Sligro Food Group N.V.

ANNUAL REPORT 2014

NET SALES €2,572 MILLION

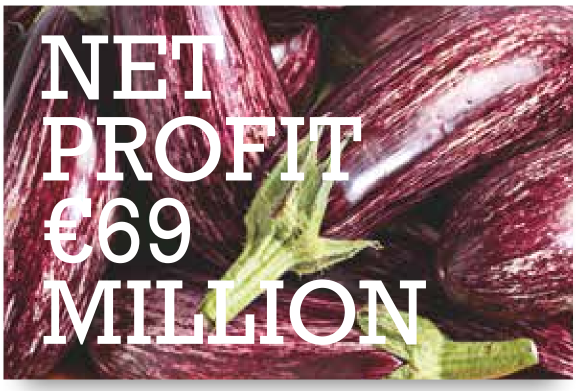
fijnproevers

500,000
SIGN-UPS

GREEN BLOOD CERTIFICATES

SLIGRO 3.0
MAASTRICHT

MARKET SHARE TO 22,9%



NET PROFIT €69 MILLION

SLIGRO
FOOD GROUP
A LISTED COMPANY
FOR 25 YEARS

CONTENTS

ANNUAL REVIEW
2014

This annual review contains a summary of the main topics in this report.

ECONOMY

The Netherlands started a slow climb out of an economic slump in 2014, resulting in a certain amount of growth. Consumer confidence also improved, and this was probably attributable in part to the resurgence in the housing market. This gives grounds for hope, as trends in the foodservice market are strongly correlated with consumer confidence.

Koen Slippens, CEO

Most importantly, there was growth in employment. This was very welcome, coming as it did after years of mainly bad news on the employment front. Although the recovery will be gradual, it does seem to have begun. Furthermore, as a business, we have learned to deal with a stagnating economy, and we have performed relatively well nevertheless. This is a strong starting position to have in an economy that appears to be slowly improving.

MARKET

In 2014 the foodservice market remained in the red. It continued to contract slightly, although to a much lesser extent than in 2013. Moreover, this trend was due not so much to consumers as to the 'corporate' market, there being a substantial decline in sales to the care sector, owing to changes in and constraints on that market, and this situation will continue in the coming years. The decline was partly due to a shift away from residential care towards home care, and partly to budgetary constraints. This last trend is an unfortunate one because in the care market food is very important when it comes to the client's perception of quality, yet it is a relatively small component of cost.

The market as a whole may possibly see some growth in 2015, following seven lean years in which more than 10% of the market 'evaporated' (the decline was even greater when measured in terms of volume). It is probably too much to hope that we will now have seven fat years, as in the Bible story, but we seem to be close to turning the corner.

The supermarket channel saw sales stabilise in 2014. At the same time the price level rose slightly which meant volumes came under some pressure. This market has not experienced a year without any growth for a long time. In recent years it managed to keep growing slowly by capturing market share from specialist retail outlets and the foodservice market. However, retailers that have not traditionally been active in the food market are now successfully offering more and more supermarket product ranges, and this development, together with the rise of Lidl, is bringing a great deal of pressure to bear on full-service supermarkets. When a market comes under pressure, this tends to lead to pressure on prices and margins too.

FOODSERVICE

Foodservice performed better than expected in 2014. The acquisitions of Rooswinkel and Horeca Totaal Sluis were integrated into our company. The challenges presented by the market over the past years took their toll on one of our former competitors, but we were able, by making great efforts and taking decisive action, to deal with the consequences for some of its customers. We also succeeded in securing many other new customers, as a result of which we were able to report yet another year of organic growth in our market share. We have been growing organically at a rate of around 0.5 percentage points of market share for more than a decade, and, thanks in part to the acquisitions, in 2014 our market share grew by as much as 1.7 percentage points to 22.9%. This is almost double the level of 10 years ago. In the long term, we aim to increase our market share to approximately 30%. The main way to gain market share is by focusing on the customer's needs. Sligro has set the bar higher, however, by aiming for superlative customer focus. Our gain in market share did, of course, cause pain for our competitors, which are, to a great extent, major multi-nationals. According to our data, with our market share of more than 20%, we achieved half of the operating profit of the sector as a whole.

SLIGRO 3.0

The most important development at the foodservice business was without doubt the refinement of our commercial policy, which we refer to internally under the umbrella name of Sligro 3.0. We worked hard on this in 2013, and on 10 March 2014 we proudly opened our first new style cash-and-carry wholesale outlet in Maastricht. We have four aims: to be Lekkerder, Voordeliger, Persoonlijker en Inspirerender ('Tastier', 'better Value','more Personal' and 'more Inspiring'). The changes, however, go much further than our visual identity and our revamped product range and its presentation. It is a totally different approach to excellent customer focus, and the first major phase has been concluded. A large team of our colleagues

from our stores and the marketing and construction departments have worked together closely over the past year and have demonstrated just what our corporate culture is capable of. Following Maastricht, Gouda and Eindhoven were also successfully converted to the 3.0 style.

In 2014 a start was made on the second phase of the programme, Sligro 3.0 online, which, as the name indicates, focuses primarily on the online environment. We have already made great progress in that area, as the new Sligro website and online communications, among other things, go to show. The Group has business-to-business online sales (including delivery service sales) of around €1 billion, which means we are now by no means a small player in this field. The next phase will therefore concentrate mainly on the 'customer's journey', in which we will offer more inspiration, more information and more support. It goes without saying that we also hope to generate additional sales as a result. A great deal of work was carried out behind the scenes in 2014. Our new e-commerce platform for our delivery service customers, into which Slimis, our current online ordering application, will be integrated, will go live at the end of 2015. Our customers rate this application highly, but we still believe we can substantially exceed their expectations. Following the launch of the new application, new functionalities will gradually be added in stages in a process referred to internally as 'up and over to the power of ten', as a professional cyclist might say.

We believe that Sligro 3.0 and Sligro 3.0 online represent significant steps forward in the strategy of our foodservice business. The market is changing massively, and based on this we have come to some far-reaching conclusions. It is good that we have the courage to rebuild a system that is currently rated 9 out of 10 by customers, because we know better than anyone else how quickly demands and wishes can sometimes change. When good is no longer good enough, you need to be ready to take drastic measures while you are still in good shape.

BELGIUM

During the past few years our activities on the Belgian market have quadrupled, with annual sales rising to a level of approximately €40 million. In addition to serving customers in the border region who visit our cash-and-carry wholesale outlets, we have been asked by some large customers whom we serve in the Netherlands to deliver to their Belgian branches. The resulting greater utilisation rate of transport capacity made it profitable to service addtitional customers, leading to the rise in sales. Unfortunately, although national borders have been abolished for the movement of people; many administrative and other obstacles still exist when it comes to businesses deliveries.

We have focused so far on finding a workable solution to this problem, and this process is very different from coming up with a total proposition that specifically targets the Belgian market. In view of this, in 2014 we decided to produce a serious business plan for substantially expanding our activities in Belgium. We expect that in time this will also lead to us having a physical presence in that country. We are currently receiving a great deal of support from the Belgian national and Flemish regional authorities, and a qualitative survey conducted among existing and potential Belgian customers has shown conclusively that our 3.0 stores can count on an enthusiastic welcome from our neighbours to the south. It will be important of course to include a number of local elements and product ranges. We expect that in the course of 2015 we will be able to reach a decision on how we intend to proceed in the medium to long term.

FOOD RETAIL

The dynamic nature of our company is not limited to Foodservice. The food retail business has just come to the end of the second year of its medium-term plan. One important step forward in 2014 was the introduction of the Fijnproevers ('Gourmets') loyalty programme. Loyal members of the programme benefit by saving points, which can be used to obtain discounts, free items or lower-priced items either in store or at the webstore or at Sligro's foodservice affiliates. Customers are given the greatest value for their points if they pick the last of these options, as it means we provide additional visitors for our foodservice customers and hence indirectly benefit from making additional supplies to them. In short, for our foodservice affiliates it works in a similar way to a free Groupon voucher, and at the same time it offers additional value for EMTÉ's loyal customers. Moreover, once the database contains sufficient information we will also have a better understanding of the behaviour and needs of consumers who were previously anonymous, enabling us to approach them in a much more targeted way. Rewarding the right customers (primarily loyal customers) is essential when margins are under pressure owing to aggressive promotional campaigns and price wars. Today, more than 500,000 EMTÉ customers use Fijnproevers cards, and 60% of sales are made using these cards.

In keeping with the Sligro 3.0 project, EMTÉ is also conducting a rigorous evaluation of its brand strategy so that we can market the format in a very consistent, focused and distinctive way. This is particularly important in a market that is under pressure and where it is becoming increasingly difficult to distinguish between different formats. The central theme of our brand strategy is that we want to be the 'tastiest supermarket in the Netherlands'. We expect that our plans in this area can be revealed in the course of 2015, bearing in mind that the current generation of EMTÉs was rolled out around eight years ago.

CORPORATE SOCIAL RESPONSIBILITY

The corporate social responsibility (CSR) policy of Sligro Food Group focuses on three main pillars: people, the environment and our product range. Clear benchmarks and objectives have been set for all three pillars. These are described in the section headed 'Corporate social responsibility', where we report in detail on our activities in this area.

CSR has now been fully integrated into our operations, and, considered against this background, it is no more out of the ordinary than other aspects stemming from our strategic objectives. It has come naturally to the organisation and become a standard part of our culture, our 'Green Blood'. We believe that this is a very effective approach.

In the area of more 'technical' matters, the opening of our new delivery service distribution centre in Berkel en Rodenrijs was a new step for us. The location has obtained BREEAM three-star ('Very Good') certification, (one star more than the Venray location was awarded in 2013), which means that the building satisfies strict environmental and energy criteria. Part of the additional costs are being offset with government subsidies, which however did require us to remain owner of the building. Originally, we had planned to enter into a sale-and-lease-back arrangement. The opening of the Berkel en Rodenrijs outlet meant we were able to close our distribution centres in The Hague and Barendrecht.

Another milestone was the sales achieved by our Eerlijk en Heerlijk ('Honest and Delicious') product range, which reached a record sales level of over €160 million in 2014.

