

PRESS RELEASE

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Laurus N.V. 2004 results

Loss in a difficult year

Harry Bruijniks, chairman of Laurus N.V.'s Group Management Board:

'The combined effect of the economic recession and the price war which started in October 2003 brought the Dutch food retailing sector to a complete standstill in 2004. Following a tentative return to profit in 2003, Laurus ended 2004 with a loss, the reasons for which already were explained at the time of the announcement of the share issue in the fourth quarter. The trend in combined like-for-like consumer sales of our retail formats was downward.

From the point of view of longer-term recovery, however, 2004 was far from a lost year. We worked hard on the much-needed renewal of our Edah, Konmar and Super de Boer formats, opening 40 Edah Lekker & Laag stores in the second half of 2004 and the first Super de Boer Refresh store at the end of October. Week 16 of 2005 will see the opening in Hoogvliet of the first pilot store operating under our new Superstore format.

The issue of new shares in November 2004 has provided the equity and financial resources Laurus needs to accelerate the process of format renewal in 2005 and beyond. An additional focus this year is on maintaining – and where possible increasing – our sales. In parallel with upgrading our formats, improving our store operation is an essential part of this process.

In 2004, Laurus implemented a number of extensive reorganisations which improved the cost structure considerably. In consequence, it was possible to recover part of the loss of margin resulting from the price war.

To improve our logistics infrastructure in the west of the Netherlands, Laurus is investing around € 50 million in a new distribution centre in 2005 and 2006.'

	2004	2003
Operating income (EBIT) in the Netherlands, before special items	€ (20) million	€ 82 million
Operating income (EBIT) in the Netherlands	€ (111) million	€ 39 million
Net sales in the Netherlands	€ 3.5 billion	€ 3.8 billion
Consolidated operating income (EBIT)	€ (115) million	€ 27 million
Consolidated net sales	€ 3.5 billion	€ 4.1 billion
Consolidated net income	€ (128) million	€ 9 million
Consolidated net interest charges	€ (29) million	€ (34) million
Interest-bearing debt (long-term)	€ 230 million	€ 403 million

Results

Consolidated net sales in 2004 amounted to € 3.5 billion, a substantial decrease compared with 2003 (€ 4.1 billion). Net sales generated by the Belgian activities contributed only € 23 million in 2004, compared with € 229 million in 2003. The decrease in the Netherlands was largely due to price cutting and the sharp decline in sales volumes.

Consolidated gross margin fell from 19.3% in 2003 to 18.8% in 2004.

Consolidated operating income for 2004 was € 115 million negative, compared with € 27 million positive in 2003. As indicated in October 2004, at the time of the announcement of the share issue, operating income was adversely affected by the € 69 million impairment of the capitalised goodwill in respect of Groenwoudt/Nieuwe Weme and the provision of € 26 million for the Bridge reorganisation project, which involved the loss of 1,290 store jobs.

The operating income benefited from a € 13 million reduction in distribution costs, of which € 8 million was achieved through restructuring of the distribution network and € 5 million reflected the reduced distribution volume. There was a further fall in overheads of € 4 million, due to the reduction in the number of FTEs from 930 at the end of 2003 to 830 at the end of 2004.

Laurus suffered a net loss of € 128 million in 2004, a sharp reversal compared with 2003, when the positive net result of € 9 million marked an – albeit modest – return to profitability for the first time in several years. In fighting the price war, which broke out in October 2003 and continued unabated in 2004, Laurus implemented substantial price cuts within all three retail formats which, combined with the reduced sales volume, had a major negative impact on the result.

Special items

The net effect of special items in 2004, including the effect of a 53rd week, amounted to € 91 million. Excluding special items, the consolidated operating income would have been € 20 million negative. The most significant special items can be summarised as follows:

- Impairment of capitalised goodwill in respect of Groenwoudt/Nieuwe Weme of € 69 million, which was charged to the result.
- Formation of a provision of € 26 million for the cost of reducing store staff by 1,290 (Bridge reorganisation project).
- Appropriation of € 5 million to the provision for lease commitments on vacant premises, in the light of further deterioration of the property market.
- Net gain of € 11 million realised, mainly on the disposal of several Dutch assets.

Disposals

Disposals yielded a gain of € 19 million, from completion of the sale of the Belgian activities and closure of the positions in Spain.

Rationalisation of logistics infrastructure and termination fees

Two distribution centres, in Hoofddorp and Apeldoorn, were closed in 2004. The lease on the Van Nelle building in Rotterdam, expiring in mid-October 2011, was taken over by Volker Wessels Stevin Bouw & Vastgoedontwikkeling B.V. as of 1 April 2004. The agreed consideration was charged to the provision for lease commitments.

