

ANNUAL REPORT OF THE BOARD OF DIRECTORS OF ETN. FRANZ COLRUYT, LIMITED LIABILITY COMPANY, ESTABLISHED AT 1500 HALLE, EDINGENSESTEENWEG 196, BE-400 378 485 TO THE ORDINARY GENERAL MEETING OF SHAREHOLDERS, TO BE HELD ON 21 SEPTEMBER 2011 AT 4 P.M. AT THE REGISTERED OFFICE OF THE COMPANY.

(Only the Dutch text is officially valid)

Dear Sirs,

In accordance with our statutory duties and those under the articles of association, we hereby present the report on the exercise of our office over the 2010/2011 financial year

1. We have the honour of submitting the financial statements for the 2010/2011 financial year for your approval.

2. Appropriation of the result (in euro):

The profit of the financial year before tax amounts to:	380,361,034.39 EUR
Income tax	- 110,107,094.53 EUR
Transfer to deferred taxation	82,846.59 EUR
Profit of the financial year after tax	270,336,786.45 EUR
Transfer to tax-free reserves	4,526,132.81 EUR
Profit available for appropriation	274,862,919.26 EUR
Profit brought forwards from previous period	276,536.78 EUR
Profit to be distributed	275,139,456.04 EUR

We propose to you that this net profit be appropriated as follows:

\* DIVIDENDS:

Coupon no 1: 158,634,933 shares x 0.92 EUR = 145,944,138.36 EUR

Basis of calculation:

33,515,869	profit-sharing shares at 11 October 2010
167,579,345	shares after the share split by 5, on 12 October 2010
+ 715,585	shares at capital increase personnel on 23 December 2010
- 9,761,336	treasury shares at 23 June 2011
+ 101,339	treasury shares intended for profit sharing (September 2011)
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= 158,634,933	shares

* ADDITION TO THE AVAILABLE RESERVE:	104,000,000.00 EUR
* ADDITION TO THE AVAILABLE RESERVE DIVIDEND TREASURY SHARES:	8,887,197.24 EUR
* APPROPRIATION TO THE STATUTORY RESERVE:	2,390,053.90 EUR
* DIRECTORS' FEES:	3,717,318.00 EUR
PROFIT SHARE FINANCIAL YEAR 2010/2011:	9,887,259.98 EUR
* PROFIT CARRIED FORWARD:	313,488.56 EUR
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* TOTAL	275,139,456.04 EUR

3. The Board of Directors proposes to the Annual General Meeting that a gross dividend of 0.92 EUR per share be granted to shares participating in the profits of the 2010/2011 financial year.

Of the gross dividend of 0.92 EUR, shareholders will receive a net of 0.69 EUR after deduction of the 25 % withholding tax on movables, in exchange for coupon no. 1 of their Colruyt shares. VVPR strip holders will benefit from a reduced withholding tax on the dividends. For those shares the net dividend per share will be 0.782 EUR after deduction of the 15 % withholding tax on movables.

Ever since 1995, capital increases reserved to members of the personnel of the Colruyt Group have always involved the issue of such VVPR strips.

For foreign shareholders, the amount of the net dividend may differ depending on the double taxation treaties in force between Belgium and the various countries.

We must receive the necessary certificates no later than 18 October 2011.

The Board of Directors proposes to the General Meeting to make the dividend for the 2010/2011 financial year payable as from 5 October 2011 upon presentation of coupon no 1 at the counters of the financial institutions.

BNP Paribas will act as Principal Paying Agent of the dividends.

4. Comments with the financial statements.

Below is an explanation with the main accounting information for the 2010/2011 financial year.

At 30 November 2010, the real estate of the Colruyt Group was centralised in company Colim CVBA in order to allow central management of the real estate and to make it possible to make it available (rent) in a standardised way to the various operational companies and to allow these companies to focus on their core activity.

In this respect the real estate was transferred from company Etn. Franz Colruyt NV to Colum CVBA by transferring a business unit, by deed of notary Spruyt, Lloyd Georgeslaan11 in 1000 Brussels on 31/11/2010.

