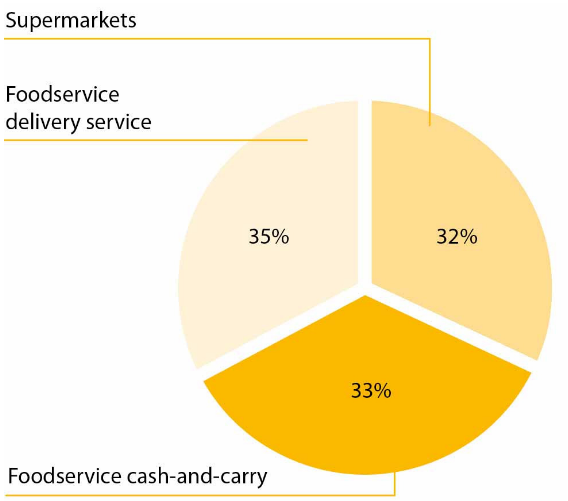
### Consumer spending in the Netherlands



## Organisation scheme Sligro Food Group

| Central distribution centre and head office in Veghel | | | |
|---|---|---|---|
| **Foodretail** | | **Foodservice** | |
| **EMTÉ**<br>78 own outlets | **Golff**<br>45 franchised supermarkets | **Sligro**<br>Large and small size restaurants and bars, leisure, petrol outlets, caterers, large-scale users | **Van Hoeckel**<br>Institutional |
| 2 distribution centres | | National network of 45 cash-and-carry and 11 delivery-service wholesale outlets | 1 distribution centre |
| **Sligro Fresh Partners & Productiebedrijven**<br>Specialised production facilities for convenience products (CuliVers), fish (SmitVis), and patisserie (Maison Niels de Veye) and four fresh produce associates | | | |

## Sligro Food Group net sales per activity



## Food retail

## Food retail market in 2009

Growth figures from different market research firms vary but greater agreement on market size:

| | 53 weeks x €bn | 53 weeks growth % | 52 weeks growth % |
|---|---|---|---|
| Sales according to GfK | 31.7 | 5.4 | 3.4 |
| Average spend, GfK | | | 0.3 |
| Like-for-like | | | |
| EMTÉ sales | | | 7.6 |
| EMTÉ average spend | | | 1.8 |
| Golff sales | | | 3.3 |

Nielsen and IRI: slightly smaller increase

## Market Share Food retail

**as %**

| **Competitors[1)]** | **Market share 2009** | **2008** | **2007** |
|---|---|---|---|
| Albert Heijn | 32.8 | 31.3 | 29.7 |
| C-1000 | 12.0 | 13.4 | 14.5 |
| Super de Boer[2)] | 6.6 | 6.8 | 7.3 |
| Plus[3)] | 6.0 | 6.1 | 6.0 |
| Jumbo | 5.0 | 4.9 | 4.5 |
| Sligro Food Group[3)] | 2.6 | 2.7 | 2.4 |
| Hard discount[4)] | 17.8 | 17.4 | 17.3 |
| Others[5)] | 17.2 | 17.4 | 18.3 |
| **Total** | **100.0** | **100.0** | **100.0** |

*1) Source: Company press releases and market definition GfK, Hard discount and C1000 based on market estimates, 2) Acquired by Jumbo in December, 3) Member of Superunie, all members combined account for almost 30% market share, excluding Jumbo, 4) Includes, 'Dirk van de Broek', since 01-07-2008 member of Superunie, 5) Mostly remaining members of Superunie*

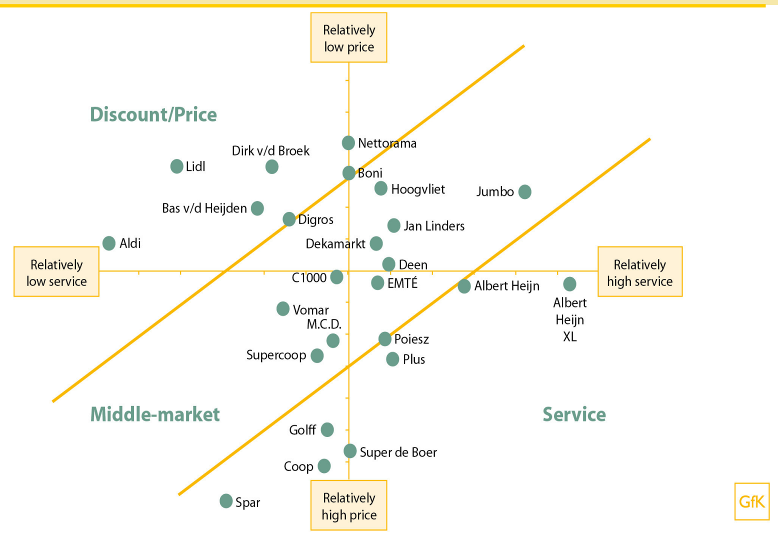
## Food retail market in 2009

| | 13 week quarters Q1 | Q2 | Q3 | Q4 |
|---|---|---|---|---|
| GFK | 2.3% | 6.3% | 4.0% | 0.9% |
| IRI | 4.0% | 3.0% | 2.3% | 0.8% |
| EMTÉ | 5.8% | 5.8% | 8.8% | 10.3% |
| Golff | 2.8% | 2.1% | 4.5% | 4.0% |