Net interest charges and financing

Net interest charges decreased from € 34 million to € 29 million, mainly reflecting the lower level of debt in 2004 compared with 2003. The proceeds of the share issue in November 2004 were used to reduce interest-bearing debt. Long-term bank debt amounted to € 230 million (2003: € 403 million) at the balance sheet date. The facilities available from the consortium of banks at the balance sheet date totalled € 760 million: € 530 million for the Netherlands (of which € 43 million has been drawn) and € 230 million for Spain (of which € 185 million has been drawn). The € 80 million facility for Belgium was cancelled in February 2004. The facility for Spain, which initially amounted to € 340 million, was reduced in 2004 by € 110 million, yielding an annual saving of approximately € 1 million in commitment fees.

The Excess Liability Facilities (ELFs) of € 250 million for the reorganisations in Belgium and Spain, were cancelled by Laurus in January 2004.

Taxation

Tax on income from ordinary activities was € 3 million negative (2003: € 8 million positive), mainly due to the downward adjustment of capitalised deferred taxation in connection with the reduction in the corporation tax rate. The loss in 2004 did not give rise to an increase in capitalised deferred taxation.

Shareholders' equity

Reflecting the share issue in November 2004 and the loss for the year, shareholders' equity increased in 2004 to € 154 million (2003: € 90 million).

No dividend for 2004

In compliance with the statutory provisions and the provisions of the articles of association relating to the appropriation of profit, Laurus will not distribute a dividend for 2004.

Belgium

Net sales were down € 206 million to € 23 million, due to the disposal of stores. Operating income was € 4 million negative (2003: € 12 million negative).

Netherlands

Operating income before special items on the activities in the Netherlands declined from € 82 million in 2003 to € 20 million negative in 2004. Including special items, operating income from the activities in the Netherlands decreased from € 39 million in 2003 to € 111 million negative in 2004.

Laurus' core activities in the Netherlands (Edah, Konmar and Super de Boer) reported disappointing sales last year. Net sales in 2004 (53 weeks) amounted to € 3.5 billion, compared with € 3.8 billion in 2003 (52 weeks). Consumer sales in 2004 (53 weeks) amounted to € 4.1 billion, compared with € 4.5 billion in 2003 (52 weeks). Total like-for-like consumer sales (based on 52 weeks) were down 8.2% compared with 2003. The combined market share in 2004 was 16.4% (2003

18.3%). The disposal of stores accounted for around a third of the decline in market share, with the loss of like-for-like consumer sales accounting for the remainder.

The negative sales trend in 2004 can be attributed entirely to the fact that the Laurus retail formats are at a transitional stage. A process of renewal is under way within all three retail formats, with the object of enhancing their competitiveness, but the converted Edah and Super de Boer stores have not been operational long enough to reverse the decline in total sales.

This decline manifested itself most clearly at the 'regular' Edah stores which had not yet been converted to the Edah Lekker & Laag format. Compared with the existing Edah stores, sales were higher at the 40 stores which were converted to the Edah Lekker & Laag format in the third and fourth quarters of 2004. As previously announced, a further 15 stores will be converted this quarter, accompanied by further fine-tuning of the Edah Lekker & Laag format.

The 'regular' Super de Boer stores (those which have not yet undergone the full Refresh revitalisation programme) are performing better than the 'regular' Edah outlets in the current price war. A good level of sales is being achieved by the stores which have been fully remodelled under the Refresh programme.

The Konmar Superstores showed signs of a tentative recovery in the second half of 2004, reflected mainly in rising volume, but the evidence is not yet strong enough to be convincing. A new 'every day low prices' concept for the Superstores is to be launched in Hoogvliet in week 16 of 2005.

Edah

There were 286 Edah stores at the end of 2004 (year-end 2003: 269), of which 58 (year-end 2003: 58) were operated by affiliated independent retailers.

Konmar

There were 43 Konmar stores at the end of 2004 (year-end 2003: 90, including 45 stores which were converted to Super de Boer or Edah in 2004), of which four were operated by affiliated independent retailers.

Super de Boer

There were 392 Super de Boer stores at the end of 2004 (year-end 2003: 369), of which 206 (year-end 2003: 214) were operated by affiliated independent retailers.

Outlook for 2005

- Renewal of the retail formats will continue to be a priority in 2005. Laurus expects to invest approximately € 245–255 million in upgrading its stores from now until the end of 2007.
- The main priority in 2005 will be to increase customer satisfaction, among other things by further improving our store operation.
- Major effort will continue to be invested in cost saving, first and foremost via the further roll-out of projects such as Superfit (designed to increase the efficiency of store processes) and Casper (introduction of a computer-aided ordering process within the stores). As well as improving ordering efficiency,

the Casper project is also designed to reduce the number of out-of-stock items. The various reorganisation processes which are already under way will be completed.