The table below displays the amounts transferred (in thousands EUR)

<b>ASSETS</b>	
III. Plant, property and equipment	-225,522
IV. Financial non-current assets	-45
VII. Receivables <1 year	-1,320
IX. Cash and cash equivalents	-16,925
<b>Total Assets</b>	<b>-243,813</b>

<b>LIABILITIES</b>	
IV. Reserves	-4,455
VI. Capital grants	-41
VII. Provisions for risks and costs & deferred taxes	-4,660
VIII. Liabilities >1 year	-236,306
IX. Liabilities <1 year	-2,834
X. Accruals and deferred income	-13
<b>Total Liabilities</b>	<b>-248,309</b>

<b>INCOME STATEMENT</b>	
IV. Financial income	41
XII. Drawings on the tax-free reserves	4,455
<b>Total income statement</b>	<b>4,496</b>

#### **STATEMENT OF FINANCIAL POSITION - ASSETS - Non-current assets**

The carrying value of the NON-CURRENT ASSETS of Etn. Fr. Colruyt NV amounts to 3,414.19 million EUR as compared to 2,295.06 million EUR last financial year, an increase by 48.76%.

The net carrying amount of the INTANGIBLE ASSETS is 12.64 million EUR as compared with 6.75 million EUR last year, an increase with 5.89 million EUR or 87.26%.

Amortisations amount to 1.23 million EUR (1.16 million EUR of which on software).

New investments amount to 7.13 million EUR and consist of investments in software.

The net carrying amount of the PROPERTY, PLANT AND EQUIPMENT is 129.48 million EUR as compared to 366.82 million EUR last financial year, a decrease of 237.34 million EUR or 64.70%. Depreciation and impairment amount to 56.36 million EUR.

As a result of the transfer of business unit 225.52 million EUR was transferred to Colim CVBA.

Total investments of this financial year amount to 58.70 million EUR.

Sections 'Land and Buildings' and 'Leased assets' no longer have a carrying amount as a result of the transfer to Colim CVBA.

The net carrying amount of last financial year amounted to 263.32 million EUR.

The net carrying amount of 'Plant, machinery and equipment' is 43.86 million EUR as compared with 45.97 million EUR, a decrease of 2.10 million EUR or 4.58%.

Apart from new investments in the amount of 16.89 million EUR this financial year, depreciation amounts to 18.41 million EUR.

The FINANCIAL NON-CURRENT ASSETS amount to 3,272.07 million EUR as compared with 1,921.49 million EUR last financial year, an increase of 1,350.58 million EUR or 70.29%.

This increase may be explained by a further increase in holdings in associates. The main transactions concern the capital increases in COLIM CVBA for 400 million EUR and in COLRUYT GESTION LUX SA for 100 million EUR. Also the investment in FINCO NV was increased by the acquisition of Finco NV of COLRUYT GROUP SERVICES NV in the amount of 855 million EUR. By a rearrangement in the share ownership structure of the offshore wind farm Eldepasco, the Colruyt Group increased its interest in NV Eldepasco to 66.67%. On 8 April 2011 the NV Eldepasco changed its name to Northwind NV.

#### **STATEMENT OF FINANCIAL POSITION - ASSETS - Current assets**

The current assets amount to 1,078.26 million EUR as compared to 979.32 million EUR last financial year, an increase of 98.94 million EUR or 10.10%.

Section 'Merchandise' increases by 18.85 million EUR, an increase of 6.69% as compared to last financial year as a result of the increase in the central stock and the branch stores stock.

Trade receivables increase by 76.24 million EUR or 25.55% as compared to the past financial year as a result of increased invoicing to subsidiaries.

We can also observe an increase in the section of sales to be invoiced.

The treasury shares purchased are recognised in the investments of 307.16 million EUR at a value of 305.08 million EUR (9,761,336 shares at 31/03/2008).

#### **STATEMENT OF FINANCIAL POSITION - LIABILITIES - Equity**

The equity of Etn. Fr. Colruyt NV amounts to 877.33 million EUR compared with 742.66 million EUR in the previous financial year, an increase of 134.67 million EUR or 18.13%.