PENSIONS

Government measures aimed at restricting the accrual of pensions with effect from 2015 compelled us to revise the pension scheme for employees who are members of the Group's pension fund. We arrived at a good solution after holding constructive consultations with the Works Council. This solution limits the pension rights of employees, but this is offset by a reduction in their pension contributions, while the pension contribution payable by Sligro Food Group has barely changed. The contributions payable by the employer and employee in the next five years are a fixed percentage of pensionable earnings, irrespective of actual developments. This makes the new scheme a collective defined contribution scheme, and as such it no longer qualifies as a defined benefit

plan under IFRS but is instead classified as a defined contribution plan. The old scheme was discontinued in 2014. As a consequence, the accounting treatment has been greatly simplified and we are no longer exposed to the risks (accounting or otherwise) attached to the pension scheme. As it was, we were hardly exposed to any real risk before. Owing to the nature of our operations most of our employees are in lower income groups. We believe that corporate social responsibility also means that when they retire, after a lifetime of work, our employees should be able to support themselves without having to grow their own vegetables if they do not want to. We are doing our best to facilitate this through the additional supportive measures taken in 2010 and by not reducing our employer's contribution. The company pension fund is in relatively good shape, with a funding ratio of 126 at year-end 2014.

STAFF PARTICIPATION

Our company has a 25-year history of staff participation (for the rank and file) under the slogan 'Working together means winning together'. Over time, this has led to our employees now holding almost 4% of the shares in our company. We believe that this is in keeping with the 'Green Blood' culture of our listed family business. Such profit-sharing schemes used to enjoy government support in the form of tax breaks, but now they are subject to punitive taxation. No matter how much we believe in staff participation, which also forms part of our involvement policy, it ultimately comes down to the maths. Since the maths seemed to turn out so badly for both the employer and employees, we had to consider putting an end to the scheme. Fortunately, we have been able to find a solution, which works in combination with the expense-allowance costs scheme. This solution involves issuing a combination of shares and 'Green Blood' certificates, which are a kind of option. We therefore now have an affordable scheme again, which can facilitate share ownership for our employees in a sustainable way. The amended scheme has been wholeheartedly endorsed by the Works Council.

25TH ANNIVERSARY OF STOCK-EXCHANGE LISTING

On 20 October 2014, Sligro Food Group celebrated its 25th anniversary as a listed company. Our sales have increased from €190 million to almost €2.6 billion since we were first floated, while our profits have risen from €3 million to €69 million. Anyone who invested €20,000 in our company back in 1989 and reinvested their dividends is now a millionaire, this reflects an average compound return of 17% a year. An anniversary of this nature has to be celebrated properly, and we did this in the form of 65,000 cakes for our employees and Sligro customers. As a result, our stores were as busy as they normally are at Christmas, making it a great day in terms of sales. Our shareholders received an interim dividend of €0.40 per share to thank them for their support over the years. This was in effect an extra dividend, as it was the first time we had ever paid an interim dividend.

BOARD CHANGES

After 24 years of service, Huub van Rozendaal will step down as CFO at his own request at the General Meeting of Shareholders to be held on 18 March 2015. As the previous section indicates, a great deal has happened at our company during his time here. Sligro Food Group has grown strongly and has also become much more professional when it comes to financial matters, as the many prizes we have won in the areas of reporting and investor relations go to show. Huub was at the foundation of this, and we are most grateful to him. More than seven years ago he started organising his own replacement when he approached Rob van der Sluijs with a view to him being his successor. As a potential successor Rob had to prove himself, and we are pleased to report that he has done so most successfully.

The Supervisory Board, the Works Council and the Executive Board all wholeheartedly support the proposed appointment of Rob. Sligro Food Group performs its financial function in its own way. Making a profit is not an end in itself for our business, but an outcome. The fact that such an approach can lead to even better outcomes is, in our opinion, demonstrated by the results we have achieved in our 25 years as a listed company. We are also proud of the fact that rather than working with budgets we use key performance indicators (KPIs) which everyone understands and which are accepted as fair standards by our employees. Passionate pride and cost awareness ensure that the rest happens almost automatically. We believed that appointing an internal successor to the position of CFO was essential in order to maintain this attitude towards finance and retain company culture.

RESULTS

Foodservice once again outperformed the market by a clear margin. With organic growth of 3.5%, excluding the VAT impact on tobacco products, we grew some 4.5% faster than the market. By contrast, EMTÉ had a difficult time in 2014. Like-for-like consumer spending fell 0.7%, as a result of which we lagged 1.3% behind the market. On a positive note, the trends in sales and profits improved in the course of the year. If acquisitions are included, Group sales for 2014 were up 3.0% at €2,572 million. This is the first time ever that we have broken through the €2.5 billion barrier. Organic growth excluding the VAT impact on tobacco products amounted to 1.7%.

In contrast to last year, earnings before amortisation increased at the foodservice business and came under pressure at the food retail business, albeit only in the first half of the year. Total earnings before amortisation were up 6.0% at €106 million. There was a marked fall in the contribution made by associates owing to reorganisation measures at Spar and the write-off of our interest in Superdirect. The impact of this was limited owing to a reduced tax burden.

With regard to our bottom line, profit increased by €1 million to €69 million, while at the same time the quality of our profit improved. The free cash flow continued to exceed net profit in 2014, despite a sharp rise in the level of investment.

DIVIDEND

As our financial position is very robust, in accordance with our dividend policy we propose increasing the dividend by €0.05 per share to €1.10 per share, consisting of a regular dividend of €0.80 (2013: €0.80) and a variable dividend of €0.30 (2013: €0.25). An amount of €0.40 per share has already been distributed in the form of an interim dividend. This dividend represents 50% of the total regular dividend for the past year. The final dividend for 2014 is therefore €0.70 per share.

2015

As stated above, we expect that the economy will continue to recover, albeit very gradually. We have, however, learned to deal with the current state of the economy, and we have turned the economic downturn of the past few years into an opportunity to make appropriate adjustments. This process is not finished yet, and there is plenty of scope for making further progress. As the saying goes, you should never waste a good crisis, and that is certainly true in this case. Last year, our motto was Vind de balans ('Strike the right balance'). This refers to striking the right balance between the interests of all our stakeholders, between the short term and the medium-to-long term, between cost savings and customer leadership, between making cuts where possible and investing where we see opportunities, and between market share and profit.

We may conclude that all of the above were well balanced, but in some cases we would naturally have preferred it if the balance had shifted further in one direction or the other. This is where the opportunities for the coming year are to be found, because while our motto may change every year we stick determinedly to the same strategy.

Our motto for 2015 is 'n Tandje erbij' ('Upping the game'). We created a firm basis for this in many areas in 2014. Sometimes, as in the case of Sligro 3.0, our work has already been presented to the public at a number of stores, and sometimes it merely consisted of a great deal of preparatory work. In 2015 we will be shifting up a gear. Specific plans for the year include the rollout of the 3.0 style cash-and-carry stores, the 3.0 online plans, the decisions regarding Belgium, Sligro's 80th anniversary, EMTÉ's brand strategy, the Fijnproevers loyalty programme, a third Sligro Klanten-Spektakel ('Customer-Events'), taking an ambitious, highly targeted new approach in respect of the external sales force, major progress with our e-HRM programme, the Samen Sterk ('Strength in Unity') purchasing process optimisation project, the 'Supply Chain Opportunities' programme, and the next stages of the Kicken op Kosten ('Kicking Costs') programme.

We will be shifting up a gear in the year that the Tour de France starts in the Netherlands. We have enough work, plenty of plans and good foundations, and as we are so full of energy and Green Blood, we have no need to resort to performance-enhancing drugs. Picking up the pace is essential and achievable, and that is why the Sligro Food Group community will undoubtedly be upping the game.

Koen Slippens
CEO

UPPING THE GAME

KEY FIGURES

(Amounts x € million)

	2014	2013
Results		
Net sales	2,572	2,498
EBITDA	149	143
EBITA	106	100
EBIT	89	88
Profit for the year	69	68
Net cash flow from operating activities	147	133
Free cash flow	78	101
Proposed dividend	48	46
Equity and liabilities		
Shareholders' equity	570	571
Net interest-bearing debt	48	37
Total equity and liabilities	1,012	1,006
Employees		
Year average (full-time equivalents)	5,834	5,829
Salaries, social security charges and pension costs	239	234
Ratios		
Year-on-year increase in sales %	3.0	1.3
Year-on-year increase in profit %	1.5	(0.9)
As percentage of sales:		
Gross margin	23.2	23.1
Gross operating profit	5.8	5.7
EBITA	4.1	4.0
EBIT	3.5	3.5
Profit for the year	2.7	2.7
Return as % of average shareholders' equity	12.1	12.1
Operating profit as % of average net capital employed	13.8	13.6
Net interest-bearing debt/EBITDA as %	32.2	25.9
Shareholders' equity as % of total equity and liabilities	56.3	56.8
Figures per €0.06 share		
Number of shares in issue (year-end x million)	43,7	43,7

(Amounts x €)

Shareholders' equity	13.05	13.07
Profit after tax	1.58	1.55
Proposed dividend	1.10	1.05
Year-end share price	31.25	28.21

PROFILE

Sligro Food Group N.V. encompasses food retail and foodservice companies that sell 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 is the Dutch foodservice market leader, with a nationwide network of cash-and-carry and delivery service outlets serving large and small-scale hospitality establishments, leisure facilities, volume users, company and other caterers, forecourt retailers, small and medium-sized enterprises, small retail businesses and the institutional market.

The cash-and-carry operation has 47 Sligro wholesale outlets and the delivery operation has 9 delivery centres.

In the institutional market, we trade under the Van Hoeckel name.

We also operate our own in-house production facilities for specialist convenience products, fish and patisserie and confectionary products, as well as a meat-processing centre focusing on the retail market. For meat, game and poultry, fruit and vegetables and bread and bakery products we have participating interests in our Fresh Partners.

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

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

CIV Superunie B.A., a leading purchasing cooperative with a share of almost 30% of the Dutch supermarket sector, handles Sligro Food Group's food retail purchases. As market leader in the sector, 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 customer-related are carried out by the business units, with behind-the-scenes management taking place at the Group level. We strive to increase our gross margins through joint purchasing, in combination with direct and detailed margin management.

Operating expenses are reduced by means of constant, strict cost control and a joint integrated logistics strategy. Group synergy is further enhanced by joint ICT systems, joint management of property and Group management development.

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

Sales in 2014 totalled €2.6 billion, generating a net profit of €69 million. The average number of employees on a full-time basis was over 5,800 Sligro Food Group shares are listed on Euronext Amsterdam.

