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RETAIL BRANDS CONQUEST

2013

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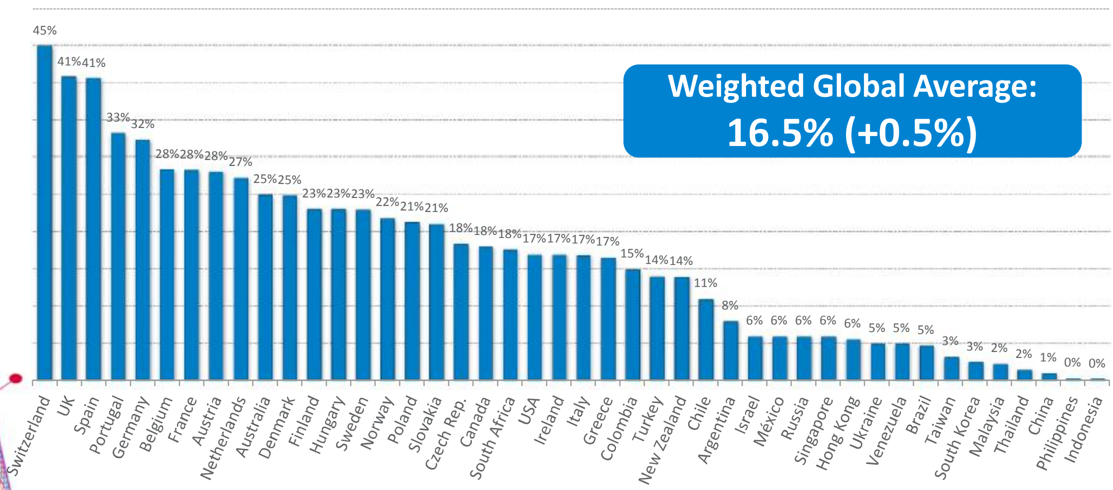
VALUE SHARE RETAIL BRANDS BY COUNTRY



Reference period: 2012

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RETAILER CONCENTRATION IS INCREASING

Percent Share of Top 3 / 5 retailers (*)

Below 25%
- Serbia
- Bulgaria
- Turkey
- Indonesia
- Poland
- Philippines
- Russia
- Vietnam
- Romania
- Ukraine
- China

25-50%
- Portugal
- Taiwan
- Estonia
- Czech R
- Greece
- Thailand
- Hungary
- Italy
- USA
- Korea
- Malaysia

50-75%
- Belgium
- Ireland
- Singapore
- Lithuania
- UK
- Germany
- France
- Spain
- Netherlands
- Canada

Above 75%
- Switzerland
- Sweden
- Denmark
- Finland
- Norway
- Austria
- Hong Kong
- Slovenia

(*): Top 3 retailers in European markets; Top 5 retailers in Asia Pacific and U.S. markets

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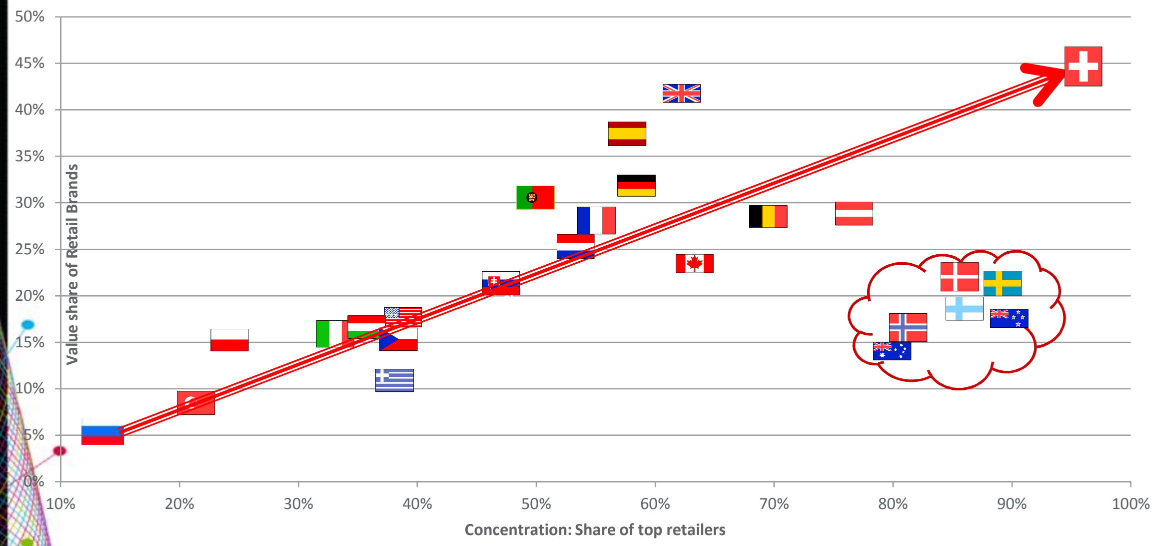
RETAIL BRANDS AND RETAILER CONCENTRATION



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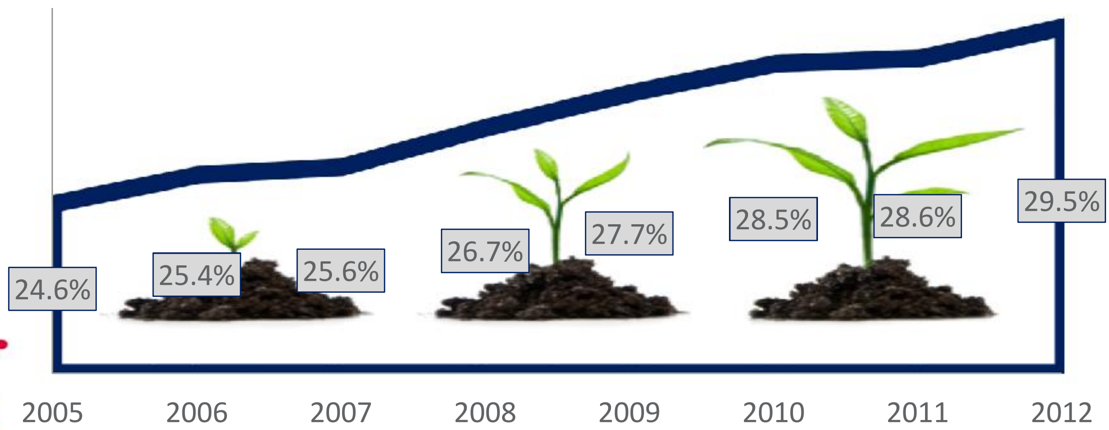
RETAIL BRANDS VALUE SHARE TREND EUROPE:

8 YEARS AND 17 COUNTRIES



Austria, Belgium, Czech Rep, Denmark, Finland, France, Germany, Hungary, Italy, Netherlands, Norway, Poland, Portugal, Slovakia, Spain, Sweden, Switzerland, UK