At 31 March 2011 the capital of Etn. Fr. Colruyt NV amounts to 232,903,429.58 EUR represented by 168,294,930 shares.

The Extraordinary General Meeting of shareholders that took place on 12 October 2010 decided to split the shares and VVPR strips of the company into 5.

The operation increased the number of marketable shares without however impairing the position of the existing shareholders. This transaction also increased the liquidity as well as the accessibility of the share, particularly for private shareholders.

In the course of the 2010/2011 financial year the capital was increased by 23,900,539.00 EUR by means of a capital increase reserved to members of the personnel.

This increase in capital became effective on 23 December 2010 and represented 715,585 shares.

The capital authorised, but not subscribed is 200,000,000 EUR.

The total amount of issue premiums, resulting from the creation of warrants, that have expired in the meantime, has remained unchanged since 1999 and amounts to 49,578.70 EUR.

The proposal of the General Meeting to process the result of the 2010/2011 financial year has already been explained in section 2.

The figures presented are thus subject to adoption by the General Meeting.

The reserves amount to 637.60 million EUR, compared with 526.69 million EUR in the previous financial year.

The provisions for risks and costs amount to 5.52 million EUR, and decrease as a result of the reversal provision for large maintenance and soil decontamination in the framework of the transfer of Colim CVBA.

The deferred taxes amounted to 2.38 million EUR last financial year. This heading comprises deferred taxation on capital gains from non-current assets. The calculation is based on the applicable tax rate.

At 30/11/2010 these deferred taxes have been transferred to COLIM CVBA.

## **STATEMENT OF FINANCIAL POSITION - LIABILITIES - LIABILITIES**

The outstanding amounts with regard to liabilities on more than one year, being long-term loans, amount to 2,412.71 million EUR compared with 1,039.03 million EUR in the previous financial year, an increase of 1,373.68 million EUR or 132.21%.

This increase mainly results from the conversion of the current account Finco (heading liabilities over no more than one year) into a loan with Finco (heading liabilities over more than one year) and a loan with Colruyt Group Services.

Leasing liabilities and other loans concerning assets have been transferred to Colim CVBA. These liabilities amounted to 236.31 million EUR last financial year.

Liabilities over no more than one year amount to 1,022.62 million EUR compared with 1,451.56 million EUR last financial year, a decrease of 428.94 million EUR or 29.55%.

The decrease can be explained by a decrease of leasing liabilities as well as a decrease of the current account with Finco NV, 21.28 million EUR compared with 375.33 million EUR last financial year.

On the other hand, the supplier liabilities increased. These trade payables consist for the most part of external suppliers requiring payment totalling 523.87 million EUR compared with 461.54 million EUR last year.

The other payables include a sum of 159.55 million EUR for payable dividends, directors' fees and employee participation in the profit for the 2010/2011 financial year.

## **INCOME STATEMENT**

### **Gross profit**

Sales in the 2010/2011 financial year amounted to 5,151.06 million EUR excluding VAT compared with 4,805.27 million EUR in the 2009/2010 financial year. This is an increase of 345.79 million EUR or 7.20%.

The increase of the revenue can be explained on the one hand by the increase in the number of stores, run by the NV Colruyt and its subsidiaries, and on the other hand by an increase in revenue per m<sup>2</sup> in the existing stores.

As in the past few years, Colruyt consistently and transparently continued to pursue the lowest prices policy in the past financial year. Colruyt guarantees its customers the lowest price for each product at any moment.

The gross margin on sales amounts to 1,173.27 million EUR (22.78 % of the revenue) compared with 1,080.36 million EUR (22.48% of revenue) last financial year.

Reimbursements of publicity costs that relate to the purchase of goods are recognised in the gross margin on sales.

The non-current assets produced amount to 16.56 million EUR and mainly consist of investments made by the internal technical departments (fitting out central buildings and stores).