LOCATIONS

FOOD RETAIL

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

FOODSERVICE

- Sligro cash-and-carry
- Sligro delivery service
- Sligro cash-and-carry/ delivery service
- Van Hoeckel
- Production facilities

Important
DATES

FINANCIAL CALENDAR[1]

Final 2014 sales	2 January 2015
Final 2014 figures	22 January 2015
Press conference (11.00 AM)	22 January 2015
Analysts' meeting (13.30 PM)	22 January 2015
Publication of annual report	30 January 2015
Record date	18 February 2015
2014 Annual General Meeting at the company's offices, Corridor 11, Veghel, 10.30 AM	18 March 2015
Ex dividend date	20 March 2015
Record date	23 March 2015
Dividend available for payment	1 April 2015
Trading update	16 April 2015
2015 half-year figures	16 July 2015
Press conference (11.00 AM)	16 July 2015
Analysts' meeting (13.30 PM)	16 July 2015
Trading update	15 Oktober 2015
Final 2015 sales	6 January 2016
Final 2015 figures	21 January 2016
Press conference (11.00 AM)	21 January 2016
Analysts' meeting (13.30 PM)	21 January 2016
Publication annual report	5 February 2016
2015 Annual General Meeting (10.30 AM)	23 March 2016

1) Press releases will be published at 7.30 AM.

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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SLIGRO SHARES

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

Movements in shares (x 1,000)

	2014	2013	2012	2011	2010
Issued shares as at start of year	44,255	44,255	44,255	44,255	44,255
Shares repurchased (cumulative)[1]	(570)	(555)	(433)	(296)	(149)
Shares outstanding as at year-end	43,685	43,700	43,822	43,959	44,106
Average shares outstanding	43,689	43,730	43,856	43,996	44,143

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

There were 43,685,015 shares outstanding at year-end 2014, a decrease of 15,000 on year-end 2013. The decrease is attributable to shares repurchased for the option scheme. Earnings per share are calculated on the basis of the average number of shares outstanding, as explained on page 134. Sligro Food Group seeks to pay a cash dividend of approximately 50% of the profit after tax (excluding extraordinary items) on a regular basis. The dividend proposed for 2014 is €0.80 per share, which equates to a pay-out ratio of 51%. In addition, it is proposed to pay a variable dividend of €0.30 per share, thus bringing the total dividend for the year to (unchanged) €1.10 per share.

It was decided for the first time to pay an interim dividend in 2014. The amount of the interim dividend was set at half the regular dividend for the preceding year, making €0.40 during the year. In cash terms, a dividend totalling €1.45 per share was paid in 2014, made up of the total dividend for 2013 of €1.05 and the interim dividend for 2014 of €0.40. The reason for introducing an interim dividend is the need to spread the dividend payments and the decision to make the non-recurring extra payment in 2014 was in recognition of the shareholders in the year of Sligro Food Group's 25th anniversary as a listed company.

Sligro Food Group's new website (www.sligrofoodgroup.nl for versions in Dutch and English as well) 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. In the financial website survey for the Henri Sijthoff Prize we won first prize with the new website.

Key figures per share (x €1)

	2014	2013	2012	2011	2010
High	32.65	30.50	24.85	26.10	25.90
Low	26.85	20.67	18.50	19.65	21.30
Year-end	31.25	28.21	21.75	20.75	23.20
Earnings per share	1.58	1.55	1.56	1.78	1.59
Dividend[1]	1.10	1.05	1.05	1.05	0.70
Market capitalisation as at year-end (x € mln.)[2]	1,365	1,248	963	918	1,027

1) Both the entire dividend of €1.05 for 2013 and an interim dividend of €0.40 for 2014 were paid in 2014. 2) After deduction of repurchased shares.

Transaction information

	2014	2013	2012	2011	2010
Total value of shares traded (x € million)	104	117	125	227	205
Volume traded (x 1,000)	3,482	4,459	5,900	9,463	8,750
Number of transactions (single counting)	22,016	24,700	31,677	40,337	58,433

These figures are based on information from Euronext Amsterdam.
The month with the highest volume of shares traded in 2014 was March (0.9 million shares).
The lowest volume was 0.2 million shares in November.

Disclosure of major shareholdings:

	%
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
Beleggings- en Exploitatiemaatschappij De Engh B.V.	5.01
Stichting Werknemersaandelen Sligro Food Group	3.94
APG Asset Management N.V.	3.04

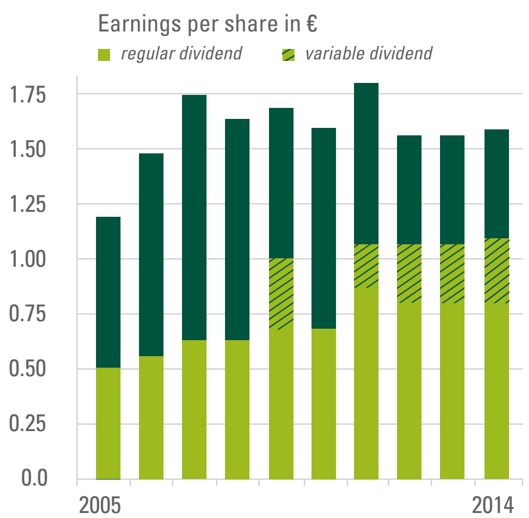
Disclosure must be made when a shareholding exceeds or falls below certain legally stipulated percentages. Since this can result in double counting, the disclosures do not always provide a true picture of the number of free float shares. Corrections are consequently made for double counting. In the holdings of Sligro Food Group employees, 268,000 shares are held by members of the Executive Board. These are itemised on page 123. The estimated distribution of the share capital as at year-end 2014, based on market information and covering 84% of the capital in 2014 (2013: 84%) is presented in the following table.

Geographical distribution of share capital (%)

	Private investors		Institutions		Total	
	2014	2013	2014	2013	2014	2013
Netherlands	53	54	16	14	69	68
UK			3	3	3	3
USA			8	10	8	10
Other countries			4	3	4	3
Total	53	54	31	30	84	84

Share price

Per share



FROM LEFT TO RIGHT:
ROB VAN DER SLUIJS
HUUB VAN ROZENDAAL
KOEN SLIPPENS
WILLEM-JAN STRIJBOSCH

DIRECTORS
and management

SUPERVISORY BOARD

A. Nühn, chairman (61)
Th.A.J. Burmanje (60)
B.E. Karis (56)
R.R. Latenstein van Voorst (50)

GROUP EXECUTIVE BOARD

K.M. Slippens, CEO (47)
H.L. van Rozendaal, CFO (59) [1)]
W.J.P. Strijbosch, Foodservice (46)
R.W.A.J. van der Sluijs, Finance (38) [2)]

1) Retiring at the AGM on 18 March 2015.
2) Nominated for appointment at the AGM on 18 March 2015.

COMPANY SECRETARY

G.J.C.M. van der Veeken (53)

EXECUTIVE BOARD OF SLIGRO FOOD GROUP NEDERLAND B.V.

GROUP EXECUTIVE BOARD, TOGETHER WITH

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BEEF & LAMB

KALDENBERG IS SLIGRO'S
FRESH-PARTNER FOR MEAT

STRATEGY

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. We are supported both by a professional, efficient and fully integrated back-office organisation and by a culture that focuses consistently on the customer and our shared passion for food. Preserving and promoting that typical Sligro culture in a steadily expanding organisation is a priority.

Our objective is to achieve average annual growth in sales over an economic cycle of around 3%. Our target for organic growth assumes annual inflation of approximately 1.5%. We also intend, and expect, to grow through acquisitions, although such growth is, by its very nature, less gradual than organic growth. Given the level of fragmentation that still exists in the Dutch food market, we think it is likely that acquisitions can also be made in the coming years. We are also seeking opportunities in the foodservice markets in neighbouring countries. We aim for profit growth that, on average, equals or outstrips our growth in sales. We can furthermore offer shareholders attractive returns over the longer term by controlled exploitation of the assets at our disposal. We aim to operate in a socially responsible manner and we report our performance in this area. For a listed family business such as ours, economic and social gains go hand in hand.

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 fully aware of the importance of food safety. It goes without saying that we comply with all external quality standards. To be sure of wielding sufficient purchasing power in the market, our food retail purchases are handled by cooperative purchasing organisation Superunie, which has a share of approximately 30% of the supermarket sector. We handle our own purchasing for our foodservice business, which is the market leader in the foodservice sector.

The Group operates in a fiercely competitive environment where there is limited scope to translate cost increases into higher selling prices. We believe we can absorb the impact of cost increases by constantly increasing the efficiency of our operations, for example by ensuring that our distribution, communication and information systems 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 are carried on by the business units, with behind-the-scenes management taking place at Group level.

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

SLIGRO FOOD GROUP STRIVES TO BE A QUALITY COMPANY ACHIEVING CONSISTENT AND CONTROLLED GROWTH FOR ALL ITS STAKEHOLDERS

SMEDING IS SLIGRO AND EMTÉ'S FRESH-PARTNER FOR FRUIT AND VEGETABLES

Commercial
DEVELOPMENTS

GOALS

- → Increase like-for-like sales by an average of 3% per annum, with growth through acquisitions on top of that.
- → Take the market share in foodservice to 30%.
- → Maximise the potential for internal synergy and exchange of know-how between Group activities.
- → Achieve competitive and permanent margin management.
- → Provide high-quality service, always with a view to maximising customer loyalty.

STRATEGIC IMPLEMENTATION

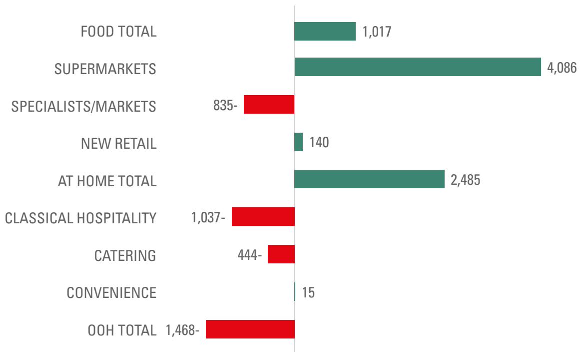
- → Continually renew and improve our commercial concepts, formats, distribution channels and approach, including e-commerce.
- → Ensure efficient and effective operational management of our retail and foodservice outlets.
- → Optimise synergy behind the scenes while presenting distinct identities at front of house.
- → Focus on the big picture to avoid unnecessary complexity.
- → Expand and upgrade our network and optimise and enlarge existing outlets.
- → 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'.
- → Strengthen customer relationships through loyalty programmes, events, private labels and our range of fresh produce and unique products from our own production kitchens.
- → Further expand the package of services aimed at B2B customers in both foodservice and food retail in order to support them in their day-to-day commercial and operational struggle.
- → Further increase our expertise, customer focus and entrepreneurial culture through ongoing employee training programmes and continually championing the typical Sligro Food Group 'Green Blood' culture.
- → Make the best possible use of that distinctive element of the corporate culture of our company, namely our employees: their expertise, their passion and their unmatched commitment to our customers.
- → Capitalise on acquisition opportunities satisfying our criteria.

