Annual report 2011

Sligro
FOOD GROUP N.V.

ROB VAN DER SLUIJS
CONTROLLER

I’m interested in the story behind the figures

2011

SUMMARY

Sligro Food Group N.V. encompasses food retail and foodservice companies selling to the entire Dutch food and beverages market.

KEY FIGURES

	€ million	Δ%
Net sales	2,420	5.9
EBITDA	159	9.2
EBIT	105	15.4
Net profit	78	11.4
EPS	€1.78	11.9
Dividend	€1.05	50.0

HIGHLIGHTS OF 2011

Sligro

- **Market share up by again 0.5%**
- **Top month in December**
- **Amsterdam delivery-service centre going very well**
- **Enschede delivery-service centre opened**

EMTÉ SUPERMARKTEN

- **Like-for-like sales growth of 3.4%**
- **Sanders conversion completed**
- **Best butchery and cheese departments**
- **Self-scanning becomes operational**

GROWTH FUELLED BY SALES

"Our slogan 'Growth fuelled by sales' will be the theme of our internal communications in 2012. To make it clear that faster growth doesn't require a complex large-scale campaign, we have chosen an easily recognisable symbol: the 50 euro cent coin. We are challenging everyone – every team and every outlet – to come up with creative ideas and put them into practice, with the aim of generating an extra fifty cents in sales from every customer visiting our stores."

Foreword

KOEN SLIPPENS

Although the economic outlook still looked reasonably promising at the start of 2011, there were signs of a sharp reversal in the summer. Consumer confidence levels plummeted, while politicians showed precious little dynamism in their efforts to counter the uncertainties surrounding the euro and deal with the problems of sovereign debt. These efforts can best be summed up as 'too little, too late', with all the adverse consequences that this has for the economic development in Europe and the Netherlands.

This situation is also having an impact on the food sector, albeit to a lesser extent than in other markets. We are clearly dependent, directly and indirectly, on Dutch consumers' spending on food, and their willingness to spend is by no means being helped by all the talk of doom and gloom and vague, often ineffective communications. The reductions that are required in government deficits will also primarily be felt in the form of higher costs for individuals and businesses, and this will certainly not help maintain consumer spending levels.

Developments in the commodity markets triggered relatively sharp price rises in our sector last year. Sales in the food retail market consequently rose in euro terms, but not in volume terms, although supermarkets were once again able to win market share from specialised retailers and the foodservice market. Consumer spending in the foodservice market was only slightly up, which translates into a 2% reduction in volumes.

CONSUMERS BECOMING MORE CRITICAL

In these conditions, consumers are increasingly focussing on price, and this is further intensifying competition in an already heavily price-driven food retail market. The many format changes that have been seen in the supermarket environment have reinforced this trend, while the most recent development on the takeover front – Jumbo's acquisition of C1000 – shows that the end of the trend is not yet in sight. However, we also see several opportunities for achieving the growth ambitions that we have set ourselves.

In the foodservice market, by contrast, there is currently little to report in respect of acquisitions, with no significant transactions in recent years. That is somewhat surprising as the sector as a whole is not exactly developing favourably. Given the challenging market climate, the returns being generated and the financial position of various parties, we expect to see a higher rate of consolidation within the sector over the coming years. And we are ready to play our part!

EASY ENOUGH TO DO BUSINESS WHEN THINGS ARE GOING WELL

The above may suggest a somewhat gloomy outlook. That view applies only, however, to the external environment, on which our influence is limited. We certainly see plenty of opportunities as far as our own activities are concerned. It is easy enough to do business when things are going well, but it is in more difficult circumstances that we can really demonstrate our skills. Sligro Food Group has taken substantial steps over the past few years to strengthen its activities. We have an excellent network of locations and have reinforced various management roles, while our commercial formats are well positioned and our ICT systems are effective and almost totally integrated. Our operating methods are efficient and our financial position is strong. In short, we are fully equipped to withstand the fierce competition in the market. That is why our slogan for 2012 is 'Growth fuelled by sales'. In other words, our focus will be on growth and development rather than rationalisation and restructuring.

As far as our own activities are concerned, EMTÉ grew slightly faster than the market in 2011, although the rate of growth flattened during the year. Like-for-like growth in 2011 came out at 3.4%, compared with an increase of around 3% for the market as a whole. The slowdown in growth was partly attributable to less intensive and less distinctive promotional programmes and partly to the investments made by other parties in their premises. During the year we converted the Sanders outlets to the EMTÉ format and efficiently integrated the logistics function into our own retail logistics without any significant disruption to operations. We have now completed the whole process of converting the twenty Sanders stores, integrating the format, training the staff, disbanding the head office and distribution centre and selling off the old private label inventories. Action to put the EMTÉ format more clearly on the map in the former Sanders areas is still needed, however, as sales at these outlets are not yet at the level we would wish.

The vast majority of our supermarkets now operate under the EMTÉ format, with ten Golff outlets being converted to EMTÉ during 2011 and the remainder scheduled for 2012.

SALES GOOD

Sligro sales developed well in 2011 and, in contrast to the market as a whole, actually rose slightly during the course of the year. Sligro once again achieved the highest rate of growth in its sector for the year. The group's total foodservice sales rose by 3.9% in 2011, while the growth figure for the market as a whole was only just above zero. Sales recorded by the cash-and-carry activities were in line with the market. The extra growth was therefore wholly attributable to the delivery activities and the efforts we have made to improve these activities in recent years. More information on these activities can be found in 'Foodservice delivery in more detail'.

During the year under review we successfully completed the 'Greater Amsterdam' project, which has resulted in improved services at significantly lower cost. We also expanded and converted the former Sanders distribution centre into a regional delivery centre serving the Twente region. Our work to optimise the physical infrastructure of our foodservice delivery activities is now largely complete.

To summarise the year, net group sales rose by 5.9% to €2,420 million, representing organic growth of 3.7%.

The food retail operating profit fell by €6 million to €7 million. Although this is by no means a welcome development, some of the decrease is attributable to the one-off costs of integrating Sanders and to various non-recurring project costs, while the figure for 2010 also included non-recurring income in the form of book profits on disposals. However, the goal for the year was further growth in operating profit, and that is something we failed to achieve.

Despite the difficult market, the foodservice operating profit rose by €20 million to €98 million, an improvement on the previous record set in 2008.

The group's 2011 net profit rose by 11.4% to €78 million, which was significantly higher than the previous record set in 2009. In difficult economic times we have chosen to invest heavily in our formats, in our staff and in our back office, while achieving a substantial record net profit. As we see it, there are not many players who can match us in this respect.

FOCUSSING ON GROWTH

As a result of last year's change in the dividend policy it is proposed increasing the normal dividend by 21.4% to €0.85 per share, while also paying a variable dividend of €0.20 per share.

We stated above that any growth we achieve in 2012 will once again be attributable not to the market, but to our own determination to grow. And we have every reason to feel confident in this respect. We also see appropriate acquisitions as a good and feasible way of providing an extra boost to organic growth, but we will always adhere to the basic conditions that we apply to any takeover. In other words, the acquisition process must be carefully thought through and planned and must be based on a solid business case. Our money is certainly not burning a hole in our pocket and we have – and will demonstrate that we have – the discipline not to allow ourselves to be pushed into making unwise acquisitions and taking unnecessary risks.

We are looking ahead to the 2012 financial year with confidence. Sligro Food Group employees are motivated to take on the challenges of the current market. Our activities and underlying structures are in good shape, and our financial position and developments in both our market segments offer wide-ranging opportunities. I am proud to chair the Executive Board of such a wonderful group.

Veghel, 26 January 2012

Koen Slippens
Executive Board Chairman

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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-and-carry and delivery services serving large and small-scale bars and restaurants, leisure facilities, volume users, company and other caterers, fuel retailers, small and medium-sized enterprises, smaller retail businesses and the institutional market.

The cash-and-carry activities are served by 45 Sligro cash-and-carry wholesalers, while delivery services are provided by 10 Sligro delivery centres and Van Hoeckel, which is fully focussed on the institutional market.
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 focussing on the retail market. Our Fresh Partners associates specialise in meat, game and poultry, fruit and vegetables and bread and bakery products.

We stock around 60,000 food and food-related non-food items for our customers, while also providing a wide range of services, including franchising.

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 IT 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 2011 totalled €2,420 million, generating a net profit of €78 million. The group employed an average of close to 5,900 full-time equivalents in 2011. The Sligro Food Group shares are listed on NYSE Euronext.

KEY FIGURES

(Amounts x €1,000)

	2011	2010
Result		
Net sales	2,420,216	2,286,261
Operating profit before depreciation and amortisation (EBITDA)	158,971	145,519
Operating profit (EBIT)	104,970	90,928
Profit for the year	78,207	70,196
Net cash flow from operating activities	123,799	106,858
Proposed dividend	46,157	30,874
Equity and liabilities		
Shareholders' equity	540,566	500,073
Net interest-bearing debt	112,897	156,106
Total equity and liabilities	931,116	937,310
Employees		
Year average (full-time equivalents)	5,880	5,513
Salaries, social security charges and pension expenses	217,121	203,280
Ratios		
Increase in sales on previous year (%)	5.9	1.3
Increase in net profit on previous year (%)	11.4	(5.5)
As a percentage of sales:		
Gross margin	23.2	23.1
Gross operating profit	6.6	6.4
Operating profit	4.3	4.0
Profit for the year	3.2	3.1
Return as % of average shareholders' equity	15.0	14.3
Operating profit as % of average net capital employed	16.2	14.8
Shareholders' equity as % of total equity and liabilities	58.1	53.3
Figures per €0.06 share		
Number of shares outstanding (year-end x 1,000)	43,959	44,106

(Amounts x €1)

	2011	2010
Shareholders' equity	12.30	11.34
Profit after tax	1.78	1.59
Cash flow	3.01	2.83
Proposed dividend	1.05	0.70
Year-end share price	20.75	23.20

IMPORTANT *dates*

DIARY[1)]

Final 2011 sales	4 January 2012
Final 2011 figures	26 January 2012
Press conference	26 January 2012
Analysts' meeting	26 January 2012
Publication of annual report	7 February 2012
2011 Annual General Meeting at 11.00 a.m. at the company's offices, Corridor 11, Veghel	21 March 2012
Dividend available for payment	4 April 2012
Trading update	19 April 2012
2012 half-year figures	19 July 2012
Press conference	19 July 2012
Analysts' meeting	19 July 2012
Trading update	18 October 2012
Final 2012 sales	2 January 2013
Final 2012 figures	24 January 2013
Press conference	24 January 2013
Analysts' meeting	24 January 2013
2012 Annual General Meeting	20 March 2013

1) Press releases will be published before the stock exchange opens.

The company is based in Veghel and registered in the commercial register of the Chamber of Commerce and Industry for East Brabant in Eindhoven under number 160.45.002.

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5460 AA Veghel
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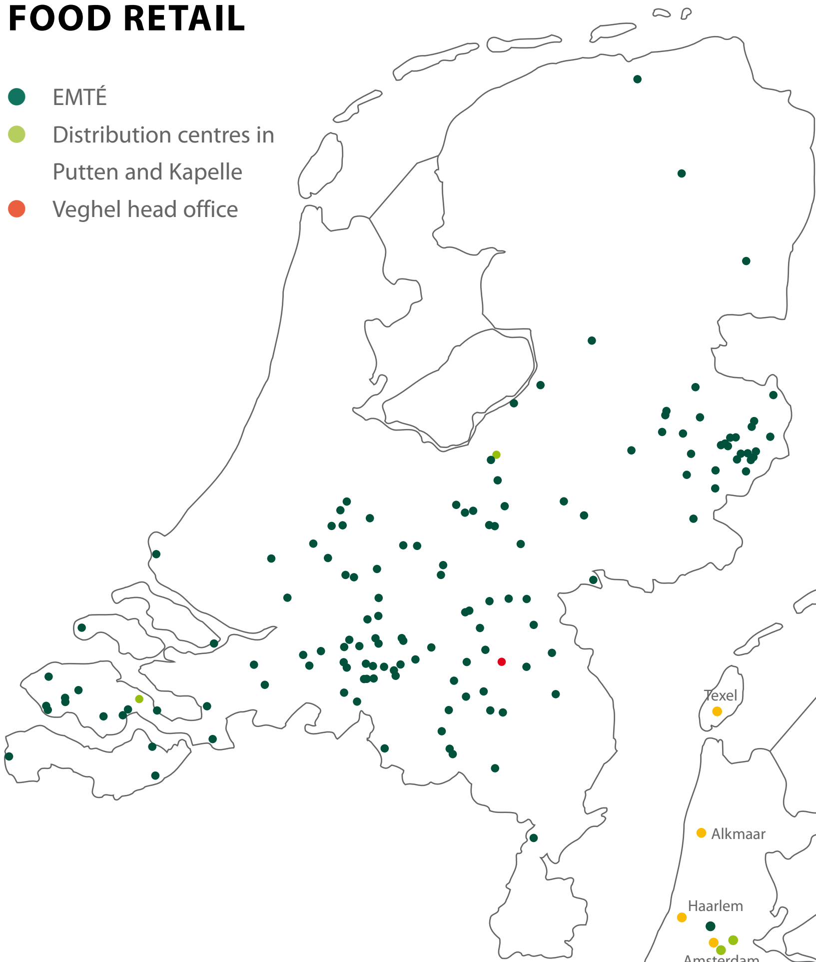
www.sligrofoodgroup.com

LOCATIONS

FOOD RETAIL

- EMTÉ
- Distribution centres in Putten and Kapelle
- Veghel head office



FOODSERVICE

- Sligro Cash-and-carry
- Sligro Delivery service
- Sligro Cash-and-carry/ Delivery service
- Van Hoeckel
- Production facility

THE *share*

Sligro Food Group's shares are traded on the NYSE Euronext Amsterdam N.V. stock exchange. Sligro Food Group is included in the AScX index.

Movements in shares (x 1,000)

	2011	**2010**	**2009**	**2008**	**2007**
Shares in issue	44,255	44,255	43,692	43,118	42,408
Stock dividend	0	0	563	574	546
Exercise of options[1]					164
Shares repurchased	(296)	(149)			
Shares outstanding	43,959	44,106	44,255	43,692	43,118
Average shares outstanding	43,996	44,143	44,255	43,692	43,118

1) Included in the average number of shares outstanding as from the date concerned.

There were 43,959,215 shares outstanding at year-end 2011, a decrease of 147,000 on year-end 2010. The decrease is attributable to shares repurchased for the option scheme. Earnings and cash flow per share are calculated on the basis of the average number of shares outstanding, as explained on page 119. Sligro Food Group is seeking to increase the dividend it distributes in cash to approximately 50% of the profit after tax (excluding extraordinary items). The dividend proposed for 2011 is €0.85 per share, which equates to a pay-out ratio of 48%. In addition, it is proposed to pay a variable dividend of €0.20 per share, thus bringing the total dividend for the year to €1.05 per share.

Sligro Food Group's website (www.sligrofoodgroup.nl in Dutch and www.sligrofoodgroup.com in English) includes information on the group, its shares, financial position, press releases, Articles of Association, remuneration, directors' shareholdings and share transactions and corporate governance. Visitors can download annual reports from this site and also subscribe to press releases.

Key figures per share (x €1)

	2011	**2010**	**2009**	**2008**	**2007**
Highest quotation	26.10	25.90	24.29	30.99	37.01
Lowest quotation	19.65	21.30	13.75	13.70	22.78
Year-end quotation	20.75	23.20	24.02	14.90	26.80
Earnings per share	1.78	1.59	1.68	1.63	1.72
Dividend	1.05	0.70	1.00[1]	0.65	0.65
Year-end market capitalisation (x € million)	918	1,027	1,063	651	1,156

1) 75th anniversary dividend.

	2011	2010	2009	2008	2007
Total share turnover (x € million)	227	205	276	382	485
Number of shares traded (x 1,000)	9,463	8,750	15,119	16,577	17,112
Number of transactions (single counting)	40,337	58,433	61,065	61,538	51,633

The highest number of shares traded in one month in 2011 was 1.8 million shares in February, while the lowest number was 0.4 million in October.

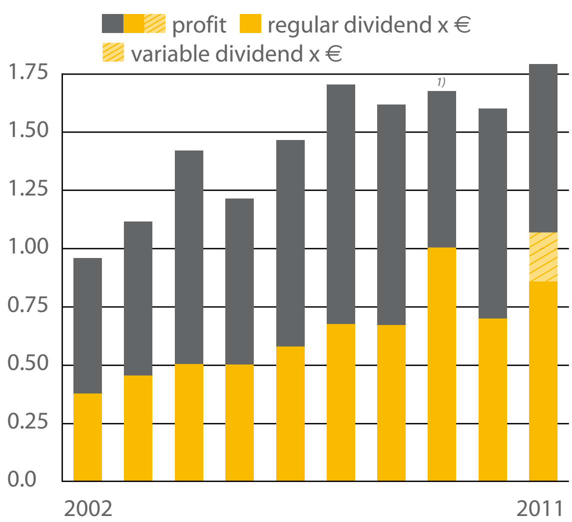
Notification of major shareholders pursuant to the Disclosure of Major Holdings in Listed Companies Act	%
Stichting Administratiekantoor Slippens	33.95
Darlin N.V.	6.12
ING Groep N.V.	5.43
Stichting Administratiekantoor Arkelhave B.V.	5.06
Boron Investments N.V.	5.02
FRM LLC	5.03
Belegging- en Exploitatiemaatschappij De Engh B.V.	5.01

Disclosure must be made when a shareholding exceeds or falls below certain stipulated percentages. Since this can result in double counting, the disclosures do not always provide a true insight into the number of free float shares. Corrections are consequently made for double counting.
Information currently available indicates that Sligro Food Group employees hold 1,614,000 shares, of which 250,000 are held by members of the Executive Board. An estimation of the distribution of the share capital as at the end of 2011 was made on the basis of market information.
The information in the following table covers 87% of the capital in 2011 (2010: 85%).

	Private		Institutional		Total	
	2011	2010	2011	2010	2011	2010
Netherlands	54	45	16	19	70	64
UK			5	7	5	7
USA			9	7	9	7
France			1	4	1	4
Other countries			2	3	2	3
Total	54	45	33	40	87	85

SHARE PRICE

PER SHARE



1) 75th anniversary dividend: €1.

DIRECTORS AND *management*

SLIGRO FOOD GROUP N.V.

SUPERVISORY BOARD

A. Nühn, President (58)
T.A.J. Burmanje (57)
R.R. Latenstein van Voorst (47)
F.K. De Moor (49)

EXECUTIVE BOARD

K.M. Slippens, Chairman (44)
J.H.F. Pardoel, Food retail (49)
H.L. van Rozendaal, CFO (56)
W.J. Strijbosch, Foodservice (43)[1)]

COMPANY SECRETARY

G.J.C.M. van der Veeken (50)

EXECUTIVE BOARD OF SLIGRO FOOD GROUP NEDERLAND B.V.

GROUP EXECUTIVE BOARD, TOGETHER WITH

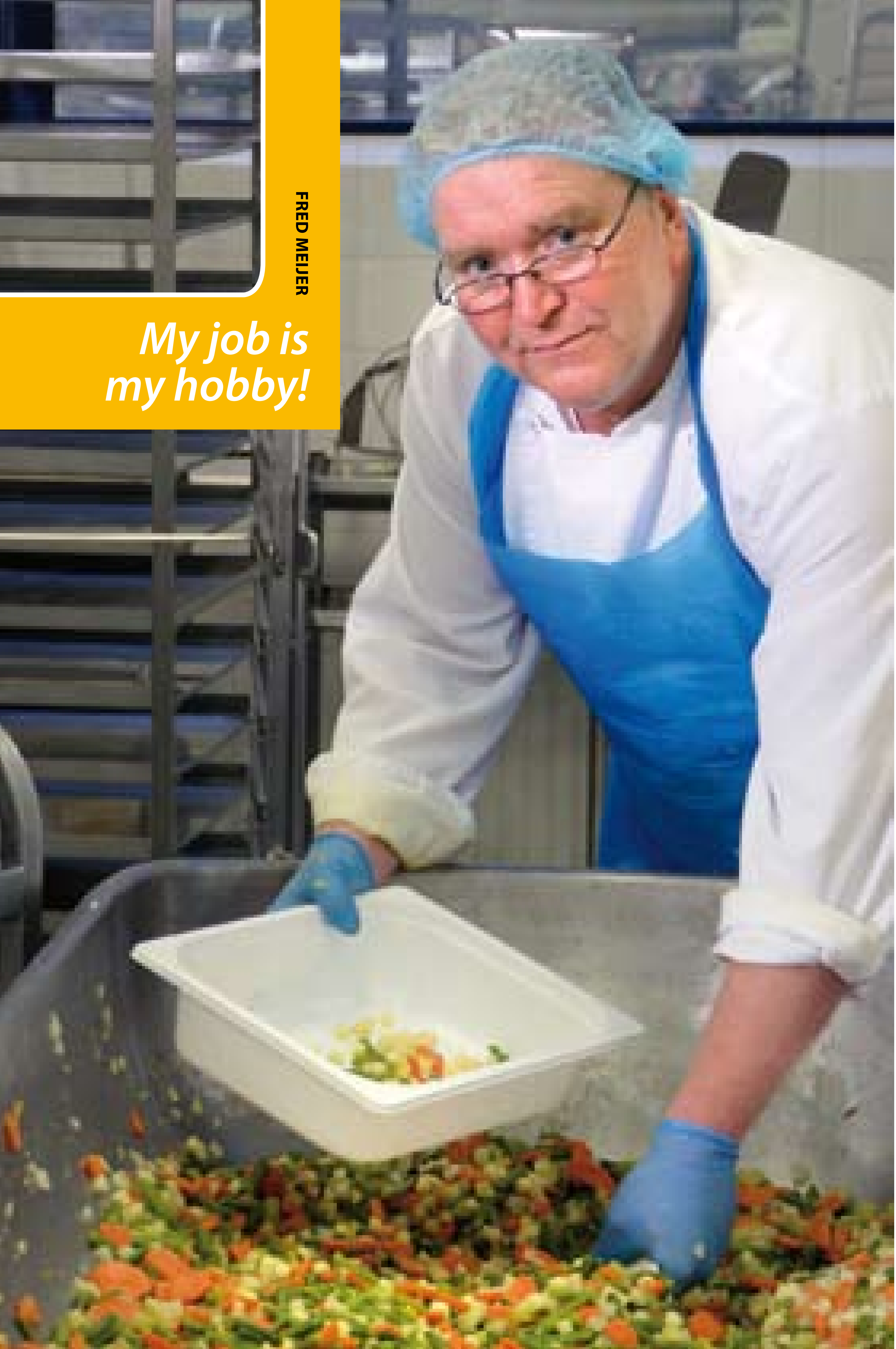
P.A. van Berkel, Production and Van Hoeckel (47)
J.G.M. de Bree, Human Resources (54)
R.F.L.H. van Herpen, Purchasing (44)
C. de Rooij, Logistics (58)
M.M.P.H.L. van Veghel, ICT (39)
M.W. Pietersma, Foodservice cash-and-carry (61)

1) Proposed for appointment at the General Meeting of Shareholders on 21 March 2012.

WORKS COUNCIL

R. Heijberg, Chairman
J. Sarbach, Secretary
R. Albers
R. Beckers
E. Beernink
P. Berben
T. Bouman
M. Burgman
D. van der Does
H. Emmers
P. Eshuis
B. Gerards
E. Goedhart-Joosten
J. van Hal
D. Kleijer
M. Langen
B. Livestroo
A. Reijnders
R. Rombout
M. de Smit
J. Stehmann
S. van der Velden
L. van Verseveld-Nooten
H. de Wit
J. van Zon

FROM LEFT TO RIGHT
WILLEM-JAN STRIJBOSCH
JOHAN PARDOEL
HUUB VAN ROZENDAAL
KOEN SLIPPENS



FRED MEIJER

My job is my hobby!

Strategy

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

We seek to operate in a socially responsible manner and to account for our performance. Sligro Food Group sells directly and indirectly to the entire Dutch food and beverages market, where it provides a comprehensive package of food and food-related non-food products and services.

Our objective is to achieve average growth in sales of around 10% each year, with around 4% attributable to organic growth and around 6% to growth through acquisitions. Our target for organic growth assumes annual inflation of approximately 2%. Growth through acquisitions is by its very nature less gradual than organic growth, particularly because the group focusses primarily on relatively large acquisitions. The Dutch food market is still fragmented to such an extent that we believe there is a realistic chance of our achieving our desired level of growth through acquisitions over the coming years. We strive to achieve profit growth that is on average at least equal to the growth in sales, so that we can offer shareholders attractive returns over the longer term.

One of the ways in which we seek to be an attractive partner for our customers is by providing a high level of service at competitive prices. Our growth strategy provides our staff with opportunities for personal development, while giving our suppliers the chance to increase their product sales and introduce new product lines. Society as a whole benefits from increasing levels of employment and the resultant rise in tax revenues.

As a supplier of food products we are very conscious of the importance of food safety and obviously fully support compliance with externally set quality standards. To ensure that we have sufficient purchasing power in the market, our food retail purchases are handled by cooperative purchasing organisation Superunie, which has a 30% share of the market. As the market leader in foodservice, we handle our own purchasing for those activities.

The group operates in a fiercely competitive environment, with limited scope to translate cost increases into higher selling prices. We therefore strive constantly to increase the efficiency of our operations by ensuring that our distribution, communication and information systems, for example, are as effective as possible. Companies within the group work very closely together to maximise the benefits of internal synergy. Activities that are primarily customer-related take place in the individual business units, with everything being managed 'behind the scenes' at a centralised level.

Achieving our objectives will strengthen Sligro Food Group's independent position in the market, a position we intend to retain into the longer-term future.

CORNE HANNINK

I want to inspire my customers and build loyalty

Commercial DEVELOPMENTS

GOALS

- To increase sales by an average of 10% each year.
- To maximise the potential for internal synergy and exchange of know-how between group activities.
- To achieve competitive and permanent margin management.

STRATEGY

- To continually renew and improve our commercial concepts, formats, distribution channels and approach.
- To ensure efficient and effective operational management of our retail and foodservice outlets.
- To optimise synergy behind the scenes and present our image effectively at front of stage.
- To focus on large-scale activities to avoid unnecessary complexity.
- To expand and upgrade our network and optimise and enlarge existing outlets.
- To strengthen our market position among national foodservice customers by providing integrated commercial services rather than simply being a provider of logistic services.
- To establish a more differentiated positioning in respect of our regional customers by combining the professionalism that we can offer through our critical mass with the character of a local partner: 'growth by staying small'.
- To strengthen customer relationships through loyalty programmes, events, private labels and our range of perishables and unique products from our own facilities.
- To further increase our expertise, customer focus and entrepreneurial culture through ongoing employee training programmes and continually championing the typical Sligro Food Group culture.
- To capitalise on acquisition opportunities satisfying our criteria.

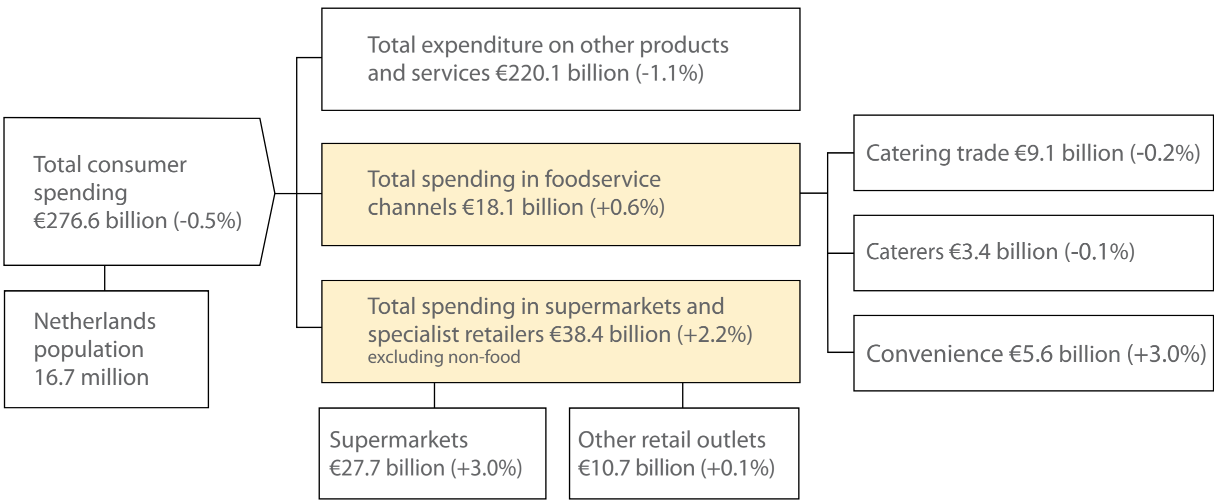
FOOD MARKET

Sligro Food Group is active in almost all segments of the Dutch food market. The market comprises both the 'out of home' or foodservice channel and the 'at home' or food retail channel. This means that the success of our activities depends primarily, both directly and indirectly, on consumer spending in the Netherlands. The following chart provides information on the total levels of consumer spending. This information is taken from the Foodservice Monitor Report compiled on behalf of the Netherlands Foodservice Institute ('FSIN'). This report provides an overview of the Dutch foodservice sector and developments in this market, also in relation to the food retail market. As the foodservice market is far less homogenous than the supermarket sector, figures for the former are much less consistent and reliable than those available for the food retail sector.

Statistics Netherlands' forecast of strong growth at bars and restaurants in 2011 surprised the foodservice sector as no-one in the sector – from manufacturers to wholesalers and the outlets themselves – saw any signs pointing in this direction. The Netherlands Foodservice Institute and Foodservice Network got together to combine their individual, and similar, views on how they saw the market developing. They found the market to be marginally positive in euros, but under pressure in terms of volumes. Our view of market developments is in line with the conclusions reached by these organisations.

The value added by our customers and VAT have to be eliminated from the figures in order to compare total consumer spending with Sligro Food Group's sales. FSIN estimates the wholesale value of the foodservice market to be approximately €6.8 billion. This is not entirely in line with our own estimates, which include a broader definition of medium and small-scale outlets and business-to-business non-food sales.

CONSUMER SPENDING IN THE NETHERLANDS



The market shares in the two segments of the food market are as follows:

(as %)

Market share Foodservice[1,2]	2011	Market share 2010	2009
Sligro Food Group	18.7	18.2	17.4
Lekkerland	14.7	14.5	14.8
Various breweries	13.1	14.1	14.6
Deli-XL	11.2	11.0	10.9
Metro	9.0	8.9	8.8
De Kweker/Vroegop	3.7	3.8	3.7
Kruidenier	3.9	4.4	4.4
Hanos/ISPC[3]	3.4	3.4	3.5
Other	22.3	21.7	21.9
	100	100	100

Market share Supermarkets[2]	2011	Market share 2010	2009
Albert Heijn	33,8	33,6	32,8
C1000[4]	12,1	11,5	11,7
Plus[5]	6,0	6,0	6,0
Super de Boer[6]	2,4	5,5	6,5
Jumbo	7,4	5,5	4,9
Hard-discount[8]	18,0	17,7	17,9
Sligro Food Group[4]	2,8	2,7	2,6
Other[7]	17,5	17,5	17,6
	100	100	100

1) Source: Foodservice Monitor Report 2011. 2) Source: Sales figures published by the companies and market definition as used by Nielsen and IRI. Previous years' figures slightly adjusted. 3) Previous years' figures substantially adjusted. 4) Acquisition by Jumbo announced in November 2011. 5) Member of Superunie purchasing organisation. Superunie members have a total market share of almost 30%. Sanders is included in the Sligro Food Group figures from the fourth quarter of 2010 onwards. 6) Acquisition by Jumbo in December 2009. 7) Almost all in the category 'other' are members of Superunie. 8) Including hard discount part of Detailresult.

I'm passionate about my job, it's part of who I am

REMCO LENTJES

As far as total consumer spending on food is concerned, Sligro Food has an 8% share of stomach and is therefore in third position in the Dutch food market.

As shown in the following chart, taken from the Foodservice Monitor Report, the share of total food spending attributable to supermarkets has increased in each of the past five years.

	x € billion					Market share (%)				
	E2011	**2010**	**2009**	**2008**	**2007**	**E2011**	**2010**	**2009**	**2008**	**2007**
Foodservice	18.1	18.0	18.3	18.9	18.8	32.0	32.3	32.7	33.7	34.2
of which:										
'classical' bars and restaurants	9.1	9.1	9.4	9.9	10.0	16.1	16.2	16.6	17.6	18.1
catering	3.4	3.4	3.4	3.6	3.6	6.0	6.2	6.3	6.5	6.7
convenience stores	5.7	5.5	5.5	5.4	5.2	10.1	10.0	9.8	9.6	9.5
Supermarkets	27.7	26.9	26.5	25.6	24.6	49.0	48.4	47.4	45.7	44.7
Specialised retailers	7.7	7.7	8.0	8.4	8.4	13.6	13.8	14.3	15.0	15.3
Other markets	3.1	3.1	3.1	3.2	3.2	5.4	5.5	5.6	5.7	5.8
Total	56.5	55.5	55.9	56.0	54.9	100.0	100.0	100.0	100.0	100.0

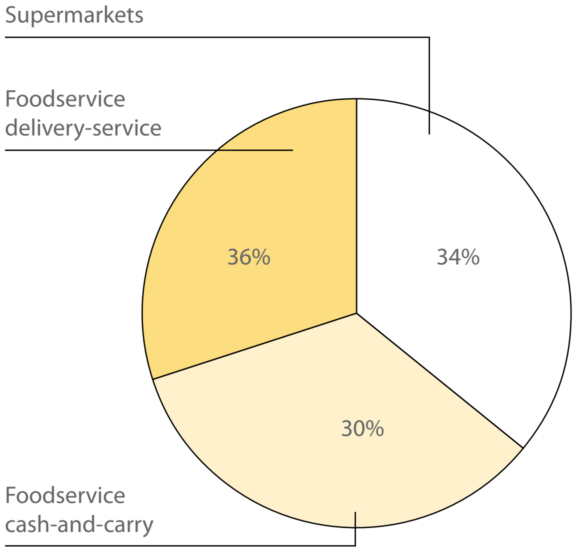
Convenience stores also include fuel retailers, which sell relatively high volumes of tobacco products. Duty increases consequently have a positive effect on these sales in terms of euros.

