Driving our Growth Markets

Analysts days 11, 12 and 13 june 2008

Brazil

The Dia% format in Brazil

Carlos Villar

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The Dia% format in Brazil

Introduction: The Dia% format in Brazil vs. traditional hypers and supers

2001 – 2007: Adapting to the Brazilian market

2001 – 2007: Results

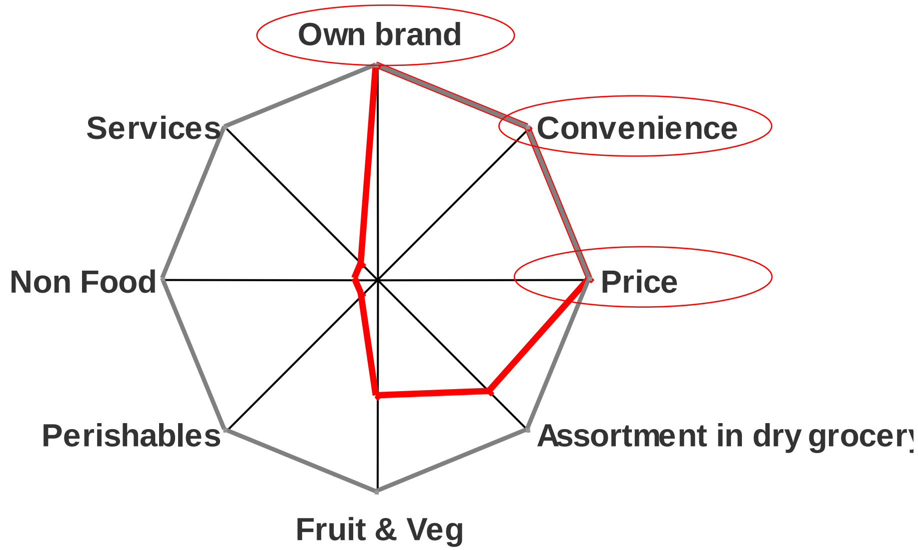
Outlook:

- Upgrading the store image
- High expansion growth rates

Introduction: the Dia% format vs. traditional hypermarkets and supermarkets

A very focused customer offer

Simplicity – Cost



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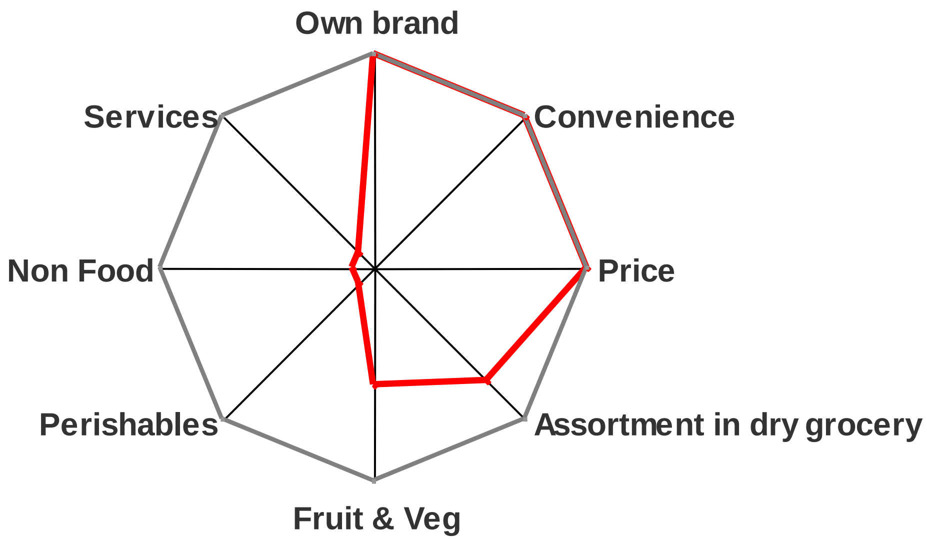

Social multi-class:

Low-income customers need to save, high-income customers love savings

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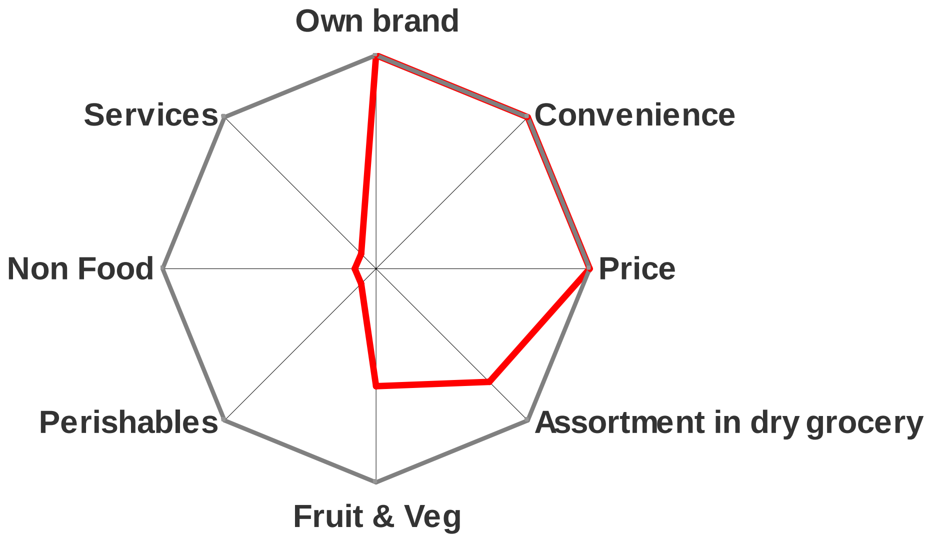

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Financial model with low capital employed, and critical mass (number of stores) to get to breakeven

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2001 – 2007: adapting to the Brazilian market

2001 vision

The Sao Paulo market:

- 18 M inhabitants / €5,000 GDP per capita
- High density of population
- 70% low income people, meaning strong sensitivity to price and convenience

2001 – 2007: adapting to the Brazilian market

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2001 vision

The Sao Paulo market:

- 28 M inhabitants / €5,000 GDP per capita
- High density of population
- 70% low income people, meaning strong sensitivity to price and convenience
- Shrinkage as a main challenge
- Low staff costs
- Little competitors in modern food retail (Carrefour, Wal-Mart, CBD) and not in convenience discount

2001 – 2007: adapting to the Brazilian market

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The model:

- Aim: to be discount (low cost)
- The tools: small convenience stores

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- 250 m² stores, no parking space
- 1200 SKUs, limited offer in perishables
- Only cash accepted
- Same range in all stores

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2007 vision

The Sao Paulo market:

- Only a small percentage earns €5,000 per capita
- Low consumption density
- Close proximity between poor and wealthy neighborhoods -> high expectations for service

2001 – 2007: adapting to the Brazilian market

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- Only a small percentage earns €5,000 per capita
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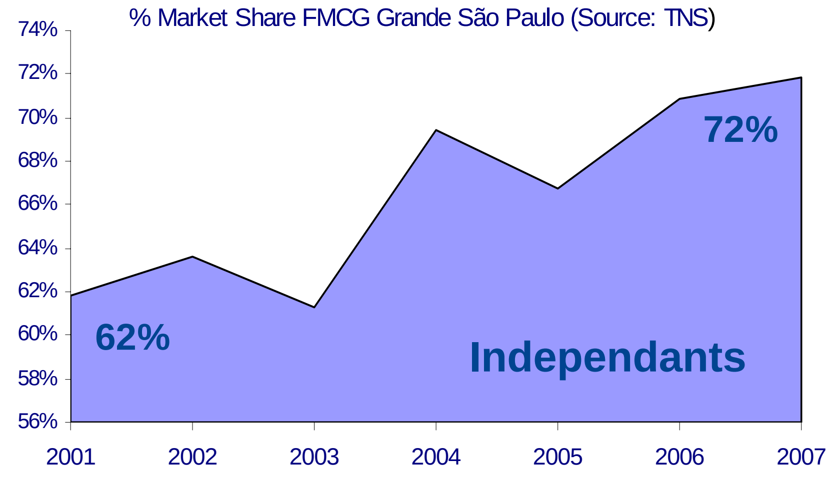
- Close proximity between poor and wealthy neighborhood: high expectations for service
- Safety: Core Business
- High other operating costs
- Independents still gaining share