GROWTH TARGET

We have adjusted our growth target to the new reality. Where we previously planned in terms of organic growth for the Group of 4%, including 2% inflation, that target has been reduced to 3%, with 1.5% inflation. As before, that target is again a long-term average spanning the business cycle. According to the Dutch Foodservice Institute (FSIN), total spending on food (consumer spend) has risen only €1 billion over the last six years (that is an increase of less than 2% or an average of 0.3% per annum), which inevitably represents a tight squeeze on volume. The following diagram illustrates the way in which the various channels have been affected.

Billions of sales shift
over the last six years

Sales shift in € millions 2008 to 2014.
Source: FSIN berekeningen 2014 EST



Source: Beleidsmonitor 2014 FSIN

Although we believe future economic trends will be better than those of the 'crisis years' 2008–2014, the likelihood of a return to the 'old days' appears slim. This implies that our new target still means outperforming the market by a substantial margin.

Over the past decade we have increasingly concentrated on relatively large acquisitions and it has become increasingly clear (if we did not know already) that the planning and timing of acquisitions is tricky, particularly with business combinations of this magnitude. If the opportunity presents itself you have to be ready, and history tells us that we can act successfully on these occasions. Accordingly, we are not going to set any firm targets for sales growth through acquisitions. Our ambition nevertheless remains as high as ever; it is merely tempered to the realities of the market. It goes without saying that this healthy hunger must always be balanced against a realistic picture as regards risk, cost, feasibility and benefits.

THE FOOD MARKET

Sligro Food Group is active in all main segments of the Dutch food market, i.e. the market for food and beverages. This market comprises both the 'out of home' or foodservice channel and the 'at home' or food retail channel. This segmentation of the market is a way of analysing the supply side. On the demand (consumer) side, it is similarly possible to divide the market up, but on the basis of buying motivation (routine, convenience, fun) and location (at home, on the move and on site). Whichever way you look at it, we are directly or indirectly primarily dependent on food spending by the Dutch consumer. An analysis of total consumer spending from both angles is presented by the diagrams on page 21. These diagrams have been taken from the Foodservice Beleidsmonitor report, compiled on behalf of the Dutch 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 homogeneous than the supermarket sector, figures for the former are much less consistent and reliable than those available for the food retail sector. This is evident, for example, in the structural differences between the market projections by the Dutch Foodservice Institute (FSIN) and Statistics Netherlands (CBS), the latter in our view (and that of many other players in the segments of outlets, suppliers and wholesalers) having long overstated growth in the hospitality market by a considerable margin. The CBS figures indicate that the economic downturn has had only minor impact on the hospitality market in recent years, which is in stark contrast with other sectors that are dependent on consumer spending. In contrast, the FSIN figures are based on a decline of €1.5 billion, or around 10%, in the foodservice market, as the previous diagram indicates.

A more recent CBS report indicates growth of more than 6% for the traditional hospitality sector in the first half of 2014, compared with 2013, including price rises of 1.4%. Those are boom-time figures! The FSIN puts foodservice growth in 2014 at minus 0.4% and, for hospitality, expects a growth of 1%. The FSIN findings accordingly reflect our own experience in the market much more closely.

Based on an average of the figures produced by Symphony IRI and AC Nielsen, we are working on the basis that the food retail market in 2014 grew by 0.6% to €34.4 billion. Our own like-for-like sales were down by 0.7%, meaning that we underperformed the market by 1.3 percentage points.

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

as %

Market players Foodservice [1)]	**Market share 2014**	**2013**	**2012**	**Market players Supermarkets [2)]**	**Market share 2014**	**2013**	**2012**
Sligro Food Group	22.9	21.2	19.9	Albert Heijn	34.1	34.0	33.7
Various breweries	13.8	14.0	13.9	Jumbo	14.0	11.2	9.6
Lekkerland	12.7	12.4	13.5	C1000 [5)]	5.8	9.5	12.0
Deli-XL	11.0	11.1	10.8	Plus [6)]	5.9	5.8	5.8
Hanos/ISPC	7.1	7.0	6.4	Aldi/Lidl	16.4	15.9	15.1
Makro (Metro) [3)]	6.7	6.8	9.6	Sligro Food Group	2.7	2.7	2.7
Kruidenier [4)]	--	3.3	3.5	Other [7)]	21.1	20.9	21.1
De Kweker/Vroegop	2.0	2.2	2.1				
Other	23.8	22.0	20.3				
	100	**100**	**100**		**100**	**100**	**100**

1) Source: Foodservice Beleidsmonitor 2014. 2) Source: Sales figures from the companies themselves / market definition according to Nielsen and IRI. Figures for prior years restated to some extent. 3) Makro figures restated for 2013 on the basis of new evidence. 4) Failed in 2014. 5) Taken over by Jumbo in 2012. 6) Member of Superunie purchase combine. Superunie members have a total market share of approximately 30%. 7) Almost all in the 'other' category are members of Superunie.

Consumer spending in the Netherlands

Source: Beleidsmonitor 2015 FSIN

The figures for the foodservice players show that the market share of Makro has been revised sharply downward (back to 2013), in our view presenting a more realistic picture of this company's market position. Having gone to the wall, Kruidenier is no longer included in the 2014 statistics. Again, the FSIN estimates with hindsight that this company's market share was overstated by around 1% in the past (figures not adjusted).

The value added by our affiliates and VAT have to be eliminated from the figures in order to compare total consumer spending with Sligro Food Group's sales. The FSIN estimates the size of the foodservice market at wholesale prices at slightly below €6.4 billion. In 2014, the market shrank by €75 million, or 1.2%. There was, however, a shrinkage of the market by approximately €125 million due to a change in the way VAT is levied on tobacco products –

a purely accounting matter – so that there was in fact an underlying increase of 0.8%, or approximately €50 million. Of the increase in our market share in foodservice, 0.7% is accounted for by acquisitions, the remaining 1.0% being the result of organic growth. In our own projections, we use a broader definition of small and medium-sized enterprises and we include commercial non-food sales. In its calculation of the size of the market, the FSIN counts 60% of total cash-and-carry sales (40% in the case of Makro) and, in principle, all delivery sales. Overall, 84% of our foodservice sales counts towards the total size of the market and market share.

SHARE OF FOOD MARKET 8%

If total consumer spending on food is taken as the basis, the Group's share of the food market, in value terms, works out at approximately 8%. That puts us firmly at number three in the Dutch food market.

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, and therefore with 100% focus, everything is closely managed 'behind-the-scenes' from the centre, wherever possible. This synergy, in both 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.

CENTRAL WHERE POSSIBLE, LOCAL WHERE NECESSARY

Central distribution centre and head office in Veghel		
Food retail	**Foodservice cash-and-carry**	**Foodservice Delivery-service**
EMTÉ	**Sligro**	**Sligro/Van Hoeckel**
130 Own and franchise outlets	Large and small hospitality sector, leisure, caterers, forecourt outlets, large-scale users, institutional	
2 Distribution centres	National network of 47 cash-and-carry outlets	National network of 9 delivery-service outlets
Sligro Fresh Partners & Production **Specialised production facilities for convenience products (Culivers), fish (SmitVis) and meat (retail), patisserie/home caterer (Maison Niels de Veye) and four fresh-produce associates**		

ANALYSIS OF SALES IN 2014

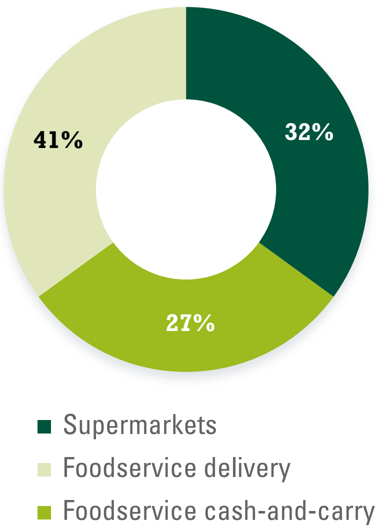
Sligro Food Group focuses, directly or indirectly, on the food and beverage appetites of consumers in the Netherlands. Consumer shopping is catered for on a self-service basis by the EMTÉ supermarkets whereas foodservice customers have the option of cash-and-carry or delivery or a mix of the two. The cash-and-carry stores are typically used by smaller or secondary customers, possibly responding to promotions, 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 over 60,000 items held at our delivery-service locations. These three channels (supermarkets, cash-and-carry and delivery service) each account for around one-third of Group sales, although the aim is not necessarily an equal spread.