The following chart shows which group operating companies target the various segments of the food market. Although the activities primarily focusing on customers are performed separately, everything is closely managed 'behind the scenes' at a centralised level, wherever possible. This synergy, both in foodservice and food retail, is a means of differentiating ourselves from the competition, while also promoting our learning ability and achieving greater efficiency. Only where a centralised approach is not possible or desirable do we use individual systems and processes. In this way we maximise the synergistic benefits on the one hand and, on the other, ensure a clear focus on the customer and the specific market in each individual business unit.

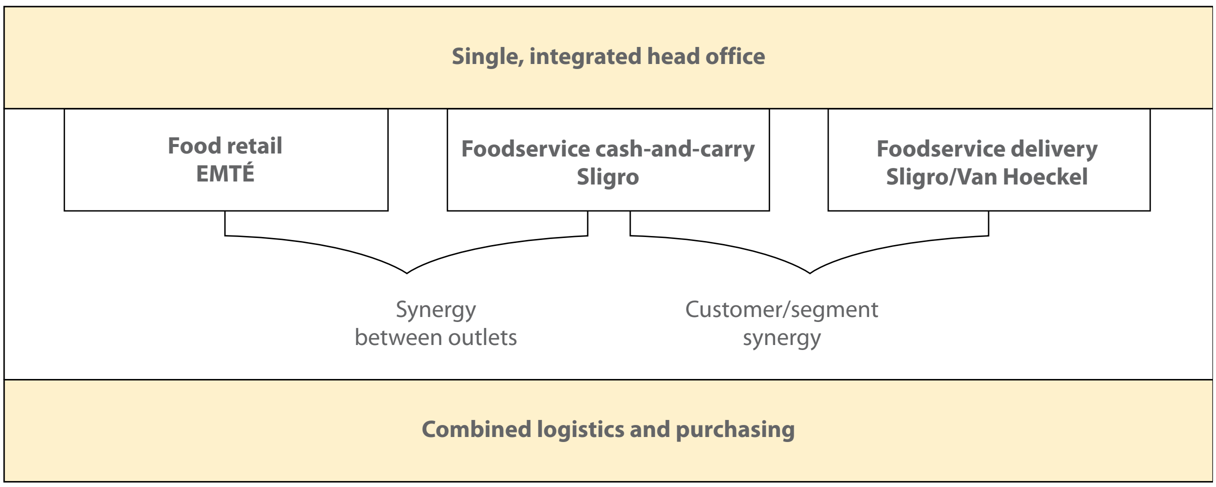
<table>
<tr><td colspan="3">Central distribution centre and head office in Veghel</td></tr>
<tr><td>Food retail</td><td>Foodservice
Cash-and-carry</td><td>Foodservice
Delivery service</td></tr>
<tr><td>EMTÉ</td><td>Sligro</td><td>Sligro/Van Hoeckel</td></tr>
<tr><td>130 Own and
franchise outlets</td><td colspan="2">Restaurants and bars, leisure,
caterers, patrol outlets,
large-scale users, institutional</td></tr>
<tr><td>2 Distribution centres</td><td>National network of
45 cash-and-carry
wholesale outlets</td><td>National network of
11 delivery-service
wholesale outlets</td></tr>
<tr><td colspan="3">Sligro Fresh Partners & Production
Specialised production facilities for convenience products (Culivers), fish (SmitVis) and meat (retail),
patisserie/traiteur (Maison Niels de Veye) and participating interests in four fresh food businesess</td></tr>
</table>

BREAKDOWN OF SALES IN 2011

Sligro Food Group focuses, directly or indirectly, on the stomachs of consumers in the Netherlands. Consumers can do their shopping for themselves in our EMTÉ supermarkets, while foodservice customers can opt for self-service in our cash-and-carry stores, for delivery services or for a mixture of the two. The cash-and-carry stores are usually used by smaller, occasional or secondary customers, although larger customers also visit our stores for inspiration and information or simply because they prefer to select their products themselves. The latter are often also foodservice customers, who receive regular supplies from the range of around 60,000 items held at our delivery-service locations. These three channels (supermarkets, cash-and-carry and delivery services) each account for around one-third of group sales.



The following table shows the synergy between the three channels. Instead of operating as a group of businesses, Sligro Food Group comprises a single, integrated business with overlapping types of customers and distribution methods.



FOOD *retail*

x € million.

	2011	2010
Net sales	811.2	737.8
Operating profit before amortisation (EBITA)	14.5	19.2
Net capital employed	214.3	221.4
EBITA as % of sales	1.8	2.6
EBITA as % of average net capital employed	6.7	10.2

As in previous years, the various market research agencies differed in their views on total market growth in 2011. Once again, the divergence of view concerned the growth achieved by hard discounters, with agencies quoting figures from 3.5% to as high as 12.1%. Information on the performance of the rest of the market is reasonably reliable, being based on detailed scanning data provided by the supermarkets.

According to GfK, the supermarket sector grew in 2011 (52 weeks) by 2.6% (2010: 1.2%) to €32.2 billion. The main difference between this percentage and the growth of 3.5% and 2.7% reported by AC Nielsen and IRI, respectively, relates to the assumed performance of the hard discounters. The latter two agencies estimate the total market to be worth around €33 billion. The increase in the size of the market is largely attributable to price rises due to developments in the commodity markets.

The year 2011 saw a series of significant changes at various supermarket chains, with most of the former Super de Boer stores being closed during the year and replaced by the Jumbo and C1000 formats and in some cases by other formats. We ourselves also invested substantial amounts in converting Sanders and Golff stores to the EMTÉ format during the year. The large number of conversions make it somewhat difficult to establish who is actually gaining and losing market share. The major changes in market share would seem primarily to be the result of conversions from one format to another, while other organic effects were limited. Meanwhile the next major transaction in the sector has already been announced.

Price pressure, initiated by the market leader, was particularly fierce in the first quarter of the year. The market started returning to normal towards the end of the first quarter, although competitive pressure remained strong throughout the year. This squeezed profits across the sector, including those of the market leader.

An overview of our supermarket formats is given below.

	Number at year-end		x 1,000 m² retail space at year-end		Consumer sales x € million[1)]		Index of like-for-like sales[2)]	
	2011	2010	2011	2010	2011	2010	2011	2010
Total	130	131	135	135	915	850	103	105
Of which, EMTÉ	120	90	128	101	820	633	103	106

1) Including stores sold during the year and VAT. 2) 2011 figures only available for EMTÉ.

Total food retail sales comprise EMTÉ's consumer sales (excluding VAT) and the wholesale value of sales to franchised retailers.

Sales can be broken down as follows:

(x € million)	Sales		Share in sales (as %)	
	2011	2010	2011	2010
Own supermarkets	666	578	82	78
Independent retailers	145	160	18	22
Total	811	738	100	100

The decrease in the level of sales recorded by independent retailers reflects the decision in 2010 to sell certain outlets not suited to the EMTÉ format. The effects of this decision are obviously also visible in the figures for 2011.

REFRESHING

The EMTÉ supermarkets achieved like-for-like sales growth of 3.4% in 2011, again outperforming the market. Much of this increase is attributable to the improvements introduced as part of our food retail master plan (2009-2012). The fierce price competition in the first quarter forced us to limit our promotional effort, resulting in lower sales growth from the summer onwards. Market conditions are now such that there are once again opportunities for us to resume our promotional effort at a level that we see as commensurate with the EMTÉ format, and the benefits are now gradually beginning to be seen in our sales. In 2011 we redoubled our efforts to remodel or, as we call it 'reFresh' the EMTÉ format. A total of 101 outlets have now been equipped with all the latest features of the format. We automatically do this when converting Sanders and Golff stores, and are doing it on a targeted basis for existing EMTÉ outlets. A total of 101 stores were reFreshed in 2010 and 2011, with the remaining 29 outlets scheduled for 2012.

We can report that our more targeted focus on fresh produce is having a beneficial effect on our sales, on our image and on the share of fresh food products in our overall sales. Our customers have also shown that they appreciate this focus: in 2011, for the third year in succession, we were awarded first prize for butchery departments in the GfK fresh food report. Our cheese department was awarded first prize in the GfK/Westland cheese survey for the second time. As well as strengthening our position in fresh foods, we also added Eerlijk & Heerlijk (literally 'Fair and Delicious') products to our range during 2011, or gave products in this range a greater focus. The Eerlijk & Heerlijk range comprises organic products as well as various fair trade, sustainably produced and regional products. A unique feature of our approach is that we include not only our own-label brands in this range, but also manufacturer brands ('A brands'), thus offering our foodservice and food retail customers the clearest and most comprehensive range of products to choose from. As a result, we have seen a sharp rise in our rankings for organic and fair trade products.

The first half of 2011 was largely dominated by the conversion of the Sanders stores. We used the experience gained at the pilot store in late 2010 as the basis for the rest of the operation, which we successfully completed

during the first half of 2011. Ultimately we converted 20 of the 22 stores to the EMTÉ format and disposed of two smaller stores. A few small stores were only converted cosmetically, because they will be relocated to better and larger sites within the foreseeable future. The opportunities in this respect were an important factor in our decision to acquire Sanders.
Although the conversions themselves, and all they involved, went well, sales at these stores are still lower than we would like. Customers obviously have to get used to the 'loss' of the Sanders format, which was so well known in the local region, and all the local sentiment associated with it, while a store that looks so much smarter than before can also sometimes be associated in people's minds with higher prices. The substantial level of inflation in the market as a whole has certainly not helped in this respect. Market research shows the profile of Sanders customers to be slightly different from that of EMTÉ customers. Obviously we are keen to retain the 'old' Sanders customers, but in order to achieve the forecast growth in sales we have chosen to focus primarily on customers aligned with the position of EMTÉ in the market and hence new customers. This approach will take some time to generate results, but we know from regional customer profiling that the number of potential new customers in the region is more than sufficient to compensate for the loss of former customers.
As well as having consequences for the stores themselves, conversion operations such as this have an equally great impact behind the scenes. In the first half of 2011 we completely overhauled Sanders' logistics function by integrating it into the retail distribution centre in Putten in a highly structured manner. As part of this process, we expanded one of the Sanders distribution centres and converted it into a delivery-service outlet for our foodservice activities. After working temporarily at the distribution centre in Putten, most of the logistics staff were given jobs at the delivery-service outlet in Enschede. Our ability to do this is one of the strengths of Sligro Food Group and allows us to optimise our performance for all stakeholders, while continuing to demonstrate the respect we have for the people who work for us. This approach will also benefit us in the future, because it will mean we have a positive image, certainly among family businesses where levels of staff loyalty and commitment are generally high.
We also closed the Sanders head office during the first half of the year and were able to offer most of the employees alternative jobs within the group, although ties to local areas meant we had to bid farewell to a few people. Although the whole process of integrating Sanders went extremely smoothly and efficiently, we also incurred certain non-recurring expenses (estimated at several million euros). These were mainly reorganisation expenses, additional temporary staff costs, sales of inventories, promotional campaigns for store openings and the like.
We converted a total of twelve former Golff stores in 2010, followed by a further ten in 2011, with the remainder scheduled for 2012. Agreement has been reached on the conversion conditions and franchising system with all the franchisees. We are pleased to report that conversion is generating substantial sales growth, which will be needed if the outlets are to remain commercially viable. As the conversion to the EMTÉ format also means higher gross margins for the franchisees, this growth in sales is also needed if we are to offset the loss of margin that we suffer as franchisor and wholesaler. On the basis of our growth forecasts, we are confident that we will recoup the loss of margin over a period of years.

SELF-SCANNING

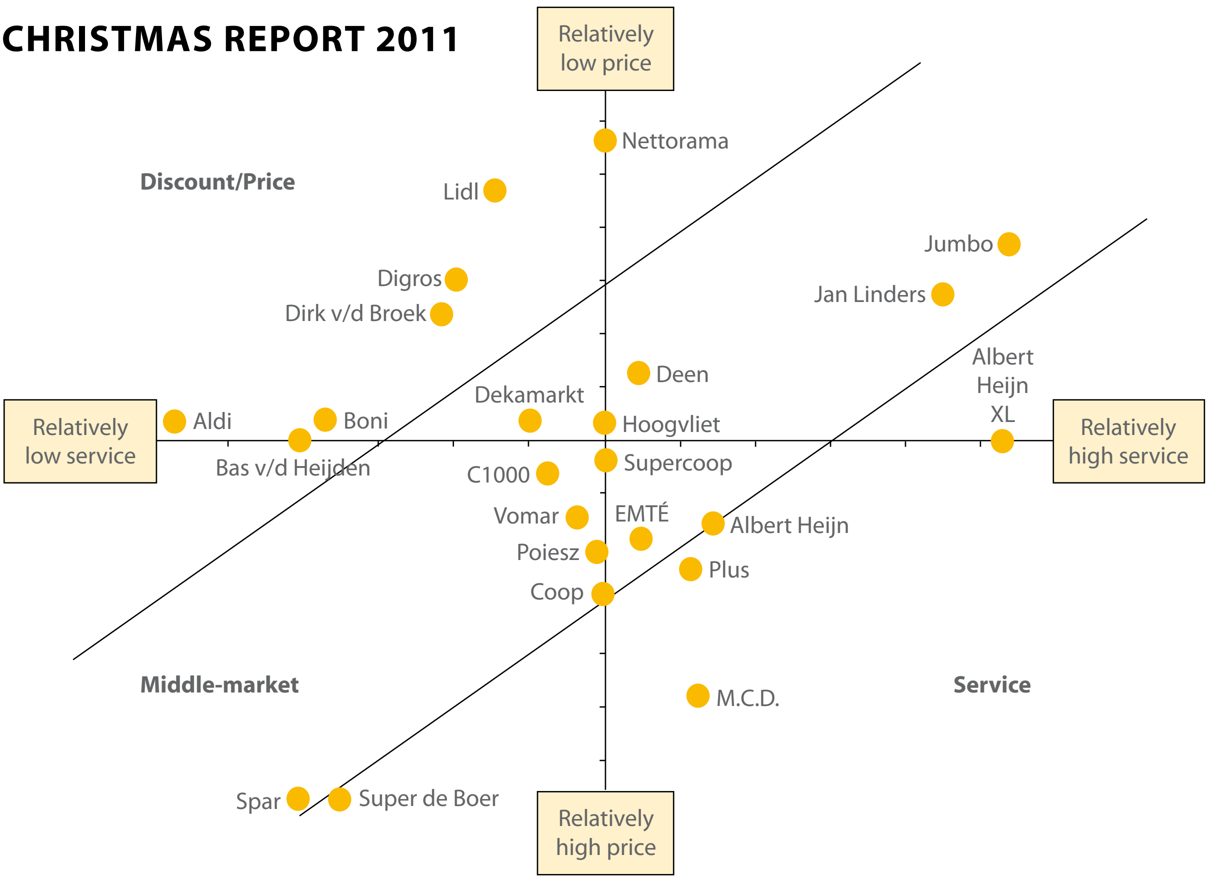
We introduced self-scanning in one of our stores in 2011. We chose to apply a concept that had been developed in-house, whereby customers scan their items themselves but still pay for them at a check-out till. We adopted this approach because we want to maintain contact with our customers. The initial results have been promising and we see opportunities to extend this concept to our larger stores over the coming years. We will be installing self-scanning at two further stores in early 2012 and will then assess the overall results.

OPTIMISING OUR BACK OFFICE

In 2011 we also worked hard to improve the back office, where all the food retail systems and processes come together. Although we continued to make progress, we have not yet achieved all our ambitious objectives in this respect. In order to accelerate improvements in the efficiency and effectiveness of our supply chain, we have decided to appoint an officer at Group Executive Board level to take responsibility for continuously stimulating and monitoring this aspect of our activities, because a great deal can be gained by fully streamlining our back-office activities. We are planning to further reinforce our position in food retail over the next few years. Although location restrictions mean the Dutch market offers few opportunities for organic expansion, the market is still relatively fragmented, served by some twenty supermarket organisations. In this respect, the situation in the Netherlands contrasts with that in most other countries in Europe, where markets are dominated by around five large players. This situation is primarily the result of our membership of the Superunie purchasing organisation, which enables us to negotiate highly competitive purchasing terms. The combination of this and the clear regional customer focus of most Superunie members allows them to compete with the large players in the market. As we have demonstrated in the past, this fragmentation creates opportunities for Sligro Food Group to grow, but this will take time and demands patience. Some players, however, are sometimes too quick to conclude that only 'big is beautiful'. In 2011 we intensively researched the feasibility of a major acquisition in the food retail sector. However, because the process did not comply with our governance rules, we had to withdraw at a relatively early stage and we were unable to make an overall assessment of an otherwise attractive business case. The acquisition process in question was accelerated in such a way that we could no longer be assured of the proper degree of care. Although this was regrettable, it certainly does not mean we no longer believe in or have abandoned our strategy for retail growth. Food retail and foodservice complement each other in the business model operated by Sligro Food Group, and this includes a centralised back office. Given recent market developments, we expect the process of consolidation among parties other than the two largest players in the market to continue, and this ties in well with our ambitions. In our view, the extent to which the Jumbo and C1000 formats will actually be able to continue existing alongside each other is very much open to question. We will therefore remain alert to opportunities that may arise further down the line. Our 45% associate Spar was able to maintain its position in 2011, which was quite an achievement in a market where fierce price competition and demographic factors such as urbanisation are making life increasingly difficult for neighbourhood stores. In 2011, Spar opened its new distribution centre/head office in Waalwijk and took the opportunity to further streamline its back-office operation and improve its logistics. These changes will create opportunities to further expand its position in this niche market over time.

There are two occasions during the year when Dutch supermarket organisations traditionally become nervous about their rankings – when GfK publishes its summer and Christmas reports showing the market positions of the various supermarket organisations. Fortunately the reports rank supermarkets on various aspects, thus allowing the possibility of selective shopping. We were pleased to have moved up a place in the Christmas rankings (see below). This is in line with our trend, which we see as an impressive achievement in a year in which all the conversion and integration activities demanded a considerable internal focus.

CHRISTMAS REPORT 2011



FOOD *service*

x € million

	2011	2010
Sales	1,609.0	1,548.5
Operating profit before amortisation (EBITA)	100.4	79.6
Net capital employed	434.8	424.2
EBITA as % of sales	6.2	5.1
EBITA as % of average net capital employed	23.4	18.7

According to FSIN, the Dutch Food Service Institute, the foodservice market recorded modest growth in 2011, increasing to €17.8 billion. This market is measured in terms of consumer expenditure including VAT and the value added by our customers. According to FSIN calculations, the wholesale value of sales in 2011 also increased slightly to €6.8 billion.

As the overview on page 19 shows, we once again achieved the highest increase in market share, all of which was attributable to organic growth. We outperformed the market by around 3% in 2011, with 3.9% growth in sales to €1,609 million, so we can add another year to our long tradition of performing better than the market as a whole. Over the past five years we have achieved organic growth in market share of close to 4%, of which half a point was added in 2011, and now have a total market share of 18.7%. This growth is not solely the result of our commercial activities, but also reflects capital expenditure at our stores and our management of them, as well as the substantial improvements we have achieved in the quality of our back-office activities where our clear objective is operational excellence. Putting mistakes right is a costly process in our business and it never results in customers being totally satisfied, because mistakes mean their orders have not been delivered on time or in full or exactly as they wanted, and they are professionals who already have enough to think about. In other words, prevention is better than cure.

We were able to achieve good sales growth in difficult markets and maintain margins through our good mix of customers (both nationally and particularly regionally), our product range (including own-label products) and our strong purchasing position, while keeping costs under control. In other words, our foodservice activities achieved excellent results in 2011.

More in-depth information on our investments in capacity, systems and operating methods in recent years and developments in those areas can be found in 'Foodservice delivery in more detail'. Our market share of 18.7% means we are clearly the market leader and our position is even stronger if we take into account the fact that most of the sales by the number two player (Lekkerland) are sales of tobacco (on which high levels of duty are payable) at fuel retailers. From a purely cash-and-carry perspective, Metro (which owns the Makro stores) is still slightly ahead of us, at least in terms of total sales. However, the Foodservice Monitor's survey only covers food sales in the business-to-business channel, and from that perspective we have a larger share of the market than Metro. Based on the parent company's published figures, we now also have a significantly larger share of the delivery-service market than Deli XL.

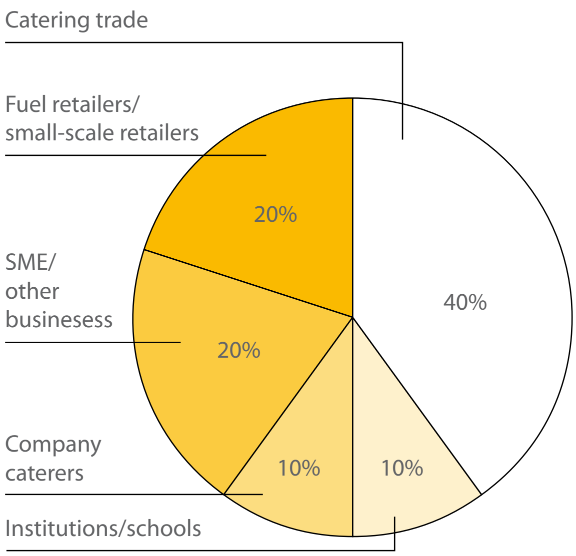
Of our total foodservice sales, €1,308 million, or 81% (2010: 82%), is included in the Foodservice Monitor's survey, the remainder being accounted for by our business-to-business sales of non-food products and customer categories not included in the survey, such as specialist outlets, neighbourhood supermarkets and medium-size and smaller-scale retailers. Most of these sales are in the cash-and-carry category.

We operate under two formats in the foodservice market. Van Hoeckel specialises in the institutional market and Sligro serves all the other customer categories. To enable us to meet the specific wishes of our institutional customers, we have assigned these customers to a separate part of our business, but one which makes full use of the group's centralised back office and the distribution strength of our foodservice delivery activities.

Consistent with our aim of increasingly differentiating ourselves from the competition in the eyes of our customers, Sligro Food Group operates a number of in-house production companies and has close working relationships with various specialised fresh-produce partners in which we hold minority interests. For all our perishable products, these partners operate under the Sligro Fresh Partners name, as does our wholly owned subsidiary SmitVis.

As well as SmitVis, we have three other wholly owned production companies: Culivers (convenience products), Maison Niels de Veye (exclusive patisserie and delicatessen products) and the Sanders meat centre, which primarily supplies our food retail outlets. We also hold minority interests in Smeding (fruit and vegetables), Kaldenberg (meat), Ruig (game and poultry) and Verhoeven (bread and bakery products). Although the focus of these activities was originally on foodservice, substantial sales of certain products in these ranges are now being generated by our supermarkets and these sales are increasing rapidly.

Our foodservice sales are divided among the various main customer categories as follows:



CASH-AND-CARRY

We continued to strengthen our network of 45 cash-and-carry wholesalers in 2011 with a series of targeted investments. The first part of our expanded outlet in Tilburg came on stream in late 2010. The rest of the project, which involved completely renovating and substantially expanding the premises, was completed in 2011. We now have an excellent outlet at that site, where sales have been developing well from the start.

Major projects were also completed in 2011 at our outlets in Amersfoort, Rotterdam-South, Leiden and Tiel, which are now state-of-the-art stores. The economic life of an upgrade is generally around eight years. In the second half of 2011 we also embarked on an extensive renovation project at our outlet in Alkmaar. Delivery sales from this outlet were moved to the Amsterdam delivery-service centre at the end of the first quarter. Experience has shown that transferring delivery-service activities to specialised delivery-service centres has a beneficial impact on both the cash-and-carry and delivery activities. Now that the Alkmaar outlet no longer has to provide a delivery service, it can focus totally on cash-and-carry, and the purpose of the project currently underway is to optimise the outlet’s ability to serve this specific market. We still have two outlets – Maastricht and Vlissingen – that combine both delivery and cash-and-carry activities. In the case of the former, we also have plans to split off the delivery services, but this will require expansion and relocation of one of the existing delivery-service outlets and relocation of the existing cash-and-carry outlet in the city. These factors, together with the currently difficult real estate market and inefficient and often inconsistent local government policies, mean that it may be some years before these plans materialise. The lack of willingness on the part of local government to cooperate with businesses wanting to invest in a region is hard to credit, especially at a time such as this and given all the spin-off benefits that such investments will generate. In 2011 we sought to combine our reorganisation plans with a potential acquisition in the region, but ultimately it did not go ahead. We have therefore decided to pursue our ambitions on our own and therefore, as well as investing in a replacement delivery-service outlet, we shall also be seeking to strengthen our commercial infrastructure in the region.

We are not planning to split the activities at the outlet in Vlissingen, given their highly seasonal nature and the limited size of the region. Our team in Vlissingen also provides such a high level of service (even at peak times)

that customers are extremely satisfied with both the cash-and-carry and delivery services.
We will start work this year on a large and completely new Sligro outlet in Zwolle, which we hope will become operational in late 2012 and enable us to move from the existing, somewhat outdated site in the city. The old site is being sold as part of the transaction involving the new leased premises. We also have specific plans for three new locations in cities or areas where we are not yet represented and will be implementing them over the next few years.
We believe that the Netherlands can ultimately support around 55 Sligro cash-and-carry wholesale stores and we have therefore chosen to focus primarily on achieving greater penetration in terms of higher sales and a larger share of our existing markets. In that respect, too, we have various irons in the fire.

Cash-and-carry sales rose slightly in 2011 to €734 million, in line with the overall foodservice market.

A particular feature of the year under review was the extremely poor summer, which held back sales on both the cash-and-carry and the delivery sides. In December, however, growth picked up sharply in the run-up to Christmas, both in food and Christmas hampers. Sligro is one of the larger players in the latter market and was able to achieve significant growth in this segment in 2011, in contrast to the rest of the market. This growth was due to our strong product range and our consistently high levels of professionalism and service, as well as our new sales policy. Our website for Christmas hampers was also voted the best in its category.

DELIVERY

Delivery sales were the motor driving growth in our foodservice activities over the past year and, in a flat market, achieved growth that impressed even us. This was achieved not by offering rock-bottom prices, but by focussing on our strengths and quality.

Sligro has proved itself increasingly able to win plaudits for its range of fresh products. In the past it was the image of our grocery products that mattered most, but now more and more customers are appreciating how strongly we can perform in fresh produce. The key aspects in this respect are our professional supply chain, high-quality product lines, consistent quality, our range of local and regional products, personal advice, direct purchasing at source and contacts at specialised wholesale fresh-produce markets such as Rungis in Paris. These activities are structured around our strong partnership with our Sligro Fresh Partners, which is now recognised and acknowledged by increasing numbers of our customers. It is customers who demand high standards in fresh produce that feel most at home with Sligro.

The section on ‘Foodservice delivery in more detail’ includes a summary of all the steps we have taken in the past five to seven years to put our delivery operations on the map and thus arrive at where we are now. Two further projects were undertaken in 2011 to raise the quality of our infrastructure to its current level. One was the opening of a new delivery-service centre in Enschede. Sanders, which we acquired towards the end of 2010, had two distribution centres: a well-equipped retail distribution centre, which was too small for delivery-service purposes, and a small, somewhat outdated retail distribution centre with good scope for expansion. The latter has since undergone a huge metamorphosis and has been expanded and converted into a new delivery-service centre. We are now using this to handle our sales from other locations in the region, so that we can continue building on our position in the Twente region. We are particularly pleased by the success of this centre: it is already operating with a reasonable degree of efficiency only four months after coming on stream, which is much sooner than previous projects. This proves that we are increasingly moving towards an operation that can be replicated at other locations.
The constructive attitude displayed by the municipality of Enschede allowed the project to proceed quickly, thus helping to boost employment in the region.

LANSANA KOROMA

I julst like my job

2011 was a busy year for our 'Greater Amsterdam' project. Having encountered substantial integration problems in 2010 when combining five locations serving the Amsterdam area into the new 35,000 m² distribution centre, we were pleased by the success of operations at this location in 2011. Although the situation at the 2010 year-end was stable as far as the level of service was concerned, efficiency still needed to improve significantly and many former Inversco customers still had to be converted to Sligro IT systems, such as the Slimis e-commerce application. Considerable attention was devoted to the latter issue in the first half of the year, involving many intensive discussions with customers and suppliers. We are pleased to report, therefore, that we were able to complete these changes successfully without any additional disruption. It is always hard to convince customers that a system change will be an improvement, because they would often prefer to stick with what they are used to. In the course of this project, we therefore devoted considerable resources to convincing customers of the benefits of change. In retrospect, we were gratified by the extremely positive reactions we received, but they were the result of all the time and energy we had invested beforehand.

Once the last Inversco application had been phased out, our efficiency started improving rapidly, resulting in substantially lower costs, especially staff and transport costs. During the year we were able, for example, to reduce staff numbers at the distribution centre by 35 to a total of 225, at a time when the new centre was taking over responsibility for deliveries from Alkmaar. These benefits were accompanied by a substantial improvement in the quality of our services and thus in our customers' satisfaction levels. The Amsterdam distribution centre was meeting our normal productivity standards by the end of 2011 and we expect to complete the project, including reassigning a limited number of large customers to the various delivery-service outlets, in the first quarter of 2012. This project has been a huge operation and thanks to the investment of blood, sweat and tears – and a large number of euros – it is ultimately going to achieve a result that is even better than we originally anticipated.

We reached agreement in 2011 on multi-year contracts to supply two major customers. The contract to supply Paresto, the Ministry of Defence's caterer, came into force in January 2011. This is a very large contract that has operated successfully from the start and without any significant disruptions on either the customer's side or our own. We have made substantial efforts to meet all the customer's ICT wishes, including setting up a special team within our ICT department to focus on the specific requirements of very large customers. We are continuing to invest significant amounts in Slimis, our e-commerce application, which is now being used by some 15,000 customers. ICT in a broader sense is increasingly becoming an important means of differentiating ourselves from other providers. The second major contract that we won during the year was a contract to supply an oil company's fuel retailers. This came two years after we were awarded a similar contract by another oil company. We also added a number of other fuel retailers to our customer base during the year. Our partnership in Vemaro for supplies of tobacco products to fuel retailers is certainly proving its worth in this market.

As well as substantial growth in sales to national customers, we also managed during the past year to move against the trend, by achieving significant growth at a regional customer level. This success is based on the principle of combining operational excellence with constantly striving for close ties with the region ('growth by staying small'!).

I've enjoyed working here right from my first day

LIGA LIEMANE

EXAMPLES OF RECENT SUCCESSFUL PRODUCT LAUNCHES INCLUDE AN EXCLUSIVE RANGE OF FIVE GOURMET TOASTED SANDWICHES UNDER THE 'TE VOERT' LABEL, THIRTEEN HIGH-QUALITY CONVENIENCE DELICATESSEN PRODUCTS FROM MAISON NIELS DE VEYE AND THE TRADITIONALLY MADE DINNERLAND SOUPS.

PRODUCTION COMPANIES

Our production companies continued to improve in 2011. The two main production companies are Culivers, which specialises in convenience products, and the fish specialist SmitVis. We also have a company, Maison Niels de Veye, producing high-quality patisserie and delicatessen products. Culivers is gradually seeking to focus more on producing a distinctive range of high-quality convenience products that can be sold, both as various in-house concepts and tailored to specific customer wishes, in our foodservice and food retail channels. We decided in 2011 to close the Culivers production facilities in Amsterdam and transfer most of these activities to the large location in Eindhoven that we fully revamped a few years ago. Culivers had a total of around 50 employees in Amsterdam and we were able to find new jobs in the region for all of them. We were therefore able on the one hand to achieve the planned savings and on the other to ensure that our permanent employees remained in work.

SmitVis further increased its sales in 2011, thanks in part to higher sales to the group's supermarkets. Offering a quality that is normally only seen in restaurants and which the retail channel is not usually accustomed to receiving is one way in which our supermarkets can distinguish themselves from the competition.

Considerable extra energy was invested in product development and quality in 2011, with many new concepts being developed and launched, and there was a significant improvement in the general perception of our quality. We did this not because our quality was previously sub-standard, but because we want this to be a segment of the market in which we indisputably excel. Our efforts in this respect are being driven by development teams, expert sessions, continuous quality analysis and a greater focus on product management and marketing. These changes have met with an extremely enthusiastic response, both from within the group as a whole and from our customers, and will undoubtedly form the basis for further growth in the future.

in more detail

FOODSERVICE DELIVERY

HISTORY

Sligro's foodservice activities originally consisted almost entirely of cash-and-carry wholesalers. To meet the wishes of some of our customers, we started expanding our operations in the 1990s to include delivery services, because cash-and-carry is not an appropriate solution for every customer. Since then, we have added various delivery wholesalers to the group via a series of acquisitions. These businesses were generally wholesalers supplying bars and restaurants and distributing perishable products. Most of these acquisitions have been fully integrated into our cash-and-carry operation, so that they now perform a dual function, in line with the rest of our network. The acquisitions of Van Hoeckel (which specialises in the institutional market) in 1996 and Van der Velde in 1997 marked the start of our first dedicated delivery-service activities. Both of these businesses were too large to be integrated into a cash-and-carry store and Van Hoeckel also specialised in a specific segment of the market.

Combining cash-and-carry and delivery-service activities enabled us to maintain short lines of communication with customers from relatively small premises and quickly achieve the minimum level of sales needed to make a profit.

