Half-year report
SLIGRO FOOD GROUP 2014

Sligro Food Group net profit €27 million

Net profit for the first six months was almost €27 million, up 2.3% compared with the corresponding period in 2013. Sales in the first half of 2014 amounted to €1,260 million, an increase of 2.5%. On a like-for-like basis, sales growth was 2.1%.

Koen Slippens, CEO:

'Although there are signs of a clear recovery in consumer confidence, we are not seeing very much of that in the food market. In the supermarket channel, sales have been flat for some considerable time, amidst strong price competition. In the foodservice market, the rate at which the market is shrinking has clearly slowed. We ourselves managed to grow by 4% in this segment on a like-for-like basis, with sales by our new acquisitions on top of that.

The integration of Rooswinkel was successfully completed in May and preparations have been made for the integration of Horeca Totaal Sluis in the fourth quarter of this year.

First-half profits were influenced by quite a few incidental factors.'

Key figures

	x € million		Change
	2014	**2013**	**in %**
Net sales	1,260	1,229	2.5
Like-for-like sales growth, Foodservice in %	4.0	(0.8)	
Like-for-like growth, EMTÉ in %	(0.8)	2.6	
Like-for-like sales growth, Group in % [1]	2.1	(0.1)	
Gross operating profit (EBITDA)	65	61	6.7
Operating profit before amortisation (EBITA)	44	41	7.6
Operating profit (EBIT)	35	35	1.7
Net profit	27	26	2.3
Free cash flow	(6)	20	(292.2)
Shareholders' equity (mid-year-end)	545	530	2.9
Net interest-bearing debt (mid-year-end)	112	121	(7.0)
Earnings per share (x € 1)	0.61	0.60	

1) excluding tobacco products (VAT /duty effect thereon) in 2014

Results

The combined gross margin increased by €5 million to €285 million. The gross margin as a percentage of sales declined by 0.1 of a percentage point to 22.7%. This was mainly due to the strong price competition in the supermarket channel, contrasting, as it happens, with slight easing of the price squeeze in the corresponding period of 2013.

The other operating income was up by almost €2 million, at €4 million, largely on the back of higher transaction results (overall) on disposals of property and stores.

Total costs were up by €6 million, at €254 million. As a percentage of sales, costs remained unchanged at 20.2%. There was a gain of €4 million on pensions, but also impairment losses on property, plant and equipment of almost €2 million plus other incidental expenses of more than €1 million.
Amortisation of intangible assets increased by more than €2 million in connection with acquisitions and due to amortisation of customer contracts.

We ourselves consider the operating profit before amortisation to be the best indicator of the trend in operating results. This figure increased by €3 million to €44 million. As a percentage of sales, that represents an increase of 0.2 of a percentage point to 3.5%.

The share in the results of associates was mainly affected by a writedown on the equity stake in Superdirect. Utilisation of tax breaks meant a lower tax burden.

Food Retail

In Food Retail, the decline in like-for-like consumer sales was 0.8% (Q2: 1.2% growth, in line with the market). The operating profit before amortisation fell by €5 million to €4 million. This was partly the consequence of price pressures in the market, which cost savings were unable to completely absorb. There were additional incidental losses of €3 million as the effect of impairment losses and losses on store disposals.
Having previously been named as the supermarket with the Best Bakery and Best Meat Departments, EMTÉ also took the award for Best Cheese Department in June.

Foodservice

Foodservice achieved like-for-like sales growth of 4.0% in the first half (Q2: 6.2%). Including tobacco products, sales growth was even half a percentage point higher. The rate of growth gained an extra impulse in the second quarter from format changes and as a result of winning a number of major customer accounts.

The operating profit before amortisation increased by €8 million to €40 million. The gain on pensions is largely reflected in the Foodservice results and the figure for net gains from book profits on property disposals and incidental expenses was approximately €2 million better than in 2013. The increase in the result was mainly accounted for by the strong growth in the second quarter. Peeking of the growth in the Foodservice Delivery Service business meant that our cost-saving programme 'Kicken op Kosten' (Kick the Costs) suffered a setback, however.

Dividend

As already announced in our press release of 23 January 2014, and subsequently explained at length at our General Meeting of Shareholders held on 19 March, we intend to pay the dividend in two instalments commencing in 2014, i.e. to start paying an interim dividend each year. The interim dividend will in principle be set at half of the regular dividend for the preceding year. As announced, therefore, a formal decision has now been taken on the basis of the 2014 half-year figures to distribute an interim dividend for 2014 of €0.40. This interim dividend will be made payable on Monday, 20 October 2014, the day on which Sligro Food Group celebrates its 25th anniversary as a listed company. The ex-dividend date will be Monday, 13 October 2014, and the record date will be Tuesday, 14 October 2014.