The other operating income amounts to 214.69 million EUR compared with 191.40 million EUR in the previous financial year and mainly comprises reimbursements of publicity costs and other miscellaneous operating income that does not directly relate to the sale of merchandise, gains on participations and also includes invoices passed on to subsidiaries.

Purchases of commodities, other consumables and merchandise have increased by 6.79% and amount to 3,977.79 million EUR compared with 3,724.92 million EUR in the previous financial year.

The costs of services and miscellaneous goods amount to 431.32 million EUR compared with 381.93 million EUR last year, an increase of 49.39 million EUR or 12.93%.

We notice an increase in heading 'rent land and buildings' paid to Colim CVBA.

Transport costs have increased partly because of the increased number of stores and the growing revenue, but also because of an increase in the rates on-charged by the carriers mainly due to the increased price of diesel.

The increased marketing costs can be explained by additional TV- and radio spots on 30 years of Red Prices, and the increase in the number of folders we issued. Customers receive a folder every 2 weeks.

The heading "Remuneration, pensions and other employee costs" comprises the cost of wages, including the provisions for holiday pay and end-of-year bonuses, and amounts to 556.53 million EUR, compared with 501.86 million EUR in the previous financial year. This is an increase of 10.89% compared with last financial year. The number of staff has increased from 15,484 to 16,974 people, an increase of 9.62%.

The depreciation, amortisation and impairment on non-current assets amounts to 57.59 million EUR compared with 61.19 million EUR in the previous financial year.

Compared with last financial year, 3.57 million EUR less depreciation was recorded because of a decrease of the assets.

The amount of impairment of trade receivables is 0.35 million EUR compared with 0.26 million EUR in the previous year.

The provisions recognised in the operating profit/loss amount to -8.13 million EUR, compared with -0.29 EUR million in the previous financial year.

The other operating costs amount to 7.51 million EUR as compared with 5.39 million EUR in the previous reporting year.

The operating profit of the 2010/2011 financial year amounts to 358.86 million EUR compared with 350.05 million EUR in the previous financial year, an increase by 8.81 million EUR or 2.52%.

The operating cash flow amounts to 416.43 million EUR, compared with 411.19 million EUR in the previous financial year and rose by 1.27% compared with that year.

### **Financial results**

The financial result, the difference between income and expenses, amounts to +24.26 million EUR compared with -30.01 million EUR in the past financial year.

The income from financial assets comprises the payment of (interim) dividends for 60 million EUR of subsidiaries, as well interests on loans granted for an amount of nearly 1 million EUR.

Income from current assets includes interests received on advances to subsidiaries and miscellaneous interests for an amount of 0.177 million EUR.

The financial costs consist of the leasing liabilities of the period before the transfer into Colim CVBA of 11.97 million EUR on the one hand, and interests on amounts borrowed for an amount of 23.88 million EUR on the other hand.

The other financial expenses of 1.32 million EUR relate to bank costs, commissions on bank guarantees, stock exchange costs, etc.

### **Profit from ordinary activities**

For the 2010/2011 financial year the profit from ordinary activities amounts to 383.12 million EUR compared with 320.04 million EUR in the previous financial year, an increase of 63.08 million EUR or 19.71%.

### **Profit of the financial year.**

Etn. Fr. Colruyt NV ended the 2010/2011 financial year with a PROFIT BEFORE TAX of 380.36 million EUR compared with 473.60 million EUR in the previous financial year. This is a decrease by 93.24 million EUR or 19.69%.

The settlement is for the major part linked to a positive exceptional result in the previous financial year of 155.50 million EUR gain on shares as a result of the transfer on 29/03/2010 of the shares of the real estate companies in COLIM CVBA, and a dividend of 60 million EUR received from subsidiaries Infoco and Davytrans this financial year.

The TAXES on the result amount to 110.11 million EUR.

The average tax rate is 28.95 %; that is the estimated tax for the reporting year compared with the profit before tax.

In the previous financial year, the tax amounted to 107.78 million EUR or 22.76 % of the profit before tax.