2001 – 2007: adapting to the Brazilian market

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The model:
- Aim: to be discount (Sales/m2 – Price)
- The tools: average size stores
- 450 m² stores, with parking space

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The model:
- Aim: to be discount (Sales/m2 – Price)
- The tools: average size stores
- 450 m² stores, with parking space
- 2000 SKUs, stronger F&V offer
- Credit Cards accepted
- Assortment: clusterisation

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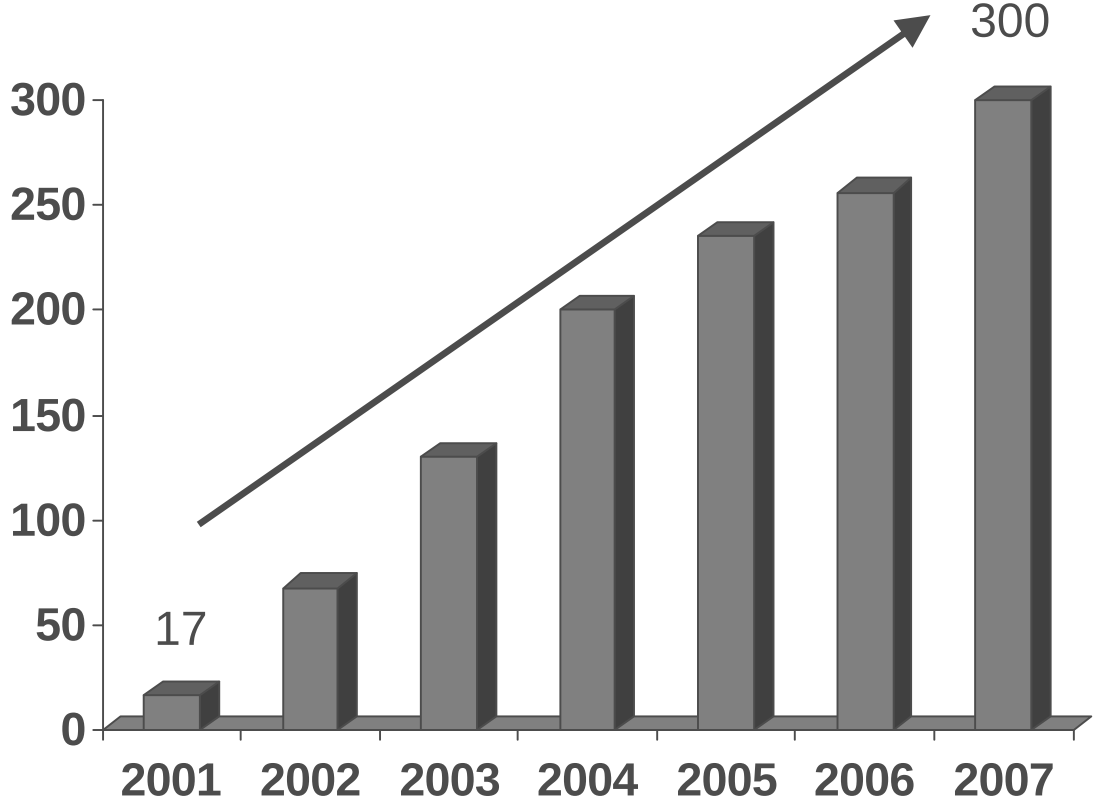
2001 – 2007 results: store network

Strong **Increase** in the **Stores Network** in **São Paulo**: Close to **1 store a week**