Although customers certainly appreciated the combination of cash-and-carry and delivery services, over the years it became clear that greater professionalisation, changing regulations and the need for efficiency and quality in both functions were making increasing demands on us. The way we look to the future has always been driven by the needs of our customers, and the decision to split our cash-and-carry and delivery services, which will continue to operate under a single commercial flag, enables us to optimise the service we give our customers. It means on the one hand that we can provide highly focussed and dedicated management and, on the other, offer a combined approach where required by customers, together with all the integrated systems, management information and account management that this involves.

Our first attempt to set up separate delivery centres for grocery, frozen food and perishable products did not produce the desired results, but the subsequent acquisition of Ven Groothandelscentrum in late 2004 prompted us to start structuring our delivery services on a far more professional basis.

The substantial improvements that we have achieved in the past few years, and which form the basis for our current position in the market, can essentially be summarised as set out below.

FOCUS

As explained in the introduction, making outlets focus either on cash-and-carry or on delivery services has substantially accelerated the process of professionalising our operation, particularly because we have continued to offer customers all the ease and convenience provided by the combined operation in terms of marketing, management information, conditions and account management. Basing the physical delivery operations at dedicated outlets has significantly improved the quality of our services, for example through the Slimis e-commerce application, special systems for reservations, sell-by date monitoring, specialised customer teams, complaints handling, dynamic route planning and account management. This greater focus also allows us to invest in increasing our efficiency, which is sometimes needed in order to compensate for the greater physical distance from customers.

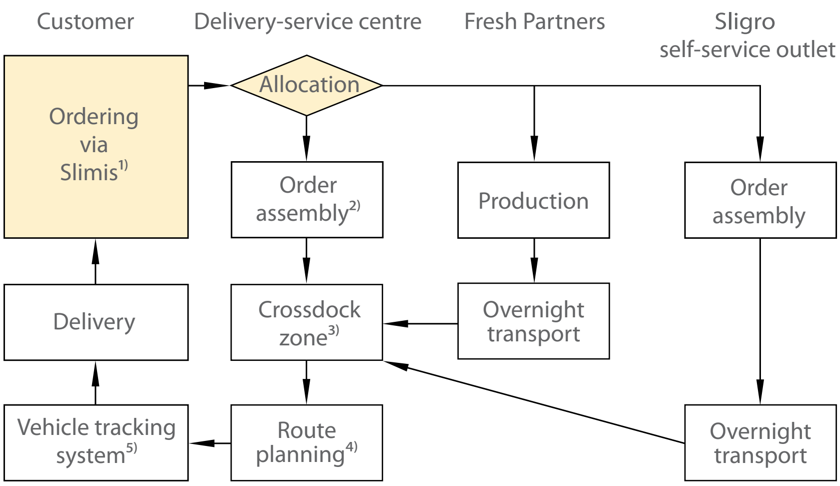
The new approach has also enabled the cash-and-carry outlets to focus on the processes specific to their activities and they, too, have enjoyed additional sales growth since these activities were split from the delivery side.

OPERATIONAL EXCELLENCE

Our customers operate in competitive markets and rightly demand ever-higher standards of professionalism from their suppliers. These demands relate to levels of service, purchasing conditions, delivery within specific timeframes and support in the form of additional services such as electronic order systems, account monitoring, management information, product information, concepts and emergency back-up programmes. Our business-to-business customers expect perfection because they use the products we supply to generate their income. Given the high level of concentration and integration of partnerships, a problem in our supply chain almost always also means an important issue in our customer's business. That is a big responsibility, and one we take extremely seriously.

In the past few years, we have therefore invested massively in achieving operational excellence in our delivery-service activities and we believe that these investments have proved successful. Prevention is always better than cure, because putting mistakes right is always very costly and ultimately never results in complete satisfaction for our customer, whose business day has already been disrupted. Sligro is therefore totally committed to achieving operational excellence. The steps we have taken to achieve this include error-free crossdocking processes through dispatch scanning, the 'mobile PLOP' (PaperLess Order Picking) project, dedicated customer teams, GPS route-monitoring systems, dynamic route planning, a modern vehicle fleet, training and other courses, systems for handling defects and complaints, an in-house quality management service, emergency back-up procedures, a 'shadow' outlet structure that can be replicated in the event of emergencies and so on. These activities are based around the efforts we have made, both centrally and locally, to build strong management teams that are able to facilitate implementation of these changes. Each delivery-service centre now generates sales of between €50 and €150 million. The action we have taken has helped us to achieve significant advances in quality, many of which

ORDERING AND LOGISTICS PROCESS



1) 15,000 customers place their orders using the Slimis e-commerce application. 2) Mobile 'PLOP' system ensures virtually error-free and highly efficient order assembly. 3) Scanning ensures virtually error-free crossdocking. 4) Dynamic route planning reduces cost and helps the environment. 5) GPS tracking system ensures on-time delivery.

have been accompanied by improved customer satisfaction and efficiency. This process of improving efficiency is also being helped by the delivery network, in which our delivery-service centres, a number of our cash-and-carry outlets and our Fresh Partners suppliers work closely together. The delivery-service centres hold some 10,000 items in stock, which enables efficient order-picking within a relatively limited range. All orders of perishable products are filled at customer level and, if applicable, on a customer-specific, ultra-fresh basis, at our Fresh Partners' production centres; they are then crossdocked and delivered overnight to the delivery-service centre. All slow-movers (and any substandard items) are picked out at three specially equipped cash-and-carry outlets (our service outlets), from where they are crossdocked and delivered overnight to the delivery-service centre. Orders are then combined so that our fleet of close to 250 vehicles can set out from five o'clock the next morning to deliver them to our customers. Customers have a single point of contact, place a single order and receive a single invoice, while our ICT systems make sure the right orders are dispatched to the right locations. In this way we can offer a highly customer-specific range of 60,000 items, while also ensuring these highly complex logistics operations are run efficiently. 'One for all, and all for one' is how we describe it. We have invested heavily in our ICT and logistics systems in recent years in order to ensure that this complex process is highly stable and operates without error, but can also be managed with sufficient flexibility if required.

NATIONAL DELIVERY-SERVICE NETWORK

All our delivery-service centres have identical operating structures, based on our centralised systems and group vision. In an emergency, the centres can take over work from each other on a real-time basis. Unlike the other centres, our largest centre, which is in Amsterdam, not only serves its own region, but also acts as a national distribution centre for a number of customers with relatively large drops and specific requirements who can best be served nationally. Van Hoeckel will also be integrating its logistics into our delivery-service network in 2012, along with its centre in 's-Hertogenbosch and five delivery-service centres that will fully integrate their systems for fresh produce and smaller orders.

GROWING BY STAYING SMALL

With its dense network of 11 delivery-service centres and 45 cash-and-carry locations, Sligro is literally close to its customers, both commercially and logistically, while also overseeing as many activities as possible at a centralised level. We try wherever possible to adhere to the basic principle that we also apply in our network of stores and cash-and-carry outlets: the decentralised organisation is totally focussed on its customers and the related logistics, while all functions designed to facilitate this performance are at a centralised level.

That is why we have account teams serving the individual regions as well as a network of national account managers and specialists in specific product lines or channels who support our account managers. Including our Fresh Partners, our total team comprises over one hundred national and regional account managers and fresh produce or other specialists. In early 2011 we decide to restructure our sales force model to give it a greater focus on acquiring new customers and filling gaps. Management of pricing systems, offer processes and national account support are all centralised: in Veghel for Sligro and 's-Hertogenbosch for Van Hoeckel.

As well as in our logistics, we have also invested large amounts in recent years in account management and support, more specifically in staffing and in ensuring good ICT systems. With our control of processes, our knowledge of our customers and our joint business and high levels of commercial know-how, we have secured a distinctive commercial position in the market, which is increasingly recognised and appreciated by our customers. We were able to demonstrate this again in 2011, with our smooth-running start-up processes for large complex accounts. Although price remains an

ZORAN BUDIMIROVIC

I like the people I work with, and time flies

important factor, certainly in the current market climate, factors such as quality, trust and our ability to solve problems for our customers are increasingly being seen as a strength. Some other operators in the market do not appear to possess that strength, and have to resort to distinguishing themselves purely on price. We, however, have every confidence in the sustainability of our quality-based approach.

Over the past few years we have introduced various new systems, including a new system for monitoring offers and bonuses, and a new support model for our sales force (a special CRM package developed in-house). We have also set up a more intensive in-house commercial training model, together with a new sales force structure and various special ICT interfaces and systems for fully integrating the systems used in our partnerships with larger customers. As far as possible we work on the basis of facts and our own database systems, in which we record very detailed information on all transactions at both an item and customer level. We and our team of information managers use this database on an ongoing basis to maximise the targeting of promotions, set sales force priorities, identify gaps in the services and target mail shots. This business intelligence tool also has substantial added value for management reporting and customer support.

SUMMARY

We have now been providing delivery services for some twenty years. In retrospect, we can see that some of the decisions we made were wrong but others were right. That is all part of the development process that we have gone through over those years and has ultimately enabled us to identify how best to structure our organisation. Our activities in this field have become much more professional over the past five to seven years. Starting from a situation in which we lagged behind other players, we have now moved into a position of leadership and we see many other opportunities for capitalising on the advantage that we now enjoy. The combination of these activities with our cash-and-carry stores, our operating methods and our ICT systems, together with our group-wide expertise in logistics, our strong purchasing position, our central back-office function, our focus on cost control and the entrepreneurial Sligro Food Group business culture, will undoubtedly help ensure that our market share and profitability continue to increase – perhaps at an even faster rate, with the help of suitable acquisitions – over the coming years.

Dealing with people

FROM LEFT TO RIGHT
MARLEEN BEERENS
IMKE KESSELS
MARGA GEESING

Organisation AND EMPLOYEES

GOALS

- To establish long-term employment relationships, consistent with our status as a reliable and professional employer.
- To maintain employees' pride in Sligro Food Group through intensive communications and by enabling them to share in the group's success.
- To create a safe and pleasant working environment in which employees from different backgrounds can all feel at home.
- To promote cooperation and partnership as a means of achieving targeted synergistic benefits for the group.
- To ensure that important elements of our organisational culture, including commitment, pride and passion, cost awareness, collegiality, enjoyment of work, entrepreneurship and a problem-solving approach, are promoted and maintained.
- To remain committed to an informal organisation, where short lines of communication and reporting help to achieve intelligent and rapid solutions in day-to-day activities.
- To continue promoting customer-oriented and customer-friendly practices as the standard for our employees.
- To consistently strive to improve employees' performance by providing structured and challenging opportunities for training and management development.

REFORM

The worsening economy is gradually starting to impact on employment figures. Although the initial phase of the crisis, from late 2008 to the end of 2009, had only a limited effect on total employment levels in the Netherlands, the further worsening of the economy since the second half of 2011 is having a far greater impact. What is happening in effect is a redistribution of global income and Europe is going to have to readjust. Although the process in Northern Europe will undoubtedly be less painful than in Southern Europe, we also have to reform, certainly as far as employment conditions and job security are concerned. The first signs of this are clearly visible in the case of pensions, but the overall pace of change is still modest. Many people are continuing to cling to old structures and 'acquired rights', at a time when economic growth and employment would benefit greatly from more flexible labour practices and performance-related pay. Our sector has been trying, albeit unsuccessfully, to change work rosters for many years. The response of the trade unions to those efforts has been one of great suspicion, focussing primarily on protecting the interests of a shrinking group of relatively old employees of the male gender. Our experience is that employees themselves are far less keen to be constrained by a 'one size fits all' model and want to see more differentiated remuneration that reflects their personal efforts and contributions. A strategy of focussing solely on defending the status quo was never going to be future-proof, whereas going on the offensive and responding to the need for change can increase the size of the total pie, so there is more for us all to share.

GREATER FLEXIBILITY

As a business we seek to maintain a balance between social pressures and the needs of Sligro Food Group. We see that as a rational process. We only extend working hours if it is really necessary in order to serve our customers or significantly reduce our costs. Indeed our opening hours are relatively limited compared with our competitors. Our cash-and-carry wholesale outlets are open no more than two evenings a week and are not open on Sundays: few of our foodservice customers need to come to their Sligro outlet at those times because that is when they are serving their own customers. Similarly, our distribution centres operate mainly daytime shifts. In our view, the benefits of more shift-working are not sufficient to offset the adverse impact that such working patterns could potentially have on our organisational culture. As we see it, it is no coincidence that our distribution centres have been able to improve their performance significantly year on year, and always on their own initiative. Performing as a team has become second nature to us, and that is something we cherish. At our foodservice delivery centres, however, we have no option but to extend working hours substantially. Indeed, the only time that some of our delivery-service centres close is from Saturday evening to Sunday evening. These long opening hours are necessary because it is the only way we can be assured of being able to supply perishable products to our customers as and when they want them. By concentrating these activities at a limited number of locations over the past few years, we have been able to organise this professionally and in a far safer environment. It is regrettable that the Collective Labour Agreement imposes restrictions in this respect, some of which are contrary to employees' interests and adversely affect their health.

PROFESSIONALISM AND DIGITISATION

The process of professionalising our various business units is having a major impact on our Human Resources department and keeping pace with these developments can be quite a challenge. We are pleased to report that all the effort we have invested in recent years is now gradually beginning to bear fruit. An essential element of this process is the introduction of the Emplaza e-HRM software, which will allow us to digitise many of our processes and substantially improve the exchange of information, both within the group and between the group and its employees. There are still a number of aspects of our work that need to be made more professional and areas where we need to reduce unnecessary bureaucracy. The steering group and working groups involved in this process continued to make progress in 2011. As we know from comparable projects in other departments, thorough 'behind the scenes' preparation is absolutely vital if changes of this kind are to succeed, but this means that it can take a relatively long time for the effects of the changes to become visible at 'front of house'. All our processes have now been defined in detail and we have updated all jobs and job descriptions in our systems and completed detailed mapping of the organisational structure.

In 2011 we also decided to merge the separate personnel systems for each 'salary entity' into a single database, which will then oversee the separate salary entities (because of the various collective labour agreements applying to our workforce). We will be making efforts in 2012 to allow this database to be available electronically to individual departments, business units and locations, and also to put the initial operating processes online. The whole project will take around three more years to complete.

Digitisation has become the magic word in HR. We dealt with around 75% of recruitment and selection processes in 2011 via a special website. Having all the information immediately available digitally significantly speeds up the administrative process relating to new employees. It also enables us to build up a substantial database of people who are interested in working for Sligro Food Group and we regularly use this to contact prospective employees when suitable vacancies arise. These individuals themselves can obviously also 'subscribe' to information on vacancies.

Social media are becoming an increasingly important part of this process. 'Friends' following us on these media share information on vacancies with other 'friends'. It should be remembered that there are many small,

ALAIN DIKS

Fresh ingredients and a good end-result

relatively short-term jobs at Sligro, particularly in our supermarkets. Students doing these jobs constitute an important group of potential employees when they finish their studies and we are aiming to make more use of them. Our first large-scale e-learning trial with this group of employees is discussed in the 'Training and development' section below.

RESTRUCTURING

We again made major efforts in 2011 to ensure the various reorganisation and integration projects within the group proceeded smoothly. The main focus during the year was on closing the Sanders head office and converting its retail distribution centre into a foodservice distribution centre (in other words, converting it from a large-scale logistics centre to a small-scale logistics and commercial centre) and on the decision to close the Culivers production facilities in Amsterdam. More information on these projects can be found on pages 24 and 31 respectively. In the event of major changes such as these, we always agree a social plan with the trade unions and keep the Works Council informed on and actively involved in the reorganisation process. This involvement starts with requests for advice and continues until the entire process has been completed. The social plans always build on previous plans, which are updated to accommodate specific situations. 'From work to work' is the guiding principle, both for us and for the trade unions. We are always able to offer people suitable jobs within the organisation, but relocating can sometimes be a problem because people in this country can be reluctant to move to other areas. In the case of Sanders, some 20 employees took the option of voluntary redundancy under the social plan. As most of these employees had worked for Sanders for relatively long periods of time, the redundancy payments were considerable, albeit non-recurring. As explained on page 24, flexible deployment of employees during the conversion of the distribution centre meant that the process could be completed successfully with few if any adverse consequences for employment.
Action to close Culivers Amsterdam and integrate it into Culivers Eindhoven started towards the end of 2011 and will continue in the first half of 2012. Before Christmas,

each employee was offered a suitable job at another Sligro Food Group business unit in the region. In almost all cases these offers were accepted, with fewer than ten employees opting for voluntary redundancy.

ILLNESS-RELATED ABSENTEEISM

Management of illness-related absenteeism is an issue that receives our constant attention. The absenteeism rate was 4.4% in 2011, compared with 4.0% in 2010. Our all-time low was 3.5% and our medium-term absenteeism target must not exceed this. If there is one area in HR in which the government has not proved helpful it is in the broad field of management of absenteeism and incapacity for work. We have no objection to the financial risks being borne by the business, provided we also receive the revenues (or bear the costs) of this and, most importantly, are allowed to discharge our responsibilities in this respect in a meaningful and effective manner. We understand that the government has to ensure compliance with various basic principles, but that is no reason for drowning in bureaucratic rules. We have chosen to insure the risk of partial disability privately, which involves accepting a higher share of the risk for ourselves. All the files have been transferred to us and have been cleaned up and reassessed, which has resulted in applications for reassessment and adjustments to benefits. We have reviewed our own processes for dealing with long-term sickness so that we can identify the risk of long-term incapacity for work at an earlier stage. We see targeted case management as a way of achieving faster reintegration of employees into work, either inside or outside our organisation.
During the year we also worked with line management at two locations to achieve more effective structuring of our approach to dealing with (short-term) absenteeism. Our main aim is to focus more on what people can do, rather than on what they are unable to do: in other words,

We always have a lot of fun with our workmates

RAPHAEL WOLFS

looking at opportunities rather than limitations. This approach can sometimes produce surprising outcomes, enabling us to free employees from their psychological isolation and help them to lead normal lives again. People sometimes see sick leave as a means of escape and the barriers to returning to work can become increasingly difficult to surmount. Getting them back into circulation can produce heart-warming responses from employees and these responses are reason enough in themselves for us to continue our efforts. The fact that our efforts also save a lot of money makes them all the more worthwhile.

TRAINING AND DEVELOPMENT

We always have large numbers of staff changes to process, particularly in our supermarkets, because many school pupils take temporary or holiday jobs in our stores. We needed a better, more intelligent and more effective induction process. What could be better than communicating with these young people via the system that has become second nature to them: the internet? Anyone wanting to work for us first has to complete an e-learning module. This also serves as a selection tool, because those who are not really interested will not bother to complete the module. The response to date has been very positive and our initial impressions are extremely good. Linking this to a new automated system for recruits has created a very smooth and predictable process, although there are some aspects that still need improvement. When new employees join us, they also have to complete a standardised familiarisation programme.

A special module has now been developed for cashiers which has proved to be highly effective. This has substantially reduced the time needed to familiarise staff with our operating procedures and the quality of work has improved. We will be examining ways of extending this concept to other training courses during 2012 because we believe there is a lot more that can be achieved using it.

We work together with conventional educational institutions in many areas, sometimes to develop training courses meeting the requirements for generally recognised diplomas and sometimes in providing internships and work experience opportunities. In recognition of its work in this field, our delivery-service outlet in The Hague won an award as the year's best provider of internships. During 2011, we provided internships in various parts of our business for around 230 students of upper secondary vocational (MBO) to higher professional (HBO) level. Although many relatively highly trained people have joined our workforce in recent years, we have not always been successful, despite all our efforts, in properly overseeing and guiding these ambitious employees in developing their careers within our organisation. A proper balance has to be found between enabling them to accept and learn from new challenges and giving them the time they need to mature. We have therefore redesigned our SJID (literally, Sligro Young Intellectual Thinktank) programme. It now includes a new element from outside the organisation, in the form of various inspirational and motivational speakers and opportunities for new experiences, combined with time spent explaining Sligro Food Group's strategy and the values we stand for. The fourth SJID programme, in which around twenty recent graduates are participating, started in mid-2011 and we hope that the changes we have introduced in this programme will help these recruits to develop their careers within our business. The focus in this respect will be on development, culture and insight and on encouraging them to be receptive to what is happening in the world around them. This will enable the group and the individual participants to see links and relationships with their day-to-day work, the object being for them to gain inspiration, build networks and learn how to work together effectively. The initial results of this two-year project have been positive.

WORKS COUNCIL

Elections for a new Works Council were held in the second quarter of 2011. We are pleased to report that the new Works Council wishes to continue and subscribes to the existing consultative structures, based on the principle of 'Working together means winning together'. We have a single Works Council within the group, with the various committees focussing on issues rather than 'tribal loyalties'. That is because we choose to look at what we have in common within Sligro Food Group instead of how we differ. Indeed the latter would contradict the group's basic strategy. Rather than being a group of different businesses, we are a single business taking various routes to the market and with a single, integrated back office. The new members of the Works Council obviously faced quite a challenge when, soon after being elected, they were asked to advise on the planned closure of the Culivers production facilities in Amsterdam and then accept partial responsibility for the process. The Works Council was equal to that challenge, undoubtedly helped by the knowledge that we always communicate openly about matters such as these and that the Executive Board always sticks to what it has agreed and undertaken to do. In this way, employee co-determination adds substantial value to the organisation. We also know from our experience of acquisitions that a lot of energy can be wasted in this area, which is why it is important to understand that we all have our own responsibilities and are not each other's opponents.

EMPLOYMENT TERMS AND CONDITIONS

Our supermarket staff are covered by the Collective Labour Agreement for Large Food Retailers and almost all other Sligro Food Group employees are covered by the Collective Labour Agreement for the Food Wholesale Sector. One aspect these two agreements have in common is that consultations in recent years have been extremely difficult and that new agreements are not reached until long after old agreements have expired. Another similarity is that these new agreements generally contain little in terms of innovation and addressing difficult issues such as pensions is all too easily postponed until a future date.

The Collective Labour Agreement for the Food Wholesale Sector expired on 1 October 2010. Although a new agreement was not reached until September 2011, the employers unilaterally awarded a 1.5% pay increase as from 1 May 2011. Employers suspect the trade unions of being unnecessarily slow in negotiating new agreements in order to foster discontent about delays in pay rises in the absence of other relevant issues. The above pay increase was incorporated retrospectively into the new agreement, which also provides for a further increase of 1.5% from 1 February 2012. The new agreement will run until 1 April 2012 and we will then have to start negotiations all over again, in a game in which few people now seem to understand the rules.

Matters are not much different in the supermarket sector, where the collective labour agreement expired on 1 April 2011 and a new agreement was not finalised until December 2011. Here, too, the employers unilaterally awarded a 1.7% pay rise on 1 October 2011. The new agreement, which runs until 1 April 2013, provides for an increase of 1.8% from 1 October 2011 and 2% from 1 August 2012. As in the wholesale sector, a committee has been set up to examine the sustainability of pensions in the supermarket sector, and we hope this proves more successful.

Various measures had to be taken during the year to ensure that we comply with the requirements of the pension regulators in 2012. When negotiating the collective labour agreements, the trade unions placed great emphasis on extra pay rises for younger people and some of their demands were met. It should be noted, however, that these demands were not driven primarily by the interests of those younger people (who are not usually trade union members), but rather by the perceived indirect effect of such increases on older people.

Average staff numbers in the past three years are as follows:

	FTEs (average)			Individuals (average)		
	2011	**2010**	**2009**	**2011**	**2010**	**2009**
Food retail						
Wholesale[1)]	303	317	346	479	477	485
Supermarkets	2,692	2,344	2,163	5,991	5,146	4,831
	2,996	2,661	2,510	6,470	5,623	5,316
Foodservice[2)]	2,884	2,852	3,042	3,610	3,552	3,653
Total	**5,880**	**5,513**	**5,552**	**10,080**	**9,175**	**8,969**
Outlets[3)]	3,807	3,545	3,469	7,532	6,785	6,510
Production companies	212	191	211	234	203	224
Distribution centres[4)]	1,321	1,267	1,324	1,728	1,630	1,635
Head offices	540	510	548	587	557	599
Total	**5,880**	**5,513**	**5,552**	**10,080**	**9,175**	**8,969**

1) Including retail logistics. 2) Including central overheads, the central distribution centre and production companies. 3) Cash-and-carry and our own supermarkets. 4) Central distribution centre and the distribution centres specifically serving food retail and foodservice.

The average number of employees rose by 367 FTEs in 2011. The main reason for the increase in the number of employees in food retail is that this figure includes the former Sanders staff for the whole year in 2011, but only for the fourth quarter of 2010. The limited increase in the number of foodservice employees is attributable largely to the efficiency gains achieved through the PLOP project and improvements at the Amsterdam delivery-service centre. It should be noted that the above table shows only the numbers of our own employees and that we also use temporary staff and Euroflex agency staff, most of whom are from Poland. This is partly the result of conscious choices we have made in our logistics activities and partly because there is no other way to get staff of the quality we require. On an annualised basis, we estimate the total number of staff on these flexible contracts to be 332 FTEs (2010: 354 FTEs).

PENSION FUND

Detailed information on the pension problems facing us can be found in 'Pensions and pensions accounting' on page 69, where we explain that there are substantial differences between the way in which the group pension fund (Stichting Pensioenfonds Sligro Food Groep) accounts for pensions and the way in which Sligro Food Group accounts for pensions under IFRS. Unfortunately the unprecedented fall in interest rates that the fund has to use to calculate its obligations meant that the extra measures taken in 2010 failed to achieve the desired effect on the coverage ratio and did not allow the fund to award indexation.

STAFF PARTICIPATION

For many years Sligro Food Group has had a profit-sharing scheme for its employees, based on the group's profit as a percentage of sales. We are pleased to report that the percentage rose again to 2.7% in 2011 after a fall of 0.2 percentage points to 2.5% in 2010. This increased the total payout from €3.6 million to €4.2 million, including the employer's levy. As usual, this amount will be converted into Sligro Food Group shares in order to provide an extra incentive for our staff participation scheme. In total, our employees now hold 1,614,000 shares (2010: 1,560,000).

In operating this profit-sharing scheme, we have in the past used an additional facility under the national salary savings scheme, but that facility has been discontinued from 1 January 2012. This means that the only state scheme facilitating employee participation in this way has been abolished, even though the sums involved amounted to a maximum of around €613 per employee, on which the employer also paid a levy of 25%. This has pushed the Netherlands to the bottom of the international league in this respect, which is a great pity.

We are very committed to the principle of employee co-determination, as reflected in our policy of 'Working together means winning together'. That is why we have decided not to start paying future profit-shares in cash, even though that would save us, as an employer, around €0.4 million a year. Instead we have decided to share with our employees the total extra levy payable to the government, to enable them as far as possible to continue participating in Sligro Food Group through share ownership. This decision will cost both the business and our employees around €0.4 million. Full details of our profit-sharing scheme can be found at www.sligrofoodgroup.com, where everyone can see how we communicate our approach and, moreover, how important the issue is to our employees.

ELS BROENS

As a cashier, you perform a social function

Corporate SOCIAL RESPONSIBILITY

For several years our annual report has also included information on corporate social responsibility. In this section we report on how we operate in this respect, the particular issues to which we devoted attention in 2011 and how they fit into our long-term plan.

Having published a number of annual reports on this subject, we have concluded that accounting for our performance in the broad-ranging field of sustainability does not by definition need to be linked to a calendar year. Sustainability projects are often for the longer term, extend over year-ends and do not have a financial year. As announced last year, therefore, we started publishing more regular information on this subject in 2011 in the form of quarterly updates. These quarterly sustainability reports detail the progress of our activities in this respect, as well as providing information on various short-term and current projects within the group. The style and format of these reports is very much in line with 'sliM', our monthly staff magazine, as our own employees are a very important target group for our communications on sustainability. We firmly believe that sustainability has to come from within and to be shared and assured throughout the group. We therefore send our quarterly CSR reports to all our employees so that the idea of corporate social responsibility increasingly gains a place and a face within our organisation

OUR VISION OF CSR; HOW WE OPERATE

At Sligro Food Group, corporate social responsibility and commercial returns go hand in hand. The advantage of this approach is that CSR stays high on our agenda, even in tough economic times. For us, corporate social responsibility is a key element of professional and sustainable business practices.

We measure the added value of Sligro Food Group by more than just financial performance. Other issues are also important, including employment, health, food safety, sponsorship of worthy causes, employee participation and co-determination, energy and environmental and social issues.
MVO-Nederland (the Dutch CSR platform) defines CSR as "an integrated business vision in which the business creates value at the economic (Profit), environmental (Planet) and social (People) levels". We recognise our vision in MVO-Nederland's definition. Striving for both profit and continuity is perhaps the ultimate form of corporate social responsibility: if our company ceased to exist, our employees would have no jobs, our suppliers would have fewer customers, our customers would have fewer suppliers, our shareholders would have no shares and the government would have lower tax revenues.

You can find full details of our vision of corporate social responsibility and examples of how we put these principles into practice, the choices we make and the goals we set on www.sligrofoodgroup.com, while this annual report provides an outline of that vision.

We achieved substantial progress over the past year in developing and achieving our CSR objectives. In doing so we demonstrated that emotions and, therefore, authenticity can certainly go hand in hand with quantifiable goals. We see this combination as important because setting goals should not be an end in itself. What ultimately matters is the targeted and specific steps we take to improve our CSR performance, and this process of taking specific action, readjusting and once again refocusing creates a great deal of energy and enthusiasm within our organisation.

PRIORITIES AND OBJECTIVES

Our CSR steering group set the priorities for 2011 and beyond and translated them into a series of spearhead projects based on firm, measurable targets. These spearhead projects reflect the principal areas of CSR that the Sligro Food Group steering group has defined:

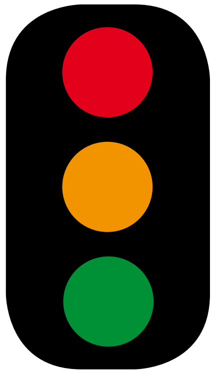
- Purchasing
- Energy
- Waste/environment
- Logistics
- Staff
- Food safety

We launched all the spearhead projects in 2011 and some of these are now at the implementation stage. Other CSR-related activities currently under way at many places within the organisation may also evolve into spearhead projects in the coming years.

Progress and reporting Each member of the new steering group has set up a working group to oversee implementation of the various spearhead projects, while still bearing final responsibility for monitoring progress and reporting back to the CSR steering group. We use a 'traffic light model' to show the progress achieved in reaching the targets that have been set. Full details of the spearhead projects can be found on the CSR pages at www.sligrofoodgroup.com.

Progress of CSR spearhead projects

SPEARHEAD PROJECT
1. Affiliation with BSCI
2. Covered freezers in our supermarkets and cash-and-carry stores
3. Video conferencing
4. New transport technologies (longer, higher, quieter)
5. Piloting alternative fuels
6. Projects for a sustainable primary sector
7. Eerlijk & Heerlijk
8. Heat-recovery trial project
9. Energy savings at frozen-food distribution centre
10. High-frequency lighting at distribution centre
11. Support of voluntary projects by Sligro Food Group staff



GROEN	**on schedule**
AMBER	**needs attention**
RED	**not on schedule**

MORE INFORMATION ON STATUS OF PROJECTS

1. AFFILIATION WITH BSCI (BUSINESS SOCIAL COMPLIANCE INITIATIVE)

BSCI is a non-profit organisation dedicated to setting clear rules and monitoring corporate social responsibility. BSCI members are committed to improving working conditions in their worldwide supply chain. BSCI's code of conduct, which prescribes what is expected of suppliers, advocates a development-centred approach and, if necessary, can be further refined by the members. We became a member of BSCI towards the end of 2010. A total of 23 of our suppliers are currently in or have completed the BSCI process. Four suppliers have taken the first steps by conducting a self-assessment and are now moving on to the external audit phase. In October 2011 we joined BSCI's Chinese representatives to give a presentation to 80 Chinese suppliers in Guangzhou.

2. COVERED FREEZERS IN OUR SUPERMARKETS AND CASH-AND-CARRY STORES

Signing the Supermarket Energy Savings Covenant means EMTÉ has agreed to achieve significant energy savings by fitting its refrigerators and freezers with covers. We have now started installing the appropriate covers. By the end of 2011 we had fitted them at 66% of our EMTÉ supermarkets and so are well on track. Initial results show energy savings of 50%.

Our cash-and-carry stores demand a different solution, which has been found in the form of semi-enclosed island freezers with hot-gas defrosting. This system has been tested in conjunction with TNO, and tests have shown that it delivers similar savings to those achieved in our supermarkets. We have also started installing this system and had fitted them in 33% of Sligro stores by the end of 2011.

3. VIDEO CONFERENCING

Our organisation has now attained a size and national coverage that makes it practical to use technology such as video and teleconferencing to reduce time spent travelling to meetings and increase labour productivity. Cutting the number of business kilometres travelled will also reduce both our environmental footprint and our costs. We started two pilot projects at three locations in 2011 and will decide in mid-2012, based on users' experience, whether and how to roll out the facilities elsewhere in the organisation.

4. NEW TRANSPORT TECHNOLOGIES

Several new technologies and vehicle designs are now available to help reduce the number of transport streams. This in turn will reduce the number of kilometres travelled, as well as the related CO_2 emissions, emissions of hazardous substances and noise nuisance. Sligro requires its transport operators to monitor developments in these technologies and to adopt them wherever possible.

We are also committed to using PIEK-certified vehicles (PIEK is a nationally recognised quality mark for quiet vehicles). In 2011 we were able to achieve significant improvements through the use of new technologies and techniques, including:

- Concentrating deliveries in the Amsterdam region. Even though sales were up by more than 20%, we were able to reduce the number of kilometres driven by over 6%.
- Using larger vehicles for deliveries from the central distribution centre in Veghel so that more goods can be transported without any increase in the number of kilometres driven. Replacing standard vehicles with LZVs (Long Heavy Vehicles) has enabled us to reduce the total number of kilometres driven by over 300,000 a year.
- Using double-deckers for deliveries from our food retail distribution centres in Kapelle and Putten has enabled us to reduce the total number of kilometres driven by over 500,000 a year.
- By using city trailers for local deliveries in urban areas Sligro Delivery Service has been able to increase its loading levels by around 40%.