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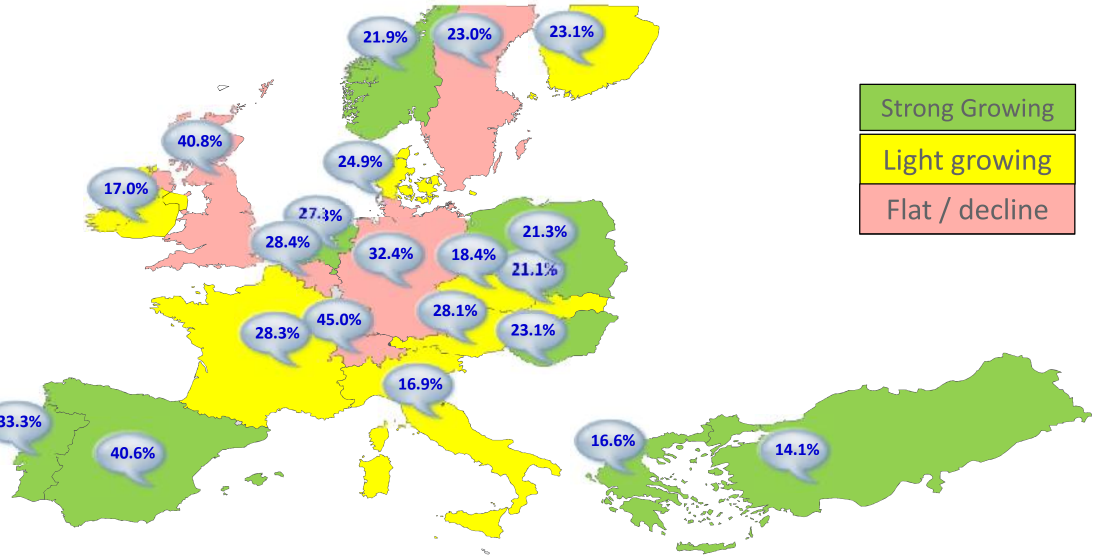
RETAIL BRANDS SHARE BY COUNTRY



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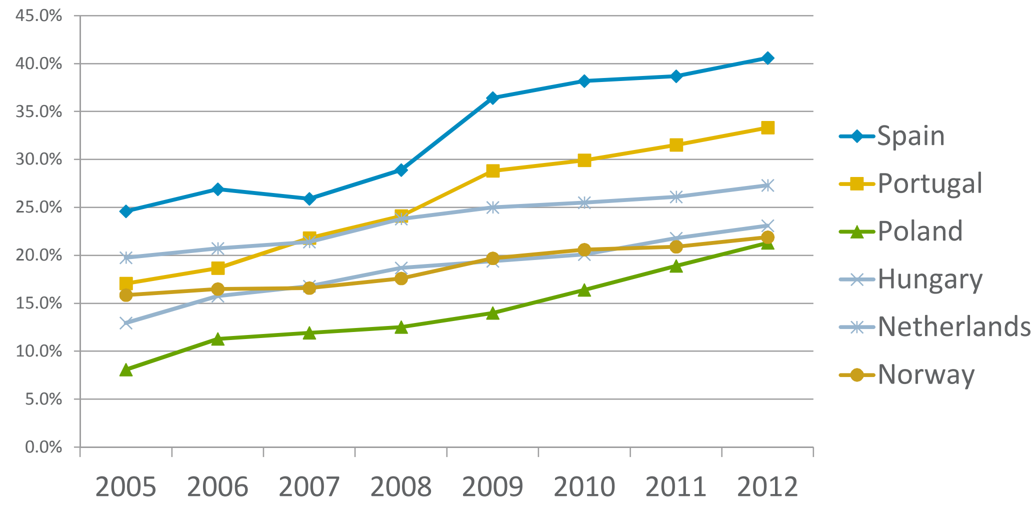
VALUE SHARE RETAIL BRANDS: STRONG GROWING



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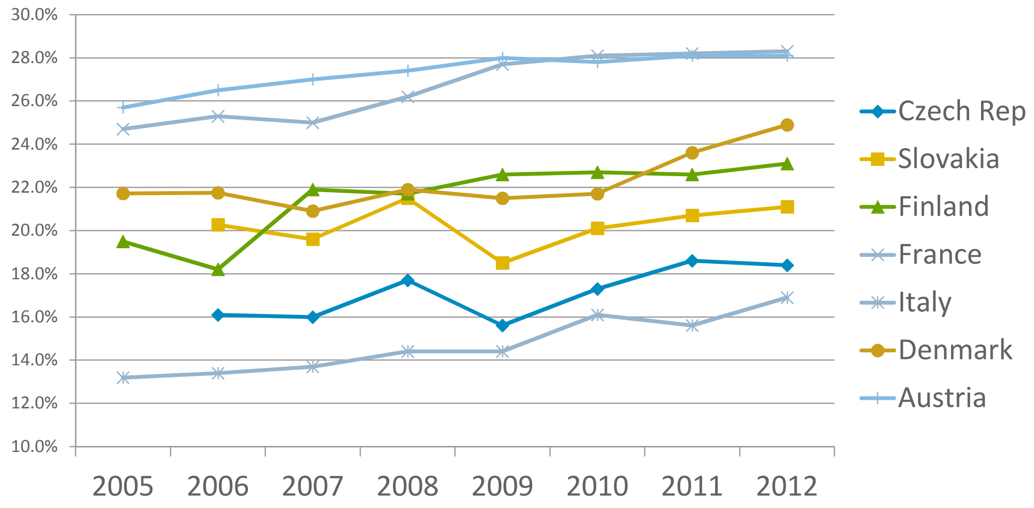
VALUE SHARE RETAIL BRANDS: LIGHT GROWING



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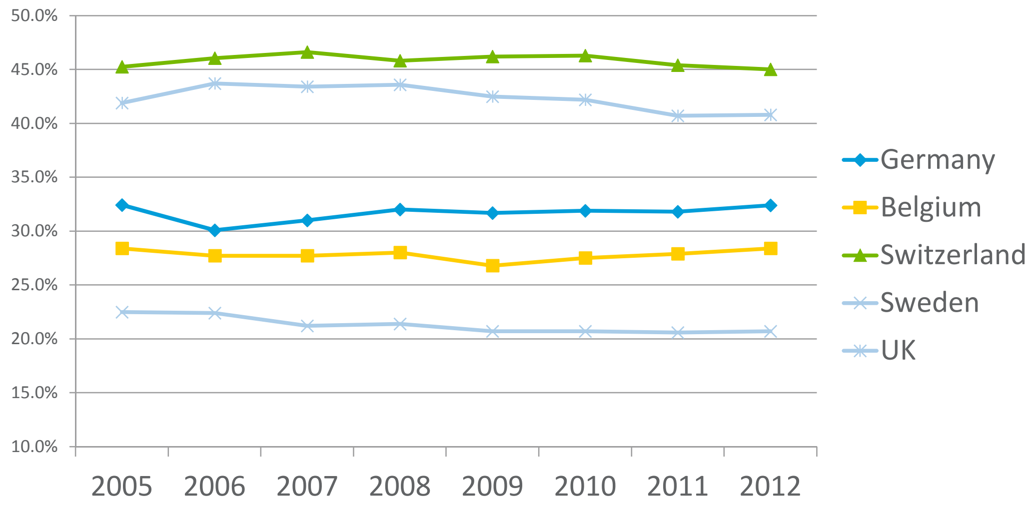
VALUE SHARE RETAIL BRANDS: FLAT/NEGATIVE TREND



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4 FAVOURABLE MARKET CONDITIONS

Retailer Concentration	• Share of Top3 / Top5 ➔ scale!
Presence of global retailers	• Wal-Mart, Carrefour, Tesco • Metro, Ahold, …..
Hard Discount weight	• **Aldi, Lidl, …**
Access to production	• Production capacity profusion

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Our take…

RB are significant and mostly growing

RB grow slightly faster in countries with medium/low RB deployment

RB growth is correlated to modern retail deployment

Economic trouble causes at most a marginally positive turbulence

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WHERE DOES RETAIL BRANDS PROGRESS ORIGINATE?