Pensions

Agreement has been reached on a new pension scheme for employees who are members of the company pension fund Stichting Pensioenfonds Sligro Food Group. All the recent government changes have been taken into account in the new scheme, which qualifies as a collective defined contribution plan under IAS 19. In connection with the implementation of the new scheme, the old pension scheme was settled at the end of June 2014. This had the effect of generating a non-cash gain on pensions in the accounts for the first half of the year amounting to €4 million before tax. Contrary to what was stated in our press release of 23 January 2014, the recognised pension charges for the whole of 2014 will consequently not increase by €2 million but decrease by €2 million.

The new scheme has scarcely any impact on the actual pension contributions payable by the Group. With effect from the second half of 2014, the pension charges recognised in the profit and loss account will be equal to the amount of the contributions payable. The Group will not have any other pension liabilities besides payment of the agreed contributions. Incidentally, the funding ratio of Stichting Pensioenfonds Sligro Food Group as at the end of June 2014 was 126%.

Board changes

Huub van Rozendaal, CFO, has decided to leave the employment of Sligro Food Group Nederland B.V. on 1 May 2015, transferring his duties to his designated successor. At the General Meeting of Shareholders to be held on 18 March 2015 he will step down as board member of Sligro Food Group N.V.

The Supervisory Board and the Executive Board believe that Huub has done a tremendous job and naturally fully respect his decision. A resolution will be put to the General Meeting of Shareholders proposing the appointment of Mr Rob van der Sluijs on 18 March 2015 to succeed Huub. The formal recommendations of the Works Council will be requested.

Rob van der Sluijs (37) joined the Group as controller 1 October 2007, subsequently being appointed head of the controlling department and, as from 1 January 2013, finance director of Sligro Food Group Nederland B.V. He studied business economics and, after graduating, qualified as 'Registercontroller'/Executive Master of Finance and Control.

Huub van Rozendaal: 'I have been CFO at Sligro Food Group since 1 May 1991. It has been a pleasure and an honour to have had the opportunity to work for this marvellous and dynamic company for such a long time. That said, this job demands a great deal of my time and, reaching the age of 59, I'd like to have more free time and be able to devote more attention to other business activities. When Rob joined the company seven years ago, it was partly with a view to becoming my successor. I am pleased to say that the intended appointment means the post will have an excellent incumbent, as he has amply demonstrated over the years. I shall have no qualms about handing over my duties to him in 2015.'

Financial position

The Group's financial position remains as strong as ever, despite the high level of investment in the first half of 2014. The amount thereof was due to the acquisitions of Rooswinkel and Horeca Totaal Sluis, the purchase of previously rented stores, the new distribution centre in Berkel en Rodenrijs and the investment in customer contracts amongst other expenditure. Contrary to previous statements, we have decided to retain ownership of the new distribution centre. The fact that the building satisfies very tough environmental and energy standards (BREEAM***) means we are able as owners to benefit from tax breaks.

Outlook

We are pleased that the macroeconomic conditions are exhibiting a gradual recovery. However, we do not expect that recovery to have a significant impact on our sales markets yet. For now, consumers remain too cautious about spending for that to happen and, moreover, after six years of the 'new reality', consumers have also become very much aware of their spending patterns, especially in the supermarket channel. That means unremitting pressure on sales and fierce price competition. Fortunately, that is leading to a certain amount of consolidation in the foodservice market and to players being forced out of business.

With the commissioning of the new distribution centre in Berkel en Rodenrijs in September 2014, the Group will once again have adequate capacity for future growth. The integration of three acquisitions in the space of roughly one year, the commissioning of two distribution centres in the same period and the addition of major new customer accounts are demanding a great deal of Foodservice Delivery Services. At the same time, our Foodservice business is also changing its commercial approach, which is also having the effect of lifting sales. As from the second half of 2014, the effect of changes in the VAT rules applying to tobacco products will fall out of the comparative figures for the corresponding period in 2013. If the changes had applied to the first half of 2013, sales for that period would have been €27 million lower.

We do not envisage any material changes in the risks and uncertainties described in the 2013 annual report. As usual, we are not making any firm predictions regarding the profit for the year as a whole.