5. PILOTING ALTERNATIVE FUELS

The automotive industry is developing increasingly clean and more fuel-efficient engines. Sligro wants to be involved in these developments and so has set up various trials and pilot projects in association with its transport operators. We are thus among the leaders in the sector. The various trial locations, timescales and fuels under test are as follows:

- A biogas-fuelled refrigerated/freezer truck is being used at Sligro's delivery-service centre in Haps which reduces CO_2 emissions by 75%. This truck is much quieter than its predecessor and is PIEK-certified. The refrigerator systems are also powered by biogas. This unique experiment in the Netherlands is having a clearly positive effect on the environment. However, the higher fuel consumption and the price of biofuel mean that further development is needed for a positive business case.
- The Sligro delivery-service centre in Haps is testing a dual-fuel truck with CNG injection. The main benefit of this dual-fuel engine is its lower emissions of hazardous substances. At least one more dual-fuel truck will enter service in 2012. Providing our experience remains positive, the number of dual-fuel trucks in use will then be increased to six.
- The Sligro delivery-service centre in Nieuwegein started testing a hybrid truck and a fully electric truck for urban deliveries in 2011, but this technology is still

at the experimental stage and the trial will not be followed up for the time being.

- The distribution centre in Veghel has started using a truck powered by natural gas. This truck meets the strictest noise-nuisance standards and also has very low emissions of hazardous substances. We expect to do far more with gas in 2012; thirteen trucks are due for replacement and we will explicitly include environmental performance as a criterion when selecting the new vehicles.

GOVERNMENT PLANS TO INCREASE DUTY ON 'GREEN' GAS. WHAT ARE THEY DOING?

Following a motion by Frans Weekers, State Secretary of Finance, the Dutch government plans to increase the duty payable on 'green' gas. Until now gas has been taxed at a lower rate than petrol and diesel on environmental grounds. According to Weekers, petrol and diesel engines are now so much cleaner than before that it is no longer appropriate to make this distinction. The plans he announced earlier have now been worked out in detail and included in the National Tax Plan for 2012. Implementation of these plans will have a severely adverse impact on innovation and developments in the use of green gas by the transport sector, because it is precisely the lower duty on gas that has created opportunities for the sector to develop cleaner and hence more environmentally friendly engine and fuel combinations. Sligro Food Group and our logistics partners have been conducting various pilot projects to test these environmentally friendly innovations in practice. The government expects the increase in duty to generate €1 million of extra revenues each year, but at the cost of placing €100 million of investments in jeopardy. By focussing primarily on extra income from fuel duties, particularly in a period in which the sector is making major efforts to invest in measures to improve the environment, the government is showing itself to be an unreliable partner in the field of sustainability. That is not only disastrous from the perspective of this project, but also because it will not exactly encourage businesses to embark on new projects with enthusiasm and together discover the right way to achieve more sustainable transport.

6. PROJECTS FOR A SUSTAINABLE PRIMARY SECTOR

Although Sligro Food Group is not itself a primary-sector organisation, it works closely with many suppliers of

primary products and primary raw materials are also used by our production companies and in the production processes operated by our Fresh Partners. Sligro therefore shares responsibility for the primary sector's impact on people and on the environment in which they operate. Our guiding principle is that a product should not harm the consumer or the environment. We worked on the following projects in 2011:

- Adding 3,300 Sligro items to the 'Ps in Foodservice' database (www.psinfoodservice.nl).
- Sending all suppliers of our own-label brands a copy of the Sligro Quality Conditions to encourage them to use only primary products produced in compliance with the Global Gap standards. In 2012 we will be asking our suppliers to show certificates demonstrating their compliance with the Global Gap standards.
- Active participation, via the Dutch Food Retail Association (CBL), in the Expert Consultations on Product Reformulation. These consultations seek to encourage initiatives between retailers and manufacturers in areas such as reducing salt in tinned vegetables, bread and meat products. In 2011 we started a project to reduce the amount of salt in bread from 1.8% to 1.5% without using any salt replacements. This goes further than the statutory norm of 1.8% NaCl in dry matter by 1 January 2013.
- The declaration of intent on promoting the use of sustainable soya which we signed as a member of Superunie which seeks to ensure that, from 2015, all soya used in producing meat, dairy products, eggs and other foodstuffs consumed in the Netherlands will be from sustainable sources.
- Signing the 'Den Bosch Manifesto', which aims to ensure that all meat comes from sustainable sources by 2020.

7. EERLIJK & HEERLIJK

Sligro Food Group's Eerlijk & Heerlijk (literally, Fair & Delicious) range of sustainably produced items is built on four main pillars: organic, fair trade, sustainable and local. The objective is to offer the widest possible range of sustainable products. Every effort is also made to use the most sustainable packaging for the products. Eerlijk & Heerlijk is not a brand, but a concept that encompasses generally accepted independent quality marks such as the European organic quality mark, Fairtrade/Max Havelaar, UTZ-certified or Rainforest Alliance.

The Eerlijk & Heerlijk range currently comprises some 1,500 items and this number is increasing by the week. We achieved our goal of having Eerlijk & Heerlijk products in all our fresh product and other food lines in 2011 and in February we also launched the website http://www.eerlijk-heerlijk.nl. The biggest challenge as far as the success of this concept is concerned is communicating the concept successfully in our stores. The further improvements needed in this respect are the main reason why this spearhead project still has an amber light. It is then up to Sligro Food Group's customers to show whether Eerlijk & Heerlijk is able to influence sustainability choices and achieve the goals that have been set for these products in the future.

In December 2011 our Eerlijk & Heerlijk range was nominated for the 'Groene Twinkeling' prize, which is awarded to the company that has done most for biodiversity. This is a joint initiative of various nature and environmental organisations, including Natuurmonumenten, Natuur en Milieu Overijssel, Staatsbosbeheer and Landschap Overijssel. With this prize, these 'green' organisations can show that biodiversity and business can be successfully combined and encourage businesses to make extra efforts to benefit nature and the landscape.

8. HEAT-RECOVERY TRIAL PROJECT

By switching to refrigerators and freezers using CO_2 as the refrigerant at our larger cash-and-carry stores, we can use heat recovered from the refrigeration equipment to heat the building. We started a two-stage trial of this at our Sligro cash-and-carry store in Tilburg in 2010. This involved carefully measuring and monitoring the reliability, costs and savings (both financial and environmental) so as to establish a basis for possible upscaling in the future. The initial results in Tilburg show a saving of around 50,000 m3 of gas year. This is promising and suggests there is potential for further refinement of this technology and its application in our cash-and-carry outlets, distribution centres and supermarkets.

9. ENERGY SAVING AT FROZEN-FOOD DISTRIBUTION CENTRES

Energy consumption at our frozen-food distribution centres is a matter of particular concern, from the point of view of both environmental impact and energy use. As well as the usual insulation measures, the refrigeration technology employed can also have a significant effect on energy consumption. There are a number of changes we can still make in our food retail distribution centres to save energy, including using 'direct' refrigeration systems. We started testing such systems in 2011.

10. HIGH-FREQUENCY LIGHTING AT DISTRIBUTION CENTRES

There are opportunities for saving more energy by combining high-frequency lighting with sensors and dimmers in our distribution centres of over 40,000m². We started installing such systems in 2011. By now, a total of 30,000m² of the floor area at these centres has been fitted with this new lighting, which will yield savings well in excess of the target of 20%.

11. SUPPORT OF VOLUNTARY PROJECTS BY SLIGRO FOOD GROUP STAFF

Many Sligro Food Group staff are active in their private lives as volunteers assisting projects of social value. This does not simply mean being members of large charitable organisations, but rather setting up or personally participating in voluntary projects close to home or far away. In order to encourage and support these private initiatives, we set up a support fund (Sligro Stimuleringsfonds) in 2011.

Before mentioned spearhead and other projects have specific goals set for the coming years. You can find this information on our corporate website.

GREEN GOALS

Following our initial experience with a more structured approach to CSR in 2011, we are planning to use the knowledge and results that this has generated to set more explicit goals for ourselves, at a slightly higher level of abstraction, during 2012. These objectives will be formulated in relative terms and convey our ambitions and the direction in which we are seeking to move. We believe these to be more important than 100%-accurate definitions and calculation methods, because everything we are able to do in this respect is dependent on the growth that our organisation is able to achieve, on opportunities (and lack of opportunities) at central and local government levels and on the various technological options. We believe that direction, focus, ambition and, above all, action are more important at this stage than getting bogged down in questions of definitions. We expect this to allow us to raise the bar in our CSR policy, as a logical follow-on from the major steps taken in the past year.

INDIVIDUAL PROJECTS AND INITIATIVES

In addition to the various spearhead projects discussed above, we also devised and undertook a number of stand-alone sustainability initiatives during 2011. Some of these were one-offs, but others proved to be of a more ongoing nature and so have been assigned a place within the organisation.

EMPLOYEES FACING BARRIERS IN THE LABOUR MARKET

Given the wide range of jobs available in our organisation, together with the geographical spread of our activities and in particular the fact that we have many jobs demanding basic rather than highly specialised skills, we believe we have a duty to society to help actively in identifying solutions for people with a disability or facing barriers in the labour market. We have consistently sought to live up to this responsibility over many years because we regard it as consistent with our tradition of responsible entrepreneurship at a local level. One of the ways in which we do this is by actively supporting the Lucille Werner Foundation's CAP100 initiative. This foundation seeks to put people with a physical disability in contact with employers and to encourage these employers to come together and comply with best practices.

We also participate in the national 'Werken naar vermogen' (literally, Working to your Abilities) project group set up by the Ministry of Social Affairs and Employment and designed to help find work for the large numbers of young disabled people receiving welfare benefits and for people in sheltered employment. Over the years Sligro Food Group has recruited some 60 young disabled people and has provided 15 other subsidised jobs and 10 work experience positions or activities for people with a mental handicap. We are working to establish whether a more targeted policy will allow us to increase these numbers. Employers have often looked long and hard at the obstacles to providing more support, but adopting a more active policy will increase the levels of creativity needed to achieve generally more sustainable deployment of employees.

PROGRESS OF AGOITA PROJECT IN BENIN

In late 2009, Sligro Food Group helped the Liliane Fund to launch a long-term project in Agoita, a village in the West African country of Benin. Funds contributed by Sligro Food Group, its employees and its customers are now being used to build and operate a rehabilitation and reintegration centre for young people with epilepsy or a mental disability. The ultimate objective of the project is to enable them to reintegrate into society and build useful lives for themselves.

Two years after the start of the project, the first phase – putting the required infrastructure in place and ensuring sufficient water – has now been completed. The various buildings scheduled for the second phase of the project are now also largely complete, around 20 hectares of palm trees have been planted and an area for growing fruit and vegetables has been created. Beehives are also being set up, along with pens and sheds for keeping sheep, pigs and chickens. The next stage will focus on day-to-day activities for the young farmers.

INCOMPANY 200: SLIGRO ONCE AGAIN IN TOP THREE

Each year the market research agency Blauw Research conducts a satisfaction survey among employees at the largest organisations in the Netherlands. Employees are asked to rate their employer on eighteen different aspects, covering their job, terms and conditions of employment, career and organisational culture.

Sligro was rated third in the retail and wholesale sector. As we came third in 2009 and second in 2010, this represents a good, stable ranking.

MSC-CERTIFICATION CONTINUED

Sligro Food Group has been certified under the MSC (Marine Stewardship Council) Chain of Custody Standard since 1 November 2008. This means that we can demonstrate that all MSC-products are fully traceable throughout our group. Our customers can therefore be assured that no MSC-fish within our internal supply chain (in other words, from the production process at SmitVis to the time it reaches the Sligro or EMTÉ stores) has been in contact with any non MSC-certified products.

Following the most recent audit, SGS Nederland B.V. confirmed on 31 March 2011 that Sligro Food Group had once again demonstrated compliance with the MSC-conditions and could therefore remain certified. MSC-certificates are awarded for periods of three years. Sligro now sells a total of 53 MSC-certified products.

More information on the MSC-certificate held by Sligro Food Group Nederland B.V. can be found on www.msc.org.

MSC-certification is available only for fish caught in the wild. Fish farmers are currently developing a system (the

ASC label) for certifying sustainable aquaculture. This will mean yet another sustainability logo in communications with consumers. Thinking in supplier-driven terms will not help create greater clarity or transparency. We would therefore prefer a single logo for sustainable fish, whether wild or farmed, because that will be of more value to consumers.

NO GAS CONNECTION AT SLIGRO DELIVERY-SERVICE IN ENSCHEDE

The major expansion and conversion of the former Sanders distribution centre in Enschede to a Sligro delivery-service wholesale store have enabled us to invest in a state-of-the-art 'green' heating system. This system recovers energy used in the refrigeration systems and uses it to heat the 5,500m^2 building via a low-temperature heating system. Operating the premises in this way will save around 40,000m^3 of natural gas each year, thus reducing CO_2 emissions by 70,800kg.

Fairtrade chocolate letters and Easter eggs

Our Bonbiance chocolate letters and Easter eggs are made wholly from Fairtrade ingredients and are therefore Max Havelaar or UTZ-certified. These two independent quality marks show that the products have been produced and traded under fair conditions. Sligro Food Group has now opted to market all this own-label's seasonal products as Fairtrade items.

EMTÉ and Van Kaathoven greener together

In 2011 EMTÉ Supermarkets and the Van Kaathoven Group started a pilot project involving one-stop waste collection from EMTÉ supermarkets. What is new and unique about this project is that a single vehicle collects three waste flows at once. Packaged products that have passed their sell-by dates, meat and unrecyclable waste are separated by the individual stores and before collection.

There are a number of advantages to this new approach, because one-stop collection means that only one vehicle is needed to collect all the waste flows generated by the stores. As well as cutting costs, this system also delivers a substantial contribution in terms of sustainability, because valuable raw materials are no longer incinerated, packaged products that are past their sell-by date are sustainably reprocessed into biogas and fertilisers and fewer truck journeys help reduce CO_2 emissions.

This unique new approach has been developed in-house by the Van Kaathoven Group and complies with current and future VWA (Dutch Food and Commodities Authority) requirements.

The pilot started at twelve stores in September 2011 and will later be expanded to 25 EMTÉ supermarkets in North Brabant. We ultimately expect to be able to roll out one-stop waste collection at all our EMTÉ stores.

SLIGRO FOOD GROUP PARTICIPATING IN STARS4FOOD

In late September the municipalities of Veghel, Uden and Bernheze launched a project offering short training courses, with guaranteed jobs on completion, for people registered with any of the three social services agencies in the region. During the course, participants can be awarded certificates for process technology, safety, hygiene, food production and various other skills and are guaranteed a job upon completion.

Stars4Food is an initiative of Food & Feed, an alliance of thirty companies in the food and animal feed sectors in North-East Brabant. The aim is to ensure that sufficient numbers of people are available to work in these sectors, both now and in the future. Sligro Food Group and the other participating companies are working with the local authorities and educational institutions to optimise the content of these training and work programmes.

We value your opinion. If you have any comments or questions on our CSR policy or activities, please contact us, preferably by e-mail to mvo@sligro.nl.

I love the job,
if I didn't
I wouldn't be here

FRANK WIJDEMANS

Risk and RISK MANAGEMENT

The financial statements have been prepared under IFRS. A number of specific risks the group faces are consequently discussed in detail in note 25 on page 122 of the financial statements. Information is provided on, for example, the group's credit, liquidity and market risks, together with a sensitivity analysis of these factors.

We also discuss the effect that the economy and competition have on the group's activities. We explain that growth through acquisitions involves more risks than organic growth and discuss our reliance on information systems developed in-house.

The potential risks to which the group, as a supplier of food products, is exposed from a food safety perspective are also discussed, as are the possible effects of the introduction of returnable deposits on disposable packaging.
Where relevant, the group is insured against all the customary risks so that the financial consequences of calamities are covered as far as possible.
We consider the following to be the most critical risks in our activities:

ACQUISITIONS

Despite all the precautions taken and due diligence procedures completed, growth through acquisitions still involves a greater degree of risk than organic growth, as evidenced by the many mergers and acquisitions that fail to meet their objectives. Risks arise both before and during the acquisition process. We will therefore only proceed with acquisitions if we can fulfil the duty of care that we have set ourselves. However, risks can also arise after an acquisition. Cultural differences, employees with differing agendas, problems with integrating ICT systems and other issues can cause substantial loss of value. Rather than bringing in people from outside, Sligro Food Group has a policy of immediately setting up a multi-disciplinary integration team comprising people from its own ranks and from the business that has been taken over. This approach has proved effective in dealing with many of these risks involved in acquisitions.

ICT SYSTEMS

Properly functioning ICT systems are the lifeblood of our business in the same way, for example, as electricity is. Managing the risks in these systems involves far more than simply safeguarding the continuity of data-processing. It also means protecting the integrity of data and software and the associated decision-making process. The multitude of customers, products, locations and suppliers and their mutual interdependences make this a complex process. At the same time, however, these systems can also create a clear competitive advantage. Systems failing to work or not operating well can threaten the continuity of the whole business within a relatively short period of time. Millions of euros have therefore been invested in the past few years in further optimising various ICT tools, including the continuity matrix, test tools and data back-up centres.
The measures deriving from the decentralised continuity matrix were implemented during 2011. By the end of 2011, all our business units were using the group's centralised ERP applications; as a result, almost all the information in these applications is now available via a single datawarehouse application.

GOVERNMENT

Some government measures can have a major impact on our operations and results, and can present a threat to certain activities within a relatively short space of time. Environmental measures in particular can have a significant impact on activities, and not always in a way that is beneficial to the environment. Political decision-making can be highly unpredictable, as evidenced for example by decisions taken in the past on staff Christmas hampers, the anti-smoking policy in bars and restaurants and the packaging tax. Government 'spending cuts' often simply translate into higher charges for businesses (and, therefore, individuals), and we will also see this in 2012. Intervention by regulators can also have a serious impact on operating processes.

FINANCIAL MARKETS

The past few years – and 2011 was certainly no exception – have shown how developments in the financial markets can have far-reaching effects on business. Scenarios that had previously seemed unthinkable suddenly became reality, while instruments designed to hedge risks no longer proved effective because of doubts about counterparty creditworthiness. This can have a very significant impact on the availability and cost of credit.
The assessment of risks and the consequences they may have for our business strategy is a permanent item on management's agenda. One of the principles that we have always sought to abide by is to have a conservative financing structure, with sufficient buffers to enable us to withstand difficult periods. Consistent with that principle, we further strengthened our long-term financing in 2010. In retrospect, the timing of this financing has proved fortunate, given that conditions on the financial markets worsened once again during 2011. We will continue to abide by this principle, even if other parties are prepared to raise the limits of their risk tolerance.

RISK MANAGEMENT AND CONTROL SYSTEMS

We have a special department focussing solely on our administrative organisation and internal control, alongside the departments that remain responsible for these processes. 'To measure is to know' is a key principle of risk management. If you know what is happening, you can adjust your policies accordingly. Our central datawarehouse, where practically all our operating and financial data are recorded, is of great benefit to us in this respect. All our business units have been integrated into the group's central information and control system. We have based our work in this respect on the proven 'in control' approach used at Sligro's cash-and-carry outlets, where the administrative systems are similarly structured.

All our back-office management activities, including finance, are now performed at head office. This means there is now almost no indirect control of our business activities. Most of our processes are controlled and recorded directly by specialised central departments. This, in combination with ICT systems, ensures efficiency. This is the basis for assessing the proper operation of our internal risk management system and associated internal controls, as seen in the finance department's monitoring of overall cash and goods flows and their interrelationships. This monitoring means we can be sure that our sales are properly and correctly recorded and generate the correct incoming cash flows. It also means we can be assured that outgoing payments to suppliers are correct.

As the group operates from many different locations, we also make intensive use of internal benchmarking. In this way our management information supports our internal controls and vice versa. Overall controls identify possible gaps in internal controls associated with the informal and entrepreneurial nature of the business culture that has contributed over the years to the group's commercial success. Significant steps were taken in 2011 to improve the control of our processes, starting with improved documentation. These processes are, of course, continually evolving, driven mainly by acquisitions and advances in ICT.

As a result of the centralised approach and very close management and monitoring of business activities by the Executive Board and central staff departments, Sligro Food Group is rarely faced with administrative 'surprises' in its activities that use the central information systems. Regular reporting has been shown to provide reliable information on business performance. There is no need for any significant changes other than those resulting from the integration of newly acquired businesses. We regard improving the reliability of our management information, and, more importantly, ensuring it becomes increasingly specific and targeted, as an ongoing process. As well as our own internal checks, the external auditors also examine the operation of the administrative and internal control structures as part of their audit of the financial statements. The auditors' findings are discussed with the Executive Board, and also in a private session with the Supervisory Board. Based on the above summary, we believe that our internal risk management and control systems provide a reasonable degree of certainty that the financial statements do not contain any material misstatements and that these systems functioned properly during the year under review. We also refer to the directors' statement of responsibilities on page 76. We have no indications to suggest that these systems will not function properly during the current financial year.

DANIELLE WELTJE

It's always been an interest and now I have the chance to learn

CORPORATE *governance*

Dutch law and the Dutch Corporate Governance Code seek to balance the interests of all the group's stakeholders, and this has always been an important part of our policy. Sligro Food Group supports the principle of one share/one vote and has no anti-takeover or other protection measures in place.

Although we subscribe to the Corporate Governance Code and the other rules relating to business, we note that the playing field on which we are competing is sometimes anything but level when compared with some family businesses or private equity-owned companies. The problem is not primarily one of a lack of regulation, but rather one of compliance with existing regulations and the absence of effective sanctions in the event of non-compliance. This puts us at a competitive disadvantage, specifically with regard to potential acquisitions.

There were no transactions with executive or supervisory directors in 2011 that involved a possible material conflict of interest, nor was any transaction conducted with shareholders owning more than 10% of the shares.

MAIN POINTS OF CORPORATE GOVERNANCE STRUCTURE

Sligro Food Group is a dual-board company, with an Executive Board and an independent Supervisory Board ('two-tier management structure'). The main points of the current structure are set out below.

EXECUTIVE BOARD

The Executive Board is responsible for managing the company, for its strategy and for its use of human and other resources. The Executive Board keeps the Supervisory Board informed of progress, consults the Supervisory Board on all significant matters and submits important decisions to the Supervisory Board and/or the general meeting of shareholders for approval.
The Supervisory Board notifies the general meeting of proposed appointments to the Executive Board.
The Supervisory Board appoints the Executive Board and may suspend or dismiss an Executive Board member at any time. The remuneration and other terms and conditions of appointment of each Executive Board member are set by the Supervisory Board, based on the policy adopted by the general meeting. Decisions on material matters are always made jointly, and all members have shared responsibility.

SUPERVISORY BOARD

The Supervisory Board supervises the policy of the Executive Board and the general affairs of the company. It supports the Executive Board with advice. In the performance of their duties, the Supervisory Board members are guided by the company's interests. The Executive Board provides the Supervisory Board promptly with the information it needs to perform its duties. The members of the Supervisory Board are appointed by the general meeting of shareholders on a proposal by the Supervisory Board. Supervisory Board members retire at the close of the first general meeting following the fourth anniversary of their most recent appointment and may be reappointed once. The remuneration of each member of the Supervisory Board is set by the general meeting. The Supervisory Board appoints a chairman and a deputy chairman from its members. It also appoints a secretary who may, but need not, be one of its members.

As the Supervisory Board consists of four people, the Board as a whole performs the duties of the two key committees (the audit committee and the remuneration, selection and appointments committee).

GENERAL MEETING OF SHAREHOLDERS

The annual general meeting is held within four months of the end of each financial year. Extraordinary general meetings may be called as necessary by the Supervisory Board, the Executive Board or one or more shareholders jointly representing at least 10% of the issued share capital.

The agenda of the annual general meeting contains the items stipulated by the Articles of Association and other proposals by the Supervisory Board, the Executive Board or shareholders jointly representing at least 1% of the issued share capital.

The principal powers of the general meeting are the rights to:

- appoint supervisory directors and determine their remuneration;
- adopt the financial statements and ratify the actions of the Executive Board in respect of its management and the Supervisory Board in respect of its supervision during the previous year;
- resolve to amend the company's Articles of Association or wind up the company;
- issue shares and to restrict or exclude shareholders' pre-emptive rights (the Executive Board has been granted powers until 23 September 2012 to issue shares as yet unissued);
- repurchase and cancel shares (the Executive Board has been granted powers until 23 September 2012 to purchase fully paid shares either on the stock exchange or privately up to a maximum of 10% of the issued share capital, as stipulated in the Articles of Association, for a price no more than 10% above the market price at the time of the transaction);
- approve decisions by the Executive Board on any substantial change to the identity or character of the company or the business.

DEPARTURES FROM THE CORPORATE GOVERNANCE CODE

The departures from the Dutch Corporate Governance Code were approved by the shareholders' meeting on 30 March 2005. Sligro Food Group consequently complies fully with the Code. Details of the departures currently still relevant can be found on the website and relate to:

- The appointment of members of the Executive Board for unspecified periods rather than for periods of four years. The main reason for this departure is our aim to appoint people to executive positions from within the group and to remunerate directors of the same level in the same manner.
- No agreements have been reached on the level of any severance pay. The reason for this departure also relates to our wish to provide equal treatment and remuneration of directors in comparable circumstances.
- Sligro Food Group maintains contacts with investors by means of one-on-one meetings and group presentations. These one-on-one meetings are an important way for Sligro Food Group to attract and retain the attention of institutional investors and thus help to ensure correct pricing of its shares.

Capital EXPENDITURE

GOALS

- To maintain average net capital expenditure at about 2% of sales.
- To increase the number of Sligro and EMTÉ outlets by at least one or two a year, excluding acquisitions.
- To invest continuously in efficiency gains in order to maintain our position as a cost leader.

Capital expenditure in 2011 totalled €54.1 million, or 2.2% of sales, which was above our target. However, if disposals of assets held for sale are taken into account, our net capital expenditure amounted to 1.9%, which is within the target. As well as for replacement purposes, our capital expenditure projects are designed primarily to enable Sligro Food Group to grow faster.

The following chart shows our net capital expenditure in relation to amortisation and depreciation.

x € million	Foodservice		Food retail		Total	
	2011	**2010**	**2011**	**2010**	**2011**	**2010**
Intangible assets (software)	3.0	2.6			3.0	2.6
Property, plant and equipment	28.8	30.9	22.4	9.6	51.2	40.5
Investment properties			(0.1)	(2.4)	(0.1)	(2.4)
Total	31.8	33.5	22.3	7.2	54.1	40.7
Depreciation	(26.7)	(30.7)	(17.4)	(16.0)	(44.1)	(46.7)
Amortisation of software	(2.1)	(1.5)			(2.1)	(1.5)
Subtotal	3.0	1.3	4.9	(8.8)	7.9	(7.5)
Disposals included in assets held for sale	0	0	(7.5)	0	(7.5)	0
Net movement	**3.0**	**1.3**	**(2.6)**	**(8.8)**	**0.4**	**(7.5)**

In the food retail business, the capital expenditure programme in 2011 focused mainly on reFreshing the format by upgrading the fresh food departments and updating the general ambience. A total of 21 Sligro-operated EMTÉ outlets were reFreshed in 2011. In most cases, we include other work when undertaking these projects, thus increasing the average capital expenditure to around €150,000 per supermarket. During the year we also converted 19 Sanders supermarkets to the EMTÉ format. The major expansion of these stores' fresh food departments was one of the reasons for the substantially higher levels of capital expenditure at these locations, with the average amount invested in converting a Sanders store totalling around €600,000 per supermarket. During 2011 we also invested in building a new supermarket in Twente, which is scheduled to open in 2012. As a result, and as forecast, capital expenditure in our food retail activities in 2011 was significantly higher than in 2010, but will fall substantially in 2012. A total of around 20 Sligro outlets still have to be reFreshed, while we also have plans for a few expansions and relocations.

In the foodservice business, we invested heavily in both the cash-and-carry and delivery-service operations during the year. As explained in 'Commercial developments', the cash-and-carry outlets in Tilburg, Rotterdam South, Amersfoort, Leiden and Tiel underwent a major upgrade and we started on the complete renovation of the Alkmaar outlet in a project that will continue into 2012. Less ambitious projects were undertaken at several other sites. One of the major projects completed during the year was the delivery-service base in Enschede, the cost of which also included expanding the premises at this group-owned site. A completely new cash-and-carry outlet is scheduled for Zwolle in 2012 to replace the current relatively small and somewhat outdated premises. The level of capital expenditure in foodservice will also be lower in 2012 than in 2011, unless a number of new projects at new locations can be expedited. We have three specific opportunities in mind in this respect, one or two of which we may be able to complete during the year.

Although we will continue to invest heavily in these projects, as well as in normal replacement and ICT, capital expenditure in 2012 will remain well within the target of 2% of sales.

We are also hoping to dispose of certain sites included in assets held for sale. These include a number of Sanders relocation projects.

I advise customers on basis of my expertise

REMI WARK

Results

GOALS

- To increase sales by an average of 10% a year, with at least a comparable increase in net profit.
- To distribute about 50% of the year's profit as a normal dividend.

FINANCIAL POLICY

Sligro Food Group has a very high degree of back-office integration. We believe in the strength of the group as a whole and in seeking to achieve group synergy. We consequently focus primarily on overall results rather than on the results of the underlying parts of the business. We encourage our employees to think on a group-wide basis and strive to ensure that we do not frustrate this by imposing complicated internal administrative procedures.

The Group Executive Board is actively involved in setting and implementing policies throughout the business. Our head office houses many management and administrative functions for overall business activities. We have established a method of allocating their costs and benefits, but are aware that this will be a cost to be borne by the group results. We do not operate a traditional budgeting cycle, but instead use a series of detailed management reports that show the actual developments and trends in our activities from various perspectives.

These reports in turn serve as the basis for any adjustments and amendments needed in our forecasts. Most of this work is performed by central management support departments. The individual businesses seek to optimise their activities by using a series of practical performance indicators that every employee can understand, in combination with internal benchmarking. Indirectly, therefore, everyone is working to optimise the overall group result. This detailed management information serves as the basis for our investment decisions. We attach greater value to this information than to the traditional calculations used for investments and formal bottom-up decision-making. We believe that this approach is far more suited to our entrepreneurial business culture. We strive to maintain a balance between achieving results in the short term and achieving results in the medium to longer-term future.

We regard pressure to achieve good results in the short term as useful and challenging, but it does not divert our attention from decisions where the value and benefits only become visible at a later stage.

The profit and loss account can be summarised as follows:

	x € million		As % of sales	
	2011	**2010**	**2011**	**2010**
Net sales	2,420.2	2,286.3	100.0	100.0
Cost of sales	(1,858.6)	(1,757.7)	(76.8)	(76.9)
Gross margin	561.6	528.6	23.2	23.1
Other operating income	3.9	4.8	0.1	0.2
Total operating expenses	(460.5)	(442.5)	(19.0)	(19.3)
Operating profit	105.0	90.9	4.3	4.0
Net financial income and expense	(1.8)	0.7	(0.0)	0.0
Profit before tax	103.2	91.6	4.3	4.0
Tax	(25.0)	(21.4)	(1.1)	(0.9)
Profit for the year	**78.2**	**70.2**	**3.2**	**3.1**

Net sales rose 5.9% to €2,420.2 million in 2011. If changes in supermarket locations and the acquisition of Sanders are disregarded, net sales recorded organic growth of 3.7%. Although our foodservice activities were affected by the poor summer weather, they enjoyed a strong fourth quarter, in which sales rose by 7.1%. For the year as a whole, foodservice sales achieved organic growth of 3.9%, while growth in the entire foodservice market was only marginally positive. Our market share increased by 0.5% to 18.7%.

On the food retail side, EMTÉ achieved like-for-like growth in 2011 of 3.4%, thus outperforming the market for the third year in succession. The rate of growth flattened out in the second half of the year and the fourth quarter figures were also adversely affected by lower sales at the former Sanders stores.

Inflation continued to rise during 2011, primarily because prices on the global markets for food-related commodities have been increasing since the second half of 2010.

Gross profit as a percentage of sales was 0.1 percentage points higher in 2011 at 23.2%. There were changes in the mix of business activities during the year, with the share of sales attributable to our own supermarkets rising from 78% in 2010 to 82% in 2011. This increase is the result of the acquisition of Sanders and the disposal in 2010 of Golff outlets that were not suited to the EMTÉ format. Even though we obviously have to bear the costs of operating our own supermarkets ourselves, the fact that these stores generate higher gross margins means our current mix of activities has a positive effect on our gross margin. Price-driven competition in the supermarket channel is, however, extremely fierce. The gross margin in our foodservice activities remained largely the same as in 2010 thanks to an improved product mix and better margin management, which meant these activities were able to absorb the price pressures in the market more effectively.

Total operating expenses as a percentage of sales fell by 0.3 percentage points to 19.0%, despite the beneficial effects of the food retail mix. Foodservice was able to manage its costs extremely well, thanks to efficiency gains from projects such as the PaperLess Order Picking ('PLOP') project combined with lower operating costs at the Amsterdam delivery centre. The results for 2010 were also affected by substantial non-recurring expenses relating to the latter project, including accelerated depreciation of €5 million.

Other operating income was over €0.9 million lower in 2011 at €3.9 million. In contrast to 2010, however, the figure for 2011 contained almost no net non-recurring items. The current level of other operating income largely reflects the structural level of income from property rentals.

The combined effects of higher sales, our ability to absorb pressure on the gross margin and a managed increase in costs resulted in the operating profit for 2011 rising by €14 million to €105 million. As a percentage of sales, this represented an increase of 0.3 percentage points to 4.3%.