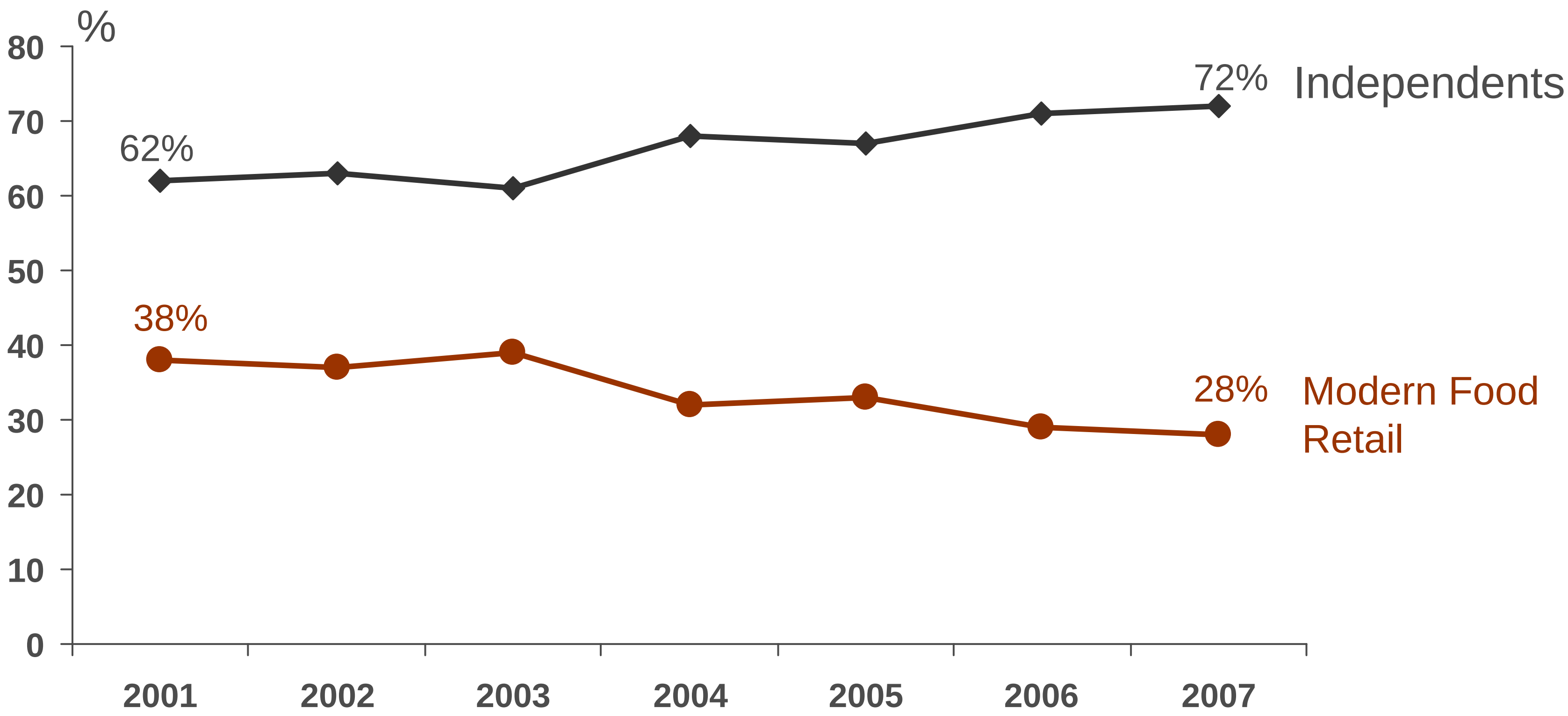


2001 – 2007 results: store openings

Dia% opens 70% of its stores in lower income catchment areas, **directly competing with local independents.**

2001 – 2007 results: market share

Independents win share at the expense of modern food retail, in a **very aggressive Greater Sao Paulo market**