The increased burden of taxation can be explained by the fact that heading 'non-taxable elements' contained 178 million EUR last financial year with regard to a gain on shares.

Dividends that qualify for 95% exemption of taxes amounted to 3.5 m last financial year whereas this financial year 60 m were received from Infoco and Davytrans. These 60 million EUR qualify for the 95% exemption. .

The PROFIT AFTER TAX of Etn. Fr. Colruyt NV for the 2010/2011 financial year amounts to 270.34 million EUR, compared with 365.96 million EUR in the previous financial year. This is a decrease by 95.62 million EUR or 26.13%.

The PROFIT FOR APPROPRIATION of Etn. Fr. Colruyt NV for the 2010/2011 financial year amounts to 274.86 million EUR, compared with 366.20 million EUR in the previous financial year.

### **Cash flow**

The cash flow of Etn. Fr. Colruyt NV for the 2010/2011 financial year amounts to 327.91 million EUR, compared with 427.10 million EUR in the previous financial year.

5. No important facts occurred after the end of the financial year.
6. There are no circumstances known that might appreciably affect the company's development.
7. Activities were carried on in the field of research and development in the framework of the development of new own software.
8. The Board of Directors gives notice that in September 2011 the parent company of the Colruyt Group, Etn. Fr. Colruyt NV will distribute a share of its profit to the Belgian members of the group's staff. Within the purview of the law of 22 May 2001, profit-sharing is awarded. It will consist in the award of shares or money, at the employee's choice. The shares will be distributed from among those held by Etn. Fr. Colruyt NV. Moreover, in the framework of the national CEA 90 on non-recurring result-linked benefits, a bonus in money will be awarded.
9. Since April 2007, the group is subject to an inquiry the Belgian authorities on competition conduct into alleged infringements on Belgian competition legislation with regard to perfumery, chemist's and care products. The Group extends its full cooperation to this investigation. Until today, insufficient elements are known to make a relevant risk estimate.

Since April 2009 the Group is the subject of an inquiry the Belgian authorities on competition conduct into alleged infringements on the Belgian competition legislation with regard to products supplied by a specific supplier in the sector of confectionery. The Group extends its full cooperation to this investigation. The Council for Competition passed judgement on this file on 7 April 2011. The Council decided not being able to comply with the claim of the ministry of public prosecution because of violation of the rights of the defence of the distributors present in this file.

Otherwise the company has no knowledge of risks or uncertainties other than those mentioned in the group's annual report.

#### 10. Treasury shares

For several years, the Extraordinary General Meeting of Shareholders has granted the authorisation to the Board of Directors of Etn. Fr. Colruyt NV to purchase treasury shares. These acquisitions of shares are executed in conformity with article 620 of the Belgian Companies code which was amended on 1 January 2009 as well as in accordance with sections 205 to 207 of the royal decree of 30 January 2001 as amended by royal decree of 26 April 2009. The main amendments concern the extension of the term of validity of the authorisation to purchase treasury shares by the General Meeting to 5 years, the raising of the purchase limit to maximum 20% of the total number of shares issued as well as the manner of publication of such transactions.

The Extraordinary General Meeting of Shareholders of 16 October 2009 has decided to renew the aforementioned authorisation of the Board of Directors for a period of 5 years.

The Board of Directors has already made use of the authorisation that was granted several times by entering into purchase agreements with financial institutions for the purpose of purchasing treasury shares of the company. The Board of Directors authorises the Chairman and the CFO of the company to decide within which execution terms and conditions the treasury shares can be purchased.

In accordance with article 622, paragraph 1 of the Belgian Companies Code, the voting rights connected to treasury shares or no-par stock held by the company or its subsidiaries have been suspended.

Pursuant to article 207 of the Royal decree of 30 January 2001, as amended by royal decree of 26 April 2009, the information about the purchase transactions executed must be simultaneously published and communicated to the CBFA at the latest on the seventh stock market day following the date of execution of the transaction. The purchase of treasury shares by the company is published by means of a press release.