I'm from Lithuania and I work here with my daughter

RITA KILIOKIENÉ

Results can be attributed to the foodservice and food retail segments as follows:

x € million	Foodservice		Food retail		Total	
	2011	**2010**	**2011**	**2010**	**2011**	**2010**
Net sales	1,609.0	1,548.5	811.2	737.8	2,420.2	2,286.3
Other operating income	0.9	(0.4)	3.0	5.2	3.9	4.8
Gross operating profit (EBITDA)	127.1	110.3	31.9	35.2	159.0	145.5
Operating profit before amortisation (EBITA)	100.4	79.6	14.5	19.2	114.9	98.8
Operating profit (EBIT)	98.1	77.7	6.9	13.2	105.0	90.9
Net capital employed at year-end[1)]	434.8	424.2	214.3	221.4	649.1	645.6
EBITDA as % of sales	7.9	7.1	3.9	4.8	6.6	6.4
EBITA as % of sales	6.2	5.1	1.8	2.6	4.7	4.3
EBIT as % of sales	6.1	5.0	0.9	1.8	4.3	4.0
EBITA as % of average net capital employed	23.4	18.7	6.7	10.2	17.7	16.1
EBIT as % of average net capital employed	22.8	18.3	3.2	7.0	16.2	14.8

1) Excluding investments in associates. Profit figures for 2010 include one quarter's results of Sanders.

As these figures show, foodservice achieved a spectacular increase of €20.4 million in its operating profit in 2011. As a percentage of sales, the rise to €98.1 million represented an increase of 1.1 percentage points to 6.1%. The foodservice operating profit in 2010 was adversely affected by a total of €10 million of non-recurring expenses and book losses relating to the 'Greater Amsterdam' project.

The above figures show that foodservice was also able to achieve a strong organic improvement in its 2011 profits.

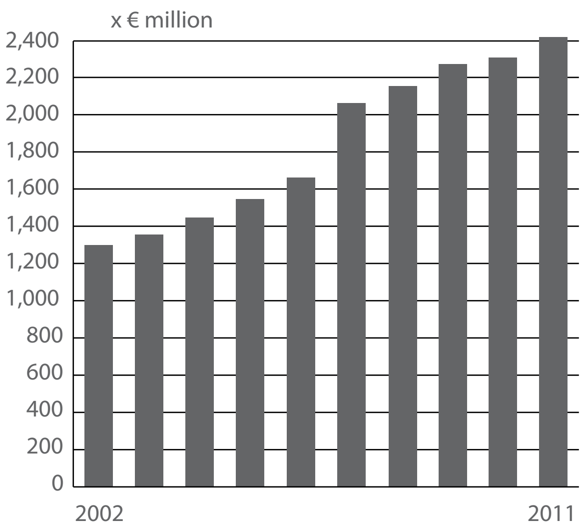
The food retail operating profit of €6.9 million was €6.3 million lower than in 2010. As well as several million euros of non-recurring expenses relating to the cost of integrating Sanders, non-recurring project costs of around €1 million also had an impact on the operating profit, while the figure for 2010 included a book profit of €2 million on asset disposals. In our view, the operating profit before amortisation is a better indicator of underlying trends in food retail. Each year we amortise an amount of €7 million on properties acquired, mainly in the context of the Sanders and Edah transactions.

This item is not matched by replacement investments, however, and is primarily attributable to the conservative accounting policies we have chosen to apply. Many other companies choose to classify some or all of such amounts as goodwill which is not subject to amortisation.

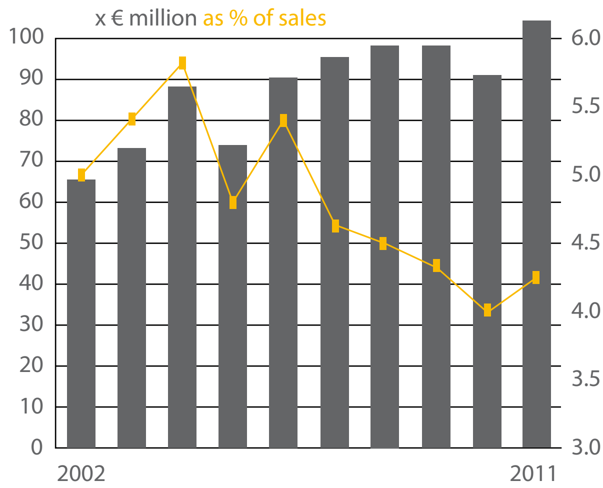
Financial expense was slightly higher in 2011 as a result of the long-term finance that we arranged in 2010 and placed on short-term deposit in 2011. A total of €53 million of this amount was used to repay other long-term borrowings at the 2011 year-end. The share in the profits of associates, most of which was received in the form of dividend, showed little change from the previous year.

Net profit for the year rose by €8 million, or 11.4%, to €78.2 million. In other words, despite the economic crisis, we managed to achieve an all-time high net profit. Earnings per share, calculated on the average number of shares outstanding rose by 11.9% to €1.78, compared with €1.59 in 2010. It is proposed to increase the normal dividend for 2011 by 21.4% to €0.85 per share, which equates to a pay-out ratio of 48%. In addition, it is proposed to pay a variable dividend of €0.20 per share, thus bringing the total dividend for the year to €1.05 per share. The group's high capital and liquidity allow a higher distribution to shareholders, without imposing restrictions on its ability to fund capital expenditure and acquisitions. The limited liquidity of the Sligro Food Group shares means that a share repurchase does not represent a good alternative in this respect. The introduction of a variable dividend is a way of creating an alternative to this and will allow the group to remain flexible in the event of its needing to restrict its dividend distributions at any time to the usual 50% of net profit.

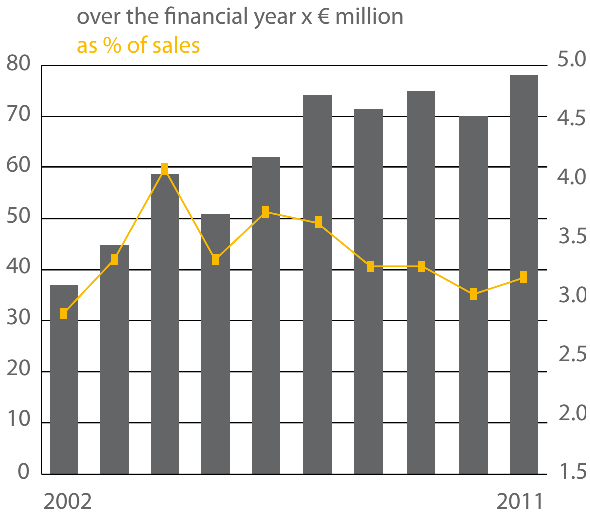
SALES



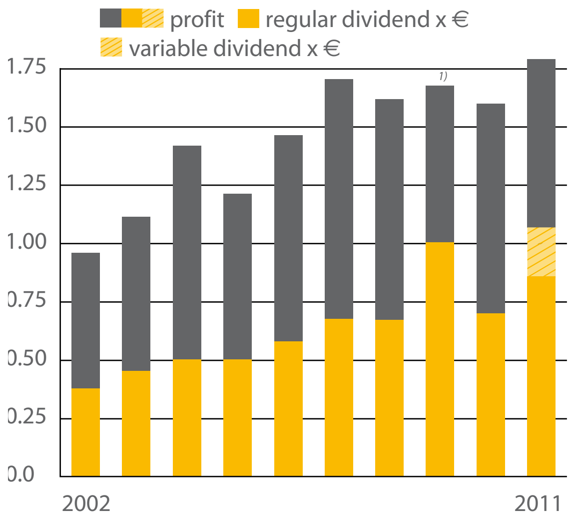
OPERATING PROFIT



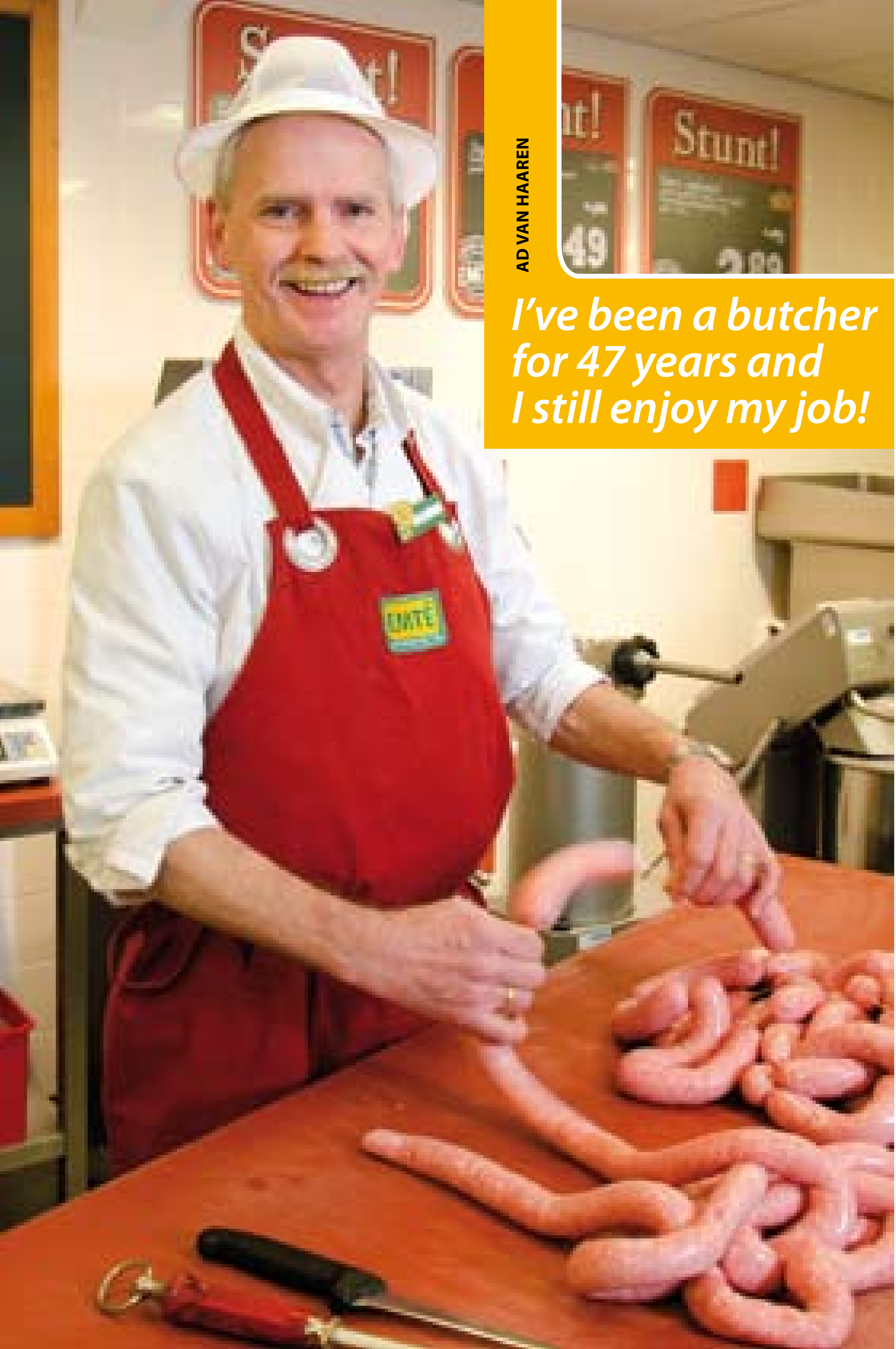
NET PROFIT



PER SHARE



1) 75th anniversary dividend: €1.



AD VAN HAAREN

I’ve been a butcher for 47 years and I still enjoy my job!

Pensions AND PENSION ACCOUNTING

The subject of pensions has attracted growing attention in recent years as the cost of operating the traditional system in the Netherlands has become increasingly unaffordable. There are many reasons for this, the most important being rising life expectancy and sharply falling interest rates.

Another problem is that it has taken too long to acknowledge the need for change, because not everyone has an interest in doing so. Once the problem has been acknowledged, the next question is one of distribution. Who is going to bear the financial pain, and how much can they bear? This is an important question because group pension schemes allow only limited correlation between individual contributions and the amount of pension rights that individuals accrue each year. This is referred to euphemistically as 'solidarity'. Although we certainly do not wish to use this annual report as a forum for triggering a discussion of pensions in society, some knowledge of the background to the issue is important for an understanding of why pensions are of such importance, both to our stakeholders and for the group's results and financial position.

More information on the pension schemes available within Sligro Food Group can be found in note 5 in the financial statements on page 101. These can be broadly divided into schemes operated by sector pension funds and schemes operated by the Sligro Food Group Pension Fund. The main group of employees covered by the sector pension funds are our supermarket employees and the butchers at the Sanders meat-processing centre. The pension schemes for most of the foodservice and distribution centre employees have been incorporated into the Sligro Food Group fund. We also have a number of defined-contribution schemes providing privately insured top-up benefits.

Sligro Food Group's obligations to the group's own pension fund and the sector pension funds have been contractually agreed and include an agreement that contributions will at least cover costs. If contributions are insufficient, discussions must be held to decide whether to increase contributions and/or reduce the rate at which participants accrue benefits. If the pension fund is in deficit (in other words, if its coverage ratio is 105% or lower), the actual contribution rate must be at least 105% of the actuarial contribution rate. This requirement is currently being met by a comfortable margin, despite interest rates being substantially lower in 2011. Sligro Food Group has no other obligations in this respect, but in 2010 we made an extra one-off contribution of €6 million to the group pension fund in order to reinforce its financial position.

Current employees and inactive participants are now also contributing to restore the fund's strength. Despite these extra measures, developments in the financial markets have had a significant adverse impact on the pension fund's coverage ratio, with the result that it has not been possible to index pensions for the past four years.

The pension contributions paid in 2011 are shown in the following table:

x € million	Sector pension funds/ individual schemes	Sligro Food Group pension fund	Total
Employer contributions	5.2	8.9	14.1
Employee contributions	2.5	5.4	7.9
Total	**7.7**	**14.3**	**22.0**

The way in which the sector pension funds are accounted for in the financial statements is very different from the way in which we account for the group pension fund, although both have to comply with IAS 19. As the sector pension funds provide no or insufficient information and their investments cannot be allocated to individual enterprises in accordance with the requirements of IAS 19, the employer contribution due is shown as an expense in the financial statements.

In the case of the group pension fund, we have the necessary information and the accounting policies applied are therefore as explained in note 5c in the financial statements. This creates a substantial difference between the employer's contribution due and the costs recognised:

	2011
Employer contributions paid	8.9
Recognised as expense in the profit and loss account	2.4
Difference accounted for in recognised income and expense	**6.5**

IAS 19 allows pensions to be accounted for in various ways. The main difference relates to whether or not to apply the corridor method, whereby up to 10% of obligations or assets (depending on past actuarial results) may be amortised over a period of time. Sligro Food Group does not apply this method and so recognises all its actuarial results and obligations in its balance sheet directly. At the 2011 year-end, pension plan assets were actually €18.5 million higher than the obligations. As there is no expectation that these amounts will revert to the business, this 'asset' is not recognised in the balance sheet ('asset ceiling'). This is in line with the statutory provisions and regulations of the Dutch central bank (DNB), which is responsible for supervising pension funds in the Netherlands.

Changes in IAS 19 have been announced with effect from the 2013 financial year. These include the ending of the corridor method, as well as requiring all obligations to be recognised directly in the balance sheet. This latter change will have no effect on our position as we already comply with this requirement. From 2013 onwards it will also no longer be possible to assume a return on pension plan assets that is higher than the discount rate used to calculate pension obligations.

In 2011, we assumed a return of 5.3% on pension plan assets and obligations at the year-end were calculated at a discount rate of 4.6%. Assuming lower return on investments (in other words, 4.6% instead of 5.3%) will result in higher pension expenses. From 2013 onwards, in contrast to what is currently allowed, it will no longer be permissible to calculate a return on an asset ceiling in the balance sheet. This, too, will mean higher pension expenses. In effect, IAS 19 will no longer allow a net positive return from 2013 onwards. If this standard had applied in 2011, the expense item for Sligro Food Group would have been as follows:

	x € million
Pension expense under current rules	2.4
Pension expense under new rules	3.8
Increased expense (and lower recognised income and expense)	**1.4**

This change will mean that recognised income and expense will also be reduced by this amount. The asset ceiling will continue to apply, which means that the pension position in the balance sheet will remain nil.

The way in which pensions in our own pension fund are accounted for in the Sligro Food Group financial statements under IFRS is very different from the way in which they are accounted for in the financial statements of the pension fund, Stichting Pensioenfonds Sligro Food Group. The latter reports in accordance with the provisions of Part 9, Book 2, of the Netherlands Civil Code and the DNB regulations.

The value of assets in the pension fund is approximately equal to the value of pension plan assets as shown under IAS 19, but the difference in the estimated pension obligations is substantial. The pension fund calculates the rights accrued at the year-end and then calculates the present value of these amounts, based on the standard yield curve. This is the risk-free interest rate derived from the European zero coupon swap rate. The uncertainties surrounding the euro and government debt levels in peripheral eurozone countries have resulted in a sharp fall in this interest rate, and a lower interest rate means an increase (in this case, a sharp increase) in the present value of future obligations. As a result, the value of the pension fund's obligations has risen sharply. Although the value of interest-bearing assets has also increased, the net effect is negative, which means that the pension fund's financial position is under heavy pressure. However, DNB's decision at the end of the year to prescribe use of a higher interest rate resulted in the coverage ratio rising by four percentage points.

Under IAS 19 (in contrast to the pension fund's current practice), calculations of obligations take account of future wage rises and pension indexation. This results in an assumption of higher benefits and also, therefore, in higher obligations. The present value of these obligations is calculated on the basis of the interest rates on high-quality corporate bonds, while higher credit margins resulted in these rates rising in 2011. The net effect of this under IAS 19 is considerably lower obligations than the pension fund itself currently recognises in its balance sheet.

The relationship between a pension fund's assets and obligations is referred to as its coverage ratio. In our case, this was as follows at the year-end:

	% **2011**	% **2010**
For the pension fund	101	110
Under IAS 19 (before application of asset ceiling)	116	108

As the above shows, the accounting policies applied by the pension fund and those applying under IAS 19 differ very substantially. Under IAS 19, both the annual expense and the total obligations for Sligro Food Group are considerably lower. This will continue, although the difference between the two will decrease after the change in IAS 19 takes effect in 2013.

FINANCING

GOALS

- To ensure that sufficient finance is available under credit facilities and that the company comfortably meets the stipulated ratios.
- To issue shares only for major acquisitions that immediately contribute to earnings per share.

The credit market worsened significantly during 2011, with banks focussing primarily on their own balance sheets or being forced to do so by their supervisory authorities. Risk now commands an even higher premium than in 2010. The credit market has, however, always remained open to financially sound businesses such as Sligro Food Group.

The reasons for the strong preference we have traditionally had for seeking funding in the capital market rather than bank debt were reinforced during 2011, when the possibility of a major acquisition prompted us to hold discussions with banks on the opportunities available for bridging finance. Not only did this prove to be an expensive option, but we were also surprised by the other conditions requested. Moreover, we found that the agreements that the banking market (at least in the Netherlands) was prepared to reach with certain parties were very exclusive. The whole episode served merely to confirm our belief that we should avoid becoming reliant on bank finance. We were all the more pleased, therefore, by our decision to secure long-term financing back in 2010 in the form of a second US private placement. Admittedly, that resulted in higher interest expense in 2011 because we had an average of just under €50 million in cash balances during the year and these generated only very modest returns. At the end of 2011, we made a scheduled repayment of over €53 million on the first US private placement, which dates back to 2004. We now have a total of €168 million outstanding under the other three tranches, with remaining terms of 3, 6 and 9 years, respectively. Thanks to the strong cash flow generated in 2011, we had a total liquidity buffer of over €38 million at the 2011 year-end. This was in addition to our bank credit facilities, which remain unchanged at €140 million, half of which is committed. If, therefore, any acquisition opportunities arise, finance should not normally be a problem. This was demonstrated in 2011, when foreign banks confirmed their willingness to provide finance for the potential major acquisition we considered during the year. Obviously the fact that we have easy access to finance is not sufficient reason in itself to justify an acquisition, and we will only acquire new businesses if they meet the criteria we have set. As discussed elsewhere in this report, however, we believe there to be sufficient numbers of realistic opportunities, certainly now that the economic outlook has once again worsened.

In order to optimise our access to the capital market we pay great attention to investor relations, both with shareholders and with providers of debt finance. One of the most important aspects in this respect is ensuring clarity on overall corporate policy and its financing. No-one benefits in our view from inconsistent policies. Investors need to be able to rely on us to say what we do and to do what we say, even if this does not accord with whatever the latest fashion in finance is. We do our utmost in this respect to ensure a high degree of transparency and devote considerable time to communications, and we are always willing to provide further information. Our investor relations are appreciated, as demonstrated by the awards that we were pleased once again to receive in 2011.
For the fourth year in succession, we were able to generate free cash flow approximately equal to our net profit. This means we generated total free cash flow of almost €300 million during this period, as the following table shows.

SUMMARY OF THE CASH FLOW STATEMENT

x € million	2011	2010	2009	2008
Net cash flow from operating activities	123.8	106.9	123.3	102.8
Net cash flow from investing activities, excluding net effect of acquisitions	(47.5)	(40.6)	(50.2)	(28.8)
Free cash flow	**76.3**	**66.3**	**73.1**	**74.0**
Net profit for comparison purposes	**78.2**	**70.2**	**74.3**	**71.3**
The free cas flow is used to fund:				
Net acquisitions	0	(41.1)	1.3	(1.1)
Payment of dividend and repurchase of own shares	(34.3)	(47.7)	(18.9)	(13.9)
Net change in debt and cash	(42.0)	22.5	(55.5)	(59.0)
	76.3	**66.3**	**73.1**	**74.0**

We have noted that the financial world sometimes focuses so much on profit that it may forget, and therefore undervalue, the relationship with free cash flow, particularly if a company is conservative in the way it calculates its profit or how it accounts for acquisitions. The above figures clearly show the reasons for our decision in 2010 to amend our dividend policy and why we now propose introducing a variable dividend.
In 2009 and 2008, we used our free cash flow primarily to reduce the levels of debt we took on following the major acquisitions made in 2006 and the high levels of capital expenditure subsequently required in 2007. Since then, however, we have allocated a far larger share to dividends and to repurchasing our own shares as we have no need to reduce debt levels further.
Working capital has developed in line with sales in recent years, as this analysis shows:

x € million	2011	2010	2009	2008
Current assets, excluding cash and cash equivalents	323.6	316.5	304.4	325.8
Current liabilities, excluding interest-bearing items	(178.2)	(178.4)	(182.4)	(208.0)
	145.4	**138.1**	**122.0**	**117.8**

It should also be noted that the figure for working capital includes assets held for sale totalling €7.6 million (2010: €11.9 million). Working capital at the 2011 year-end was slightly higher than at the end of 2010 because of the high level of sales in December.

DEBBY VAN GENEIJGEN

In the bakery, every week is different

Outlook

We are dependent, directly and indirectly, on Dutch consumers' spending on food. Consumer confidence in late 2011 was extremely low, and there seems little reason to expect a recovery in 2012. Higher commodity prices on the world market mean there is also substantial food price inflation. Consumers will therefore be keeping a firm grip on their purse strings, not least because government measures are expected to result in lower incomes in real terms. Although these factors are admittedly beyond our control, they are not necessarily grounds for pessimism. Businesses will undoubtedly be fighting hard to win their share of what little is being spent. And we will be no exception in this respect, both proactively as the leader in the foodservice market and reactively in the supermarket channel. In challenging market conditions, it is always entrepreneurial skills that make the difference, and it is a challenge we relish. Although market researchers are predicting some growth for supermarkets, this will be wholly attributable to inflation. There is also some inflation in the foodservice market, but this does not seem likely to translate into market growth. Our assumption in any event is that the market will stabilise, and there will therefore be a limited decline in volumes. Essentially, our expectations for 2012 are not significantly different from those for 2011, which is a positive outlook at a time when incomes are being squeezed and consumer confidence levels are so low.
This is no reason, however, to adopt a passive attitude, and we will be doing everything possible to outperform the market in both foodservice and food retail in 2012. More details of the objectives and strategy on which our efforts will be based can be found in 'Commercial developments' elsewhere in this report. Against this background, our slogan for 2012 is 'Growth fuelled by sales'. We believe that our businesses are well positioned to take on the challenges of today's markets. We will also be seeking to provide an extra boost to growth through appropriate acquisitions, but it has to be remembered that 'it takes two to tango'. Fortunately, we have learned our dance steps properly and there is no shortage of attractive girls.

CONCLUSION

Our forecast for 2012 is for very modest growth in the market, which we expect to outperform. As in recent years, pressure on prices will remain considerable, but we believe we can mitigate some of that pressure through smart margin management. The cost-containment measures introduced in recent years mean we are well placed for the future. We therefore have every confidence that Sligro Food Group will be able to continue playing a leading role in its sales markets.

To summarise, we are positive about 2012, but we never give firm forecasts. Running a business is not something that can always be summed up in a spreadsheet.

We will provide more information on first-quarter 2012 developments in our trading update on 19 April. Our half-year figures will be published on 19 July 2012.

DIRECTORS' STATEMENT *of responsibilities*

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

1. The financial statements, as shown on pages 86 - 137 of this report, provide a true and fair view of the assets, liabilities, financial position and result for the financial year of Sligro Food Group N.V. and its subsidiaries included in the consolidated statements.

2. The annual report, as shown on pages 15 - 75 of this report, provides a true and fair view of the position at the balance sheet date and the business conducted during the financial year of Sligro Food Group N.V. and its subsidiaries, details of which are contained in the financial statements. The annual report provides information on any material risks to which Sligro Food Group is exposed.

K.M. Slippens, Executive Board Chairman
H.L. van Rozendaal, CFO
J.H.F. Pardoel, Director of Food Retail

We make something different every day, so there's plenty variety

GERT KREUKNIET

CORPORATE GOVERNANCE *statement*

This statement is given pursuant to section 2a of the Decree on Additional Requirements for Annual Reports (Vaststellingsbesluit nadere voorschriften inhoud jaarverslag) of 20 March 2009 (the 'Decree') and is also publicly available electronically on www.sligrofoodgroup.com under 'Corporate governance'. The information required to be included in this corporate governance statement pursuant to sections 3, 3a and 3b of the Decree can be found in the following sections of the 2011 annual report and are deemed to be included and repeated here:

- the information on compliance with the principles and best-practice provisions of the Code (page 58 'Corporate Governance');
- the information on the principal features of the management and control system relating to the group's financial reporting process (page 56 'Risk management and control systems');
- the information on the functioning of the annual general meeting of shareholders and its principal powers and on the rights of shareholders and how these can be exercised (page 59 'Annual general meeting of shareholders');
- the composition and functioning of the Executive Board (page 12 'Directors and management', page 58 'Executive Board' and page 105 'Executive Board terms of employment');
- the composition and functioning of the Supervisory Board (page 12 'Directors and management' and page 79 'Report of the Supervisory Board');
- the rules for appointment and replacement of members of the Executive Board and Supervisory Board (page 58 'Executive Board' and page 58 'Supervisory Board');
- the rules for amendment of the company's Articles of Association (page 59 'Annual general meeting of shareholders');
- the powers of the Executive Board to issue and repurchase shares (page 59 'Annual general meeting of shareholders');
- the change of control provisions in important contracts: a change of control provision applies in the case of the US dollar loans referred to on page 120;
- transactions with related parties (page 58 'Corporate governance' and page 129 'Related party disclosures').

FROM LEFT TO RIGHT
ADRIAAN NÜHN
FRANK DE MOOR
DORINE BURMANJE
RONALD LATENSTEIN VAN VOORST

Report of the SUPERVISORY BOARD

GROWTH FUELLED BY SALES

Although tentative signs of economic recovery were seen in 2010 and early 2011, these were brought to a sharp halt in the summer by the uncertainties surrounding the euro and sovereign debt problems. This triggered a massive fall in consumer confidence, while the international political world's response served only to worsen matters.

Fortunately, Sligro Food Group is somewhat less affected by the crisis than other sectors in the economy, but it is wrong to believe that a crisis such as this can largely pass the food sector by (on the grounds that people still have to eat). The relatively high price rises being seen in the commodity markets mean that consumers are trying to save money wherever they can, and that includes on their food.

Sales volumes are no longer rising in the supermarket sector and are actually falling in the foodservice market. Nevertheless, Sligro Food Group has continued to outperform the market in both segments, despite the headwinds. The group's strategy is also focussed on reducing costs through growth, because cost-cutting and rationalisation should not be seen as ends in themselves. That is why Sligro Food Group has adopted 'Growth fuelled by sales' as its slogan for 2012.

The measures the group has taken in recent years will certainly have a positive impact on growth. If opportunities to accelerate this growth present themselves in the form of suitable acquisitions in either of its segments, Sligro Food Group is well-positioned, both financially and organisationally, to respond.

RESULT AND DIVIDEND

Foodservice had an excellent year in 2011 in difficult market conditions. More information on the strong growth the group has been able to achieve in recent years in this segment can be found in 'Foodservice delivery in more detail'. Although the 'Greater Amsterdam' project seemed to be holding back developments in 2010 due to substantial levels of non-recurring expenses, the progress achieved in 2011 showed not only that the integration problems had been overcome, but also that the group's original targets for this project would be exceeded. This is a good example of a higher quality of service going hand-in-hand with higher levels of efficiency.

The food retail market had a somewhat stormy year, with many format changes both in the market as a whole and in our own operations. Almost all the group's supermarkets are now operating under the reFreshed EMTÉ format, and the figures for the year also include non-recurring expenses relating to the conversion and integration of Sanders. With the next major acquisition in the sector having been announced, the turbulence in the market is likely to continue and we see opportunities for Sligro

Food Group's retail activities to benefit from the consolidation expected in the coming years.

The group's net profit for 2011 rose by €8 million or 11.4% to €78.2 million, which was considerably higher than the previous record profit in 2009 and is definitely a result to be proud of.

These figures are presented in the 2011 financial statements prepared by the Executive Board, with which we are in agreement. A dividend is proposed for 2011 of €0.85 per share, which equates to a pay-out ratio of 48%. This is in line with the policy announced last year of gradually increasing the pay-out ratio to 50%. In addition it is proposed to pay a variable dividend of €0.20 per share, thus bringing the total dividend for the year to €1.05 per share. We support the reasons for this decision outlined by the Executive Board on page 67.

SUPERVISION

The Supervisory Board met formally on five occasions in 2011. One member was unable to attend one of the meetings. An additional meeting was held to discuss a possible major acquisition in the supermarket sector, following in-depth discussion in a normal meeting. Specific attention was devoted to the possible consequences for the group's structure and culture. The sellers' subsequent decision to speed up the process forced Sligro Food Group to conclude that the duty of care it imposes on itself could no longer be assured. The group therefore decided to withdraw from the process and was unable to complete an overall assessment of the project.

Various discussions are also held during the year between individual members of the Supervisory Board and Executive Board, and there is also relatively close contact between the members via the chairman. On two occasions in 2011, a member of the Supervisory Board was an observer at a consultation meeting with the Works Council, the membership of which changed during the year. We were pleased to note that discussions between the Executive Board and the Works Council were once again conducted in an open and constructive manner. Sligro Food Group's policy of 'Working together means winning together' is typical of the group's organisational culture; it is also manifested in the relationship with the Works Council and is so much more powerful than the traditional interaction between opposing interests.

As always, implementation of the business strategy and its consequences for the results and financial position were key items on the agenda. Our Board is kept informed of developments in these areas on a monthly basis.

The subjects discussed during the past year included:

- developments in the food retail market;
- the progress of the food retail master plan, including the results of the conversion of Golff stores to the EMTÉ franchise format and the reFreshed EMTÉ format;
- the integration of the Sanders supermarkets and their conversion to EMTÉ;
- the updated business strategy and overview of potential acquisition candidates;
- progress of the 'Greater Amsterdam' project, including a visit to the Amsterdam delivery-service centre, and the overall foodservice delivery concept, which included the 'PLOP' project;
- the Eerlijk & Heerlijk concept for sustainably produced food items;
- overall HR policy, including management development;
- tax and the use of tax facilities;
- the planned closing of the Culivers premises in Amsterdam;
- opportunities (and lack of opportunities) for e-commerce in the consumer food market;
- assessment of the consequences of having no internal audit function;
- the consequences of the Bill on Governance and Supervision and the simplification of the group's legal structure;
- the budget for the new year.

RISK MANAGEMENT

Each year the Supervisory Board asks relevant officers to provide information on specific elements of the business. The subject on the agenda in early 2012 will be the project 'How to ensure adequate and reliable management information within Sligro Food Group'. At a meeting not attended by the Executive Board, the Supervisory Board also discussed cooperation between the Executive Board and the Supervisory Board, based on individual written assessments. We once again concluded that there was a good working relationship between the two boards.

The management letter was also discussed with the auditors during this meeting. The main conclusions in the management letter related to the administrative organisation and internal control and whether further formalisation of procedures was needed. No material

SERGIO DEERENBERG

It's a constant challenge, no two days are the same

weaknesses in this respect were identified. The management letter also contained recommendations on management information, the ICT strategy and the policy on ICT continuity and security.
The performance of the external auditors was also assessed during the year, on the basis of a detailed written appraisal. Based on this appraisal, the Supervisory Board recommends that the general meeting of shareholders should reappoint the auditors.

EXECUTIVE BOARD TERMS OF EMPLOYMENT

The policy on Executive Board remuneration is set out in more detail in a remuneration report, the full text of which is available on the company's website. There were no changes in this policy during the year. Its main points are that:

- the remuneration policy is drawn up by the Supervisory Board and adopted by the general meeting of shareholders;
- the policy must make it possible to attract qualified people as members of the Executive Board;
- the remuneration policy is performance-related, but must also be reasonably in line with that applying to other managers.