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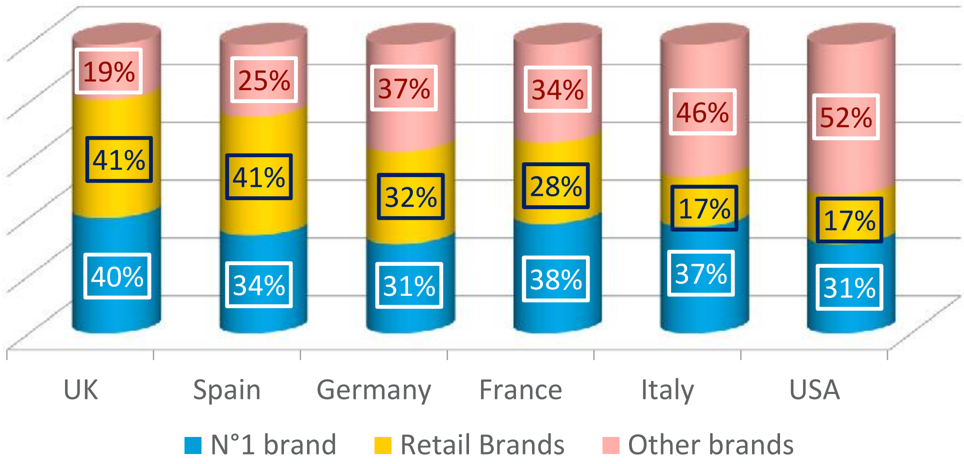
RETAIL BRANDS ESSENTIALLY GAIN AT THE EXPENSE OF SECONDARY AND SMALL BRANDS



(*): Based upon a sample of frequently purchased categories

THE RETAIL BRANDS TRANSFORMATION

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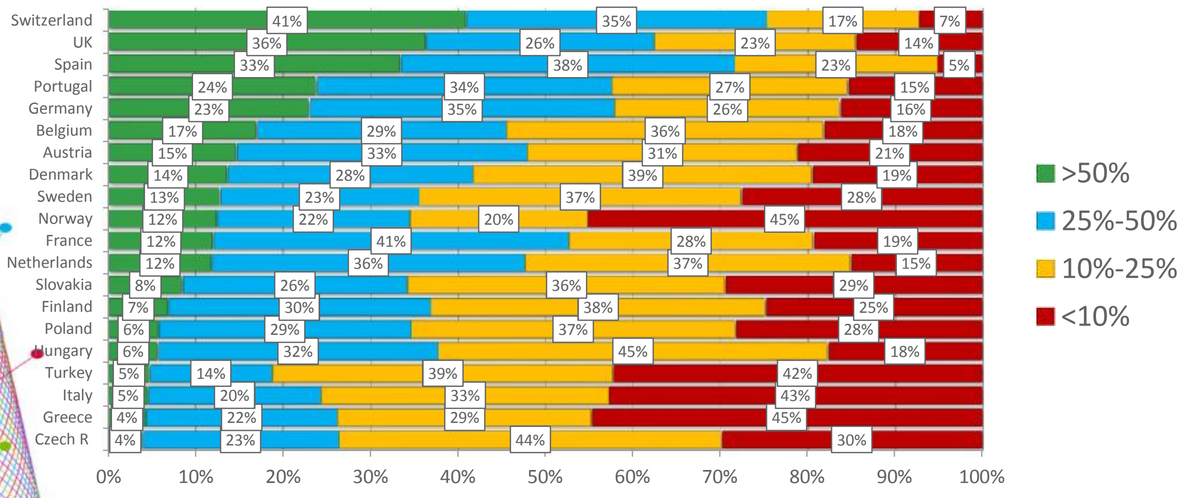
HOW DIFFERENT ARE CATEGORIES?

BEWARE AVERAGES

IN ALL MARKETS WE NOTICE A WIDE VARIANCE OF RB MARKET SHARES ACROSS CATEGORIES

percentage of tracked categories



Basis 5200 categories

Variance of value market shares

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IN WHICH CATEGORIES RB TEND TO DO BETTER?

Price & promotion intensity
- Degree of price focus
- Teaching shoppers to switch!

Category fragmentation & differentiation
- Perception that everything is similar
- Plenty of smaller players
- Available production capacity

Weaker brand leadership
- Weaker equity advantage for the leader
- Lower real or perceived differentiation

Innovation rate
- Level marketing activity
- Barrier to entry

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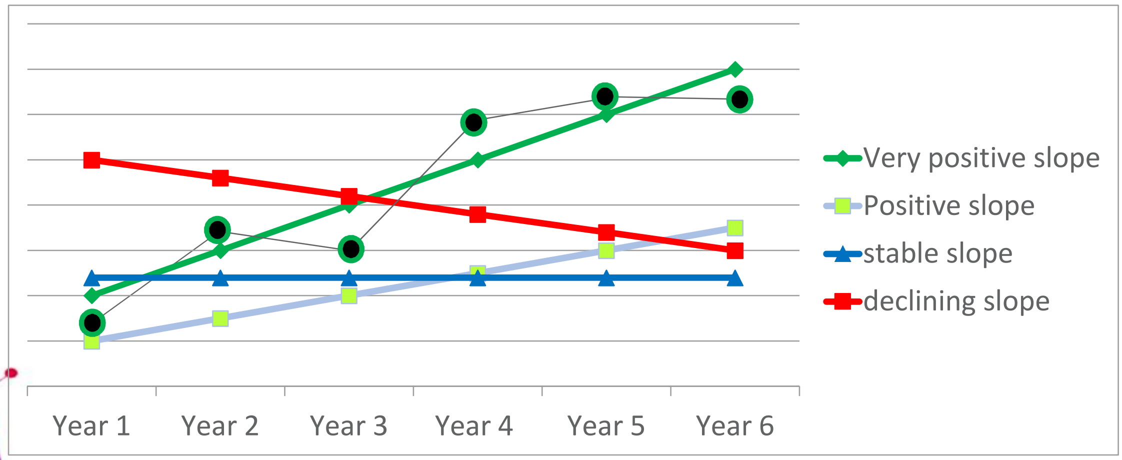
IN ORDER TO EVALUATE THE TRANSFORMATION TREND WE COMPUTED THE SLOPE FOR EACH CATEGORY



Slope is used to describe the steepness, incline, gradient, or grade of a straight line.