A presentation of the half-year figures will be given today in a press conference and a meeting for analysts. The presentation can be found at www.sligrofoodgroup.com. The trading update on the third quarter is due to be published on 16 October.

Veghel, 17 July 2014

On behalf of the Executive Board of Sligro Food Group N.V.

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Huub van Rozendaal
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SCAN DE QR-CODE FOR NOTES ON THE HALF-YEAR FIGURES.

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Director's STATEMENT

In accordance with statutory provisions, the directors state that, to the best of their knowledge:

1. The interim financial statements, as shown on pages 5-11 of this report, provide a true and fair view of the assets, liabilities, financial position and result for the first half-year of Sligro Food Group N.V. and its subsidiaries included in the consolidated statements.

2. The interim report, as shown on pages 1-3 of this report, provides a true and fair view of the position at the balance sheet date and the business conducted during the first half of the financial year of Sligro Food Group N.V. and its subsidiaries, details of which are contained in the interim financial statements. The interim report also provides a true and fair view of the expected course of business, the investments and the circumstances affecting sales and results.

K.M. Slippens, Executive Board Chairman

H.L. van Rozendaal, CFO

W.J.P. Strijbosch, Director of Foodservice

Consolidated profit and loss account
for the first half of 2014

(x € 1,000)

	2014	2013	2012
Net sales	**1,259,595**	**1,228,726**	**1,209,982**
Cost of sales	(974,283)	(948,555)	(945,580)
Gross margin	**285,312**	**280,171**	**264,402**
Other operating income	**4,205**	**2,428**	**1,552**
Staff costs	(133,059)	(132,841)	(125,204)
Premises costs	(32,209)	(31,388)	(30,407)
Selling costs	(12,049)	(12,145)	(10,095)
Logistics costs	(37,618)	(34,975)	(33,319)
General and administrative expenses	(9,230)	(9,998)	(6,427)
Impairment	(1,907)	(0)	(0)
Depreciation of property, plant and equipment	(19,701)	(20,607)	(21,869)
Amortisation of intangible assets	(8,328)	(5,826)	(5,094)
Total operating expenses	**(254,101)**	**(247,780)**	**(232,415)**
Operating profit	**35,416**	**34,819**	**33,539**
Finance income	314	201	96
Finance expense	(2,413)	(2,450)	(2,824)
Share in results of associates	(39)	891	1,890
Profit before tax	**33,278**	**33,461**	**32,701**
Tax	(6,496)	(7,289)	(7,118)
Profit for the first half year	**26,782**	**26,172**	**25,583**
Attributable to shareholders of the company	**26,782**	**26,172**	**25,583**

Figures per share	**€**	**€**	**€**
Basic earnings per share	0.61	0.60	0.58
Diluted earnings per share	0.61	0.60	0.58

Consolidated statement of recognised income and expense
for the first half of 2014

(x € 1,000)

	2014	2013	2012
Profit for the year	26,782	26,172	25,583
Items never recognised in the profit and loss account:			
Actuarial gains and losses on defined-benefit plans, net of tax	(3,227)	(675)	(2,035)
Items recognised or which may be recognised in the profit and loss account:			
Effective part of movements in the fair value of cash flow hedge of long-term loans, net of tax	(1,461)	(1,052)	477
Income and expense recognised directly in shareholders' equity	(4,688)	(1,727)	(1,558)
Recognised income and expense for the first half of	**22,094**	**24,445**	**24,025**
Attributable to shareholders of the company	**22,094**	**24,445**	**24,025**

Abridged Consolidated cash flow statement
for the first half of van 2014

(x € 1,000)

	2014	2013	2012
Net cash generated from operations	57,346	57,616	51,471
Interest received	295	201	96
Dividend received from associates	1,965	2,700	5,107
Interest paid	(2,398)	(2,393)	(2,762)
Corporate income tax paid	(20,846)	(21,959)	(8,644)
Net cash flow from operating activities	**36,362**	**36,165**	**45,268**
Acquisitions/investments	(15,783)	(17,532)	0
Sale of associates/operations		0	0
Capital expenditure on property, plant and equipment/investment property/assets held for sale	(35,895)	(16,016)	(22,664)
Receipts from disposal of property, plant and equipment/investment property/assets held for sale	7,254	1,972	3,118
Capital expenditure on intangibles	(13,544)	(2,198)	(1,243)
Loans to assoiates	(4,716)	0	0
Repayments by associates	68	274	0
Net cash flow from investing activities	**(62,616)**	**(33,500)**	**(20,789)**
Repurchase of own shares	0	0	0
Repayment of long-term borrowings	0	0	0
Paid to joint venture	(432)	(3,006)	(3,311)
Dividend paid	(45,881)	(46,009)	(46,153)
Net cash flow from financing activities	**(46,313)**	**(49,015)**	**(49,464)**
Movement in cash, cash equivalents and short-term bank borrowings	**(72,567)**	**(46,350)**	**(24,985)**
Opening balance	134,717	101,646	56,360
Balance of the first half year	**62,150**	**55,296**	**31,375**