The remuneration package consists of:

- a fixed annual salary;
- a short-term bonus plan;
- a long-term bonus plan, which has to be converted into shares;
- a long-term share option plan, which also has to be partly converted into shares;
- a defined-contribution pension scheme;
- various other fringe benefits.

Both the short-term and long-term bonus plans pay out amounts equal to 30% of fixed salary if targets are met. In 2011, meeting the profit targets set in the budget accounted for half of the bonus and the remainder was conditional upon achieving substantial progress in implementing the CSR agenda, successfully integrating Sanders into EMTÉ and completing the 'Greater Amsterdam' project.

The overall ratio of bonus to fixed salary represents an appropriate level of incentive. The remuneration policy is based on the principle that the variable component of an individual's salary should not be disproportionate to the fixed component or the total remuneration. As bonuses under the long-term bonus plan and the option plan have to be taken in shares that are subject to transfer restrictions, the variable element of the remuneration package also focuses on the creation of long-term value.

The variable remuneration in 2011 amounted to 90% (2010: 55%) of the 'on target' bonus. Executive Board remuneration is compared periodically with data available on other market participants. More information on remuneration can be found in note 6 on page 105 of the financial statements. The members of Sligro Food Group's Executive Board have contracts for unspecified periods of time, in contravention of the Dutch Corporate Governance Code. This departure from the Code, which has been approved by the general meeting of shareholders, is consistent with our aim of offering equivalent Executive Board members similar remuneration packages and, wherever possible, facilitating recruitment from within the organisation. The periods of notice required to be given by Executive Board members are three or six months, while the statutory periods applying if the company gives notice are twice as long. Consistent with the objective referred to above, the employment contracts of Executive Board members make no provision for severance pay. The general meeting of shareholders has also approved this departure from the Code.

CHANGES IN THE COMPOSITION OF THE SUPERVISORY AND EXECUTIVE BOARDS

Mr J.H. Peterse terminated his employment with effect from 1 March 2011. Mr W.J. Strijbosch was appointed to succeed him on 1 June 2011 and will be proposed for appointment as a director pursuant to the Articles of Association of Sligro Food Group N.V. at the general meeting of shareholders on 21 March 2012.

Mr J.H.F. Pardoel has given notice that he wishes to terminate his employment with effect from 1 March 2012. The process of finding a suitable successor is under way.

Mr F.K. De Moor will resign as a Supervisory Director at the general meeting of shareholders on 21 March 2012 having served for the maximum term for which supervisory directors are permitted to be appointed under the company's Articles of Association. We very much appreciate the contribution he has made to Sligro Food Group over the past eight years. His detailed knowledge of the retail sector and his tenacity in specific areas, combined with his engaging character, have been particularly beneficial to the group.

We are currently in the process of appointing a successor to Mr De Moor.

It is also proposed to reappoint Ms Burmanje and Mr Latenstein van Voorst for a second and final term. During their first term in office, both of these directors demonstrated their expertise in forming views on corporate policy and managing the business.

FINANCIAL STATEMENTS

The 2011 financial statements have been prepared by the Executive Board. The financial statements were discussed at a meeting attended by the auditors, who provided further information on them. The financial statements have been audited by KPMG Accountants N.V., whose unqualified audit report can be found in 'Other Information' on page 135. We propose that you:

- adopt the 2011 financial statements;
- adopt the proposed profit distribution;
- endorse the Executive Board's conduct of the company's affairs;
- endorse the supervision exercised by our Board.

Thanks to the efforts of the Executive Board and all the staff, Sligro Food Group was able to achieve a record profit in 2011, despite the worsening market conditions, while reinforcing the strong foundations on which the group has been built. We thank them most sincerely.

Veghel, 26 January 2012

A. Nühn, Chairman
T.A.J. Burmanje
R.R. Latenstein van Voorst
F.K. De Moor

SUPERVISORY BOARD

A. NÜHN (58)

Supervisory Director, Dutch nationality (m). Appointed in 2009 until 2013 and eligible for reappointment. Supervisory Director of Macintosh Retail Group N.V., Stern Groep N.V., Alpinvest Partners, Leaf, Anglovaal Industries, Heiploeg, Plukon Food Group, member of the Board of Trustees of WWF-Netherlands (World Wide Fund for Nature) and member of the Supervisory Board of the OLVG hospital.

T.A.J. BURMANJE (57)

Supervisory Director, Dutch nationality (f). Appointed in 2008 until 2012 and eligible for reappointment. Chair of the Dutch Land Registry Board. Member of the Supervisory Board of Deltares and a Governor of the Netherlands School of Public Administration. Supervisory Director of ARN B.V. and chair of the Supervisory Board of Canissius Wilhelmina hospital.

R.R. LATENSTEIN VAN VOORST (47)

Supervisory Director, Dutch nationality (m). Appointed in 2008 until 2012 and eligible for reappointment. Chairman of the Executive Board of SNS Reaal N.V. Board member of the Oranje Fund, VNO-NCW (Confederation of Netherlands Industry and Employers), the Dutch Association of Insurers and Stichting Kinderopvang Humanitas. Supervisory Director of Climate Change Capital.

F.K. DE MOOR (49)

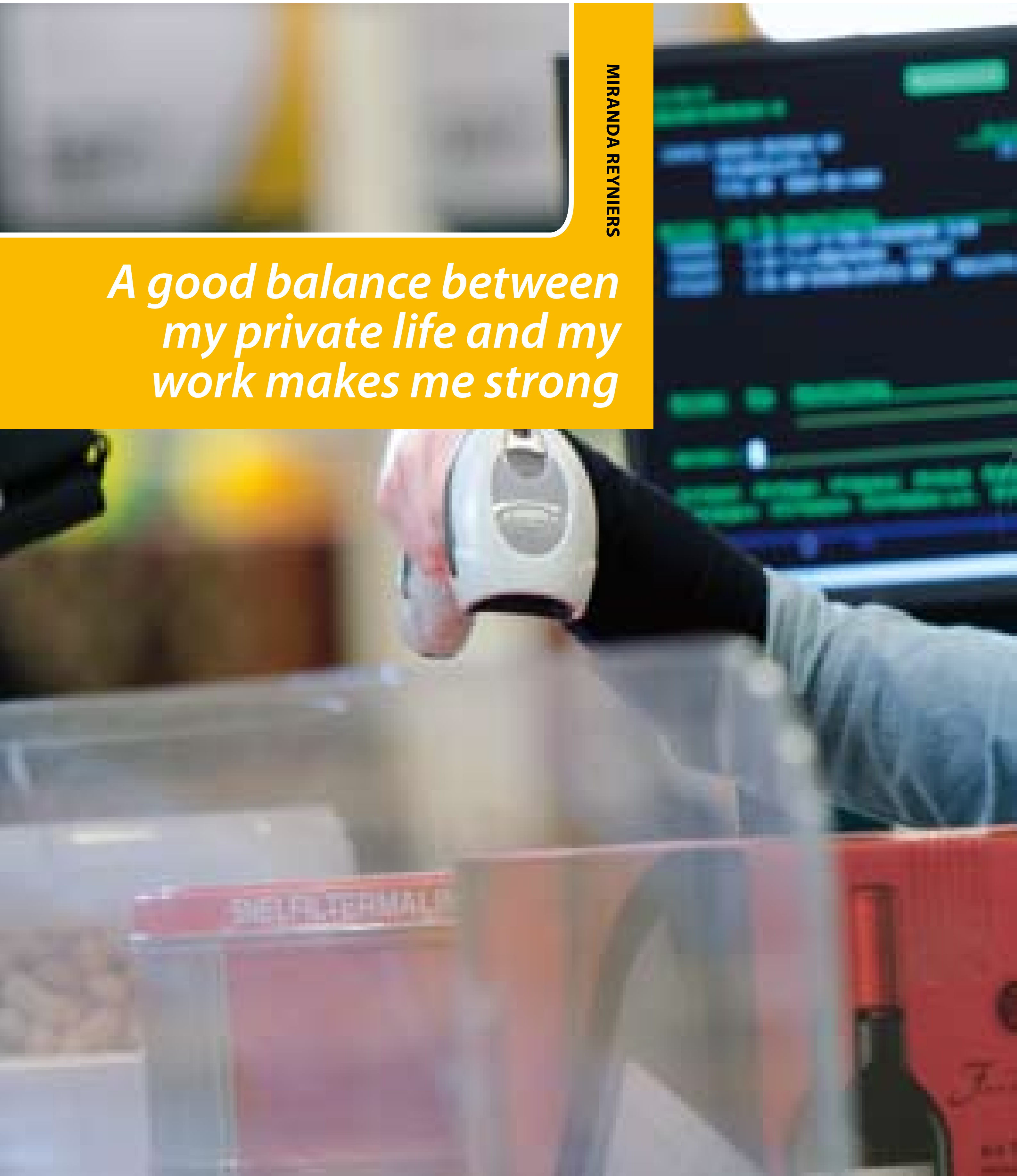
Supervisory Director, Belgian nationality (m). Appointed in 2004 and reappointed in 2008 until 2012 and not eligible for reappointment. Executive Board Chairman of Macintosh Retail Group N.V. and Supervisory Director of Mediq N.V.

The composition of the Supervisory Board is consistent with the required profile.

All the members of the Supervisory Board are independent in accordance with the best-practice provisions of Article III.2.2 of the Dutch Corporate Governance Code.

MIRANDA REYNIERS

A good balance between my private life and my work makes me strong



Financial statements

Sligro FOOD GROUP N.V.

CONSOLIDATED PROFIT AND LOSS ACCOUNT

for 2011

(x €1,000)

	Notes	2011	2010	2009
Revenue	**2, 3**	**2,420,216**	**2,286,261**	**2,258,021**
Cost of sales		(1,858,611)	(1,757,649)	(1,732,311)
Gross margin		**561,605**	**528,612**	**525,710**
Other operating income	**4**	**3,925**	**4,809**	**1,614**
Staff costs	5	(246,177)	(231,162)	(223,080)
Premises costs		(59,465)	(60,271)	(60,743)
Selling costs		(20,134)	(19,347)	(18,298)
Logistics costs		(66,445)	(64,070)	(63,024)
General and administrative expenses		(14,338)	(13,052)	(13,416)
Depreciation of property, plant and equipment	11	(44,078)	(46,718)	(42,406)
Amortisation of intangible assets	10	(9,923)	(7,873)	(8,174)
Total operating expenses		**(460,560)**	**(442,493)**	**(429,141)**
Operating profit	**3**	**104,970**	**90,928**	**98,183**
Finance income	8	137	197	353
Finance expense	8	(7,033)	(4,885)	(6,410)
Share in results of associates	13	5,137	5,406	5,768
Profit before tax		**103,211**	**91,646**	**97,894**
Tax	9	(25,004)	(21,450)	(23,584)
Profit for the year		**78,207**	**70,196**	**74,310**
Attributable to shareholders of the company		**78,207**	**70,196**	**74,310**

Figures per share		**€**	**€**	**€**
Basic earnings per share	20	1.78	1.59	1.68
Diluted earnings per share	20	1.78	1.59	1.68
Proposed dividend	19	1.05	0.70	1.00

CONSOLIDATED STATEMENT OF RECOGNISED INCOME AND EXPENSE

for 2011

(x €1,000)

	2011	2010	2009
Profit for the year	78,207	70,196	74,310
Effective part of movements in the fair value of cash flow hedge of long-term loans, net of tax	958	(1,640)	(2,142)
Reclassified to consolidated profit and loss account	(174)	161	435
Actuarial gains and losses on defined-benefit plans, net of tax	(4,906)	(3,984)	2,585
Income and expense recognised directly in shareholders' equity	(4,122)	(5,463)	878
Recognised income and expense for the year	**74,085**	**64,733**	**75,188**
Attributable to shareholders of the company	**74,085**	**64,733**	**75,188**

CONSOLIDATED CASH FLOW STATEMENT
for 2011

(x €1,000)

	Notes	2011	2010	2009
Receipts from customers		2,606,585	2,479,140	2,464,314
Other operating income		3,633	3,549	2,911
		2,610,218	2,482,689	2,467,225
Payments to suppliers		(2,143,778)	(2,037,760)	(2,014,013)
Payments to employees		(131,513)	(121,923)	(118,770)
Payments to the government		(192,821)	(194,944)	(184,088)
		(2,468,112)	(2,354,627)	(2,316,871)
Net cash generated from operations	30	142,106	128,062	150,354
Interest received		137	197	352
Dividend received from associates	13	5,530	4,412	3,568
Interest paid		(7,340)	(4,573)	(7,194)
Corporate income tax paid		(16,634)	(21,240)	(23,756)
Net cash flow from operating activities		**123,799**	**106,858**	**123,324**
Acquisitions/investments	1		(43,718)	(40)
Sale of associates/operations	1		2,641	1,290
Capital expenditure on property, plant and equipment/investment property/assets held for sale	11	(50,068)	(43,130)	(49,209)
Receipts from disposal of property, plant and equipment/investment property/assets held for sale		6,476	5,934	1,410
Capital expenditure on intangible assets	10	(3,597)	(2,608)	(1,518)
Investments in/loans to associates	13	(290)	(1,188)	(1,000)
Repayments by associates	13		430	188
Net cash flow from investing activities		**(47,479)**	**(81,639)**	**(48,879)**
Repayment of long-term borrowings	22	(53,109)	(49,087)	(30,714)
Proceeds from long-term borrowings	22		114,399	
Paid to joint venture		(30)	(100)	(1,050)
Repurchase of own shares		(3,472)	(3,580)	
Dividend paid		(30,813)	(44,071)	(18,880)
Net cash flow from financing activities		**(87,424)**	**17,561**	**(50,644)**
Movement in cash, cash equivalents and short-term bank borrowings		**(11,104)**	**42,780**	**23,801**
Opening balance		67,464	24,684	883
Closing balance		**56,360**	**67,464**	**24,684**

CONSOLIDATED BALANCE SHEET

as at 31 December 2011 before profit appropriation

(x €1,000)

ASSETS	Notes	31-12-2011	01-01-2011	02-01-2010
Goodwill	10	126,287	126,287	127,547
Other intangible assets	10	50,552	57,146	42,261
Property, plant and equipment	11	307,242	304,544	284,381
Investment property	12	15,225	15,945	24,499
Investments in associates	13	42,551	42,934	41,771
Other financial assets	13	9,279	6,467	2,640
Total non-current assets		**551,136**	**553,323**	**523,099**
Inventories	14	197,352	195,047	189,282
Trade and other receivables	15	110,618	105,181	107,716
Other current assets	16	8,016	3,526	3,789
Corporate income tax	9	0	863	529
Assets held for sale	17	7,634	11,906	3,097
Cash and cash equivalents	18	56,360	67,464	24,684
Total current assets		**379,980**	**383,987**	**329,097**
Total assets		**931,116**	**937,310**	**852,196**

EQUITY AND LIABILITIES	Notes	31-12-2011	01-01-2011	02-01-2010
Paid-up and called capital		2,655	2,655	2,655
Reserves		537,911	497,418	479,668
Total shareholders' equity attributable to shareholders of the company	19	**540,566**	**500,073**	**482,323**
Deferred tax liabilities	9	35,006	29,097	24,007
Employee benefits	5	2,947	3,042	7,055
Other provisions	21	191	221	316
Long-term borrowings	22	174,169	173,254	128,283
Total long-term liabilities		**212,313**	**205,614**	**159,661**
Current portion of long-term borrowings	22	0	53,232	27,850
Bank borrowings	22	0	0	0
Trade and other payables	31	106,798	106,906	109,784
Corporate income tax	9	156	0	0
Other taxes and social security contributions	23	24,073	22,176	22,874
Other liabilities, accruals and deferred income	24	47,210	49,309	49,704
Total current liabilities		**178,237**	**231,623**	**210,212**
Total equity and liabilities		**931,116**	**937,310**	**852,196**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR 2011

for 2011 before profit appropriation

(x €1,000)

	Paid-up and called capital	Share premium	Other reserves	Revalua-tion reserve	Hedging-reserve	Treasury shares reserve	Total
Balance as at 02-01-2010	**2,655**	**31,106**	**444,141**	**5,010**	**(589)**	**0**	**482,323**
Transactions with owners							
Share-based payments			668				668
Dividend paid			(44,071)				(44,071)
Repurchase of own shares						(3,580)	(3,580)
	0	0	(43,403)	0	0	(3,580)	(46,983)
Total realised and unrealised results							
Profit for the year			70,196				70,196
Investment property			473	(473)			0
Cash flow hedge					(1,640)		(1,640)
Reclassification					161		161
Actuarial results			(3,984)				(3,984)
	0	0	66,685	(473)	(1,479)	0	64,733
Balance as at 01-01-2011	**2,655**	**31,106**	**467,423**	**4,537**	**(2,068)**	**(3,580)**	**500,073**
Transactions with owners							
Share-based payments			693				693
Dividend paid			(30,813)				(30,813)
Repurchase of own shares						(3,472)	(3,472)
	0	0	(30,120)	0	0	(3,472)	(33,592)
Total realised and unrealised results							
Profit for the year			78,207				78,207
Investment property			847	(847)			0
Cash flow hedge					958		958
Reclassification					(174)		(174)
Actuarial results			(4,906)				(4,906)
	0	0	74,148	(847)	784	0	74,085
Balance as at 31-12-2011	**2,655**	**31,106**	**511,451**	**3,690**	**(1,284)**	**(7,052)**	**540,566**

NOTES
to the consolidated financial statements

ACCOUNTING POLICIES

A. GENERAL

Sligro Food Group N.V. is based in Veghel, the Netherlands. The consolidated financial statements comprise the financial information of the company itself and that of its subsidiaries (together referred to as the Group).

B. FINANCIAL YEAR

Under the Articles of Association, the financial year coincides with the calendar year. The year is actually closed on the last Saturday of the financial year in accordance with the international system of week numbering and thus on 31 December 2011 in the year under review. The 2011 financial year has 52 weeks. The comparative figures for the 2010 and 2009 financial years relate to 52 weeks and 53 weeks, respectively.

C. COMPLIANCE WITH IFRS

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union (EU-IFRS). The financial statements were authorised for issue by the Executive Board on 26 January 2012.

D. ACCOUNTING POLICIES

The financial statements are presented in thousands of euros, except where otherwise indicated. The euro is the functional currency. The historical cost convention has been applied except for investment property, pension plan assets and derivative instruments, which are stated at fair value.

Assets held for sale are recognised at the lower of their existing carrying amount and fair value, less costs to sell.

The preparation of the financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Estimates and associated assumptions are based on historical experience and other factors that are believed to be reasonable in the circumstances. Their outcome forms the basis for the judgement on the carrying amounts of assets and liabilities which cannot easily be determined from other sources. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised if the revision only affects that period, or in the revision period and any future periods affected if the revision affects the current and future periods. Note 29 provides further information on items where assumptions and estimates are significant to applying the accounting policies.

The carrying amounts of qualifying assets are tested for indications of impairment. If there are any such indications, the recoverable amount of the asset is estimated on the basis of the present value of the expected future cash flows or the fair value less costs to sell. An impairment loss is recognised if the carrying amount is higher than the recoverable amount. The accounting policies set forth below have been consistently applied relative to 2010.

E. BASIS OF CONSOLIDATION

Subsidiaries are those entities over which Sligro Food Group N.V. has control. Subsidiaries are fully consolidated. This concerns the wholly-owned company Sligro Food Group Nederland B.V., Veghel.
Sligro Food Group Nederland B.V. is the holding company for the following wholly-owned subsidiaries:

Foodservice
- Sligro B.V., Veghel.
- VEN Groothandelcentrum B.V., Amsterdam.
- De Dis B.V., Ter Apel (86%).
- Van Hoeckel B.V., 's-Hertogenbosch.

Food retail

- EMTÉ Franchise B.V., Veghel.
- EMTÉ Supermarkten B.V., Veghel.
  - Sanders Vleescentrale B.V., Enschede.
- EMTÉ Vastgoed B.V., Veghel.

The effectiveness of the Group's legal structure is appraised each year with a view to simplification where appropriate. Several companies were accordingly legally merged into other companies within the Group in 2011.

Associates are those entities in which the Group has significant influence, but not control, over the financial and operating policies. Joint ventures are activities where there is contractually agreed joint control by the Group, with strategic financial and operating policy decisions requiring unanimous consent. The consolidated financial statements include the share in the results of associates and joint ventures measured using the equity method. The carrying amount is never less than nil unless the Group has assumed a commitment to absorb losses or to make payments on behalf of an associate or joint venture.

Subsidiaries and associates are included in the consolidation from the date on which control or significant influence is obtained to the date on which it ceases.

Intercompany items and any unrealised gains and losses on such transactions are eliminated in the preparation of the consolidated financial statements.

SPECIFIC POLICIES

F. FOREIGN CURRENCY

As all the Group's subsidiaries, associates and joint ventures are Dutch companies there is no translation risk. Transactions denominated in foreign currencies are translated at the spot rate on the transaction dates. Receivables and payables are translated at the exchange rate on the balance sheet date, with exchange differences recognised in the profit and loss account. The treatment of financial derivatives is described below.

G. FINANCIAL INSTRUMENTS

Non-derivative financial instruments

Non-derivative financial instruments comprise other financial assets, trade and other receivables, other current assets, cash and cash equivalents, bank borrowings, trade and other payables and other liabilities and accruals.

Derivative financial instruments

The Group makes use of financial derivatives to hedge the exchange rate and interest rate risks associated with its operating and financing activities. In accordance with its treasury policy, the Group neither holds nor issues derivatives for trading purposes. Derivatives which do not, however, meet the criteria for hedge accounting are treated as trading instruments. Derivative financial instruments are recognised at fair value. The gain or loss on revaluation to fair value is recognised immediately in the profit and loss account. If derivatives do, however, meet the criteria for hedge accounting, recognition of any resulting gain or loss depends on the nature of the item that is hedged.

The fair value of forward interest rate and exchange rate contracts is the estimated amount that the Group would have to pay or would receive if the instruments were cancelled on the balance sheet date. This information is provided by statements obtained from reputable financial institutions which act as the counterparties. A positive fair value of derivatives is recognised as other financial assets and a negative fair value is included in long-term debt.

Hedging

Cash flow hedge

When a derivative financial instrument is designated as a hedge associated with the variability of the cash flows from a recognised asset, liability or highly probable forecast transaction, the effective portion of a gain or loss on the derivative financial instrument is recognised directly in equity. If the hedge of a forecast transaction leads to the recognition of a financial asset or a financial liability, the associated gains or losses recognised directly in equity are transferred to the profit and loss account in the period or periods in which the asset or liability affects the profit or loss. The non-effective portion of any gains or losses is recognised immediately in the profit and loss account.

Hedging monetary assets and liabilities

Where a derivative financial instrument is used to hedge the currency risk on a recognised monetary asset or monetary liability, hedge accounting is in principle not used, except for fair value hedges.

In that case, the fair value adjustment related to the hedged item and the hedging instrument is recognised directly in the profit and loss account but, with respect to changes in the fair value of the hedged item, only the part attributed to the hedged risk.

H. REVENUE

This is the proceeds from the sale of goods and services to third parties, net of value added tax, volume discounts and the value of trading stamps issued. Sales made in partnership with suppliers of fresh produce are also included. Some product lines are supplied directly, to the stores of supermarket franchisees. However, since the contract terms, commercial management and financial settlement are arranged by the Group, the amounts concerned are included in the Group's revenue.

Sales are recognised when the significant risks and rewards of ownership have been transferred to the purchaser or the service has been performed.

I. COST OF SALES

This is made up of the cost of purchasing the goods supplied. Bonuses, promotional payments and payment discounts received from suppliers are deducted from the purchase cost. Various types of payment are received from suppliers, the two main ones being:

i Temporary price reductions, usually relating to goods on special offer in promotional flyers with the aim of increasing direct sales volumes. In most cases, the supplier actually charges the lower purchase price for the agreed period but sometimes the normal price is charged and the discount is invoiced separately, based on the quantities sold. The benefit of temporarily lower purchase prices is reflected directly in the cost of sales and therefore at least partially offsets the lower selling prices charged to customers.

ii Bonuses, usually based on annual agreements. Sometimes the bonus is a fixed or graduated percentage of the purchase value of total purchases (or an increase therein). Usually, advance payments on the bonus are received. As well as bonuses, the annual agreements frequently contain arrangements on promotional payments, usually subject to various forms of commercial collaboration. Promotional payments may be either absolute amounts or fixed or graduated percentages of the purchase value. Where receipt of a bonus can be expected with reasonable certainty, it is reflected in the carrying amount of inventories. Promotional payments are not deducted from inventories because they are intended to cover the selling costs.

J. OTHER OPERATING INCOME

This item includes rental income from investment and other property. It also includes any gains and losses in the fair value of investment property and book profits or losses on the sale of such property and on the disposal of assets included in property, plant and equipment, together with similar income.

K. EXPENSES

The presentation of expenses is based on classification by function. The same classification is used for internal reporting purposes. Expenses are recognised in the year to which they relate. Rents and operating lease instalments are charged to the profit and loss account on a straight-line basis over the periods of the contracts concerned.

L. EMPLOYEE BENEFITS

i Defined-contribution plans

Pension scheme contribution liabilities under defined-contribution plans are recognised as an expense in the profit and loss account when the contributions fall due. This is the case, in particular, for almost all of the Group's schemes providing privately insured benefits to top up state benefits and for the multi-employer schemes provided by EMTÉ Supermarkten, VEN Groothandelcentrum and for certain groups of employees which are covered by industry pension funds. Although the industry pension funds in fact have defined-benefit plans, they are accounted for as defined-contribution plans because the pension funds concerned do not supply sufficient information for defined-benefit accounting to be applied.

ii Defined-benefit plans

The Group's net obligation under defined-benefit plans is measured separately for each scheme by estimating the accrued benefit entitlements relating to employee service in the reporting period and prior periods. The present value of the defined-benefit obligations is determined and the fair value of the plan assets is deducted from the carrying amount thus arrived at. The discount rate used is the market yield at the balance sheet date on high-quality corporate bonds of a term consistent with that of the Group's obligations. The calculation is performed by a qualified actuary, using the projected unit credit method. If the benefits under a plan are improved, that portion of the benefit improvement which relates to employees' past service is recognised as an expense in the profit and loss account on a straight-line basis over the average period up to the date at which such benefits become vested. The cost in respect of benefits that are vested is expensed immediately. Actuarial gains and losses arising are recognised directly in equity.

iii Other long-term employee benefits

The Group's net obligation in respect of long-service benefits is the amount of the future benefits attributable to employee service in the reporting period and prior periods. The obligation is measured using the projected unit credit method and calculated at present value. The same discount rate is used as for defined-benefit plans.

iv Option rights

The share option plan gives a broad group of employees the option of acquiring Sligro Food Group N.V. shares. The fair value of the share options is accounted for as staff costs, with a corresponding increase in shareholders' equity. Since the options are granted unconditionally, the fair value of the options is expensed in the year in which the options are granted.

M. FINANCE INCOME AND EXPENSE

These items are interest and similar costs payable to third parties and interest receivable from customers in respect of loans granted and/or deferred payments. The calculation is made using the effective interest method.

N. SHARE IN RESULTS OF ASSOCIATES

This concerns the Group's share in results of associates.

O. TAX

The tax charge shown in the profit and loss account comprises the corporate income tax payable for the year together with any movements in deferred tax except where such liabilities relate to items that are accounted for directly in equity. The corporate income tax payable for the year is the expected amount of tax payable on the taxable profit, taking account of any adjustments in respect of the tax liability in preceding years. The tax burden is affected by tax facilities and costs which are not deductible or only partially deductible for tax purposes. The provision for deferred tax liabilities results from temporary differences between accounting policies used for tax purposes and for reporting purposes. No provisions have been formed in respect of goodwill that is not tax-deductible and in respect of investments in associates qualifying for the substantial-holding exemption. The amount of the provision is calculated at the tax rate applicable on the balance sheet date or the rate (substantively) enacted at the balance sheet date.

P. GOODWILL AND OTHER INTANGIBLE ASSETS

All acquisitions are accounted for using the purchase method. With effect from 2010, goodwill is recognised in respect of the difference between the fair value of the purchase price payable and the initially recognised amount (generally the fair value) of the identifiable assets and liabilities acquired. In the case of acquisitions prior to 28 December 2003, goodwill is the amount calculated according to the previously applicable accounting standards. Goodwill is carried at cost less any cumulative impairment losses. Goodwill is allocated to cash-generating units. Goodwill is not amortised but tested for impairment annually, or when there is an indication for impairment. In the case of associates, the goodwill is reflected in the carrying amount of the investment.

All other intangible assets are carried at cost less straight-line amortisation over the estimated useful life of the assets concerned which, in the case of supermarket stores, is estimated at ten years and, in the case of customer data bases, five years. Impairment tests are performed when there are indications that they are required. The cost of internally generated goodwill and trademarks is expensed. Software developed by third parties is capitalised at cost, provided its technical feasibility has been demonstrated. Internally developed software, provided it satisfies a number of criteria including technical feasibility, is similarly capitalised. Software maintenance costs are expensed.

Capitalised software is amortised over three years using the straight-line method.

Q. PROPERTY, PLANT AND EQUIPMENT

Items of property, plant and equipment are carried at cost less straight-line depreciation based on the estimated useful life of the assets concerned. Cost includes directly attributable finance costs where the effect is material as regards amount or term to maturity. Where assets are made up of parts with different useful lives, each part is treated as a separate item (component approach). The maximum depreciation period for alterations to rented premises is the remaining term of the lease. Where necessary, impairment losses are recognised. The applicable depreciation percentages in years are:

Land	Nil
Buildings/alterations	3 to 12 ½
Retail premises	3 1/3
Plant and equipment	12 ½ to 33 1/3
Other	20 to 50

R. INVESTMENT PROPERTY

Investment property is carried at fair value, which is based on the market value, as derived from a capitalisation factor applied to the rental income, and also depending on the expected long-term continuity as supermarket premises. The capitalisation factor applied is generally between 10.5 and 13.5 times the rental income but, in the case of some less viable premises, a lower valuation may be applied. The internally determined capitalisation factor is regularly reviewed by reference to external market data, such as professional appraisals. As already disclosed under J., rental income and any fair value gains and losses are included in other operating income.

S. FINANCIAL ASSETS

Investments in associates and joint ventures are accounted for using the equity method and, at initial recognition, are stated at cost, including goodwill, but excluding associated transaction costs, with a carrying amount of not less than nil, unless the Group is under an obligation to absorb losses either partially or entirely. Unrealised intragroup results are eliminated. Other financial assets comprise interest-bearing loans to customers and associates. The loans are carried at amortised cost less any impairment losses.

T. INVENTORIES

Inventories are carried at the lower of cost, using the FIFO method, and market value, which is taken as being the estimated sales value in normal circumstances, less selling costs. The carrying amount includes allowances for internal distribution, less bonus discounts.

U. TRADE AND OTHER RECEIVABLES AND OTHER CURRENT ASSETS

Trade receivables are initially carried at fair value and subsequently at amortised cost less any impairment losses. Other current assets include prepaid discounts to supermarkets, which are charged to the profit and loss account over the term of the contracts concerned.

V. ASSETS HELD FOR SALE

Assets held for sale are recognised at the lower of carrying amount and fair value, less costs to sell. On classifying assets as being held for sale, any impairment losses are taken to the profit and loss account. If necessary, valuation is based on external appraisals.

W. CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise cash balances and credit balances at banks and are carried at face value. Overdrafts forming an integral part of the Group's cash management and payable on demand are included in the cash flow statement in the movement in cash, cash equivalents and short-term bank borrowings.

X. PROVISIONS

The provision for deferred tax liabilities is included at face value calculated at the prevailing or, if known, future tax rate and has already been explained in O. The provision for employee benefits is explained in L. The other provisions relate to existing obligations connected to risks relating to franchises carried at the amounts estimated as probably being payable in the future. Where the effect is material, the carrying amount of the future obligation is discounted.

Y. INTEREST-BEARING DEBT

Interest-bearing debt is initially recognised at fair value less related transaction costs. The liabilities are subsequently carried at amortised cost determined using the effective interest method. Loans covered by a fair value hedge are recognised at fair value, as far as the value is attributable to the hedged risk.

Z. OTHER LIABILITIES, ACCRUALS AND DEFERRED INCOME

These are carried at amortised cost.

AA. SEGMENT INFORMATION

Sligro Food Group reports its results according to the main segments of Foodservice and Food Retail. This segmentation matches that of internal management information precisely.

In attributing the results to the main segments, a distinction is made between directly attributable income and expenses and assets and liabilities and those which are not directly attributable, the latter mainly concerning the Group's integrated back-office activities, which are attributed to the main segments using reasonable and consistently applied formulas.

AB. EARNINGS PER SHARE

The Group presents both basic and diluted earnings per share (EPS) of the ordinary share capital. The net result per ordinary share is calculated on the basis of the profit attributable to the shareholders of the Group divided by the weighted average number of ordinary shares in issue during the year. In calculating the diluted earnings per share, the profit attributable to the shareholders of the Group and the weighted average number of ordinary shares in issue during the year are adjusted for the potential dilutive effect on the number of ordinary shares of share options awarded to staff, or otherwise as applicable.

AC. NEW STANDARDS AND INTERPRETATIONS

The changes in standards and interpretations which have been announced are not expected to have any material impact on the Group's financial statements in the next few years, except for:

- IFRS 9 Financial Instruments, the application of which becomes mandatory in 2015 and which may necessitate changes in the classification and measurement of financial assets. The Group does not intend to adopt this standard early and has not yet determined the expected magnitude of the impact.
- IAS19 Employee Benefits, the application of which becomes mandatory in 2013 and which may necessitate changes in the measurement of pension provisions. The Group does not intend to adopt this standard early. Provisional calculations indicate an increase in the pension costs of approximately €1.4 million.
- IFRS 11 Joint arrangements, which becomes mandatory in 2013 and which may necessitate changes in the accounting of joint ventures and similar arrangements. The Group does not intend to early adopt this standard and does not expect any impact of this standard.
- IFRS12 Disclosure of Interests in Other Entities, IFRS13 Fair Value Measurement and IAS1 Presentation of Financial Statements, which may result in additional disclosures. The group does not intend to adopt this standard early.