- It is unclear how the price war, which has now been in progress for almost a year and a half, will develop in 2005 in terms of intensity. In addition, it is unclear how and when the pace and effectiveness of the policy adopted by Laurus shall materialise. Any improvement in the result will largely depend on the improvement in sales and margin. In the light of these uncertainties, the Group Management Board chooses not to give any forecast of the result in 2005.

Important dates

Publication of first-quarter 2005 sales figures	25 April 2005
Publication of 2004 annual report	26 April 2005
Annual General Meeting of Shareholders	12 May 2005
Publication of second-quarter 2005 sales figures	11 July 2005
Publication of 2005 interim figures	2 September 2005
Publication of third-quarter of 2005 sales figures	17 October 2005
Publication of 2005 full-year sales figures	17 January 2006

Enclosed

Consolidated balance sheet
 Consolidated profit and loss account
 Consolidated shareholders' equity
 Consolidated cash flow statement

Laurus and the road to recovery

With distinctive retail formats, each with its individual identity and commercial policy and each independently addressing its specific market segment, Laurus aims in the coming years to strengthen significantly its position as the second-largest player in the Dutch food retailing sector. The company is resolutely pursuing its step-by-step recovery plan, which runs until the end of 2007, while closely monitoring its operating costs and back-office processes on a continuous basis. The priority for Laurus in 2005, in addition to further efficiency improvements, will be to upgrade its retail formats.

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Geconsolideerde balans / Consolidated balance sheet

(x € 1 miljoen / x € 1 million)

	31-12-2004	31-12-2003
Activa / Assets		
<i>Vaste activa / Assets</i>		
Immateriële vaste activa / Intangible fixed assets	55	138
Materiële vaste activa / Tangible fixed assets	397	419
Financiële vaste activa / Financial fixed assets	46	61
	498	618
<i>Vlottende activa / Current assets</i>		
Vorraden / Inventories	152	167
Vorderingen / Receivables	136	167
Liquide middelen / Cash & banks	30	65
	318	399
Totaal / Total	816	1.017
<i>Eigen vermogen / Shareholders' equity</i>	154	90
Aandeel van derden / Minority interests	1	2
Nog niet gerealiseerde winst op verkochte panden / Unrealised gains on real estate sold	15	16
Voorzieningen / Provisions	84	99
<i>Langlopende schulden / Long-term liabilities</i>	230	403
<i>Kortlopende schulden / Current liabilities</i>		
Kredietinstellingen / Banks	34	33
Handelscrediteuren / Trade creditors	194	252
Overlopende passiva / Accruals and deferred income	87	92
Sociale lasten en belastingen / Social security and taxation	17	30
	332	407
Totaal / Total	816	1.017

Geconsolideerde winst- en verliesrekening / Consolidated profit and loss account	2004	2003
(x €1 miljoen / x €1 million)		
Netto omzet / Net sales	3.498	4.065
Kostprijs van de omzet / Cost of sales	(2.840)	(3.281)
Bruto omzetresultaat / Gross operating income	658	784
Verkoopkosten / Selling expenses	(636)	(589)
Beheerskosten / General and administrative expenses	(147)	(178)
Onroerend goed resultaten / Income from real estate	10	10
Bedrijfsresultaat / Operating income	(115)	27
Resultaat uit desinvesteringen / Result on divestments	19	8
	(96)	35
Financiële baten en lasten / Net interest charges	(29)	(34)
Resultaat uit gewone bedrijfsuitoefening voor belasting / Income from ordinary activities before tax	(125)	1
Belasting resultaat uit gewone bedrijfsuitoefening / Tax on income from ordinary activities	(3)	8
Resultaat deelnemingen / Result on participating interest	-	-
Netto resultaat / Net income / (loss)	(128)	9

Geconsolideerd eigen vermogen / Shareholders' equity

(x € 1 miljoen / x € 1 million)

	2004	2003
<i>Stand primo periode / Opening balance</i>	90	81
Emissie / Share issue	192	-
Resultaat / Retained income	(128)	9
<i>Stand ultimo periode / Closing balance</i>	154	90

Geconsolideerd kasstroomoverzicht / Consolidated statement of cash flows

(x € 1 miljoen / x € 1 million)

	2004	2003
Kasstroom / Cash-flow	20	95
Mutatie in werkkapitaal, voorzieningen en overige / Movements in working capital, provisions and others	(50)	(16)
Totaal geldstroom uit operationele activiteiten / Total cash flow from operating activities	(30)	79
Totaal geldstroom uit investeringsactiviteiten / Total cash flow from investing activities	(40)	19
Totaal geldstroom uit financieringsactiviteiten / Total cash flow from financing activities	35	(158)
Totaal netto geldstroom / Total net cash flow	(35)	(60)
Netto liquide middelen primo periode / Net cash and cash equivalents, opening balance	65	125
Netto geldstroom / Net cash flow	(35)	(60)
Netto liquide middelen ultimo periode / Net cash and cash equivalents, closing balance	30	65