

Press release

29. April 2009

On the right track: Lekkerland improves turnover

"Agenda for Growth" to be consistently pursued

The convenience-wholesaler Lekkerland AG & Co. KG increased its turnover in 2008 by 3.5 percent to €11.6 billion. "We are well positioned for the long-term thanks to our 'Agenda for Growth' strategy," explained Lekkerland Group CEO Christian Berner. "Consumers want to look after their food and drink needs while on the go as quickly and conveniently as possible - our 2008 convenience study also clearly shows that this trend is set to continue and this is going to remain the focus of our strategy. The contract extensions with key customers which were agreed in 2008 form the basis for the continued positive growth of the Lekkerland Group's business," stated the CEO. Nevertheless, Lekkerland had to overcome a difficult business environment in 2008: for example, as a result of high fuel prices in the first two quarters, the company noticed considerable consumer reticence at filling stations. This, coupled with several special items, meant that earnings before interest, tax, depreciation and amortization (EBITDA) fell by 9.9 percent to €136 million and EBIT declined by 19.6 percent to €82 million.

Special items such as the start-up costs for the new "Food Intelligence" food services division, which the company established last year to implement its growth strategy, also had an impact on profit, as did write-downs in Poland and Romania.

Operating results: sales stable in Germany, rising sales in Western and Eastern Europe

In 2008, the **Germany** segment accounted for €6.7 billion (58 percent) of the Group's total turnover. This puts turnover 0.9 percent above that of the previous year, thus remaining stable overall. A positive development is the growth in turnover of 3.4 percent in the Food / Non-food sector which the company achieved despite the adverse market conditions. This product line shows turnover of €1.4 billion. The tobacco products sector stabilised in Germany with turnover of €5.3 billion, roughly at the same level as the previous year. Commissions on Electronic Value (e-va: electronically distributed prepaid credit) reduced as expected. Turnover from commission fell in Germany in comparison to the previous year by 14.6 percent to €70 million. This results from the impact of the increased competitive environment coupled with continuously decreasing margins.

Lekkerland AG & Co. KG's turnover for the **Rest of Western Europe** segment (Netherlands, Belgium, Spain, Austria, Switzerland) rose by 5.2 percent to €3.8 billion. This improvement was generated particularly by the tobacco goods segment in The Netherlands and the Food / Non-food segment in Spain. It is primarily based on the successful acquisition of new customers and the increase in sales volumes from important major customers.

Eastern Europe (Czech Republic, Hungary, Romania, Poland) broke the €1 billion barrier for the first time with an increase in turnover of 15.2 percent. All operational companies in the segment increased their turnover.

“Agenda for Growth”: Growth strategy based on two pillars

In the current situation, reliable forecasts about future business development are difficult to make. “With the ‘Agenda for Growth’, we can also tackle current challenges. Consequently, we are planning to press ahead with this growth strategy,” according to Christian Berner. It is based on two pillars: growth in existing customer segments and the expansion of new product ranges. In 2008 the company reorganised Customer Relationship Management using a new SAP software tool, meaning that field staff can now provide even more in-depth and detailed advice to their customers. The company also expanded Category Management and Lekkerland now increasingly offers complete solutions whereby the customer is provided with suggestions about the composition of their product range, optimum floor space usage and the placement of goods.

Solutions proposed by Lekkerland always incorporate current market research data and the results of studies, such as those from the Lekkerland-endowed Chair of Convenience & Marketing at the European Business School in Oestrich-Winkel. This Chair of Convenience, the first of its kind in the world, undertook an investigation in 2008 in Germany, The Netherlands and Romania as to who consumes on the move, where this takes place and the reasons why consumers opt for convenience products. “The results of such studies ensure that we are well informed about consumers’ requirements,” explained Lekkerland’s CEO. “This is what we need in order to make our customers successful.” Lekkerland will carry out the study again this year.

Within the framework of the second column of the “Agenda for Growth” – the expansion of new product lines – the virtual prepaid e-va range was expanded to include internet payment products and electronic vouchers in 2008. The e-va concept also received its own web pages where consumers can obtain information directly about the products as well as locate the nearest shops with an e-va terminal.

A significant change for Lekkerland in 2008 was the foundation of the Food Intelligence Division. The new division develops food solutions for every type of restaurant chain, convenience shops and cafeterias. One particular focus was the development of its own “Food IQ” product line.

Food Intelligence: A building block for restaurant chains

With the “Lekkerland Food Intelligence” food services division, Lekkerland is responding to the changing eating habits of consumers, with whom fresh and ready-to-(h)eat products are becoming increasingly popular. Whether fresh, chilled or non-chilled products, Food Intelligence creates scalable systems from different product line and service components for every type of bulk consumer. Initial customers such as Domäne furniture stores are already using the range. One component of the Food Intelligence range is Lekkerland’s individual brand “Food IQ”, which offers fresh and frozen ready meals for consumers and bulk customers in the catering industry. For Internorga 2009, the “Food IQ” range was expanded to include pre-portioned soups in a take-away cup. For this ‘soup-to-go’ idea, Lekkerland was awarded the “Show Star”, a prize for new

products, in the innovation category by a trade magazine.

Consumers can now find more information about all “Food IQ” products at www.foodiq.com. The site was designed specifically for end consumers and provides numerous interaction possibilities along with comprehensive product information. For example, users can evaluate every “Food IQ” product, access the ingredients, recommend products to others, compare products and submit their own recipe ideas.

The continuous improvement in the quality of services offered by Lekkerland forms the basis of the “Agenda for Growth”. The company’s objective is to further optimise its performance with regard to punctuality and reliability in order to provide customers with the best possible service. For example, it was possible to reduce the error rate in tobacco product picking to a minimum through the introduction of the voice-controlled “Pick-by-Voice” picking system, with the result that the pack error rate is now 0.005 percent. The launch of the route planning software PTV Intertour and the telematics system in Germany serve the objective of improving delivery quality even further and best meeting customers’ requests.

A brief profile of the Lekkerland Group

Operating in eleven European countries, Lekkerland supplies some 134,000 filling station shops, corner shops, convenience stores, fast-food chains, specialty tobacco shops, specialty beverage retailers, department stores, grocery stores/markets, bakeries, and cafeterias with a full range of confectionery, beverages, snacks, convenience items, ice cream, frozen foods, fresh products, tobacco products, phone cards and non-food items. The company’s turnover amounted to €11.6 billion in 2008.

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