NOTES

1. ACQUISITIONS, INVESTMENTS AND DISPOSALS

In 2011, there were no transactions. In 2010, the item concerned the takeover of Sanvier B.V., following the acquisition of 100% of the share capital. The purchase price of €50 million was paid in full in cash in 2010 and the assets acquired included €6.3 million of cash, which meant the debt-free purchase price amounted to €43.7 million. Sanvier B.V. was legally merged with EMTÉ Supermarkten B.V. in 2011.

Identifiable assets and liabilities acquired:

(x €1,000)

	2011	2010
Intangible assets		20,150
Property, plant and equipment		26,411
Financial assets		80
Inventories		7,180
Trade and other receivables		2,761
Assets held for sale		2,050
Cash and cash equivalents		6,284
Deferred tax liabilities		(6,396)
Employee benefits		(300)
Trade and other payables		(8,218)
Total identifiable net assets		50,002
Less: Cash and cash equivalents		(6,284)
Debt-free purchase price		43,718

The aggregate debt-free purchase price of investments in subsidiaries amounted to € nil (2010: 43,718). The total income from the disposal of operations on a transaction basis amounted to € nil (2010: €4,801), making the net amount spent/received € nil (2010: €38,917).

The disposal of operations in 2010 concerned the sale of various supermarket stores.

2. REVENUE

This is almost entirely domestic sales of food and food-related non-food articles to consumers and retail traders (food retail), institutional customers, the hospitality sector, company restaurants and other large-scale caterers (foodservice). The analysis of revenue by activity was as follows:

(x €1,000)

	2011	2010
Foodservice	1,608,975	1,548,493
Food retail	811,241	737,768
	2,420,216	**2,286,261**
Goods/services		
Goods supplied	2,401,225	2,268,500
Services rendered	18,991	17,761
	2,420,216	**2,286,261**

3. SEGMENT INFORMATION

The results and net capital employed can be analysed by segment as follows:

(x € million)

	Foodservice		Food retail		Total	
	2011	**2010**	**2011**	**2010**	**2011**	**2010**
Revenue	**1,609.0**	**1,548.5**	**811.2**	**737.8**	**2,420.2**	**2,286.3**
Other operating income	0.9	(0.4)	3.0[5]	5.2	3.9	4.8
Total income	**1,609.9**	**1,548.1**	**814.2**	**743.0**	**2,424.1**	**2,291.1**
Operating profit	**98.1**	**77.7**	**6.9**	**13.2**	**105.0**	**90.9**
Finance income and expense					(6.9)	(4.7)
Share in results of associates	1.3	1.4	3.8	4.0	5.1	5.4
Tax					(25.0)	(21.4)
Profit for the year					**78.2**	**70.2**
Segment assets	560.0	546.9	267.3	277.0	827.3	823.9
Associates	6.1	6.1	36.5	36.8	42.6	42.9
Unallocated assets					61.2	70.5
Total assets	**566.1**	**553.0**	**303.8**	**313.8**	**931.1**	**937.3**
Segment liabilities	125.2	122.7	53.0	55.6	178.2	178.3
Unallocated equity and liabilities					752.9	759.0
Total equity and liabilities	**125.2**	**122.7**	**53.0**	**55.6**	**931.1**	**937.3**
Net capital employed[1]	434.8	424.2	214.3	221.4	649.1	645.6
Net interest-bearing debt[2], provisions and associates					(108.5)	(145.5)
Group equity					**540.6**	**500.1**
Staff costs	144.1	142.8	102.1	88.3	246.2	231.2
Number of employees[3]	2,884	2,852	2,996	2,661	5,880	5,513
Capital expenditure[4]	31.8	37.0	24.4	10.3	56.2	47.3
Disposals[4]	0	(3.5)	(2.1)	(3.1)	(2.1)	(6.6)
Depreciation and amortisation	29.0	32.6	25.0	22.0	54.0	54.6

1) Excluding associates. 2) Interest-bearing debt less freely-available cash and cash equivalents and the fair value of derivatives. 3) Certain head office staff who perform activities on behalf of the Group as a whole have been included in the foodservice activities. 4) Involving property, plant and equipment, investment property and intangible assets (at transaction level), excluding goodwill. 5) Including impairment loss of €1.2 million.

4. OTHER OPERATING INCOME

(x €1,000)

	Notes	2011	2010
Investment property rental income	12	1,601	2,165
Book profit on disposal of investment property	12	1,552	503
Impairment losses/book loss on disposal of assets held for sale	11, 17	(1,474)	(300)
Fair value adjustments on investment property	12	(30)	12
Other rental income		1,521	1,384
Book profit (loss) on property, plant and equipment disposal (including businesses)	11	755	1,045
		3,925	**4,809**

5. EMPLOYEE-RELATED ITEMS

5.a. STAFF COSTS

Staff costs are made up as follows:

(x €1,000)

	Notes	2011	2010
Salaries		185,387	170,577
Social security contributions		24,128	23,299
Net benefit expense on defined-benefit plans	5c	2,384	4,598
Defined-contribution plan contributions	5c	5,222	4,806
Share-based payments	5e	693	668
Other staff costs		28,363	27,214
		246,177	**231,162**

5.b. EMPLOYEE BENEFITS PROVISION

This provision can be analysed as follows:

(x €1,000)

	Notes	2011	2010
Post-employment benefits	5c	0	0
Long-service benefits	5d	2,947	3,042
		2,947	**3,042**

5.c. PENSIONS AND PROVISION FOR POST-EMPLOYMENT BENEFITS

Within the Group there are basically two pension schemes, connected with the two principal collective labour agreements covering the Group's activities. In addition, a small proportion of the employees is covered by different industry pension funds and there are also a few individual arrangements.

Food Retail Chains CLA

The staff of EMTÉ Supermarkten come under this CLA. The pension scheme is administered by the Food Industry Pension Fund. It is an indexed average pay scheme, with indexation conditional on satisfactory funding. The scheme is treated as a defined-contribution plan since the fund does not provide more detailed information. The industry pension fund has a funding deficit. The premium for 2012 is slightly increased and the increase of pension rights is limited in 2012.

Food Wholesale Sector CLA

The other staff within the Group come under this CLA. The pension scheme is administered by the company pension fund, Stichting Pensioenfonds Sligro Food Group, which also manages the prepension scheme.

Other CLAs/industry pension funds

A small proportion of the Group's employees is covered by other industry pension funds under which schemes the liability of the companies concerned is restricted to payment of contributions. They are conditionally indexed average pay schemes. These, too, are treated as defined-contribution plans because the industry pension funds concerned do not provide more detailed information.

Change in actuarial assumptions

A change in the discount rate resulted in a decrease of €7.5 million to the pensions provision.

Sligro Food Group pension scheme

This pension scheme is a conditional indexed average pay scheme, for which an average contribution rate is calculated. A distinction is drawn between employees born prior to 1 January 1950 and those born from then onwards in the way in which benefit rights are built up, the amount of the contribution threshold and retirement date. The prepension scheme only applies to employees born prior to 1 January 1950 and is also a conditional indexed average pay scheme with an average contribution rate. This scheme will come to an end in 2012 as the last 10 participants are then due to take their ordinary pension. The pension funds' board is made up of equal numbers of representatives of employees and employers and among other things decides on the actual amount of annual increases. The discretionary percentage increase takes account of the constitution and pension regulations, the policy of the industry pension fund and the guidance issued by the Nederlandsche Bank as regulator of the pensions industry. According to pension fund estimates, the fund had reserves at year-end 2011 amounting to approximately 1% of the net provision for its insured obligations, based on the standard yield curve.

The regulatory guidelines from the Nederlandsche Bank require the fund to have a funding ratio of approximately 16% in order to qualify as prudently funded. This means that the fund has a funding deficit and has therefore submitted a recovery plan. There was a 2.4-point increase in the contribution rate applied to pension base salaries in 2010. The employer also made a one-off contribution of €6 million in 2010 and the employee contribution rate applied to pension base salaries is to be increased by another 2 percentage points over the three-year period 2011, 2012 and 2013. Scheme members with deferred pensions will have future annual increases reduced by 6% as their contribution to the recovery. No increases have been awarded in the annual indexation rounds for the last three years. As at year-end 2011, 68% of the pension fund's assets was invested in fixed-income securities and 32% in equities, in line with the fund's investment policy. In contrast to the pension fund's own calculations and regulatory policy, the financial statements also recognise additional, contingent pension rights and future pay increases. The discount rate is also based on yields on high quality corporate bonds instead of an actuarial interest rate derived from the yield curve, as applied by the pension fund.

The following analyses disclose details of the post-employment benefits provision and net benefit expense.

Actuarial assumptions (in %):

	2011	2010
Closing discount rate	4.6	4.3
Expected return on plan assets during the year	5.3	5.6
Closing general annualised pay increase	2.0	2.0
Individual annual increments, 18-34 years	2.7 → 1.0	2.7 → 1.0
Closing annualised increase for active members	0.5	0.5
Closing annualised increase for inactive members	0.5	0.5

The estimate for the return on plan assets is based partly on the discount rate applied to the benefit expense but also takes into account the target ratio of 35% equities. The actual return in 2011 amounted to 8.4% (2010: 11.5%). The mortality table used is the 2010-2060 projection. Based on the above assumptions, the following information can be disclosed:

(x €1,000)

	2011	2010
Opening defined-benefit obligation	118,395	103,202
Service cost	9,016	8,578
Interest cost	5,393	5,292
Benefits paid	(3,914)	(3,721)
Settlements	(1,247)	(476)
Actuarial loss	(8,831)	5,520
Closing defined-benefit obligation	**118,812**	**118,395**
Opening fair value of plan assets	127,543	98,448
Ordinary employer contributions	8,925	8,700
One-off employer contributions	0	6,000
Employee contributions	5,430	4,415
Benefits paid	(3,914)	(3,721)
Expenses	(900)	(900)
Expected return	7,116	5,757
Settlements	(868)	(476)
Actuarial gain	(5,974)	9,320
Closing fair value of plan assets	**137,358**	**127,543**
Defined-benefit obligation less fair value of plan assets	**(18,546)**	**(9,148)**
Asset ceiling	18,546	9,148
Recognised on the face of the balance sheet	**0**	**0**

The above obligations are all funded obligations.

The net actuarial gain of €2,875 (2010: 3,800 gain) net of deferred tax liabilities has been recognised in equity. The accumulated amount of the actuarial losses is €12,560 before tax (2010: €15,417). Furthermore the amount of the asset ceiling totalling €18,546 net of deferred tax liabilities has been recognised in equity.

Net benefit expense

(x €1,000)

	2011	2010
Service cost	9,016	8,578
Administration cost	900	900
Employee contributions	(5,430)	(4,415)
Interest cost	5,393	5,292
Expected return	(7,116)	(5,757)
Settlement	(379)	0
'Ordinary' net benefit expense on defined-benefit plans	2,384	4,598
Defined-contribution plans	5,222	4,806
	7,606	**9,404**

The employer and employee contributions for 2012 are expected to amount to €21.1 million, of which €14.9 million is expected to relate to defined-benefit plans and €6.2 million to defined-contribution plans.

As at year-end, the plan assets were as follows (as %):

	2011	2010
Equities	32	37
Fixed-income securities	66	61
Insurance contracts	2	2
	100	**100**

Historical year-end information

(x €1,000)

	2011	2010	2009	2008	2007
Liabilities	118,812	118,395	103,202	92,054	88,821
Plan assets	137,358	127,543	98,448	80,315	79,872
Defined-benefit obligation less fair value of plan assets	(18,546)	(9,148)	4,754	11,739	8,949
Asset ceiling	18,546	9,148	0	0	0
Recognised on the face of the balance sheet	**0**	**0**	**4,754**	**11,739**	**8,949**
Change in actuarial assumptions	7,483	(2,267)	1,908	908	(3,213)
Experience adjustments to defined-benefit obligation	1,348	(3,253)	(2,409)	518	(1,234)
Experience adjustments to plan assets	(5,974)	9,320	3,971	(8,715)	(4,161)

The pension fund does not hold any investments in Sligro Food Group nor are any amounts owed between the pension fund and Sligro Food Group.

5.d. LONG-SERVICE BENEFITS

(x €1,000)

	2011	2010
Opening balance	3,042	2,301
Acquisitions	0	300
Benefits paid	(366)	(252)
Benefit expense for the year	321	294
Actuarial result (also expensed) for the year	(50)	399
Closing balance	**2,947**	**3,042**

5.e. SHARE-BASED PAYMENTS (SHARE OPTION SCHEME)

The target group for the share option scheme comprises approximately 50 individuals who are awarded unconditional share options which vest immediately and can be excercized after 4 years. The exercise price is the first ex-dividend price after the grant date. At least 50% of any resultant net gain must be used to buy Sligro Food Group shares, which in turn will be locked up for four years. The number of share options awarded to Sligro Food Group N.V. Executive Board members will be based on a fraction of their regular salary and the award ratio multiplied by a factor depending on the development in the overall return for shareholders relative to a peer group, varying between 0% and 150%. The first peer group comparison will be made in 2013. For the years prior to then, the factor will be 75%. The other members of the target group will receive, depending on the category, 50% or 25% of the award made to the Executive Board members.

The award of options has been as follows:

	Maturity date	Exercise price	Number
19 March 2010	1 April 2014	24.06	148,800
25 March 2011	1 April 2015	23.62	147,000

On the date of award of the options, the necessary shares are repurchased at the exercise price. They are acquired from the trust which manages the employee shares.

For disclosures relating to the number of options awarded to the individual members of the Executive Board, reference is made to note 6. The costs connected with this scheme have been calculated by independent experts, using the Black-Scholes Model and, for the award made in March 2011, amount to €693 (2010: €668), based on the following assumptions:

- Risk-free interest rate: 2.43%.
- Volatility: 31%, based on a 4-year historical average.
- Dividend yield: 3.39%.
- Maturity: 4 years.

6. REMUNERATION OF EXECUTIVE BOARD AND SUPERVISORY BOARD

The remuneration charged to the profit and loss account for the company's Executive Directors in 2011 was €1,929 (2010: €2,144). The remuneration can be analysed as follows:

(x €1,000)	K.M. Slippens		J.H.F. Pardoel		H.L. van Rozendaal		J.H. Peterse		Total	
	2011	**2010**	**2011**	**2010**	**2011**	**2010**	**2011**	**2010**	**2011**	**2010**
Fixed salary	344	339	305	300	305	300	50	300	1,004	1,239
Short-term bonus	94	56	83	49	83	49	0	49	260	203
Long-term bonus	94	56	83	49	83	49	0	49	260	203
Pension contribution	79	78	80	79	95	91	13	79	267	327
Value of options	46	43	46	43	46	43	0	43	138	172
Total	**657**	**572**	**597**	**520**	**612**	**532**	**63**	**520**	**1,929**	**2,144**

The short-term and long-term bonuses are based on performance in the year in question and are paid in the following year. These bonuses are 50% (2010: 50%) determined by the extent to which the budgeted profit target is achieved. If less than 90% of the target is reached, the bonus is nil, whereas achieving the target will lead to a short-term bonus of 15% of the fixed salary (2010: 15%). If the target is exceeded, the bonus is increased in line with the percentage out-performance. For 2011, the other 50% is dependent on achieving the successful integration of Sanders Supermarkten plus the commissioning of the new delivery service centre BS Enschede, the completion of the Greater Amsterdam project and the achievement of suitable progress with the CSR agenda. The long-term bonus is equal to the short-term bonus but has to be used to purchase Sligro Food Group shares that then have to be held for at least four years. The 2011 bonuses were calculated at 90% of the target level (2010: 55%).

The annual remuneration for the Supervisory Board president, A. Nühn, was €40 (2010: €34) and that of the other members of the Supervisory Board €32 (2010: €29). The remuneration is not performance-related. The total remuneration amounted to €136 (2010: €121). No options have been awarded to the Supervisory Board, nor have any loans, advances or guarantees been granted to either the Executive Board or the Supervisory Board.

In relation to share and share option transactions, the acquirers are bound by insider trading rules. Additionally, transactions in shares are only allowed in the two weeks following publication of the results for the year, the interim results and the shareholders' meeting and on condition that there is no suggestion of inside information.

Movements in share ownership were as follows:

	Exercise price	K.M. Slippens	J.H.F. Pardoel	H.L. van Rozendaal
Opening balance		82,303	5,289	155,714
Purchase		2,283	1,608	2,417
Sale		0	0	0
Closing balance		84,586	6,897	158,131
Number of options granted and in issue				
Maturing on 1 April 2014	24.06	9,600	9,600	9,600
Maturing on 1 April 2015	23.62	9,800	9,800	9,800
Closing balance		19,400	19,400	19,400

None of the members of the Supervisory Board owns any shares in the company or options to acquire the company's shares.

7. AUDIT FEES

The fee for auditing the financial statements has been included in the general administrative expenses and in 2011 amounted to €269 (2010: €265). Other work consists principally of other audit services, including due diligence activities and audits relating to customer contracts, the fee for which was €60 in 2010 (2010: €65).
The auditors are not engaged to perform consultancy work.

8. FINANCE INCOME AND EXPENSE

(x €1,000)

	2011	2010
Finance income from loans granted to customers and late payment credit charges received from customers	137	197
Finance expense for finance-related obligations	(7,033)	(4,885)

9. TAX

9.a.1. TAX (CORPORATE INCOME TAX)

The Dutch tax system recognises a difference between reported profit and taxable profit arising from differences between the carrying amount and tax base of intangible assets, property, inventories, receivables and provisions.

The tax charge in the profit and loss account can be analysed as follows:

(x €1,000)

	2011	2010
Tax for the year	20,882	20,906
Prior-year adjustments	242	(33)
Tax liability for the year	**21,124**	**20,873**
Movement in deferred tax liabilities	3,880	577
Tax shown in the profit and loss account	**25,004**	**21,450**

9.a.2. EFFECTIVE TAX BURDEN

The effective tax burden can be analysed as follows:

(x €1,000)

	2011	2010
Profit before tax	**103,211**	**91,646**
Tax burden at the standard rate of 25.0 and 25.5%, respectively	25,803	23,370
Prior-year adjustments	242	(33)
Other, including tax facilities and tax-exempt income, including tax-free results of associates	(1,041)	(1,387)
Reduction in tax rate	0	(500)
Effective tax burden equal to 24.2% (2010 : 23.4%)	**25,004**	**21,450**

The amount in respect of the reduction in the tax rate in 2010 is the impact of the cut of 0.5 of a percentage point in the tax rate with effect from January 2011, on the deferred tax liabilities as at year-end 2010.

9.a.3. TAX LIABILITIES RECOGNISED DIRECTLY IN RECOGNISED INCOME AND EXPENSE

The following analysis shows the tax effect with respect to the items recognised directly in the recognised income and expense for the year.

(x €1,000)

	2011	2010
Movement in cash flow hedge of long-term loan	262	(519)
Actuarial gains and losses on defined-benefit plans	(1,635)	(1,364)
	(1,373)	**(1,883)**

9.b. CURRENT TAX ASSETS AND LIABILITIES

The following current tax items were included as at year end:

(x €1,000)

	2011	2010
Receivables		**863**
Liabilities	**156**	**0**

As at year-end 2011, all wholly owned subsidiaries, with the exception of EMTÉ Vastgoed, were included in the tax group for corporate income tax purposes. Tax is levied on the tax group as if it were one company. Implicit in this is that all the companies making up the tax group bear joint and several liability for the tax liabilities of the Group. The year-end position relates to the financial year concerned.

9.c. DEFERRED TAX LIABILITIES

These can be analysed as follows:

(x €1,000)

	2011	2010
Intangible assets	8,016	9,164
Property, plant and equipment	25,109	19,182
Inventories	792	937
Reserves permitted under tax rules	660	61
Employee benefit obligation	0	208
Hedging of long-term loans	429	(512)
Other	0	57
Net liability	**35,006**	**29,097**

The deferred tax liabilities mainly relate to the recognition of intangible assets from S&S Winkels and Sanders Supermarkten and to different carrying amounts for property, to which special tax rules apply. In addition, in the past three years, tax facilities allowing accelerated depreciation/amortisation of capital expenditure as part of the measures to address the financial crisis were utilised. Investments of more than 5% in the share capital of other companies qualify for the substantial-holding privilege, under which profits and/or dividends are not taxed (and losses are also not deductible). The difference in the carrying amounts of such investments is therefore not taken into account in the calculation of the deferred tax liabilities.

Movements during the year were as follows:

(x €1,000)

	2011	**2010**
Opening balance	29,097	24,007
Tax liabilities recognised directly in recognised income and expense	(1,373)	(1,883)
Acquisitions	0	6,396
Movements current year	3,880	577
Movements previous years	3,402	0
Closing balance	**35,006**	**29,097**

There are no deferred tax liabilities or assets that have not been recognised in the balance sheet.

10. GOODWILL AND OTHER INTANGIBLE ASSETS

(x €1,000)

	Goodwill	Other intangible assets		
		Stores and customer data bases	Software	Total
Cost				
Balance as at 02-01-2010	131,241	64,732	7,748	72,480
Capital expenditure			2,608	2,608
Sale of activities	(1,481)			
Acquisitions		20,150		20,150
Balance as at 01-01-2011	**129,760**	**84,882**	**10,356**	**95,238**
Capital expenditure		630	3,147	3,777
Disposals		(268)	(235)	(503)
Balance as at 31-12-2011	**129,760**	**85,244**	**13,268**	**98,512**
Amortisation				
Balance as at 02-01-2010	(3,694)	(23,934)	(6,285)	(30,219)
Amortisation for the year		(6,386)	(1,487)	(7,873)
Sale of activities	221			
Balance as at 01-01-2011	**(3,473)**	**(30,320)**	**(7,772)**	**(38,092)**
Amortisation for the year		(7,819)	(2,104)	(9,923)
Disposals			55	55
Balance as at 31-12-2011	**(3,473)**	**(38,139)**	**(9,821)**	**(47,960)**
Carrying amount				
As at 02-01-2010	127,547	40,798	1,463	42,261
As at 01-01-2011	126,287	54,562	2,584	57,146
Balance as at 31-12-2011	**126,287**	**47,105**	**3,447**	**50,552**

Allocation of goodwill to cash-generating units

Goodwill is allocated to cash-generating units as follows:

(x €1,000)

	2011	2010
Food retail	30,332	30,332
Foodservice	95,955	95,955
	126,287	**126,287**

The cash-generating units are identified using the classification the Group applies to its operating segments.

The recoverable amount of the Food Retail cash-generating unit is based on the estimated fair value less costs to sell. Prices that have been paid recently for individual or groups of stores and market multiples of sales have been taken into account. The test has shown that the fair value less costs to sell is in excess of the carrying amount of the goodwill (and the other assets) of the Food Retail unit.

The recoverable amount of the Foodservice cash-generating unit is based on a calculation of the value in use arrived at by taking the net present value of the estimated future cash flows that will be generated by the continued use of this cash-generating unit. Based on this calculation, it has been concluded that the recoverable amount of the cash-generating unit is considerably higher than the carrying amount and that therefore no impairment loss needs to be recognised (2010: ditto).

Important assumptions used in the estimates of the net present value of the cash flows

The basis is the average operating profit before amortisation (EBITA) over the last three years. The main assumptions used in calculating the recoverable amount are the discount rate, the terminal growth rate and the rate of growth in EBITA, which are as follows:

Discount rate (9.6%)

The discount rate before tax used for the Foodservice activities has been derived from the weighted average cost of capital (WACC) as used by financial analysts, adjusted to reflect a normalised capital structure.

Terminal growth rate (2%)

For the Foodservice activities, the net present value model is based on estimated cash flows over a period of five years. The terminal growth rate is derived from the nominal GDP growth rate in the Netherlands.

Estimated EBITA growth rate (2%)

The estimated growth in EBITA is given by the compound annual growth over the first five years of the plans used for impairment testing and also takes account of past experience.

11. PROPERTY, PLANT AND EQUIPMENT

Movements in this item were as follows:

(x €1,000)

	Land and buildings	Plant and equipment	Other assets	Assets under construction	Total
Cost					
Balance as at 02-01-2010	320,205	43,353	184,746	3,921	552,225
Capital expenditure	17,928	5,171	17,231	4,400	44,730
Disposals	(11,705)	(469)	(16,299)		(28,473)
Acquisitions	23,571	350	2,480	10	26,411
Transfer[1]					
Balance as at 01-01-2011	**349,999**	**48,405**	**188,158**	**8,331**	**594,893**
Capital expenditure	24,261	8,825	26,337	(6,996)	52,427
Disposals	(2,761)	(29)	(2,109)		(4,899)
Acquisitions					
Transfer[1]	(2,895)				(2,895)
Balance as at 31-12-2011	**368,604**	**57,201**	**212,386**	**1,335**	**639,526**
Depreciation					
Balance as at 02-01-2010	(95,175)	(28,112)	(144,557)		(267,844)
Depreciation for the year	(19,351)	(6,048)	(21,319)		(46,718)
Disposals	8,236	376	15,601		24,213
Acquisitions					
Transfer[1]					
Balance as at 01-01-2011	**(106,290)**	**(33,784)**	**(150,275)**		**(290,349)**
Depreciation for the year	(15,484)	(6,621)	(21,973)		(44,078)
Disposals	1,511	25	1,770		3,306
Acquisitions					
Impairment loss	(1,200)				(1,200)
Transfer[1]	37				37
Balance as at 31-12-2011	**(121,426)**	**(40,380)**	**(170,478)**		**(332,284)**
Carrying amount					
As at 02-01-2010	225,030	15,241	40,189	3,921	284,381
As at 01-01-2011	243,709	14,621	37,883	8,331	304,544
Balance as at 31-12-2011	**247,178**	**16,821**	**41,908**	**1,335**	**307,242**

1) Transferred to assets held for sale.

Leased assets

It is Group policy not to enter into finance lease contracts and there are in fact no such contracts.

Assets under construction

The Group is constantly acquiring, expanding and upgrading stores and distribution centres. On completion of a project, assets under construction are transferred to the relevant category of property, plant and equipment.

Wholesale outlets, retail stores and distribution centres

Land and buildings can be analysed as follows:

(x €1,000)	2011	2010
Land	57,941	56,181
Land occupied by leased premises	2,503	2,503
Buildings	100,327	97,256
Supermarket store premises	27,486	27,842
Alterations/extensions to leased premises	58,921	59,927
	247,178	**243,709**

Land and buildings and supermarkets used by the Group as at year-end can be further analysed as follows:

	Number		x 1,000 m²		x €1,000	
	2011	2010	2011	2010	2011	2010
Cash-and-carry wholesale outlets	22	22	146	146	60,756	56,575
Customer distribution centres	4	4	61	61	23,533	20,083
Production companies	4	4	18	18	13,384	13,101
Central complex	1	1	136	136	49,012	50,616
Supermarkets used by the Group	20	21	29	30	39,069	40,904
	51	52	390	391	185,754	181,279

The area of land totals 767,000 m² (2010: 777,000 m²), of which 285,000 m² (2010: 285,000 m²) is accounted for by the central complex.

Change in accounting estimates

In connection with the merger of activities in the Amsterdam region in 2010 there was an accelerated depreciation of existing assets, resulting in an additional one-off depreciation charge of approximately €5,000 in 2010.

12. INVESTMENT PROPERTY

(x €1,000)

	2011	2010
Opening balance	15,945	24,499
Disposals	(90)	(2,407)
Transferred to assets held for sale	(600)	(6,159)
Fair value adjustments	(30)	12
Closing balance	**15,225**	**15,945**

The investment property includes 9 (2010: 11) supermarket premises leased to franchisees on operating leases. The gross sales area amounted to 10.640 m² (2010: 12,226 m²). The rental income is reported in note 4. The future minimum lease payments under non-cancellable leases are disclosed in note 26. The direct costs associated with the investment property amounted to €63 (2010: €153). The leases are on normal terms. No external appraisals were conducted in 2011.

13. INVESTMENTS IN ASSOCIATES, JOINT VENTURES AND OTHER FINANCIAL ASSETS

(x €1,000)

	2011	2010
Associates and joint ventures	**42,551**	**42,934**
Other financial assets		
Loans to associates	1,950	1,670
Loans to customers	2,417	1,881
Fair value of derivatives	4,912	2,916
	9,279	**6,467**

The average term to maturity of the loans to customers is several years and interest is charged at market rates. Investments in associates and joint ventures can be analysed as follows:

(as %)

	2011	2010
Foodservice		
O. Smeding & Zn. B.V., Sint Annaparochie	49	49
M. Ruig & Zn. B.V., Oostzaan	25	25
G. Verhoeven Bakkerij B.V., Veldhoven	25	25
Slagerij Kaldenberg B.V., Herwijnen	33	33
Vemaro B.V., Venlo	40	40
Food retail		
Spar Holding B.V., Waalwijk	45	45
S&S Winkels B.V., Someren	50	50
Coöperatieve Inkoopvereniging Superunie B.A., Beesd		

The most recently available financial information for associates and joint ventures is used for the carrying amount.

Movements in investments in associates and joint ventures were as follows:

(x €1,000)

	2011	2010
Opening balance	42,934	41,771
Acquisitions	0	80
Capital expenditure	10	89
Result	5,137	5,406
Dividend	(5,530)	(4,412)
Closing balance	**42,551**	**42,934**

Both opening and closing balances include an amount of 50 for the joint venture S&S Winkels.

The summarised financial information for the associates, on the basis of a 100% interest as shown by their most recent financial statements, is as follows:

(x €1,000)

	2011	2010
Assets	124,324	111,933
Liabilities	71,018	59,097
Group equity	53,306	52,876
Revenue	895,707	685,630
Net earnings	10,393	10,435

The summarised financial information for the joint venture, as shown by its most recent financial statements and based on Sligro Food Group's 50% interest, is as follows:

(x €1,000)

	2011	2010
Assets	208	2,200
Liabilities	120	2,112
Group equity	88	88
Revenue	0	0
Net earnings	0	0

14. INVENTORIES

Inventories were made up as follows:

(x €1,000)

	2011	2010
Central distribution centre	65,817	65,076
Stores and regional distribution centres	124,672	123,208
Packaging	6,863	6,763
	197,352	**195,047**

The carrying amount of inventories is after impairment losses of €7,229 (2010: €7,008).

15. TRADE AND OTHER RECEIVABLES

(x €1,000)

	2011	2010
Trade receivables	65,637	60,897
Suppliers	44,981	44,284
	110,618	**105,181**

Receivables from suppliers represent bonuses, promotional allowances and credit notes not yet settled.
The carrying amount of the trade receivables has been written down to fair value by an amount of €2,516 (2010: €3,984).
The movements in this item were as follows:

(x €1,000)

	2011	2010
Opening balance	3,984	6,757
Costs written off	(1,888)	(2,843)
Charged to the result	420	70
Closing balance	**2,516**	**3,984**

A large number of old accounts were cleared in 2010 and 2011.

16. OTHER CURRENT ASSETS

(x €1,000)

	2011	2010
Other amounts receivable and prepaid expenses	**8,016**	**3,526**

The other amounts receivable and prepaid expenses include discounts paid in advance to independent supermarket operators, representing costs attributable to future years, loans to employees and settlement of amounts relating to capital expenditure projects.

17. ASSETS HELD FOR SALE

(x €1,000)

	2011	2010
Property	**7,634**	**11,906**

This concerns 7 (2010: 12) properties, of which 2 have been sold, but not yet transferred.

(x €1,000)

	2011	2010
Opening balance	11,906	3,097
Acquisitions	0	2,050
Transferred from investment property	3,458	6,159
Impairment	(274)	(300)
Disposals	(7,456)	0
Other movements	0	900
Closing balance	**7,634**	**11,906**

18. CASH AND CASH EQUIVALENTS

(x €1,000)

	2011	2010
Cash balances and credit transfers in transit	18,310	13,636
Freely-available bank balances	38,050	53,828
	56,360	**67,464**

19. SHAREHOLDERS' EQUITY

Paid-up and called capital

The authorised capital amounts to €12,000,000 divided into 200,000,000 shares with a nominal value of 6 euro cents each. The issued and paid-up share capital as at 31 December 2011 was €2,655,300.90 (as at 1 January 2011: €2,655,300.90).

Movements in the number of shares in issue were as follows:

(x1,000)	**2011**	**2010**
Opening balance	44,255	44,255
Movements	0	0
Closing balance	**44,255**	**44,255**
Repurchased	(296)	(149)

All shareholders are entitled to dividends as declared from time to time and have the right to cast one vote per share in shareholders' meetings.
The overall changes in equity are analysed in greater detail on page 90.

Share premium

This includes amounts paid in on the shares over and above the nominal value.

Other reserves

The item includes an accumulated amount of €9,420 (2010: €11,563) in respect of actuarial losses on defined-benefit pension plans charged to reserves. An amount of €8,092 of the other reserves (2010: €9,411) is not freely distributable.

Revaluation reserve

Where recognition of investment property at fair value leads to a positive adjustment of the carrying amount, a revaluation reserve is formed of the same amount, after allowing for deferred tax liabilities. This reserve is not freely distributable.

Hedging reserve

This comprises the effective part of the cumulative net movement in the fair value of cash flow hedges of long-term loans. This reserve is not freely distributable.

Treasury shares reserve

This represents the purchase price of the 295,800 of the company's own shares repurchased in connection with the share option programme.

Unappropriated profits/dividend

Since the balance sheet date, the Executive Board, with the approval of the Supervisory Board, has proposed the following profit appropriation:

(x €1,000)

	2011	2010
Addition to other reserves	32,050	39,322
Available for distribution as regular dividend (2011: €0.85 per share)	37,365	30,874
Available for distribution as variable dividend (2011: €0.20 per share)	8,792	0
	78,207	**70,196**

This proposed profit appropriation has not been reflected in the balance sheet and does not affect the corporate income tax on profit.