Consolidated balance sheet
as at 28 June 2014

(x € 1,000)

ASSETS	28-06-2014	28-12-2013	29-06-2013
Goodwill	126,107	126,107	126,107
Other intangible assets	77,022	52,939	57,582
Property, plant and equipment	301,555	286,048	293,478
Investment property	14,651	13,223	12,832
Investments in associates	45,812	42,943	42,216
Other financial assets	6,481	4,499	9,129
Total non-current assets	**571,628**	**525,759**	**541,344**
Inventories	199,890	192,123	193,241
Trade and other receivables	128,721	140,013	111,653
Other current assets	8,824	6,845	13,271
Corporate income tax	11,893	0	11,304
Assets held for sale	7,354	6,604	8,054
Cash and cash equivalents	62,150	134,717	55,296
Total current assets	**418,832**	**480,302**	**392,819**
Total assets	**990,460**	**1,006,061**	**934,163**

EQUITY AND LIABILITIES	28-06-2014	28-12-2013	29-06-2013
Paid-up and called capital	2,655	2,655	2,655
Reserves	542,704	568,297	527,428
Total shareholders' equity attributable to shareholders of the company	**545,359**	**570,952**	**530,083**
Deferred tax liabilities	30,023	27,942	31,408
Employee benefits	3,506	3,506	3,493
Other provisions	152	163	215
Long-term borrowings	121,309	119,315	176,101
Total long-term liabilities	**154,990**	**150,926**	**211,217**
Current portion of long-term borrowings	53,232	53,232	0
Bank borrowings	0	0	0
Trade and other payables	159,263	148,475	140,776
Corporate income tax	0	3,533	0
Other taxes and social security contributions	33,993	32,672	17,383
Other liabilities, accruals and deferred income	43,623	46,271	34,704
Total current liabilities	**290,111**	**284,183**	**192,863**
Total equity and liabilities	**990,460**	**1,006,061**	**934,163**

Consolidated statement of movements in shareholders' equity
for the first half of 2014

(x € 1,000)

	Paid-up and called capital	Share premium	Other reserves	Revaluation reserve	Hedging reserve	Reserve for own shares	Total
Balance at 29-12-2012	**2,655**	**31,106**	**530,576**	**3,113**	**(2,578)**	**(10,363)**	**554,509**
Transactions with owners							
Share-based payments			144				144
Dividend paid			(46,009)				(46,009)
Repurchase of own shares						(3,006)	(3,006)
	0	0	(45,865)	0	0	(3,006)	(48,871)
Total realised and unrealised results							
Profit for the first half year			26,172				26,172
Cash flow hedge					(1,052)		(1,052)
Actuarial results			(675)				(675)
	0	0	25,497		(1,052)	0	24,445
Balance at 29-06-2013	**2,655**	**31,106**	**510,208**	**3,113**	**(3,630)**	**(13,369)**	**530,083**
Balance at 28-12-2013	**2,655**	**31,106**	**550,823**	**3,348**	**(3,611)**	**(13,369)**	**570,952**
Transactions with owners							
Share-based payments [1]			(1,374)				(1,374)
Dividend paid			(45,881)				(45,881)
Repurchase of own shares						(432)	(432)
			(47,255)			(432)	(47,687)
Total realised and unrealised results							
Profit for the first half year			26,782				26,782
Cash flow hedge					(1,461)		(1,461)
Actuarial results			(3,227)				(3,227)
	0	0	23,555		(1,461)	0	22,094
Balance at 28-06-2014	**2,655**	**31,106**	**527,123**	**3,348**	**(5,072)**	**(13,801)**	**545,359**

1) Including € 1.0 million transferred to liabilities as per opening balance.

Notes
to the interim financial statements

General

Sligro Food Group N.V. is established in Veghel, Netherlands. The interim financial statements include the parent company and its subsidiaries (also referred to as the 'Group').