- Inflation → Deflation (4% → (1%)?)
- Frequency of visits increased (reduced loyalty)
- Much more emphasis on prices/special offers and own label products
- Increased market share for hard discounters with increase in number of stores[1)]

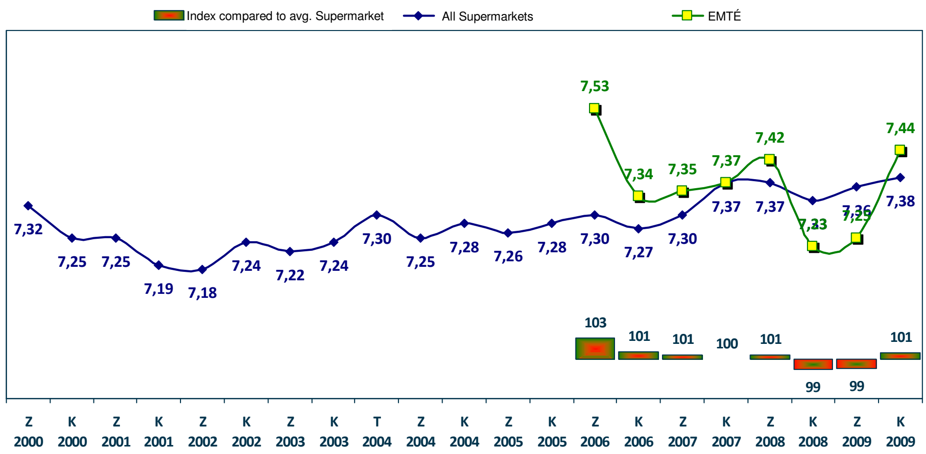
*1) Average number of stores in 2009:*
*Hard discount 880 (2008: 852. 2007: 809)*

## GfK Christmas report 2009




Source: GFK

## GfK development over the past 10 years




Source: GFK

## Master plan update: Summary

<u>Main objectives:</u>

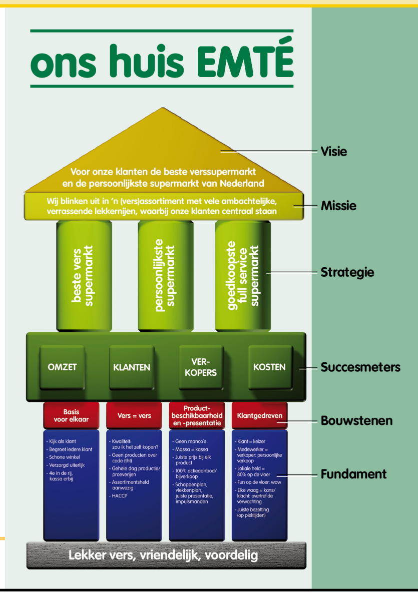
- First get the business on a sound commercial and operational footing
- As soon as this has been accomplished, start pushing organic growth
- Restore return
- Where there is proven success, further expand Food Retail

<u>Plus:</u>

- Rationalisation of store network
- Normalisation of depreciation levels

<u>Target EBITA</u> : 3.0%–3.5% within three years

## Master plan update: ons huis EMTÉ



## Master plan update: Conclusion

- Operations ☐ *on track*
  - Shortcomings, Management information
  - Store organisation, Labour productivity
- Commercial ☐ *on track*
  - Sales, Sales per m2, Greater focus on communication
- Rationalization of store network ☐ *on track*
  - 6 EMTÉ, 10 Golff
- Regularization of depreciation levels/write-downs
  - 2010 first major step
- EBITA ☐ *on track*
  - Target: working towards 3.0% á 3.5% in 2012, 2009: 1.5%

## Master plan update: EMTÉ Franchise

- Meeting of Golff members 17 February: agreement on conversion
- Conversion largely completed in 2010
- Short-term impact on franchise results negative
  - Effect of cutting consumer prices
  - Increasing of margins
  - Contribution towards cost of conversion
- Payback in longer term
  - Sales growth
  - Long-term viability of outlets