20. EARNINGS PER SHARE

Weighted average number of shares during the year.

(x 1,000)

	2011	2010
Opening balance	44,106	44,255
Effect of repurchase of own shares	(110)	(112)
	43,996	**44,143**

(x €1)

	2011	2010
Basic earnings per share	1.78	1.59
Diluted earnings per share	1.78	1.59

The 295,800 share options granted in 2011 and 2010 do not have a diluting effect since the exercise price is above the average share price during the year and they have therefore not been included in the calculation of the diluted earnings per share.

21. OTHER PROVISIONS

The other provisions relate to franchise risks and are connected with guarantees and repurchase commitments given to financial institutions on behalf of franchisees.

(x €1,000)

	2011	2010
Opening balance	221	316
Added		
Utilised	(30)	(95)
Closing balance	**191**	**221**

22. LONG-TERM AND SHORT-TERM BORROWINGS

LONG-TERM LIABILITIES

(x €1,000)

	Remaining term (years)	Current portion	2011	2010
4.68% USD 70 million loan (bullet loan)			0	52.223
5.09% USD 70 million loan (bullet loan)	3		58.054	56.736
3.55% USD 75 million loan (bullet loan)	6		57.732	55.770
4.15% USD 75 million loan (bullet loan)	9		57.732	55.770
Fair value of derivatives			651	5.987
			174.169	**226.486**
Amounts falling due within one year			0	53.232
Amounts falling due after more than one year			**174.169**	**173.254**
Amounts falling due after more than five years			**114.860**	**114.860**

The Group uses cross-currency interest rate swaps to manage interest rate and foreign currency risks in accordance with its treasury policy. The term of the swaps is the same as that of the loans.

The hedges of the USD loans are treated as cash flow hedges, with the exception of the hedge of the 5.09% USD loan, which is treated as a fair value hedge.

The 3.55% USD loan and the 4.15% USD loan have been converted by means of cross-currency interest rate swaps into euro loans at 3.46% and 3.96%, respectively. The amortised cost of these loans is translated at the dollar exchange rate ruling on the balance sheet date. The fair value of the swaps is €651 (2010: €5,987 negative), which has been included in long-term liabilities.

The 5.09% USD loan has been converted into a euro loan at a floating rate of Euribor plus 53 basis points. The amortised cost of this loan is translated at the dollar exchange rate ruling on the balance sheet date. The fair value of the swap is €4,912 positive in 2011, which has been included in other financial assets (2010: €3,580 positive).
The gain on the hedging instrument was €1,332 (2010: €5,613 gain), with a matching loss (2010: loss) on the hedged position.

The USD loan contracts include change-of-control clauses.

BANK BORROWINGS

Security

As at year-end 2011, the Group had overdraft facilities totalling €140 million of which €70 million had been committed. The bank borrowings are unsecured. Sligro Food Group was, however, required to satisfy the following ratio as at year-end 2011:

	Required	**Actual**
Net interest-bearing debt/operating profit before depreciation and amortisation	< 3,0	0,7

The set requirement was therefore comfortably met.

In the event of failure to satisfy the agreed ratio, the lenders have the right to impose further requirements.

23. OTHER TAXES AND SOCIAL SECURITY CONTRIBUTIONS

(x €1,000)

	2011	2010
VAT, excise duty and packaging tax	18,496	17,785
Payroll tax and social security contributions	4,837	4,391
Pension contributions	740	0
	24,073	**22,176**

24. OTHER LIABILITIES, ACCRUALS AND DEFERRED INCOME

(x €1,000)

	2011	2010
Amount owed to joint venture	70	100
Employees	25,290	23,483
Customer bonuses	9,968	9,517
Packaging deposits	3,444	3,258
Deferred revenue on trading stamps	2,369	2,841
Other	6,069	10,110
	47,210	**49,309**

The employees item includes liabilities in respect of profit-sharing, accrued paid annual leave plus holiday allowances.

25. RISK MANAGEMENT

The Group is exposed to credit, liquidity and market risks (interest rate, exchange rate and other risks) in its ordinary operations. There have been no changes in the Group's risk policy or in the management of these risks compared with the preceding year.

CREDIT RISK

The Group is exposed to a variety of credit risks connected with its operations. In the case of the food retail activities, the supermarkets sell exclusively for cash or using guaranteed payment methods and so there is essentially no credit risk. The largest credit risk for the Group is concentrated among supermarket franchisees in that, for some of the Group's customers, in addition to the usual suppliers' credit terms, there is a credit risk associated with the financing of independent store operators. This can take the form of direct loans, included in financial assets, or guarantees/repurchase commitments for credit lines provided by financial institutions. The risks are minimised by assessing the profitability of individual stores and their independent operators. A store's assets also provide security. Each project is carefully considered in 'store network consultation' project meetings and the outstanding receivables are monitored daily. Periodic assessments of the viability of stores are also performed. As at year-end 2011, the receivables from food retail customers included in financial assets and in trade and other receivables totalled approximately €13 million (2010: €15 million).

The aging of these receivables is as follows:

(x € million)

	< 1 month	1 - 3 months	3 - 12 months	> 12 months	Total
2011	13				13
2010	15				15

In the case of the foodservice activities, some supplies are made without guaranteed advance payment. However, payment for goods and services is largely by direct debit and customers only initiate payments to a limited extent. Experience has shown, however, that, owing to the diversification provided by a large customer base and the short payment period allowed, the credit risk in relation to the volume of foodservice supplies made on credit is relatively small. Despite the deterioration in the financial circumstances of some of our foodservice customers, the risks and the losses remained relatively small although there has been an increase. As at year-end 2011, receivables from foodservice customers totalled approximately €56 million (2010: €48 million).

The aging of these receivables is as follows:

(x € million)

	< 1 month	1 - 3 months	3 - 12 months	> 12 months	Total
2011	55	1			56
2010	46	1	1		48

As at year-end 2011, the Group had receivables from suppliers totalling €45 million (2010: €44 million), mainly relating to agreed annual purchase volumes, which are paid after the end of the year. If a supplier should default on these payments, the Group would generally be able to recover the amount receivable by setting it against accounts payable to the supplier concerned.

LIQUIDITY RISK

The Group aims to hold sufficient liquid funds (including in the form of commitments by financial institutions) to meet its financial liabilities at any time. This is achieved in part by financing operations to a relatively large extent by medium and long-term credit lines with different repayment schedules. Having regard to the changes in credit market conditions, the availability of €70 million of the short-term facilities is legally enforceable.

Given below is an analysis of the financial liabilities, including estimated interest payments.

(x € million)

	Carrying amount	Contractual cash flows	< 1 year	1 - 5 years	> 5 years
Long-term liabilities	174.2	198.6	5.5	71.4	121.7
Current liabilities	178.2	178.2	178.2		
Total	352.4	376.8	183.7	71.4	121.7

MARKET RISK (INTEREST RATE, EXCHANGE RATE AND OTHER MARKET RISKS)

The risk of volatility in exchange rates and interest rates is in partly hedged by means of derivatives.

Interest rate risk

As noted in the accounting policies for the consolidated financial statements under heading G, the Group attempts to ensure that any interest rate exposure is roughly equally divided between long and short-term rates. This is achieved partly by the use of interest rate swaps. In addition to the notes already referred to, note 22 provides an analysis of the long-term financing and the associated interest rate terms. The level of interest rates on the capital market also affects the pension obligation.

Currency risk

The Group is exposed to an exchange rate risk on loans and on goods purchases. This mainly concerns the US dollar. As mentioned in the accounting policies under heading G, the exchange risk on the loans is entirely hedged. The Group also hedges a proportion of its dollar purchase obligations by means of forward currency contracts. The policy is to hedge transactions where settlement will be more than two months ahead and not to hedge transactions due for earlier settlement. The annual dollar purchase volume is in excess of USD 40 million, with an average term of approximately two months. Hedge accounting is not applied to forward currency contracts for purchase obligations. The effect of exchange rate movements is included in the cost of sales.

SENSITIVITY ANALYSES

Interest rates

As at year-end 2011, it is estimated that a general increase in the Euribor rate by one percentage point would have the effect of reducing the profit before tax by approximately €0.5 million.

An increase or decrease in the discount rate by one half of a percentage point would result in a decrease or increase in the pension obligation of approximately €11 million or €13 million, respectively. The effect this has on the result is some €1 million, excluding the opposite effect on plan assets.

Exchange rates

The effect of the dollar exchange rate vis-à-vis the euro is relatively minor since movements in the value of the euro can be reflected fairly simply and rapidly in the selling prices.

Labour costs/Energy

The effect of a general increase of half a percentage point in direct labour costs is estimated to reduce the result before tax by approximately €1 million. The effect of a general increase in energy prices by 5% is also approximately €1 million.

Capital management

The Group attempts to make maximum use of its available credit lines for funding purposes, provided the stipulated ratio can be comfortably met. The Group does not have a specific target return on capital employed. The aim is to achieve average growth in net profit which at least keeps pace with the 10% target average rate of revenue growth. There was no change in approach in 2011.

Fair value

The carrying amount of financial instruments is almost the same as the fair value. Financial instruments carried at fair value are included in the category ‘level 2’, which means that the valuation is based on amounts provided by a financial institution. Which is also based on market-data. The property investments are also measured at fair value and are included in ‘level 3’ (own valuation method).

OTHER RISKS

General

Like any other business, the Group faces the usual risks associated with its commercial activities. Those risks which affect the Group more particularly are considered in greater detail below.

The business cycle and competition

Since the Group's activities are primarily concerned with the basic human need for food, it is food products which account for the bulk of the sales and demand for them is not particularly cyclical, although there can be shifts of emphasis between the Group's two business lines of foodservice and food retail. A process of consolidation is taking place in the markets in which the Group sells and, to an even greater extent, among the suppliers in those markets, with direct customers, wholesale distributors and supermarket chains supplied by the Group all becoming bigger. There is evidence of the same trend among suppliers to the Group. These and other factors mean that the Group operates in highly competitive markets and is not always able to pass on its cost increases to its customers in full. Cost increases therefore largely have to be absorbed by efficiency improvements in order to maintain profitability, let alone lift profits. In 2011, wage costs accounted for more than 50% of the cost base, with over 5% fairly heavily dependent on energy prices.

In the food retail business in particular, periods of intensified competition occur on a regular basis, generally known in the industry as price wars. The effects are also felt in the foodservice market, albeit usually to a lesser extent.

Acquisitions

The Group's plans for expansion include growth through acquisitions as well as organic growth. In recent years, it has been the Group's endeavour to make a relatively large acquisition, meaning a takeover resulting in an increase in sales of more than 5%, once every one or two years. There were no acquisitions in 2011. However, 2010 saw the acquisition of Sanders Supermarkten in pursuit of this policy. Although we have a great deal of experience with takeovers and the various associated financial, integration and other risks, there is still, despite all the proper due diligence procedures beforehand, a greater level of risk associated with growth through acquisitions than is the case with organic growth. In principle we try to include newly acquired companies in the information system operated by the Group as quickly as possible to bring them rapidly under central management and control. As at year-end 2011, this was true for all activities.

Information systems

The Group is highly dependent on its internally developed IT systems, which are maintained and upgraded by a team of experienced specialists. Comprehensive measures are in place to safeguard the continuity of data processing. Again in 2011, progress was made in this area. The high level of integration of the Group's activities means that a systems failure would bring a large part of the business to a standstill within a few days.

Food safety

Since the Group is primarily engaged in the food supply and processing chain, food safety is crucial. The Group observes strict food safety practices as regards both food processing and the products themselves throughout the various links in the organisation. Compliance with external quality standards is a given. In the event of threats to public health, in the form of health hazards, we have detailed documented procedures in place for minimising the possible consequences. Failure to abide by these principles could have serious implications for the Group's market position.

Non-returnable packaging

In the foodservice business in particular, many drinks are supplied in non-returnable cans or plastic bottles. In order to combat the problem of litter, the government is considering including such packaging in the schemes under which returnable deposits are charged.

Experience in other countries has shown that such a move can have the effect of severely depressing sales of this kind of product, especially if proper arrangements for collection points are not made. There is accordingly a risk that sales could be adversely affected in the future if such a scheme is implemented.

26. OPERATING LEASE AND RENTAL OBLIGATIONS

Contracts under which the Group is lessee:

(x €1,000)

	2011	2010
Operating lease obligations		
< 1 year	351	344
1-5 years	139	810
> 5 years		
Expense in the year	475	351
Rental obligations for premises occupied by the Group		
< 1 year	33,788	30,579
1-5 years	94,356	92,036
> 5 years	67,829	53,821
Expense in the year	33,904	30,641
Rental obligations on behalf of customers		
< 1 year	3,185	2,926
1-5 years	8,059	6,601
> 5 years	1,746	1,556

The operating lease obligations relate mainly IT-systems. The rental obligations for premises occupied by the Group concern 107 premises (2010: 106). The rental obligations on behalf of customers are matched by leases entered into by the customers for almost exactly the same amounts. There is a broad range of variants as regards rental obligations, frequently including the option for the tenant to renew the lease.

Contracts under which the Group is lessor:

(x €1,000)

	2011	2010
Investment property		
< 1 year	1,276	1,405
1-5 years	1,601	1,887
> 5 years	144	531
Other property		
< 1 year	1,978	1,882
1-5 years	4,526	4,902
> 5 years	714	865

The investment property relates to property owned by the Group that is leased to franchisees of the Group. Other property includes items relating to the partial subletting of property used by the Group. This may relate to property owned by the Group and property which the Group rents.

27. INVESTMENT OBLIGATIONS

As at year-end 2011, capital expenditure commitments totalled approximately €2.5 million (2010: €6 million).

28. CONTINGENT LIABILITIES

Repurchase commitments

Repurchase commitments have been given to financial institutions in respect of credit lines granted to retail customers involving a total exposure of over €3 million (2010: €3 million). Store alterations, inventories and shop fittings funded by the loans and advances have been furnished as security for these repurchase commitments and so they will not normally give rise to any material financial losses. Where the need nevertheless arises, provisions are made to cover possible losses.

Claims

Claims have been filed against Sligro Food Group and/or Group companies. These claims are being contested. Although the outcome of the disputes cannot be predicted with any certainty, it has been assumed, partly on the basis of legal counsel, that they will not lead to any material losses.

29. MANAGEMENT ESTIMATES AND ASSESSMENTS

Goodwill

Note 10 contains information about the measurement of goodwill and the impairment tests that are performed.

Credit, liquidity and other market risks

Note 25 contains information on these risks, together with a sensitivity analysis.

Receivables from suppliers

This concerns an estimate of the payments expected from suppliers as disclosed on page 116.

Property, plant and equipment, investment property and assets held for sale

The Group owns a relatively large amount of property used by the Group itself, investment property which it leases to customers and assets held for sale.

As at year-end 2011, these items, excluding investments in rented properties, totalled approximately €209 million (2010: €208 million). An assumption has been made of continuing use for the existing purpose unless the assets concerned have been classified as held for sale. Any changes in this assumption, for example as a result of relocations, can lead to an adjustment of the carrying amount down to a lower fair value less costs to sell. It may also be found that the fair value less costs to sell is higher than the carrying amount.

Pensions

Note 5c contains the assumptions that have been used in the calculation of the net benefit expense and the provision for post-retirement benefits. An associated sensitivity analysis is included in note 25.

30. CASH FLOW STATEMENT

The cash flow statement has been prepared using the direct method. The cash flow statement includes receipts and payments rather than income and expenses. Acquisitions are accounted for in the cash flow statement at the purchase price net of cash and cash equivalents. The debt-free amount and the purchase price of acquisitions and investments are disclosed on page 98. Receipts from customers are sales including VAT and the movement in receivables from customers. Payments to the government include both those for VAT and excise duties as well as payments of payroll deductions, social security contributions and pension contributions. The corporate income tax paid is shown separately.

The following table shows the reconciliation of the cash generated from operations and the operating profit:

(x €1,000)

	2011	2010
Operating profit	104,970	90,928
Depreciation and amortisation	54,001	54,590
	158,971	**145,518**
Other operating income included in cash flow from investing activities	(292)	(1,260)
	158,679	**144,258**
Changes in working capital and other movements:		
Inventories	(2,305)	1,415
Trade and other receivables and other current assets	(10,463)	5,315
Current liabilities	2,168	(13,839)
Provisions	(1,760)	(3,755)
Shareholders' equity	(4,213)	(5,332)
	(16,573)	**(16,196)**
Net cash generated from operations	**142,106**	**128,062**

The changes in equity in 2010 include a one-off pension fund contribution of €6,000.

The item cash, cash equivalents and short-term bank borrowings can be reconciled with the balance sheet as follows:

(x €1,000)

	2011	2010
Cash and cash equivalents	56,360	67,464
Bank borrowings	0	0
	56,360	**67,464**

31. RELATED-PARTY DISCLOSURES

In the field of short-life perishables, the company operates in partnership with and has investments in the fresh produce suppliers listed on page 114. This business represented a combined purchase volume at market prices of €179 million (2010: €167 million). As at year-end 2011, the amount owed to these companies in connection with trading was €6.9 million (2010: €7.1 million). In view of the nature of the liabilities, they have been treated as ordinary trade payables.

For tobacco products, the Group has an alliance with a partner in the form of its 40% stake in Vemaro B.V. A loan of €1.9 million (2010: €1.7 million) has also been provided to Vemaro B.V. to finance working capital. This loan has been included in the other financial assets. The Group also guarantees certain of Vemaro's receivables from certain customers. As at year-end 2011, the amount owed to Vemaro in connection with trading was €2.5 million (2010: €1 million). In view of the nature of the accounts concerned, they have been treated as trade payables.

The Group is a member of the Superunie purchase co-operative, which looks after the procurement of the food retail products. The purchase volume in 2011 amounted to €906 million (2010: €840 million). As at year-end 2011, the amount owed in connection with trading was €25,0 million (2010: €19.2 million). In view of the nature of the liabilities, they have been treated as trade payables.

Other payables includes €70 (2010: €100) relating to the S&S Winkels joint venture, in connection with expenses still to be charged.

The transactions and relations with Stichting Pensioenfonds Sligro Food Group and the Executive and Supervisory Boards are explained in notes 5 and 6.

In 2011, 147,000 Sligro Food Group shares (2010: 148,800) were purchased at market price from Stichting Werknemersaandelen Sligro Food Group.

COMPANY PROFIT AND LOSS ACCOUNT
for 2011

(x €1,000)

	2011	2010	2009
Share in profits of subsidiaries	78,207	70,196	74,310
Other gains and losses			
Profit for the year	**78,207**	**70,196**	**74,310**

COMPANY BALANCE SHEET AS AT 31 DECEMBER 2011
before profit appropriation

(x €1,000)

ASSETS	**31-12-2011**	**01-01-2011**	**02-01-2010**
Intangible assets	8,337	8,337	9,597
Financial assets	531,660	490,354	472,533
Total non-current assets	**539,997**	**498,691**	**482,130**
Receivables from group companies	569	1,382	193
Total current assets	**569**	**1,382**	**193**
Total assets	**540,566**	**500,073**	**482,323**

EQUITY AND LIABILITIES	**31-12-2011**	**01-01-2011**	**02-01-2010**
Shareholders' equity			
Paid-up and called capital	2,655	2,655	2,655
Share premium	31,106	31,106	31,106
Other reserves	415,969	382,168	360,825
Statutory reserve for participating interest	12,629	13,948	13,427
Unappropriated profit	78,207	70,196	74,310
	540,566	**500,073**	**482,323**
Payables to group companies			
Total current liabilities			
Total equity and liabilities	**540,566**	**500,073**	**482,323**

NOTES TO THE COMPANY FINANCIAL STATEMENTS

(amounts x €1,000 unless stated otherwise)

GENERAL

The company financial statements have been prepared in accordance with Part 9, Book 2, of the Netherlands Civil Code, applying the accounting policies defined on page 91 et seq., with carrying amounts of investments in companies where the company has significant influence measured using the net asset value and applying the accounting policies of the consolidated financial statements. In preparing the company profit and loss account, the company has availed itself of the exemption pursuant to Section 402, Book 2, of the Netherlands Civil Code.

ASSETS

INTANGIBLE ASSETS

Goodwill

(x €1,000)

	2011	2010
Opening balance		
Acquisition cost	9,809	11,292
Accumulated amortisation	(1,472)	(1,695)
	8,337	9,597
Disposals		(1,260)
Closing balance	**8,337**	**8,337**
Acquisition cost	9,809	9,809
Accumulated amortisation	(1,472)	(1,472)

FINANCIAL ASSETS

INVESTMENTS

This relates to the wholly-owned subsidiary Sligro Food Group Nederland B.V. Movements were as follows:

(x €1,000)

	2011	2010
Opening balance	490,354	472,533
Result	78,207	70,196
Share-based payments	693	668
Income and expense recognised directly in equity	(4,122)	(5,463)
Repurchased own shares	(3,472)	(3,580)
Dividend	(30,000)	(44,000)
Closing balance	**531,660**	**490,354**

EQUITY AND LIABILITIES

SHAREHOLDERS' EQUITY

Changes in equity are presented in greater detail on page 90 and further information on shareholders' equity is given in the notes on page 118 to the consolidated financial statements.

Reconciliation of the reserves in the company financial statements with those in the consolidated financial statements is as follows:

(x €1,000)

	2011	2010
Consolidated		
Other reserves	511,451	467,423
Hedging reserve	(1,284)	(2,068)
Treasury shares reserve	(7,052)	(3,580)
Revaluation reserve	3,690	4,537
	506,805	466,312
Company		
Other reserves	415,969	382,168
Unappropriated profit	78,207	70,196
Statutory reserve for participating interest	12,629	13,948
	506,805	466,312

STATUTORY RESERVES

This item comprises statutory reserve for participating interest and the revaluation reserve:

(x €1,000)

	2011	2010
Opening balance	13,948	13,427
Movement during the year	(1,319)	521
Closing balance	**12,629**	**13,948**

The statutory reserves for investments of €12,629 (2010: €13,948) relate to the difference between the retained profits calculated on the basis of the parent company's accounting policies plus the movements accounted for directly in the equity of the companies invested in (including those resulting from hedge accounting and revaluations) and the part thereof that is distributable to the parent. The statutory reserves are calculated on an individual basis.

Contingent liabilities

As part of the Sligro Food Group N.V. tax group, the company is liable for the tax payable by the tax group as a whole.

The company has assumed joint and several liability for debts arising from the legal acts of its direct and indirect subsidiaries, pursuant to Section 403, Book 2, of the Netherlands Civil Code, as stated on page 91 and 92.

Authorised for issue,

Veghel, 26 January 2012

Supervisory Board:
A. Nühn, president
Th.A.J. Burmanje
R.R. Latenstein van Voorst
F.K. De Moor

Executive Board:
K.M. Slippens, chairman
J.H.F. Pardoel
H.L. van Rozendaal

OTHER INFORMATION

INDEPENDENT AUDITOR'S REPORT

To: The General Meeting of Shareholders of Sligro Food Group N.V.

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying 2011 financial statements of Sligro Food Group N.V., Veghel. The financial statements include the consolidated financial statements and the company financial statements. The consolidated financial statements comprise the consolidated profit and loss account for 2011, the consolidated statement of recognised income and expense for 2011, the consolidated cash flow statement for 2011, the consolidated balance sheet as at 31 December 2011, the consolidated statement of changes in equity for 2011 and notes, comprising a summary of the significant accounting policies and other explanatory information. The company financial statements comprise the company profit and loss account for 2011, the company balance sheet as at 31 December 2011 and the notes, comprising a summary of the accounting policies and other explanatory information.

Management's responsibility

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards as adopted by the European Union and with Part 9 of Book 2 of the Netherlands Civil Code and for the preparation of the report of the executive board in accordance with Part 9 of Book 2 of the Netherlands Civil Code. Furthermore, management is responsible for such internal control as it determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. This requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance that the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.
In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion with respect to the consolidated financial statements

In our opinion, the consolidated financial statements give a true and fair view of the financial position of Sligro Food Group N.V. as at 31 December 2011 and of its result and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and with Part 9 of Book 2 of the Netherlands Civil Code.

Opinion with respect to the company financial statements

In our opinion, the company financial statements give a true and fair view of the financial position of Sligro Food Group N.V. as at 31 December 2011 and of its result for the year then ended in accordance with Part 9 of Book 2 of the Netherlands Civil Code.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Pursuant to the legal requirements under Section 2:393 sub 5 at e and f of the Netherlands Civil Code, we have no deficiencies to report as a result of our examination of whether the report of the executive board, to the extent we can assess, has been prepared in accordance with part 9 of Book 2 of this Code, and if the information as required under Section 2:392 sub 1 at b - h has been annexed. We further report that the executive board report, to the extent we can assess, is consistent with the financial statements, as required by Section 2:391 sub 4 of the Netherlands Civil Code.

Rotterdam, 26 January 2012

KPMG ACCOUNTANTS N.V.
P.W.J. Smorenburg RA

PROPOSED PROFIT APPROPRIATION

As stated in note 19, the Executive Board, with the approval of the Supervisory Board, has proposed the following profit appropriation since the balance sheet date:

(x €1,000)	
Addition to other reserves	32,050
Available for distribution as regular dividend (€0.85 per share)	37,365
Available for distribution as variable dividend (€0.20 per share)	8,792
	78,207

Article 46 of the Articles of Association contains the following provisions with regard to distributions and reserves:

The company may make distributions to shareholders and other parties entitled to the distributable profit only insofar as its shareholders' equity is greater than the paid-up and called capital plus the reserves required to be held by law or the Articles of Association.
Subject to the approval of the Supervisory Board, the Executive Board is authorised to add all or part of the profit to the reserves. Such an addition to the reserves may be reversed by a resolution supported by a majority of two-thirds of the votes cast at a general meeting at which more than half the issued capital is represented.
Any profit remaining after the addition to the reserves as referred to in the previous paragraph of this article shall be at the disposal of the general meeting.
Insofar as the general meeting does not resolve to distribute profit for any specific year, such profit shall be added to the reserves.

Subject to the approval of the Supervisory Board, the Executive Board may make interim distributions provided the requirement of paragraph 1 of this article has been met and is evidenced by an interim statement of assets and liabilities as referred to in Section 105(4), Book 2, of the Netherlands Civil Code. The company shall file the statement of assets and liabilities at the office of the Commercial Register within eight days of the date on which the resolution to make the distribution is published. The second sentence of paragraph 9 of this article is applicable mutatis mutandis to interim distributions. On a proposal of the Executive Board which has been approved by the Supervisory Board, the general meeting may resolve to appropriate profit to a distributable reserve.
On a proposal of the Executive Board which has been approved by the Supervisory Board, the general meeting may, without prejudice to the provisions the Articles of Association relating to the issue of shares, resolve to distribute profit in the form of shares in the company or depositary receipts therefor. Profit distributions shall be made at a place and time to be determined by the general meeting but no later than one month after adoption of the relevant resolution by the general meeting. Profit distributions shall be announced by an advertisement in a national daily newspaper and, if the shares are officially listed on the stock exchange, in the Official List of Euronext Amsterdam N.V..
Profit distributions not claimed within five years of the date on which they became payable shall revert to the company.
A loss may be charged to the reserves required to be held by law only insofar as permitted by law.

TEN-YEAR REVIEW

(x € million)[7)]

	2011	2010	2009	2008	2007
Result					
Revenue	2,420.2	2,286.3	2,258.0	2,167.6	2,065.7
Operating profit	105.0	90.9	98.2	98.6	95.8
Profit for the year	78.2	70.2	74.3	71.3	74.2
Net cash flow from operating activities	123.9	106.9	123.3	102.8	83.1
Proposed dividend	37.4	30.9	44.3	28.4	28.0
Financial position					
Shareholders' equity[1)]	540.6	500.1	482.3	426.0	374.8
Net capital employed[2)]	691.6	688.5	645.2	643.8	644.6
Total assets	931.1	937.3	852.2	875.2	858.0
Employees					
Year average (full-time equivalents)	5,880	5,513	5,552	5,600	5,083
Staff costs[3)]	217.1	203.3	197.1	191.4	170.6
Capital expenditure					
Net capital expenditure[4)]	53.7	40.7	46.6	36.4	81.5
Depreciation	44.1	46.7	42.4	40.2	33.8
Ratios					
Increase in revenue (%)	5.9	1.3	4.2	4.9	24.4
Increase in profit (%)	11.4	(5.5)	4.2	(3.9)	19.5
Gross margin as % of revenue	23.2	23.1	23.3	23.8	22.9
Operating profit as % of revenue	4.3	4.0	4.3	4.5	4.6
Profit after tax as % of revenue	3.2	3.1	3.3	3.3	3.6
Return on average Shareholders' equity[5)]	15.0	14.3	16.4	17.8	21.6
Operating profit as %					
Net capital employed	15.2	14.8	16.3	16.3	15.8
Shareholders' equity as % of balance sheet total	58.1	53.3	56.6	48.7	43.7
Revenue per employee (x €1,000)	412	415	407	387	406
Staff costs per employee (x €1,000)	36.9	36.9	35.5	34.2	33.6
Figures per share of €0,06[6)] nominal value (in euros)					
Shares in issue (millions)	44.0	44.1	44.3	43.7	43.1
Shareholders' equity	12.30	11.34	10.90	9.75	8.69
Net earnings	1.78	1.59	1.68	1.63	1.72
Cash flow	3.01	2.83	2.82	2.74	2.63
Proposed dividend[8)]	1.05	0.70	1.00	0.65	0.65

1) Before profit appropriation. 2) Total assets less cash and cash equivalents and swaps, less short-term liabilities excluding interest-bearing portion. 3) Salaries, social security charges and net benefit expense. 4) See note 3. 5) Calculated on profit for the year. 6) Prior-year figures restated for share splits in 2007 and 2003. 7) Prior-year figures have not been restated for changes in accounting policies. 8) 2009: Anniversary dividend, 2011 including €0.20 variable dividend per share.

2006	2005	2004	2003	2002
1,661.2	1,545.5	1,443.9	1,355.9	1,299.0
90.4	74.1	88.2	73.3	65.5
62.1	50.9	58.6	44.8	37.0
78.5	48.3	67.8	62.7	74.2
24.4	21.0	20.6	18.1	14.6
312.8	265.5	223.3	172.7	132.2
571.4	414.3	377.7	286.3	275.4
719.3	534.5	534.2	401.7	387.1
3,662	3,521	2,984	2,746	2,561
127.2	114.0	101.6	90.7	84.1
32.3	40.7	26.1	31.7	27.1
25.7	24.3	20.3	20.2	18.0
7.5	7.0	6.5	4.4	10.8
22.0	(13.2)	30.8	21.0	46.5
21.6	20.2	19.7	18.6	17.8
5.4	4.8	6.1	5.4	5.0
3.7	3.3	4.1	3.3	2.8
21.5	20.8	29.4	29.4	32.4
18.6	17.9	23.3	26.1	25.2
43.5	49.7	41.8	43.0	34.0
454	439	484	494	507
34.7	32.4	34.1	33.0	32.8
42.4	42.0	41.2	40.2	39.0
7.37	6.32	5.41	4.29	3.39
1.46	1.21	1.41	1.11	0.96
2.14	1.84	1.96	1.73	1.53
0.57	0.50	0.50	0.45	0.37

From 2004: IFRS

MANAGERS AND OFFICERS

KEY STAFF

A. Aalders	*head of finance, Sligro Food Group*
S. van Acht	*head of HR, Foodservice*
R. Barten	*assistant manager, support management, Sligro Bezorgservice (delivery services)*
P. van Berkel	*general manager of Van Hoeckel, manager responsible for production companies*
J. Bertens	*operations manager, Culivers*
F. Bogaerts	*head of operations management, Sligro self-service outlets*
J. de Bree	*HR manager, Sligro Food Group*
P. Damoiseaux	*manager, Sligro Maastricht*
H. Dekker	*assistant operations manager, Food Production*
M. van Dinther	*account manager, Sligro Bezorgservice (delivery services)*
R. de Haas	*sales manager, Institutional Accounts*
J. van Heerebeek	*marketing & sales manager, Food Retail*
J. van Heereveld	*head of accounting, Sligro Food Group*
L. Heijneman	*sales manager, Sligro Bezorgservice (delivery services)*
R. van Herpen	*purchase manager, Sligro Food Group*
J. Hoenselaars	*head of training, Sligro Food Group*
F. Hofstra	*regional manager, Sligro Bezorgservice (delivery services) Amsterdam*
I. Huntjens	*head of quality services, Sligro Food Group*
W. Jansen	*head of internal and external communication, Sligro Food Group*
H. Jaspers	*Information and software architect, Sligro Food Group*
P. Lampert	*manager, Sligro Vlissingen*
M. de Man	*head of operations management, Sligro Bezorgservice (delivery services)*
J. Pardoel	*COO, Food Retail, Sligro Food Group*
M. Pietersma	*manager, Sligro cash-and-carry outlets*
F. Punte	*head of property management, Sligro Food Group*
A. de Rooij	*head of purchasing/product range management, Fresh, Sligro Food Group*
C. de Rooij	*logistics manager, Sligro Food Group*
H. van Rozendaal	*CFO, Sligro Food Group*
L. Rutten	*operations manager, Sligro Bezorgservice (delivery services)*
K. Slippens	*CEO, Sligro Food Group*
R. van der Sluijs	*controller, Sligro Food Group*
S. Somers	*head of HR, production and logistics*
W.J. Strijbosch	*COO, Foodservice, Sligro Food Group*
B. Takkenkamp	*operations manager, EMTÉ*
D. Ungerechts	*stock control manager, Sligro Food Group*
G. van der Veeken	*company secretary, Sligro Food Group*
M. van Veghel	*ICT manager, Sligro Food Group*
H. Verberk	*transport manager, Sligro Food Group*
A. Verlouw	*head of building works, Sligro Food Group*
S. van Vijfeijken	*head of GID/WID, Sligro Food Group*
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