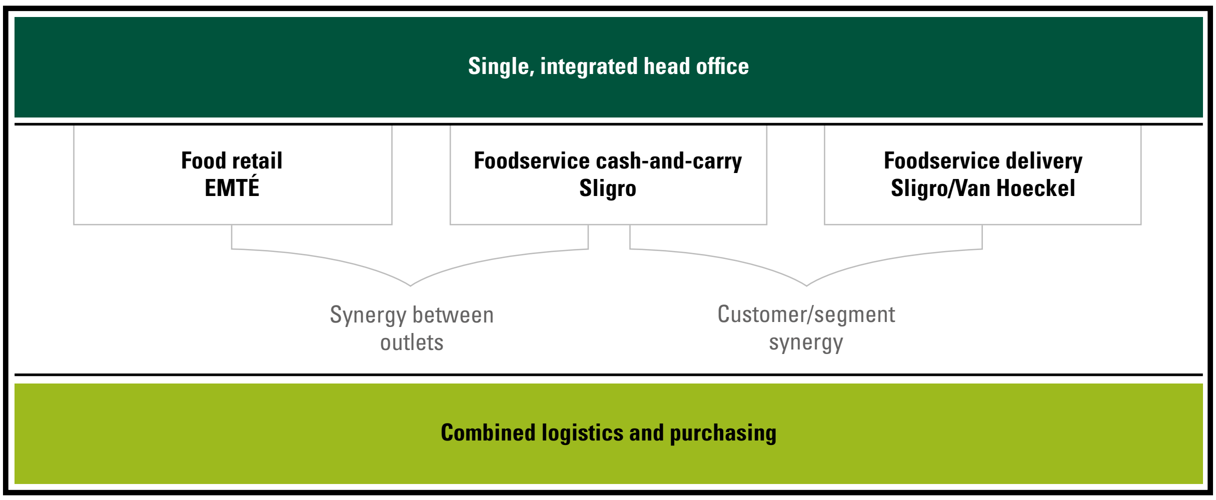
SYNERGY

The following schematic shows the links and the synergy between the three channels. Instead of operating as a group of businesses, Sligro Food Group is a single, integrated business with overlapping types of customers and distribution methods, the routes to the market in other words. The strong competition coupled with the availability and use of market data means that the Dutch food retail market is more professional than the foodservice market. Our Foodservice organisation can learn a great deal from that. Food retail in turn can learn a great deal from our Foodservice operation, as the market leader that prides itself on its service and customer loyalty, not to mention the broadest range on the Dutch market.

SLIGRO FOOD GROUP IS NOT A GROUP OF COMPANIES, BUT A SINGLE INTEGRATED BUSINESS

Analysis of sales in 2014





FOOD RETAIL

(x € million)

	2014	2013
Net sales	823	840
Gross operating profit (EBITDA)	28	29
Operating profit before amortisation (EBITA)	13	15
Free cash flow	34	25
Net capital employed	145	172
EBITDA as % of sales	3.4	3.5
EBITA as % of sales	1.6	1.8
EBITA as % of average CE	8.6	8.3

MARKET INFORMATION

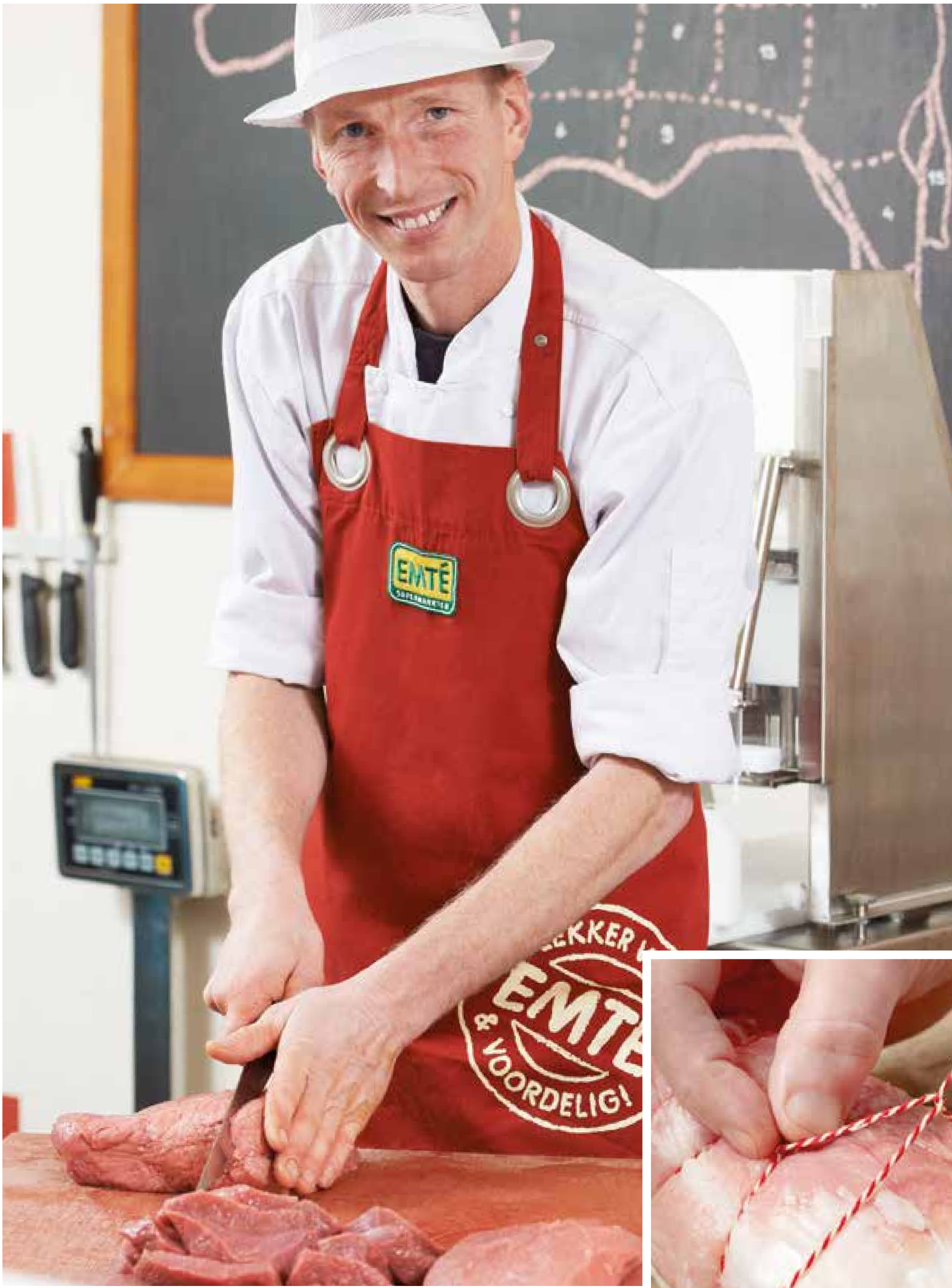
To assess the trends in the retail market we make use of information from GfK, Symphony IRI and AC Nielsen. The last two organisations collect market data from the supermarket chains that are 'affiliated' to them. These chains cover around 80% of the total market. GfK bases its data on consumer surveys. In our eyes, GfK is a specialist in data in which the link to consumer characteristics and profiles is of great importance. However, when it comes to overall market figures, such as sales trends, market shares and 'fair share' positions (a format's market share in a particular product category), the scan data collected by IRI and Nielsen is more reliable than the random sampling and individual consumer responses used by GfK. In 2014, the figures again diverged markedly, in terms of both magnitude and timing. As in 2013, we took the arithmetic mean of the IRI and Nielsen figures to build up a picture of the market during the year. Obviously, the scan data submitted to the two organisations for the 80% of the market covered was the same in each case. The difference was attributable to the other 20% of the market, in particular that part of the market occupied by Aldi and Lidl. The estimates made by IRI and Nielsen for this part of the market differ sharply. IRI assumed that the market share of Aldi and Lidl increased by 0.4%, whereas Nielsen reported that the market share grew by 0.7%. It also means that the estimated overall market growth rate differs by 0.5%, which is quite an appreciable difference in a market where market shares are sometimes calculated to two decimal places. IRI, incidentally, looking back over the year, revised its market data for 2014 upwards (in week 52), narrowing the gap between the two organisations to the aforementioned 0.5 percentage points. This sort of thing makes interpreting the figures somewhat tricky, to put it mildly. Building up a picture of the market is also difficult owing to e-commerce and to retailers expanding their ranges to cover other segments. More and more supermarket range products are being sold successfully through other channels. The best known example of this is Action, but even MediaMarkt and Gamma have expanded into food items in recent months in order to maintain sales. Moreover, Lidl has gone from being an out-and-out hard discounter to a hard discounter with service elements, and it is also spending a great deal on marketing. Its range and message are clearly going down well.

SIZE OF MARKET: € 34.4 BILLION

Taking the arithmetic mean of the IRI and Nielsen figures as a basis, the market grew by 0.6% in 2014, to €34.4 billion. The rate of growth of 0.6% is below the rate of inflation, which actually means that volumes have shrunk. The last time that this happened was back in 2005. It should be noted that down-trading has an effect on market volume, and in the current climate people are tending to go for cheaper alternatives. The great pressure to run special offers also needs to be considered when assessing the price component.

STABILISATION

The trend in sales was stable all year, only fluctuating as a result of the days on which public holidays happened to fall. In the fourth quarter, the market grew by around 1.5%. When assessing trends in the market in 2014, special attention needs to be given to fruit and vegetables, which account for approximately 10% of supermarket sales. Fruit and vegetable prices came under even greater pressure following the



FOOD RETAIL

IN 2014, EMTÉ RECEIVED THE 'BEST BUTCHERY DEPARTMENT' AWARD FOR THE FIFTH TIME

Russian boycott. The fall in fruit and vegetable sales accounts for a fall of around 0.2 percentage points in total supermarket sales. As the graph on page 19 shows, supermarkets were able to take sales away from out-of-home consumer spending on food and specialist food shops in recent years, but this trend has more or less ground to a halt. Supermarkets had seemed unaffected by the economic woes of recent years, but this is clearly now no longer the case. This is partially due to the policies followed by supermarkets. They are currently competing almost exclusively on price, while their ability to create growth, be distinctive and add value is being completely ignored. The format that used to be the shining example of this has been outstripped by others in the areas of quality and added value, and it is trying, albeit not very successfully, to improve its image when it comes to pricing. This is happening at exactly the same time as the economy is recovering. We believe that this points to many opportunities for EMTÉ as the 'tastiest supermarket in the Netherlands', and for Sligro Food Group as its parent organisation.

SHIFTS IN THE MARKET

In 2014, the Dutch market was still very much dominated by the dismantling of C1000, the former number two brand in supermarket land. C1000 was taken over by Jumbo in 2012. Since then, a huge effort has been made to convert C1000 stores to the Jumbo Group format and to the formats of Albert Heijn and Coop, which together bought 129 C1000 stores. The number of C1000 stores fell by 143 in 2014 to 124. Once the dust has settled we will have a better idea as to whether anything has really changed. It could be that €1.5 billion has just been spent on a major 'relabeling' exercise, and it has only served as a boost for suppliers who specialise in such conversions. It seems, incidentally, that, as far as conversion is concerned, Jumbo was more successful than the other players involved in this process. Be that as it may, there is still a large difference in market share between the market leader Albert Heijn (around 34%) and Jumbo (around 20%).