## Foodservice

## Foodservice market in 2009

- Market under heavy pressure from recession, no recovery during the year
- Foodservice Institute estimate: sales 3% down (volume effect greater)
- Volume effect hits us predominantly
- Impact differs significantly per segment:
  - Hospitality in € -5%, volume -7%
    - Cafés/hotels in € -10%, volume -12%
    - Restaurants in € -4%, volume -7%
    - Cafetarias in € +1%, volume -1%
  - Catering in € -5%
  - Convenience (incl. tobacco products, petrol) in € +7%

## Foodservice market in 2009

- Consumers still careful about spending
- Price/quality
  - Initial panic is over, life goes on
  - Value-for-money formats doing relatively well
- Sustainability still important despite the crash
- Really good summer in 2009
- Hospitality sector had a difficult start after the summer
- Unemployment and lack of optimism in the business community do not help the sector

## Market Share Foodservice

**as %**

| | Market Share | | |
|---|---|---|---|
| **Competitors[1)]** | **2009** | **2008** | **2007** |
| Sligro Food Group | 17.4 | 16.7 | 14.8 |
| Lekkerland | 14.8 | 12.0 | 11.5 |
| Brewers | 14.6 | 15.9 | 16.9 |
| Deli XL | 10.9 | 10.7 | 10.3 |
| Metro | 8.8 | 9.4 | 9.3 |
| Kruidenier | 4.4 | 4.4 | 4.1 |
| De Kweker/ Vroegop | 3.7 | 3.8 | 3.7 |
| Hanos/ISPC | 3.5 | 4.1 | 4.4 |
| Others | 21.9 | 23.0 | 25.0 |
| **Total** | **100.0** | **100.0** | **100.0** |

*1) Source: Foodservice monitor 2009/2010*

## Foodservice and Sligro Food Group

General

- Market share +0.7% at 17.4%
- Like-for-like[1)] sales growth of 4.4% comfortably outstrips the market
- Growth in petrol segment, due to rationalisation of special offers etc.
- Foodservice growing even without this effect
- Good diversification across segments
- Expansion and upgrading of outlet network now and in recent past

*[1)] 52 weeks*

## Foodservice and Sligro Food Group

Cash-and-carry

- Sligro cash-and-carry format comfortably outperforming the market
- Intensive promotions programme, one-to-one marketing
- Difficult basis for comparison due to increased promotions in 2008-II
- Marketing supported by data warehouse and recently acquired tool
- Costs well under control
- Pilot of new non-food department on one site – initial signs encouraging
- Extensive investment programme aimed at expanding and upgrading existing outlets
- Opening of 45th Sligro cash-and-carry outlet in Roermond in May 2009
- Deventer and Nijmegen (I→II), Haarlem (I→III), Arnhem (III upgrade)

## Foodservice and Sligro Food Group

Delivery service

- Intensification of sales activities and new business acquisition
- Intensification of marketing effort aimed at petrol station convenience stores
  - Startup of tobacco products order picking centre joint venture with wholesaler Bergsma under the Vemaro name
  - For major accounts, Vemaro will supply tobacco products and Sligro the rest of the range.
- Despite securing large accounts (AC, Total), local independent foodservice customers continue to form the basis of Foodservice activities
- More development needed in institutional segment
- PLOP project savings and quality improvements entirely achieved
- Roll-out of Field Service Support Model (Dutch acronym: BOM)

## Foodservice plans for 2010

Cash-and-carry:

- Evaluation and roll-out of Non-Food department (more extensive, not deeper range, shopper attractiveness)
- Expansion and upgrading of Sligro Tilburg to type III
- Upgrading of Breda an expansion of Roosendaal to type III
- After pressures of sales promotions in 2009, basis of comparison for 2010 will be challenging, but Sligro celebrates first 75 years!

## Foodservice plans for 2010

Delivery service

- Opening of SBS Central Netherlands in Nieuwegein in Q2
- Consolidation of all delivery activities for the Amsterdam/ Noord Holland region at one large Sligro/Inversco 'Greater Amsterdam' delivery centre in 2010 and 2011
  - Squeeze on profits in short term (€5m) due to application of shorter useful life to existing assets (accelerated depreciation)
  - Considerably improved standard of service and sharp rise in profitability in longer term

## Foodservice plans for 2010

Delivery service

- Further integration of Inversco institutional business into Van Hoeckel
  - Van Hoeckel to become *the* specialist within the Group for the institutional segment
- Further roll-out of various efficiency and quality tools (BOM, PLOP, Load scanning, Order modules, E-commerce) developed in recent years
- Transfer of tobacco from Delivery Centres and Distribution Centres to Vemaro
  - No material impact on sales
  - Quality improvements and reduced working capital requirement

# Prospects for 2010

## Prospects for 2010

- Markets static or slight growth
- Prices under pressure
- Some down trading in in the hospitality market
- Disposable incomes squeezed by rising unemployment
- Outperformance in both market segments
- No definite financial forecast

# Shareholders' meeting

Veghel, March 17th 2010