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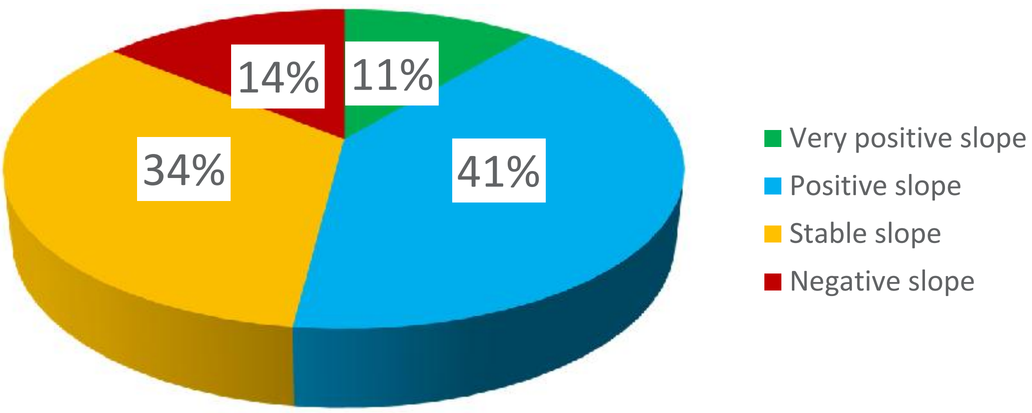
1 IN 5 CATEGORIES GROWS STRONGLY; 40% GROW MODERATELY AND THE REST IS STABLE OR IN DECLINE



Basis 3750 categories

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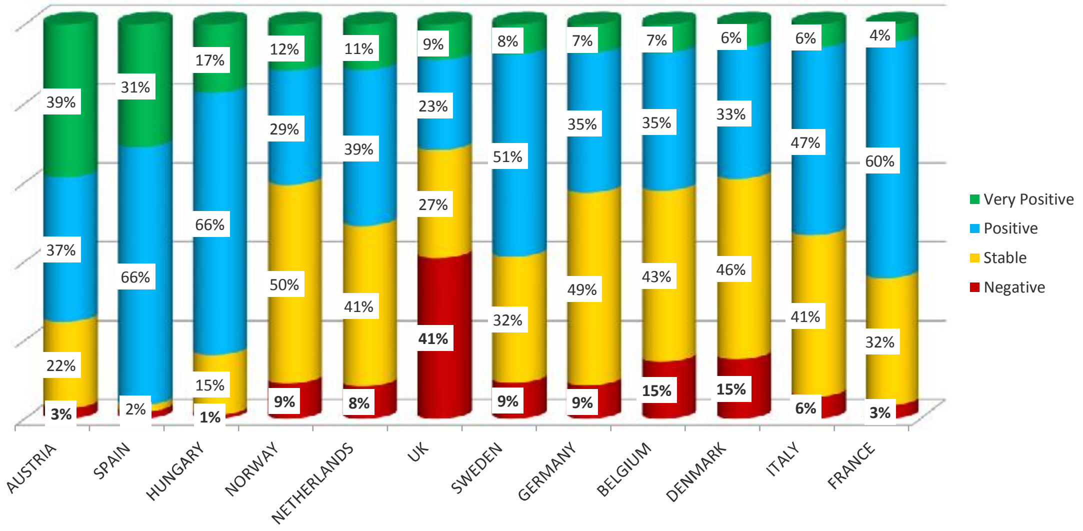
WHAT ABOUT COUNTRIES? SLOPE DISTRIBUTION



Basis 3750 categories

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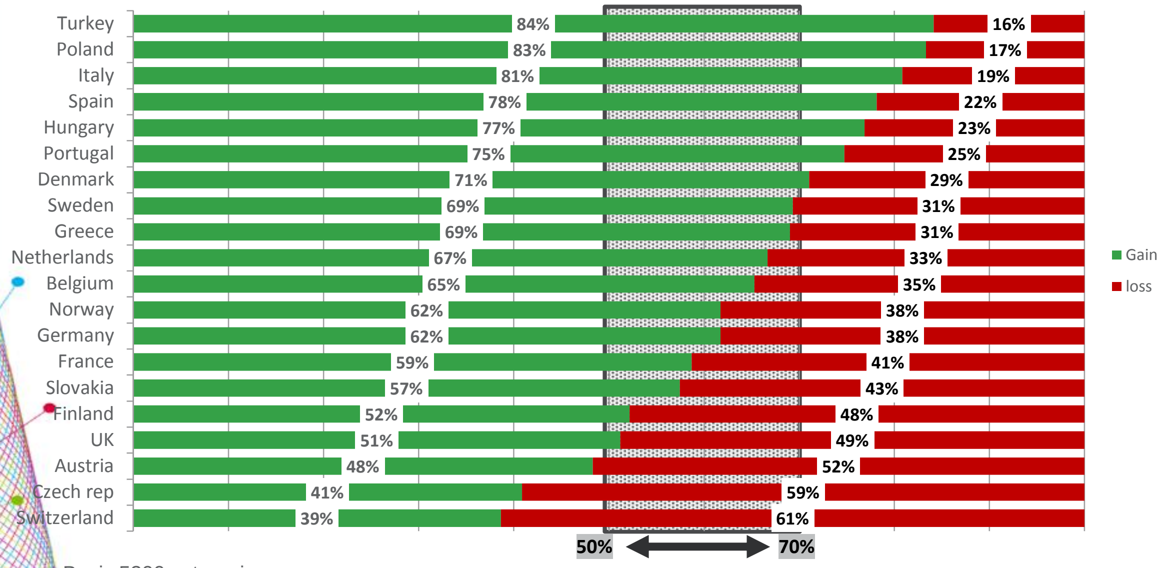
% OF CATEGORIES WITH SHARE GAIN VERSUS CATEGORIES WITH SHARE LOSS 2012 VS. 2011



Basis 5200 categories

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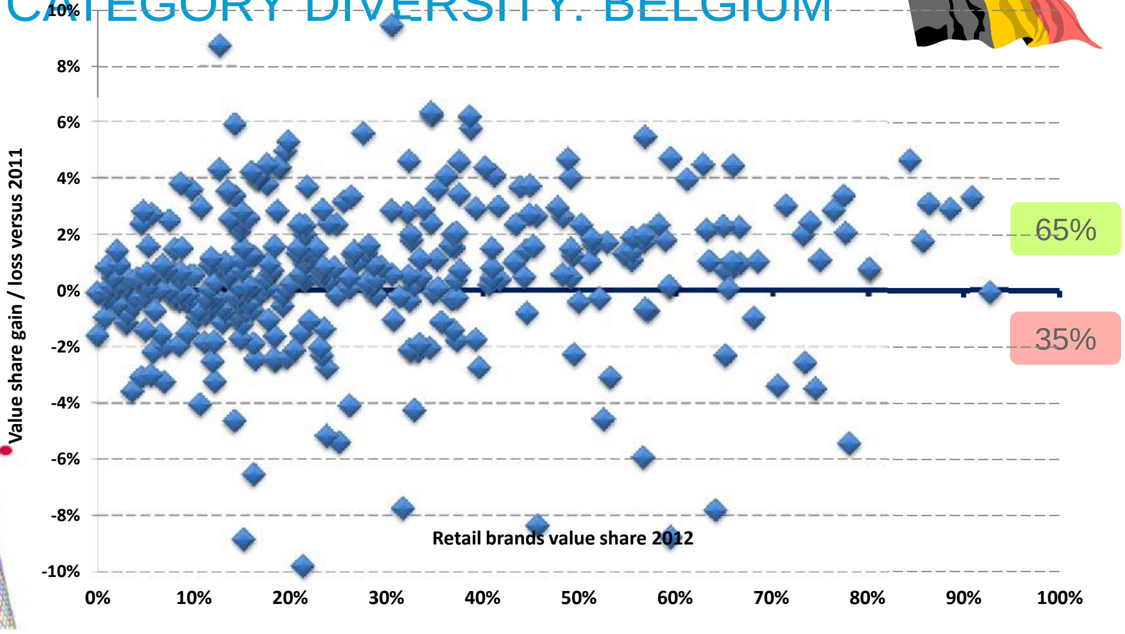
CATEGORY DIVERSITY: BELGIUM