Market leader Albert Heijn had quite a few problems of its own, as its quarterly figures show. Despite taking over and converting C1000 stores, its market share stabilised. The strong momentum enjoyed by Lidl in 2013 subsided to a great extent in 2014. Nevertheless, Lidl presents an ever-growing threat to full-service supermarkets, partly because consumers are rating it much more highly, and partly because its radical model is rewriting the rules for the supermarket sector (including full-service supermarkets). This poses a threat to other supermarkets and to suppliers of premium brands.

PROCUREMENT MARKET

The Dutch market is supplied by five purchasing organisations. These are Aldi and Lidl, which are, of course, supplied from outside the country to a very great extent, and Ahold, Jumbo (including C1000) and the Superunie purchasing cooperative, which represents the relatively small players. In 2014, the shares of the procurement market represented by the latter three once again showed very little change, with Ahold at around 34%, Superunie almost 30% and Jumbo/C1000 around 20%. Superunie and its 13 members provide the Dutch consumer with a wide choice of supermarket formats, in contrast to the rest of Western Europe, where in each country around five large retailers dominate the market. The Dutch Authority for Consumers & Markets (ACM) perhaps should take more heed of that fact.

EMTÉ

We ourselves have around 130 EMTÉ supermarkets, of which 30 are operated by independent retailers. Our market share represented by these supermarkets is 2.7%. For the first time in many years we failed to grow as fast as the market, with like-for-like sales falling 0.7%. Moreover, our quarterly sales figures are still relatively volatile, although EMTÉ's outperformance in the fourth quarter gives us grounds for optimism. An overview of our supermarkets is given in the table below:

Number at year-end		x 1,000 m2 retail space at year-end		Consumer sales x € million		Index of like-for-like sales	
2014	2013	2014	2013	2014	2013	2014	2013
127	129	136	137	946	955	99	102

1) Including changes in the store portfolio during the year and VAT.

Total Food retail sales comprise EMTÉ's consumer sales (excluding VAT) and the wholesale value of sales to franchisees and to the leisure group Center Parcs. Sales (excluding VAT) can be broken down as follows:

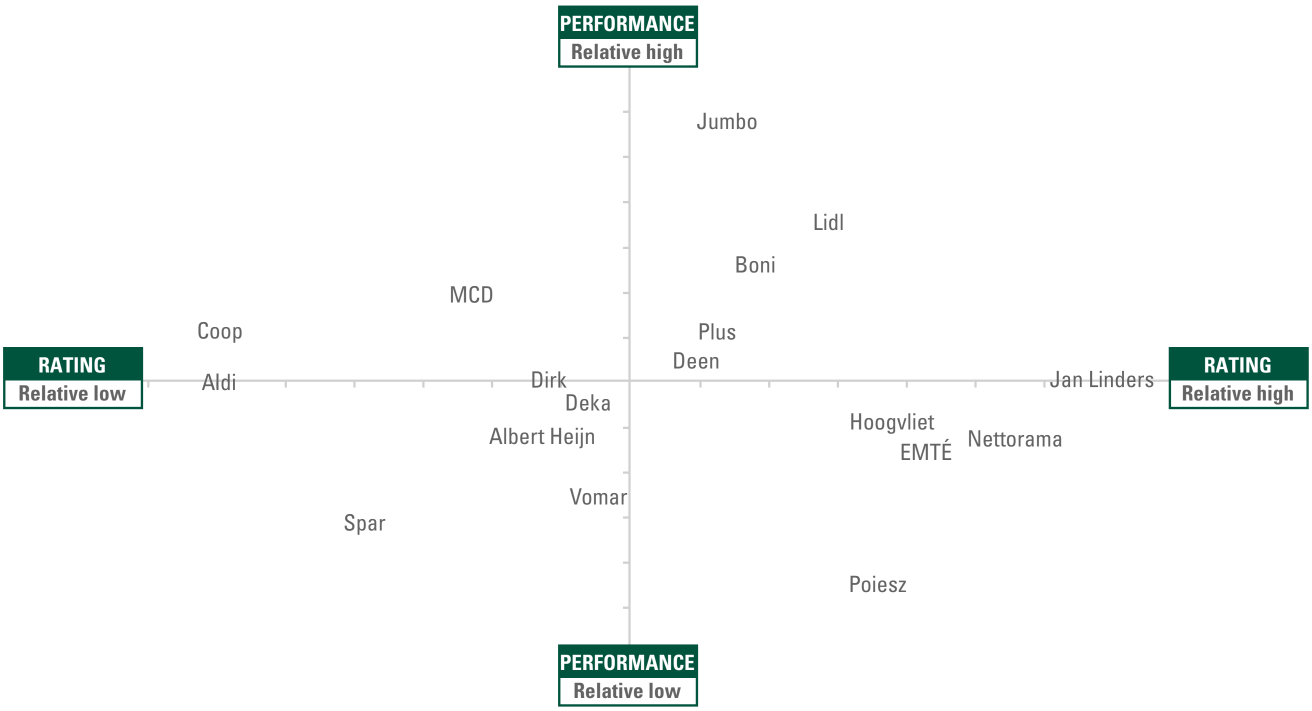
(x € million)	Net sales		Share of sales as %	
	2014	2013	2014	2013
Own supermarkers	659	686	80	82
Independent retailers	164	154	20	18
Total	**823**	**840**	**100**	**100**

RATINGS

In the GfK vote for Beste Vers Supermarkt ('Best Fresh Produce Supermarket'), our butchery department came first in its category for the fifth time in a row, with Lidl achieving a similar performance in the fruit and vegetable category. We also won the award for the best cheese department in 2014. The bakery department came second in its category, and we were placed second overall.

The most important reports in our sector are the Zomer- en Kerstrapport ('Summer and Christmas Reports') published by GfK. In the summer report, EMTÉ held on to the high position it attained in the 2013 Christmas report. The 2014 Christmas report has a very different structure (as will all future reports) and it is therefore almost impossible to compare with previous reports. During the past 18 years, the report mainly

GFK christmas report 2014



Source: GfK Netherlands

looked at how supermarket formats were rated by all customers. Now, it only looks at the ratings given by primary and secondary customers. Together, they represent 25% of customers, yet they account for approximately 75% of sales. These are the customers that really matter to a format. Previously, the report did not go any further, and therefore the ranking was based on a customer satisfaction survey. In the new survey, however, how the format performed is also taken into account. GfK has compiled a second ranking, based on the daily purchasing records of 10,000 households (these included 242 households for EMTÉ). A trend index was produced for this purpose that consists of two elements: trends in the customer base and trends in the level of customer loyalty among primary and secondary customers. This resulted in a new ranking chart. In the past, the axes were relatively low/high price, and relatively low/high service. The new axes are the relative rating by regular customers (x axis) and performance (y axis). The overall winner is determined by calculating the product of the customer rating and the performance index. This produces a very different picture than before.

EMTÉ's customer rating remains very high (in third place, with a score of 7.9 out of 10), but in the performance index it is only ranked 14th (with a score of 99.0), putting it in 10th place overall. In first place overall is Jumbo, which scored very highly in the performance index (occupying a very strong first position) and has an average customer rating score (being ranked eighth). The future will tell how this new ranking should be interpreted, partly in view of the fact that conversion operations will lead to sharp growth in customer numbers. For the time being, we are happy to be ranked by customer rating, since a truly successful format always comes down to one thing, and that is how it is rated by customers. Get that right and the performance score will look after itself.

MEDIUM-TERM PLAN

Building blocks for growth

Creating growth	Loyalty	Unique product range	Building the brand
Strengthening the basics	Back-office in order	Category management	Operational excellence

LOYALTY

We are following the steps set out in the medium-term plan that we published at the start of 2013, which contains the six building blocks for our future development that focus on creating growth and strengthening the basics of our business. The first and most important building block, which received a great deal of attention in 2014, was loyalty. This concerns the introduction of the new Fijnproevers ('Gourmets') loyalty programme and EMTÉ's new website, which was launched prior to the introduction of Fijnproevers. The new website went live at the start of September and, in combination with Fijnproevers, it has led to a very sharp rise in usage, in terms of the number of visitors and page views, and also in terms of the average session duration. The content has been greatly improved and is now a much better reflection of our ambition of being the tastiest supermarket in the Netherlands. Content has also been placed on YouTube and other social media.

Websites need to be seen rather than described so we include some typical screenshots below (for emte.nl) on different devices.

There are many more plans for further development in this area in 2015. These include increasing the number of how-to-cook videos, in connection with which we have installed a special test kitchen in one of our supermarkets. There is, of course, plenty of cooking knowledge available within our foodservice business.

The high point, however, was the launch of the Fijnproevers loyalty programme in September. This demanded a great deal of preparatory work by a large team of internal and external people, but the results are well worth it. In the space of a fortnight, with aid of an intensive launch programme, cards were given to 500,000 customers, and 60% of them registered. The mobile app currently has around 70,000 users, and approximately 60% of sales are rung up through the Fijnproevers programme. As mentioned above, according to GfK 25% of customers are classified as primary or secondary customers, who account for 75% of sales. It can therefore be concluded that a significant proportion of our regular customers are known to us and can be individually targeted.

What we offer loyal members of EMTÉ's Fijnproevers programme:

- → Points that can be used to obtain cash discounts at the checkout.
- → Points that can be used to obtain free items in our stores.
- → Points that can be used to obtain discounts on non-food kitchen items in the store or webstore, representing a substantially greater value than when used for the cash discount.
- → Points that can be redeemed at partners, and hence have the greatest value (including for us). These partners, which are foodservice customers of Sligro, have more visitors as a result and hence indirectly purchase more from Sligro. It can be considered similar to Groupon without a fee.

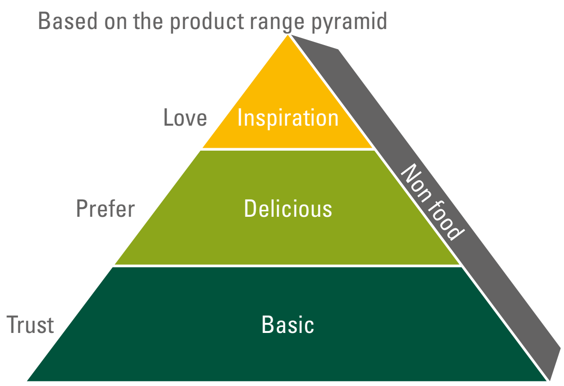
An important aspect of any loyalty programme is that it is a way of getting to know customers better and therefore become more relevant to them, among other things by means of personalised special offers and surprise gifts. We have obtained valuable information on our customers since launching the programme, enabling us to manage our commercial policy better, but it takes some time to build a database of this kind. It is also very important that the process results in greater relevance for customers, and above all that they do not feel 'stalked'. Fortunately, the Group has a great deal of expertise in this area. Sligro has always known who its customers are, as it has to raise invoices in the customer's name. We expect to add some more substantial modules, such as shopping lists, information on the product range and special offers, to the Fijnproevers loyalty programme in the future.