On 31 March 2010 (= situation end previous FY 2009/2010) Etn. Fr. Colruyt NV owned in total 1,968,004 of its own shares for a total value of 306,352,715.51 EUR.

On 30 September 2010 Etn. Fr. Colruyt NV distributed 53,977 treasury shares to employees who wished to receive their participation in 2009/2010 profits in the form of shares. Their value was 8,274,002.09 EUR.

The Extraordinary General Meeting of shareholders that took place on 12 October 2010 decided to split the shares and VVPR strips of the company into 5. The share split by 5 decreases the value of one share.

On 12 October 2010 there were 1,914,027 treasury shares, after the share split 9,570,135. In the period between 01 April 2010 and 31 March 2011 191,201 treasury shares were purchased with a value of 7,002,073.69 EUR.

On 31 March 2011 (= position at the end of the previous financial year, 2010/2011) Etn. Fr. Colruyt NV owned 9,761,336 treasury shares with a total value of 305,080,787.31 EUR.

On 23/06/2011 Etn. Fr. Colruyt NV owns 9,761,336 treasury shares.



Hence Etn. Fr. Colruyt NV and its subsidiaries together own a total of 9,761,336 treasury shares. This is 5.80 % of the total number of shares issued (168,294,930).

Of these shares, 101,339 will be distributed to employees who wish to receive their participation in 2010/2011 profit in the form of shares, on the resolutive condition of approval by the annual General Meeting.

The ability to buy treasury shares makes it possible for the Board of Directors to take advantage of the opportunities that they believe they recognise in the fluctuations of Colruyt shares on the stock market: it offers them the possibility to acquire treasury shares at a relatively low price. Purchasing treasury shares means that no dividend need be paid on those shares and thus more liquidity remains within the company.

For the other shareholders this means a gain on the shares in circulation.

In accordance with article 622, Par. 1 of the Belgian Companies Code, the Board of Directors decides that the dividends of the shares or share certificates held by the Etn. Fr. Colruyt NV will not be paid out for the period that these are held. The voting rights connected to these shares have also been suspended.

11. No use is made of financial instruments.

12. A number of special assignments were entrusted to the auditor further to the capital increase reserved for the personnel, the Auvibel audit and the raising of the preferential right. The remuneration for these assignments was set to 4,150.00 EUR.

13. The provisions regarding the Audit committee can be consulted in the consolidated 2010-2011 annual report of the Colruyt Group in Section 5 on "Sustainable Corporate Governance" on pages 50 and 52.

14. The provisions on Sustainable Corporate Governance can be found in the consolidated 2010-2011 annual report of the Colruyt Group in Section 5 on "Sustainable Corporate Governance" on page 48.

15. The provisions regarding remuneration can be consulted in the consolidated 2010-2011 annual report of the Colruyt Group in Section 5 on "Sustainable Corporate Governance" on pages 52 and 53.

16. The Board of Directors proposes to reappoint as independent director, the BVBA Delvaux Transfer with registered office in 1730 Asse, Stationsstraat 79, represented by Mister Willy Delvaux (national registration number 52.05.19-245-21, mentioned with his explicit consent). They propose that he be granted a mandate for 6 years, which will expire after the General Meeting of 2017.

This unique departure from a normal mandate of 4 years can be justified by means of the new article 526ter of the Belgian Companies Code. This article stipulates that an independent director cannot carry out more than three successive mandates as a non-executive director and that this period cannot exceed twelve years. Mister Delvaux was elected an independent director in 2006 for one year and in 2007 for 4 years. If he is re-elected for 6 years, he will be able to serve as an independent director for a period of 11 years.

17. At the General Meeting of 21 September 2011, the Board of Directors will also propose the appointment of an additional independent director.

18. We ask you to grant the directors discharge for the exercise of their mandate during the past financial year.

19. We ask you to grant the auditor discharge for the exercise of his mandate during the past financial year.

20. The Board of Directors has not issued any securities falling within the authorised capital in the course of the financial year.

Halle, 24 June 2011

NV HERBECO  
with as permanent representative  
PIET COLRUYT  
Director

JEF COLRUYT  
Director