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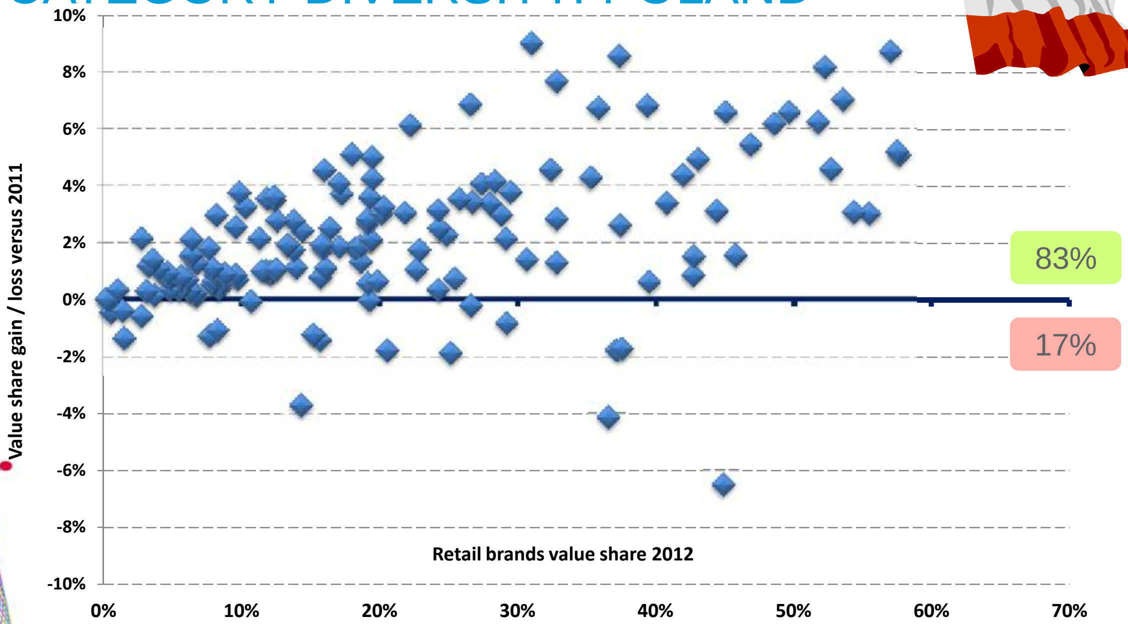
CATEGORY DIVERSITY: POLAND



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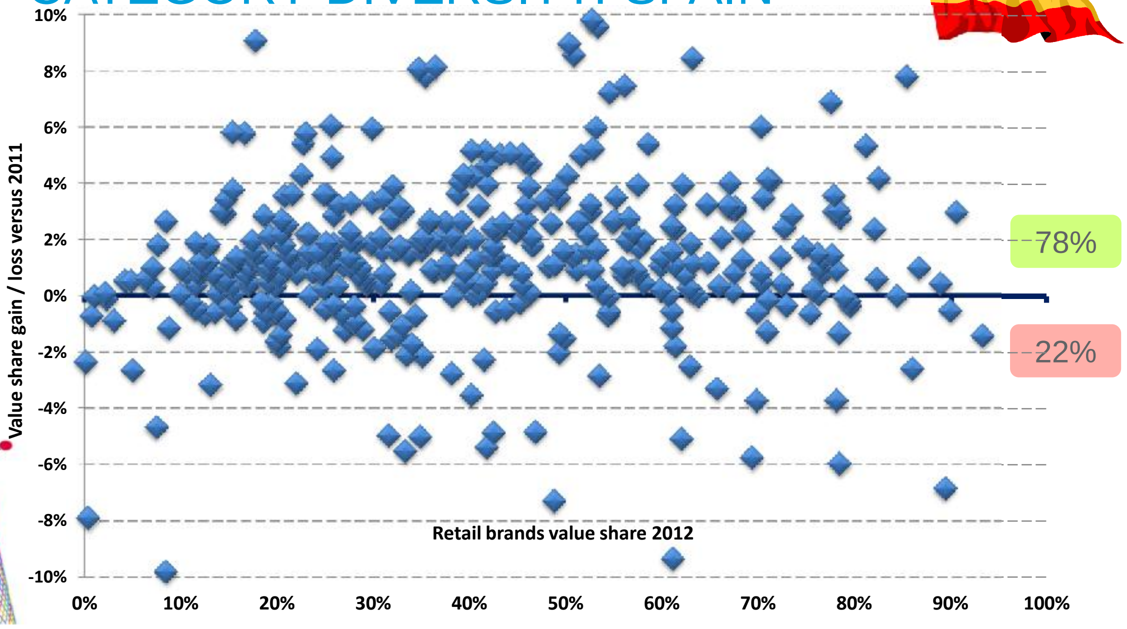
CATEGORY DIVERSITY: SPAIN



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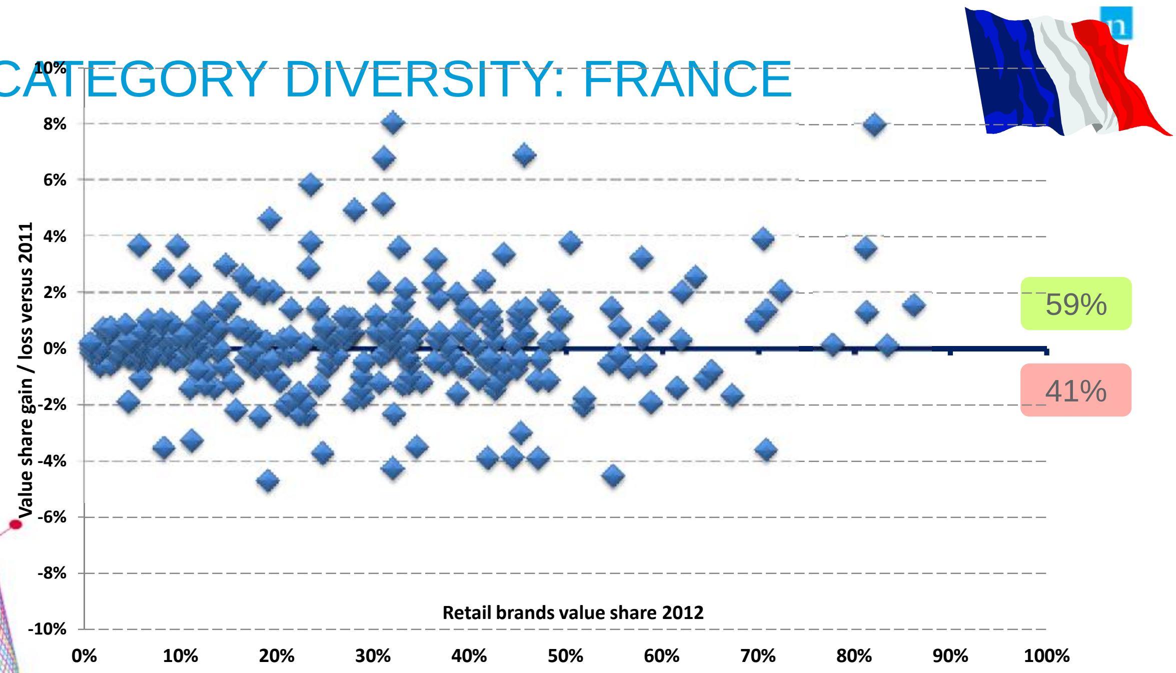
CATEGORY DIVERSITY: FRANCE