The interim financial statements cover the first 26 weeks of 2014, from 29 December 2013 to 28 June 2014, inclusive. The comparative figures cover the same period in 2013.

Statement of compliance

This half-year report has been prepared in accordance with the International Financial Reporting Standards, as adopted the European Union (EU-IFRS), and IAS 34 Interim Financial Reporting. It does not contain all the information required for full financial statements and should be read in conjunction with the 2013 consolidated financial statements.

Audit status

This half-year report is unaudited.

Accounting policies for the preparation of the half-year financial statements

The financial reporting policies applied by the Group in this half-year report are the same as those for the consolidated financial statements for 2013.

Seasonal influences

The foodservice activities show a seasonal pattern. Sales in the second half of the year are normally higher than those in the first half. This is mainly due to relatively high expenditure in the foodservice channel in the Christmas period, followed by relatively low expenditure at the start of the new year. Because this variation in sales is also accompanied by a shift in the sales mix, profitability in the second half is generally higher than in the first half. There is no significant seasonal pattern in the food retail business.

Segment information
for the first half of 2014

(x € million)

	Foodservice		Food Retail		Total	
	2014	**2013**	**2014**	**2013**	**2014**	**2013**
Revenue	844	803	416	425	1,260	1,229
Other operating income	4	1	0	1	4	2
Gross operating profit (EBITDA)	53	45	12	16	65	61
EBITA	40	32	4	9	44	41
Operating profit (EBIT)	35	30	0	5	35	35
Net capital employed[1)]	481	461	165	180	646	641
EBITDA as % of revenue	6.3	5.7	3.0	3.7	5.2	5.0
EBITA as % of revenue	4.7	3.9	1.0	2.1	3.5	3.3
EBIT as % of revenue	4.2	3.7	0.1	1.2	2.8	2.8
EBITA as % of average CE	19.9	19.1	5.9	7.9	16.1	15.7
EBIT as % of average CE	18.4	18.2	1.4	4.1	13.8	13.9
Free cash flow	(13)	5	7	15	(6)	20
Net capital expenditure[2)]	47	19	5	2	52	21

1) Excluding financial fixed assets.

2) On property, plant and equipment, investment property, software and assets held for sale.

Profile

Sligro Food Group N.V. encompasses food retail and foodservice companies selling directly and indirectly to the entire Dutch food and beverages market. The Group is active in foodservice as a wholesaler and in food retail as a wholesaler and retailer.

Food Retail

The food retail activities comprise around 130 full-service EMTÉ supermarkets, of which 30 are operated by independent retailers.

Foodservice

Sligro Food Group leads the Dutch foodservice market, with a nationwide network of cash & carry and delivery-service outlets serving large and small-scale hospitality establishments, leisure facilities, volume users, company and other caterers, forecourt retailers, small and medium-sized enterprises, smaller retail businesses and the institutional market.

The cash & carry operation has 47 Sligro wholesale outlets and the delivery operation has 10 delivery centres. On the institutional market, we trade under the Van Hoeckel name.

We also operate our own in-house production facilities for specialised convenience products, fish and patisserie and delicatessen items, as well as a meat-processing centre focusing on the retail market. Our Fresh Partners associates specialise in meat, game and poultry, fruit and vegetables and bread and bakery products.

Our customers have the choice of around 60,000 food and food-related non-food items.

We also offer a range of services, some on a franchise basis.

CIV Superunie B.A., a leading purchasing cooperative with a share of around 30% of the Dutch supermarket sector, handles Sligro Food Group's food retail purchases. As market leader, the Group handles its own purchases of foodservice products. Sligro Food Group companies actively seek to share expertise and utilise the substantial scope for synergy and economies of scale. Activities that are primarily client-related take place at an individual operating company level, with behind-the-scenes management at a central level. We strive to increase our gross margins through joint purchasing, combined with direct and detailed margin management.

Operating expenses are reduced through ongoing tight cost control and a joint integral logistics strategy. Group synergy is further enhanced by joint ICT systems, joint management of property and Group management development.

Sligro Food Group strives to be a high-quality company achieving steady, managed growth for all its stakeholders.

Sales in 2013 totalled € 2,5 million, generating a net profit of € 68 million. The average number of full-time equivalent employees was just over 5,800. The Sligro Food Group shares are listed on NYSE Euronext.

Sligro Food Group corporate video

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