% Dry Grocery Market share Greater Sao Paulo, source TNS

2001 – 2007 results: own brand

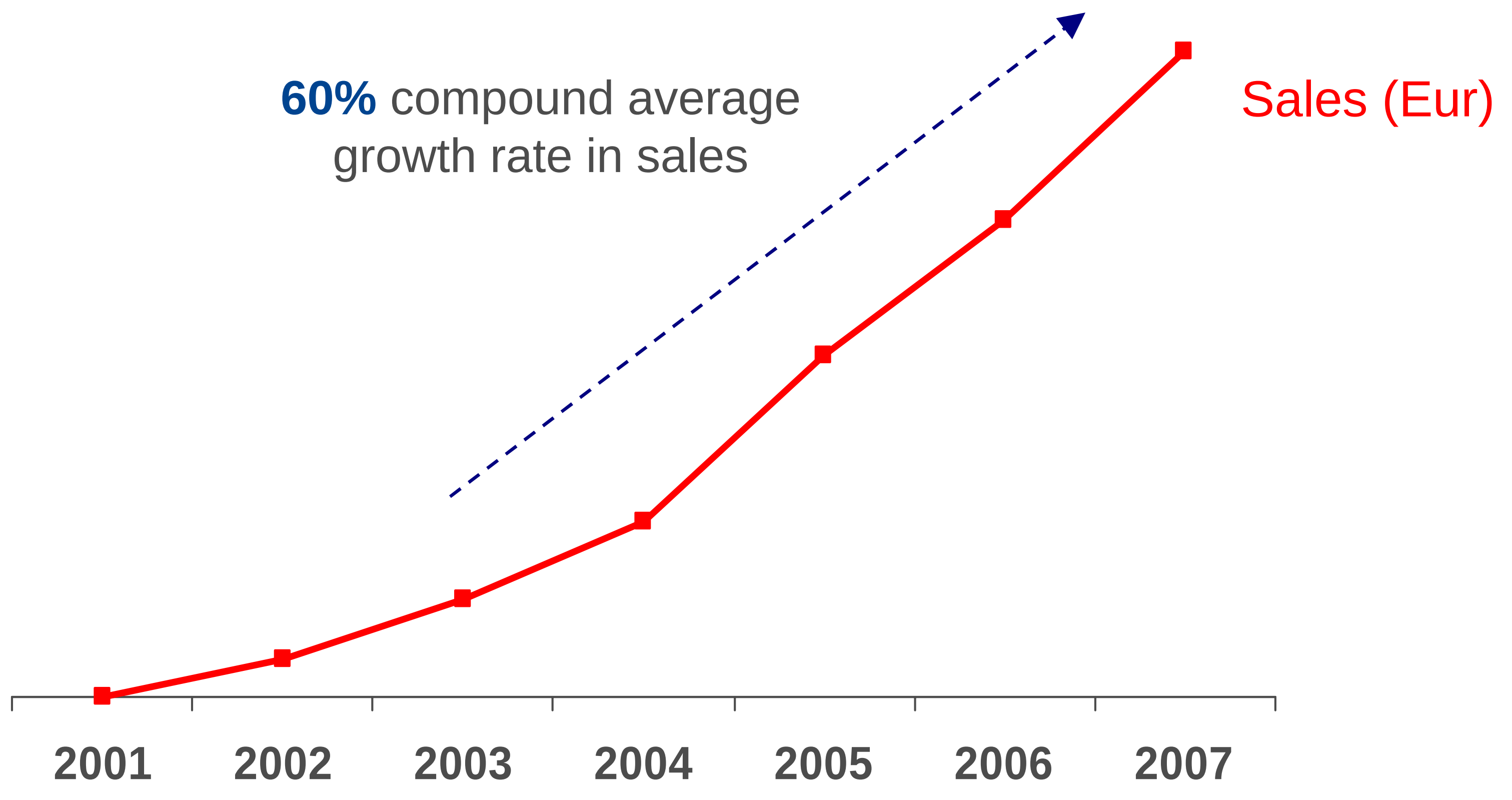
Own Brand participation: 6 x Brazilian food retail

2001 – 2007 results: sales/m²

Leadership in terms of **Sales/ M²** and **Price Image** in the modern food retail

2001 – 2007 results: sales growth

Much Stronger Sales Growth than market average (LfL and Total)



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Outlook

3 non-negotiable priorities:

- **Price image** leadership

- Best in class **Sales/ m²**

- Leadership in the contribution of **Own brand**

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Next steps: upgrading the store image

Targets of upgrading the store image:

- Create a more comfortable **shopping experience** for the consumer while keeping it **simple**

- Improve **emotional relationship** to the Dia% brand

- Maximize **ROCE** through increase in **sales**

Next steps: upgrading the store image

The changes to come:

- New external image
- New logo

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Next steps: upgrading the store image

The changes to come:

- Improvement of the shopping experience

Next steps: upgrading the store image

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- Improvement of the shopping experience

Next steps: upgrading the store image

The changes to come:

- Improvement in lighting, strengthening signage

Next steps: upgrading the store image

The changes to come:

- Implementation of quicker check-outs while emphasizing impulse purchases

Next steps: upgrading the store image

The changes to come:

- A more “Brazilian” image

Next steps: upgrading the store image

Timing:

- New lay-out roll-out: 2007

- Store image roll-out: March 2008 – March 2009

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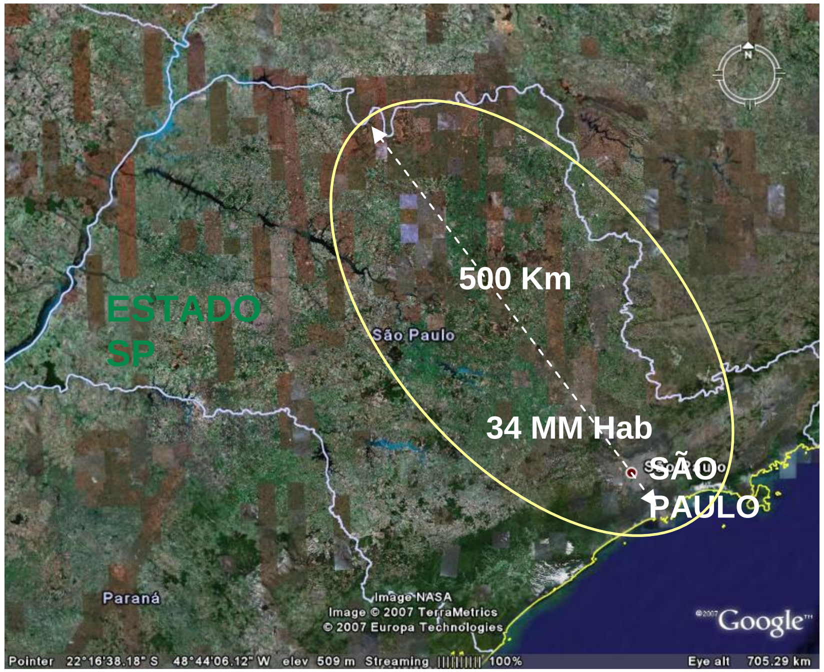
Outlook: High expansion growth rates

Target: maintain the historic pace of expansion through…

- **Expansion** in the state of Sao Paulo

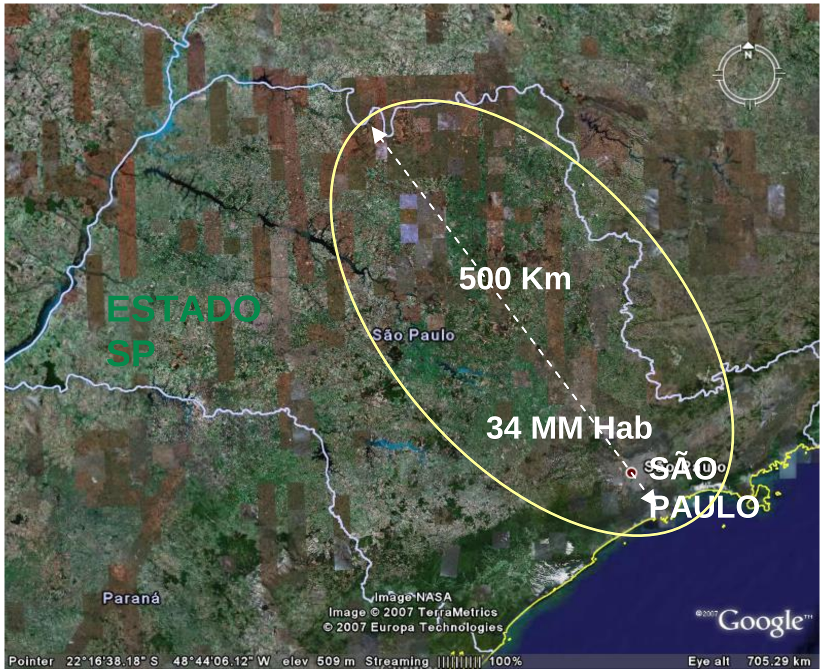


Outlook: High expansion growth rates

Target: maintain the historic pace of expansion through…

- **Expansion** in the state of Sao Paulo

- **Opening and remodeling 450m²** stores under both franchised and owned stores






Dia%, a good bargain for the customer




Thank you