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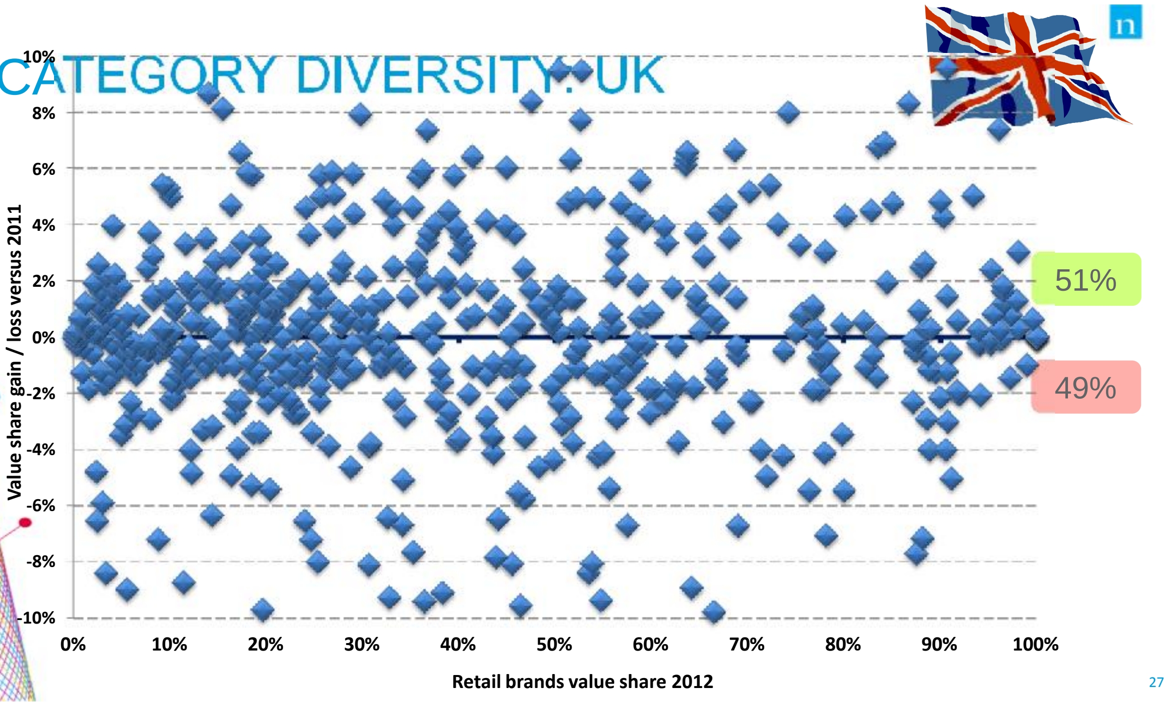
CATEGORY DIVERSITY: UK

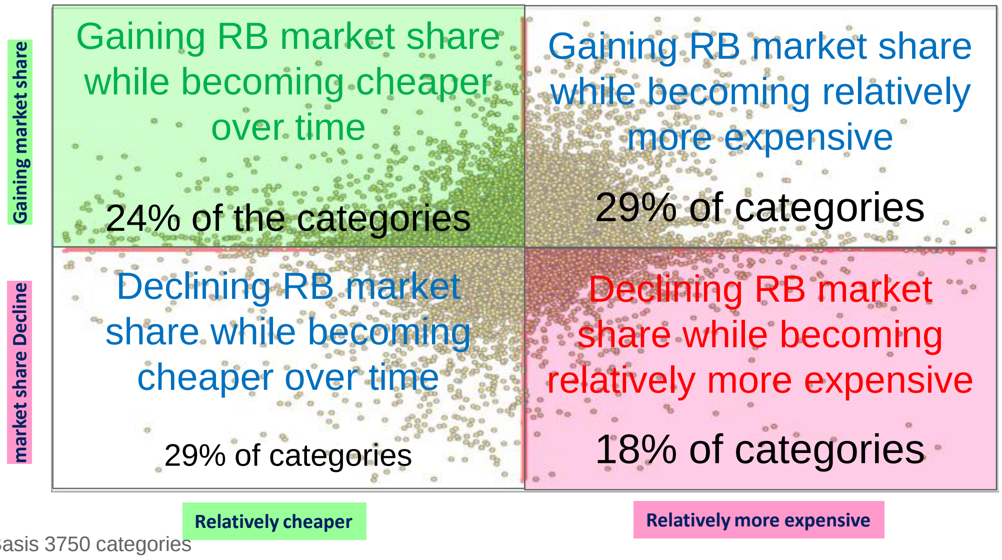


PRICE INDEX VERSUS MARKET SHARE LEVEL

Basis 3750 categories

EFFECT OF CHANGING PRICE STRATEGY OVER TIME ON RB MARKET SHARE

Based on slope analysis with 7 years of data



Basis 3750 categories

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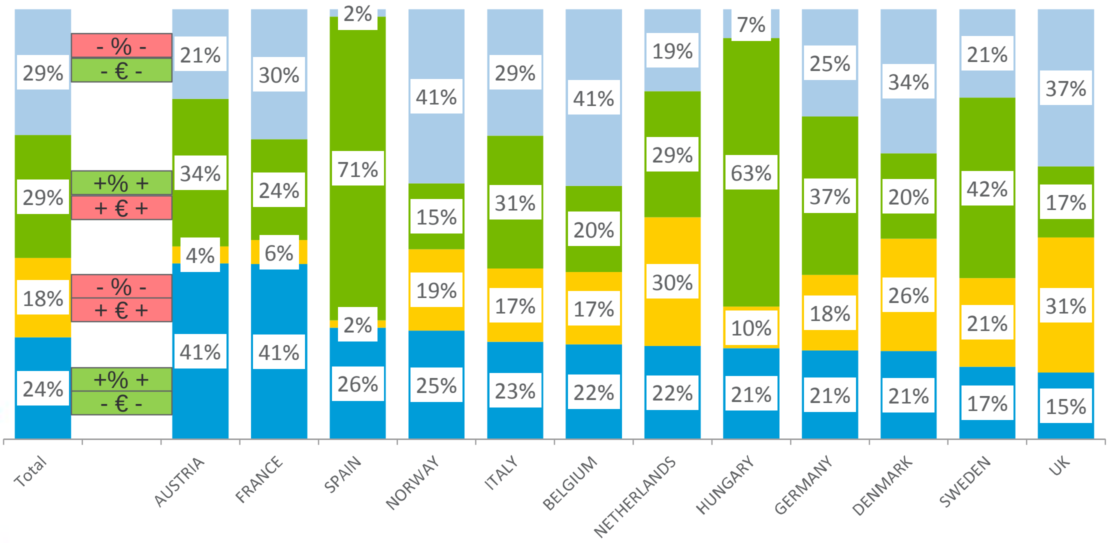
HOW DO THESE CLUSTERS LOOK BY COUNTRY?