UNIQUE PRODUCT RANGE AND CATEGORY MANAGEMENTT

These two building blocks share a great deal of common ground, and for this reason are reported on jointly. In 2014 a new team of category managers was introduced and a new category management plan was produced, which was subsequently translated into a product range matrix and category roles, providing us with a much clearer rolling annual plan to work with.

The allocation of responsibilities between the purchasing department, the category management department and the operations department has been overhauled. The category plans are aimed at bringing about an increase in sales and in the overall return per square metre of retail space. All of this should ultimately result in a new product range pyramid as shown in the following model.

Modular product range structure



The exact details of the model will be based in part on data obtained from the Fijnproevers loyalty programme. With regard to our ability to offer a unique product range, the introduction of the budget OK€ brand was completed in 2014. More than 200 stock-keeping units (SKUs) are currently sold under this label by us and six other members of Superunie. Many of these items have replaced fancy labels, and this has led to products becoming more visible to consumers. There was a double-digit rise in the sales index, but we noticed only a slight impact on Markant brand sales. Although a great deal has been achieved in the area of innovation, most of this has been behind the scenes so far. The effects of this will become more visible in the course of 2015, in the form of our Lekkerste Supermarkt van Nederland ('Tastiest Supermarket in the Netherlands') concept. The Group has a large number of unique supermarket items which are already stocked on our shelves. In this respect, the challenge is of course to take a careful, modular approach when making decisions in order to keep sales, shrinkage and costs in balance.

IN 2015 EMTÉ CELEBRATES
ITS 50TH ANNIVERSARY

SCAN THE QR-CODE AND
VIEW THE FILM CLIP OF
BEATRIX DE VISSER,
ALL-ROUND EMPLOYEE
AT EMTÉ

BUILDING THE BRAND

In keeping with the Sligro 3.0 programme, which we report on in detail in the section starting on page 37, an intensive programme aimed at revising EMTÉ's brand strategy has also been launched for the food retail business. This programme is also being carried out primarily behind the scenes, by a specially selected team.

The programme for EMTÉ is just as detailed and intensive as the Sligro 3.0 programme, but deciding on the exact details and sharing them with others will take around another six months. The current generation of EMTÉs is starting to seem a little dated in terms of their Look-and-Feel. Given the success of the Sligro 3.0 programme, we expect a great deal of the EMTÉ programme, although we are fully aware that EMTÉ and Sligro operate in different competitive environments. 2015 marks EMTÉ's 50th anniversary, and we will naturally be paying attention to this in our communications. We also think that this is the perfect time to present the 'tastiest supermarket in the Netherlands'.

BACK OFFICE IN ORDER AND OPERATIONAL EXCELLENCE

A great deal of progress was made in respect of these two building blocks in 2014. They essentially come down to doing the right things day in, day out, and this is harder than it sounds. We are now much more process-oriented, and stores are assessed on the basis of the execution of the inventory control processes once a week. Our role is gradually changing from that of controller to that of director, in that we are shifting away from local control on the shop floor to central control, with adjustments ordered at store level in response to management information.

More and more product groups are being transferred to our automated order system. We have been using it for a long time, and it is now also being used for product groups, such as processed meats, cheese and tobacco products. In every case, using the system has resulted in reduced levels of inventories and shrinkage and higher levels of on-shelf availability. Additional groups are scheduled for 2015, and this includes the introduction of the system at franchisees.

Our supermarkets are now managed much more on the basis of range modules for each type of supermarket, based on segmentation of sales and function in the market. This makes a major contribution to the commercial and operational management of our stores. Its impact can be seen in the continued decline in shrinkage, for example. Over the past two years it has enabled us to achieve savings equal to 1% of net sales. Besides being good for EMTÉ's result, it is also good in terms of corporate social responsibility (CSR), as no-one is keen on waste, be it of food or otherwise.

A very important, far-reaching step was the implementation of a new modular model, aimed at ensuring an integrated approach to labour costs, which are the hours worked multiplied by the hourly rate. Once the Works Council had given its approval, a start was made on implementing the plans. We refer to page 48, which explains how we dealt with the social consequences of these measures. The calculation of the hours worked has been standardised, based on the modular structure of the supermarkets. Having as many supermarkets as we do, we are in a good position to assess whether such standardisation is realistic in a particular supermarket or even department. For this reason, rather than making budget cuts we use internal benchmarking at a very detailed level. Based on the new classification, each supermarket has been given an organisation model that includes the related standard staffing level. As we have completed quite a number of acquisitions, there were some job classifications that no longer reflected the desired situation. Consequent action was taken to bring the actual situation into line with the desired situation in stages. It goes without saying that the relevant provisions of the collective labour agreement are complied with throughout the process. Although these programmes started to bear fruit in financial terms in 2014, we expect that they will continue to make a substantial contribution towards keeping wage costs under control over the coming years. This is crucial in a market that is seeing cut-throat price wars and no growth in volume.

SUMMARY OF MEDIUM-TERM PLAN

A great deal of effort was put into achieving progress with the six building blocks in 2014, and this will continue in 2015. The revenues generated by all this work are not immediately visible in the financial results for 2014, because market conditions brought great pressure to bear on prices and margins. In the area of prices, as a small player we are at the mercy of the vagaries of the market and the market leader. That said, we are happy to be able to report that we were in a better position to absorb the impact of this in the second half of the year. The measures described above contributed substantially to this. We will continue our programme in 2015 with confidence. The new market positioning, together with the Fijnproevers loyalty programme, will put us back on the map. We have every faith in that process, given the enthusiasm of the people who are working so hard on it.

SUPERDIRECT.COM

In last year's report, we stated that we would assess whether the Superdirect concept was viable. We also noted that tests of viability would be primarily consumer-related, and would not be based so much on short-term financial results. Unfortunately, consumers failed to embrace the Superdirect concept sufficiently, although Superdirect is not necessarily the only concept to be affected in this way. Superdirect's concept of unmanned pick-up-points may have been way ahead of its time. Be that as it may, once the conclusion has been reached that something is not viable, there is no sense in sinking further resources in it. The management of Superdirect had no option but to go into liquidation. Right from the start of the joint venture, we had charged our share in Superdirect's start-up losses to the profit and loss account, under 'Share in results of associates'. When Superdirect ceased trading, we wrote off our financial interest in the company and other assets, with corresponding adjustment of tax loss carryforwards. In 2014, an amount of €1 million relating to start-up losses and the net write-off was charged to the profit and loss account.

Entrepreneurship is all about seizing opportunities. You win some and you lose some. The important thing is to know when to cut your losses and to learn from the experience.

SPAR

Our associate Spar, in which we have a 45% interest, had a difficult time in 2014. The local supermarket segment, in which Spar is mainly active, continues to lag the overall market for supermarkets. Although Spar has introduced a number of initiatives, such as city stores and campus stores, these have not proved sufficient to turn the tide. During the year under review, Spar's management took the difficult decision to close one of its distribution centres at the start of 2016, resulting in a substantial non-recurring charge in 2014. It also recognised other non-recurring charges in a move aimed at restoring Spar to financial health in the long term. These measures made an important contribution in terms of helping Spar get back on track financially. As a consequence, Spar only achieved a modest profit in 2014, and accordingly our share in Spar's result was also small in 2014. As a Spar shareholder, we endorse the far-reaching measures taken by management, and we are confident that, moving forward, Spar will once again manage to strike the right balance between offering a good proposition for its customers, safeguarding the incomes of the independent retailers who operate the stores and generating a decent return for its shareholders.

SPICE MARKET

Trends in FOODSERVICE

(x € million)

	2014	2013
Net sales	1,749	1,658
Gross operating profit (EBITDA)	121	114
Operating profit before amortisation (EBITA)	93	85
Free cash flow	44	76
Net capital employed	458	426
Ebitda as % of sales	6.9	6.9
Ebita as % of sales	5.3	5.1
Ebita as % of average net capital employed	21.0	20.2

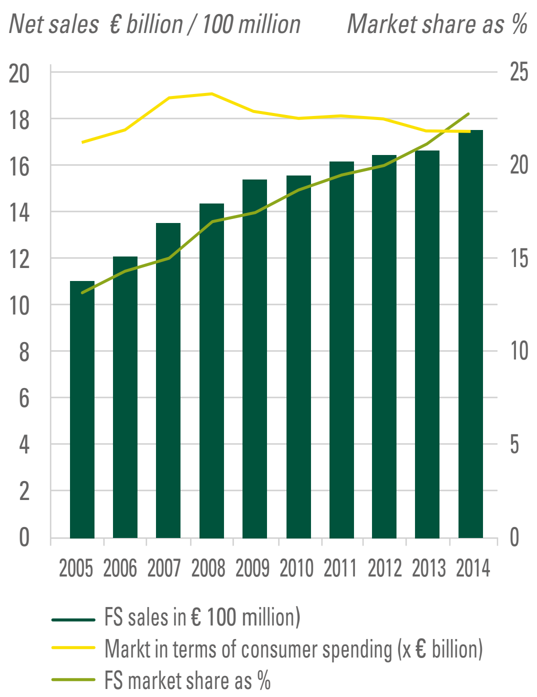
MARKET INFORMATION

According to the Dutch Foodservice Institute (FSIN), in terms of consumer spending, i.e. including VAT and the added value of our affiliates, the 'out of home' food market shrank by 0.4% in 2014 to €17.4 billion. The chart on page 21 shows that a decline of 1.2% is assumed for the wholesale value. As we explained in detail last year, the trend in wholesale sales also includes the impact of the change in the way VAT is levied on tobacco products. Trends in sales in terms of consumer spending and wholesale value do not necessarily move in parallel as the factors involved differ. Consumer spending includes, among other things, much more in terms of added value, and this varies greatly from segment to segment within the foodservice market.