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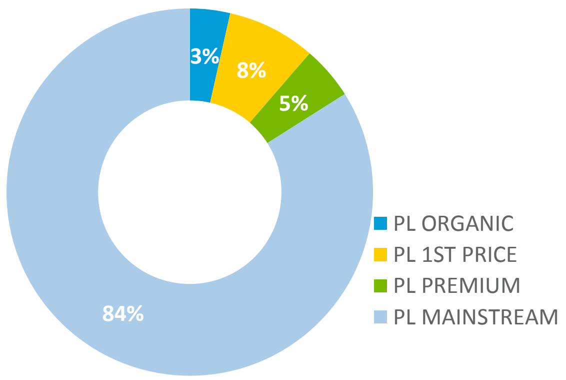
FRANCE: RETAIL BRANDS STRUCTURE



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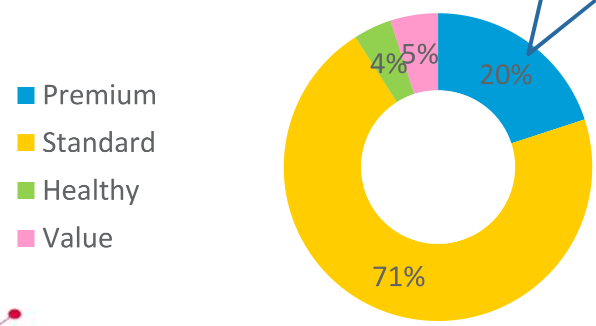
UK: RETAIL BRANDS STRUCTURE

Top 20 Premium represent 75% premium sales



Rank	Category
1	Fresh ready meals
2	Cooked meat
3	Fresh Pork/bacon/sausages
4	Fresh Fish
5	Soft Fruit
6	Fresh Poultry
7	Fresh meat
8	Tomatoes
9	Ambient cake
10	Fresh prepared salad
11	Sandwiches
12	Cheese
13	Bread
14	Confectionary
15	Fresh cake
16	Fresh pastry products
17	Biscuits
18	Chilled desserts
19	Fresh Potatoes
20	Milk

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Our take…

RB growth is diverse and only rarely a smooth and continuous progress

RB must conquer one category at a time.

Tier-ing the offer has limited reach.

Price is not the irresistible differentiator.

RB win more on value than on price.

WHO IS THE RETAIL BRAND CONSUMER?

WHO BUYS RETAIL BRANDS?

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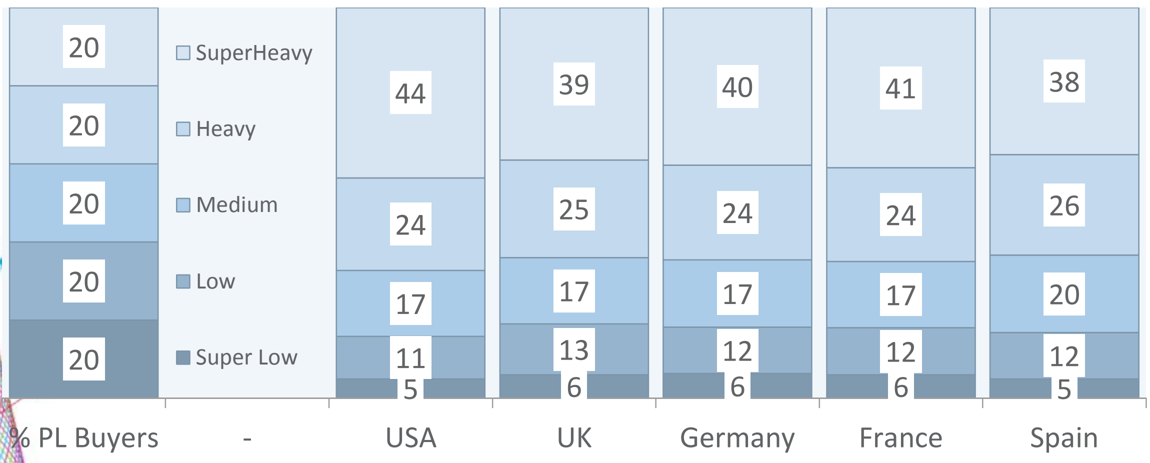
BUT … SOME DO SPEND MORE THAN OTHERS



Source: Homescan

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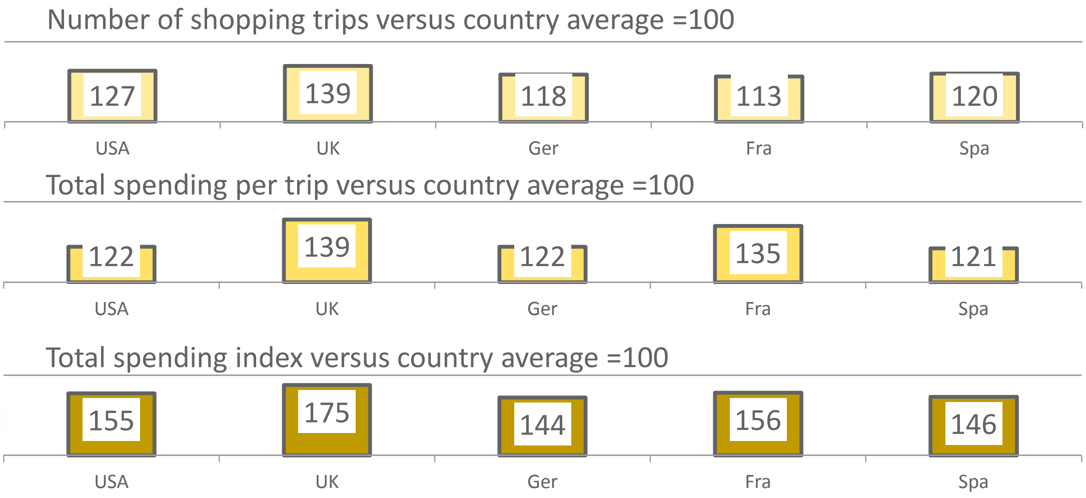
WHO ARE THOSE "SUPER HEAVY" RB BUYERS?



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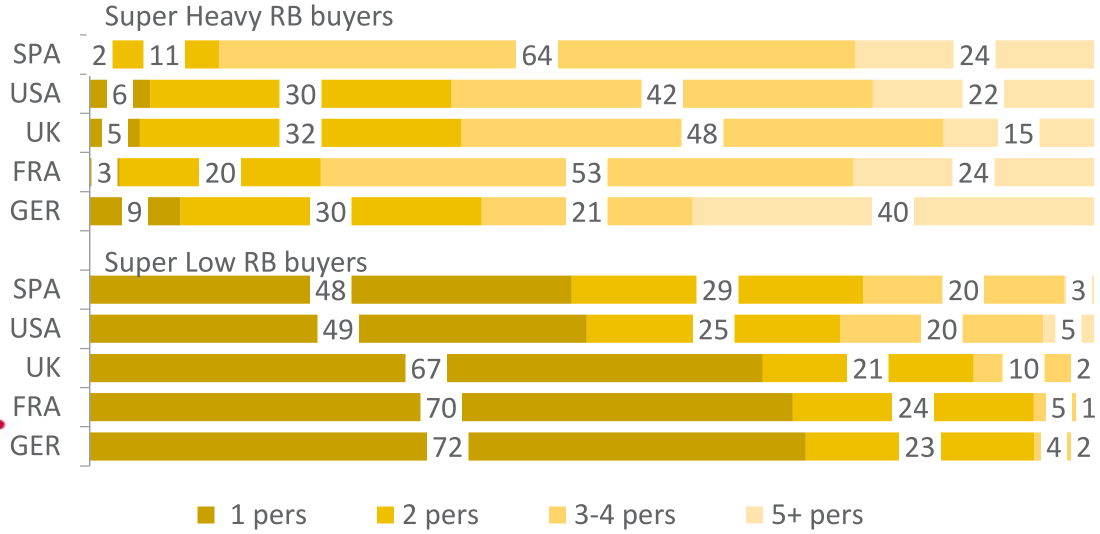
SUPER HEAVY RB BUYERS ARE BIGGER FAMILIES



Households with children

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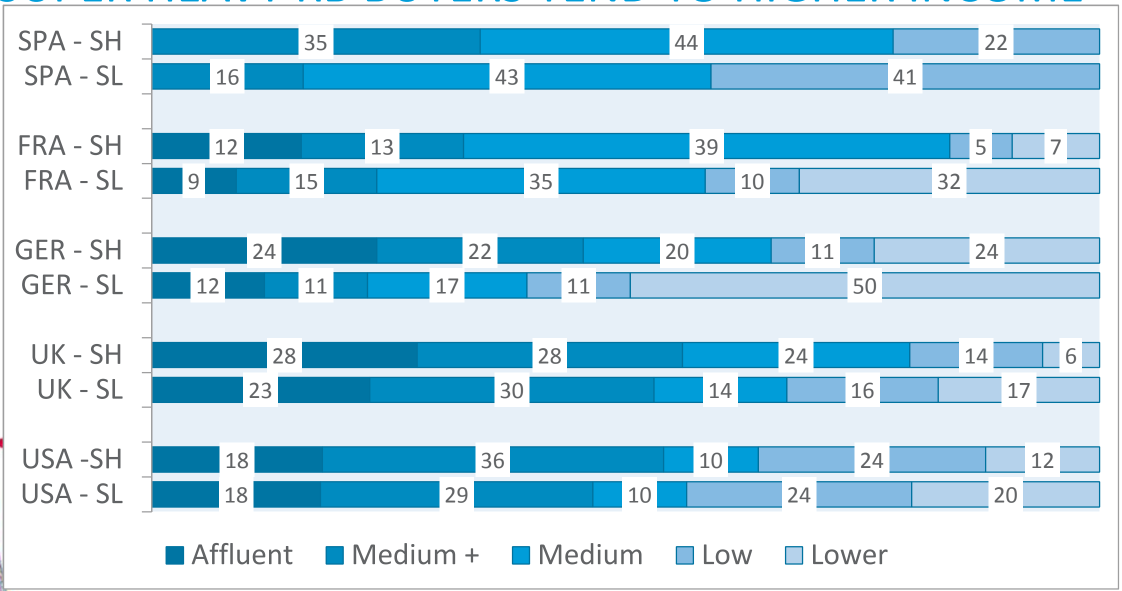
SUPER HEAVY RB BUYERS TEND TO HIGHER INCOME



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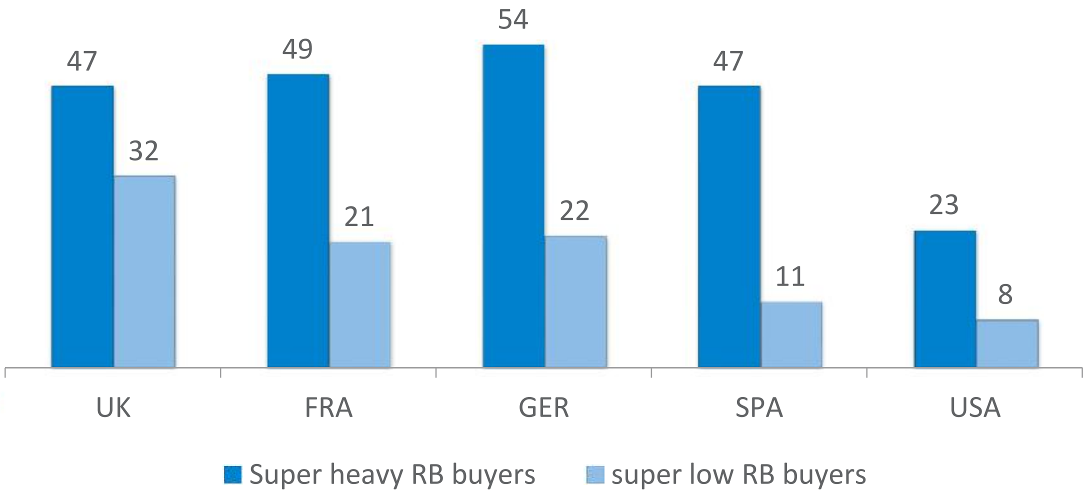
SHARE OF RETAIL BRANDS IN TOTAL PURCHASES



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Our take…

Heavy buyers shop more and buy more of everything

Everybody is a Retail Brands buyer!

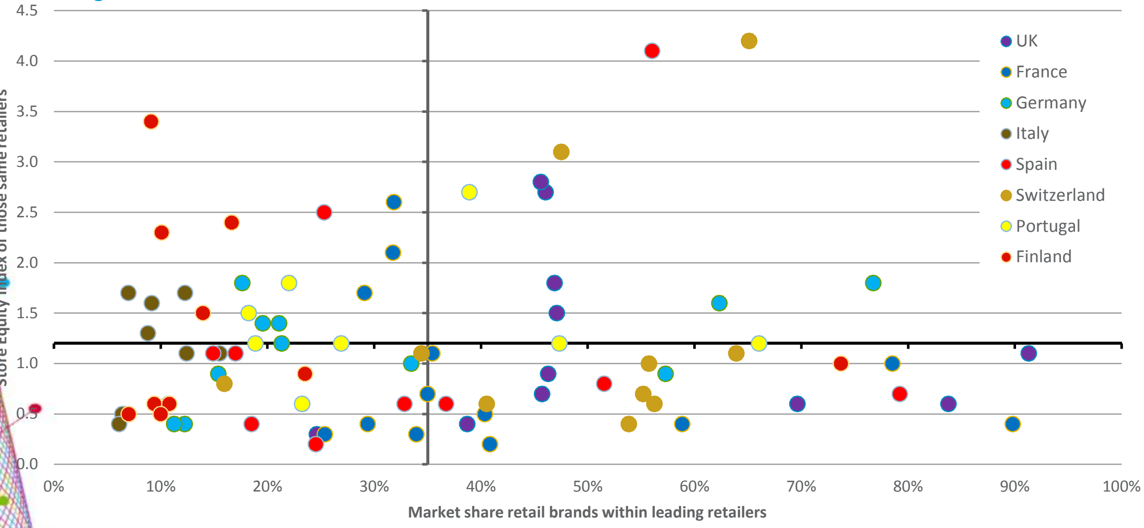
Larger and families with children

RB buyer is more affluent and more educated

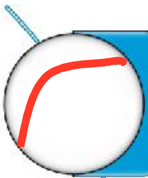
RB buyers are not low budget people

ARE RETAIL BRANDS LEADING TOWARDS MORE STORE LOYALTY AND STORE DIFFERENTIATION?

SHARE OF RB WITHIN RETAILERS AND STORE EQUITY INDEX



Where is saturation?



Indications towards the saturation point of ±45% value share

Switzerland and UK plateau at that level for several years

Super Heavy PL buyers max out around the 50% level

PL gain structurally 0.3%-0.5% points per year

2012 ➔ 16,5%

2015 ➔ 17.5%

2020 ➔ 20%

Retail brands have space to expand:

USA

Catching up European markets

Developing markets

Retail Brand Truth

1: Retail Brands will keep on growing
2: Growth will neither slow down nor speed up
3: Retail Brands are not products of economic struggle
4: Retail Brands are not a quick win
5: Retail Brands have limited contribution to retailer equity
6: Retail Brands are not a fatality for brands
7: Price is not the irresistible differentiator.
8: Retail Brands win more on value than on price.
9: Retail Brands are not for low budget shoppers (actually the contrary)
10: Success or failure does not travel across countries and/or categories