ORGANIC GROWTH AND MARKET SHARE

The picture of our underlying performance is somewhat clouded by all the changes affecting tobacco products (including the levying of VAT) and by the excise duty policy on tobacco products. For this reason, for the past two years we have reported our organic growth firstly on the basis of figures excluding the impact of tobacco products and secondly based on inclusive figures. Market share, however, can only be calculated on the basis of inclusive figures (this is simply how the market works), and these figures include tobacco products. As it is, we estimate that our market share is not significantly affected by the inclusion or exclusion of tobacco products. As the table on page 20 shows, our market share in foodservice in 2014 increased by 1.7 percentage points to 22.9%, of which 0.7 percentage points was due to takeovers (Horeca Totaal Sluis from 1 March, Rooswinkel from May, and the full-year impact of the Van Oers acquisition in 2013). The remaining 1.0 percentage points was attributable to organic growth. Based on this, we estimate that we outperformed the market in 2014 by 4.5%. The following chart shows, among other things, the trend in our market share over the past 10 years.

Trends 2005-2014



The left y-axis in this chart indicates the trend in terms of consumer spending in billions of euros as well as the trend in our sales in units of €100 million. The right y-axis indicates the trend in our market share. The chart shows that our market share has grown steadily, rising by almost 10 percentage points over the period to 22.9%. Takeovers obviously play a role in this and the effects of those during this period are shown in the table below.

		x € million Annual net sales
2006	Inversco	130
2013	Van Oers	55
2014	Van Oers/Rooswinkel/Horeca Totaal Sluis [1)]	45
Total		**230**

1) Horeca Totaal Sluis and Rooswinkel will also contribute to net sales growth in 2015 as a result of the full year effect.

Based on the above, 36% of the growth in sales during the past 10 years was due to acquisitions, while the remaining 64% was attributable to organic growth. Over the past 10 years our market share has therefore grown by 0.6% a year on a like-for-like basis. At the beginning of this period the cash-and-carry operation accounted for most of the organic growth, while more recently the delivery operation has generated more, thanks to investments in systems, processes, infrastructure and pricing policy. In most years we managed to outstrip the market in terms of growth by an annual rate of 3-4%. We believe that our outperformance of the market is primarily down to our strengths (see SWOT analysis on page 35).

It is striking that the market (in terms of consumer spending) has hardly grown in the past 10 years. The steady growth trend we saw for many years was abruptly interrupted at the end of 2008 by the credit crunch, which wiped out the growth seen in the previous period, as the chart on the previous page shows.

CASH-AND-CARRY AND DELIVERY SERVICE

On the cash-and-carry side, the trend in sales was much better than in 2013, although we narrowly failed to end the year with positive growth. We believe that the Sligro 3.0 revitalisation programme described below made a major contribution in terms of reversing the trend in what is still a difficult market. The three stores that were converted to Sligro 3.0 in 2014 saw sales rise significantly following conversion. Splitting the market into cash-and-carry and delivery is difficult, particularly when one considers that the market as a whole cannot be calculated very accurately. Moreover, many of our delivery service customers regularly visit a cash-and-carry store for smaller purchases and inspiration. We assume that in the wholesale market the cash-and-carry business represents 40% of sales, while the delivery business represents 60% and is growing faster. As stated on page 22, the FSIN assumes that 60% of our cash-and-carry sales are counted as part of the market. The remaining 40% consists of non-food product ranges, including beauty and healthcare, as well as customer categories that are not counted as part of the 'out of home' food market, including small businesses. Be that as it may,

our market share of the cash-and-carry business is still substantially higher than our delivery services achieve, and, since we are part of the market, this makes it much harder to outstrip the market.
Our delivery business continued to grow rapidly in 2014, with sales up by 10%. The acquisitions of Van Oers, Horeca Totaal Sluis and Rooswinkel resulted in a €45 million increase in sales in 2014. Sales were boosted by the collapse of Kruidenier in March, which led to customers seeking a safe alternative. By making great efforts and taking decisive action, we were able to deal with the consequences for some of Kruidenier's customers. We also succeeded in securing many other new customers.
In the long term we aim to have a share of approximately 30% of the foodservice market. Most of the growth will have to come from the delivery business. The rate of growth will depend in part on our ability to exploit opportunities for acquisitions. In any event, in recent years there have been more opportunities following the lull after the credit crunch. We hope that this trend will continue, but if it does not we will simply take longer to achieve our aim. We believe that our Sligro 3.0 programme can give us an extra boost when it comes to growth.

SHARE OF PROFIT

In 2011 and 2012, when we had a market share of around 20%, we achieved 50% of the profit of the entire foodservice market. We do not have any more recent data as our competitors take a long time to file their annual figures. Our aim is to strike the right balance between constant growth in our market share and the results obtained from such growth in terms of profit.
As a family company with a stock-exchange listing, we focus mainly on the medium term, and we accept (albeit reluctantly) any negative impact this may have on short-term profits.

STRENGTHS AND WEAKNESSES ANALYSIS

The SWOT analysis presented below has not changed since 2013, but this certainly does not mean that we stood still in 2014. A company needs to focus on reinforcing its strengths, reducing its weaknesses, exploiting opportunities and minimising threats to the extent that this is within its power. Below we explain how we have made progress in almost every area where we are able to have a substantial impact.
As we stated last year, when good is no longer good enough you need to be ready and willing to take drastic measures while you are still in good shape. We did not expect that we would make so much progress in 2014, but the fact that we did is very telling of the culture at Sligro. Sligro's new slogan is Groots in genieten ('Big in enjoyment'), and we really enjoyed feeling the energy that permeated this process.

SWOT analysis

Stengths	Weaknesses
→ Centrally located distribution centre → Centralised structure and systems → National network of cash-and-carry stores → National network of delivery-service distribution centres → Integrated back-office and associated ICT systems → Strong Sligro format → Market leadership → Membership of Superunie purchase combine → Plenty of retail and cash-and-carry know-how → Unique corporate culture	→ Marketing insufficiently aligned with the role of market leader → The number of innovative products is too low in specific destination categories → Organisation too modest and insufficiently projected to the outside world → Need to make better use of our marketing/sales systems and data
Opportunities	**Threats**
→ Market consolidation → Demographic changes → Network optimisation → Sqeeze on customer profitability in our markets → Long-term growth profile of the foodservice market → Internationalisation	→ Economic development → Clustering of customers → Global increases in food prices → Complacency

BACKGROUND TO SLIGRO 3.0

Sligro Food Group's annual theme for 2013 was De Knop Om! ('Switch on!'). Every part of the business has had its own journey from the existing situation (A) to the desired situation (B). Asking ourselves where we are today, where we want to be in three years' times, and what we require in terms of people, resources and systems. This seems a simple exercise, but considering the question in depth reveals major ramifications.

As mentioned above, Sligro has outperformed the market by around 4% on average for over 10 years, and as the market leader, with a share of around 20% of the market, we achieved 50% of the profit of the market. In short, we are a successful market leader. Despite this, we have asked ourselves whether it is sufficient to want to go from 'Good' to 'Great' and become the market leader in terms of both figures and mentality. In the face of success, it takes courage to ask yourself whether what was good enough to ensure success in previous decades will continue to be good enough to enable further expansion in the next ten years. We knew that the economic climate had fundamentally changed and that the competition was copying us. Moreover, we have been compelled to change by the market, which has itself changed as customers switch preferences rapidly, and new competitors can always emerge unexpectedly.

Our answer to the above question was 'no', and so we set out on a journey to reinvent ourselves. We have developed a new, refined brand strategy and defined, perhaps for the first time, the Sligro vision and mission. The key question we asked ourselves was the following: **How can Sligro create sustainable growth in a difficult market?**

Our vision:
Good, tasty, honest food is becoming increasingly important.

Our mission:
We want to make good, tasty, honest food accessible to all Dutch food professionals and their customers.

Our brand essence:
Groots in genieten ('Big in enjoyment')

In addition, we are changing strategic direction in order to maintain our company's operational efficiency (in which a great deal has been invested in recent years and which gives us our lead), and in particular to place much more emphasis on a superlative form of customer leadership. Customer leadership involves:
→ Knowing and understanding.
→ Being personal and authentic.

FROM A PROFESSIONAL WHOLESALER TO A STRONG FOODSERVICE BRAND

→ Focusing on the opinions, wishes and demands of customers.
→ Putting ourselves in the position of the customer.
→ Extracting more value from our commanding position.
→ Offering customers new solutions.

The results of the above can be summarised as follows:

From a professional wholesaler to a strong foodservice brand. From Good to Great.

Sligro - Groots in genieten ('Big in enjoyment')

We subsequently used the results of the aforementioned conceptual approach to come up with specific actions and adjustments for each module and cluster, with the aim of generating more growth and, consequently, higher returns. We describe a few examples below.

→ **Segmented sales approach**
The structure of our sales teams has been reorganised, particularly at the level of the regional sales team. A distinction was made between the treatment of what we call large hospitality customers, or customers who add a great deal of added value to the products they purchase from us, and small hospitality customers, which traditionally add less value. The former include hotels and restaurants, while the latter include the quick service segment. In the case of the national account team we went a step further and added a further specialisation, based on segmentation, to the classification of hospitality customers by size. Customers want to receive advice, are becoming more aware of issues and are becoming more professional. They therefore expect a more professional partner, a more proactive approach and, ultimately, solutions rather than mere products. The fact that this new segmented sales approach also helped us win the prestigious Piet Heijn SMA Award for 2014 was a welcome bonus.

→ **Inspiration**
We have placed a strong emphasis on offering more inspiration in our new and existing stores, online, and through our segmented sales approach. We now have many 360 degree marketing campaigns. New promotional concepts, such as shared dining and barbecues, are launched across the board, including online and by means of social media, leaflets, representatives in the field, demonstrations in the cash-and-carry stores and workshops. The entire launch is a mass communication campaign. Another example in this area is Sligro's Foodbrigade blog, which aims to be the heart and mind of the hospitality sector. This website, which is rated highly by our customers, promptly received four nominations for the Content Marketing Grand Prix and was even nominated for the European Excellence Awards.

→ **Promotional activities**
Our more highly differentiated physical and online leafleting approach, based on placing customers in large hos-

pitality, small hospitality and SME categories and sending them targeted leaflets, has clearly borne fruit. Since we introduced this change we have provided each target group with more relevant content, and this was clearly reflected in growth in sales immediately after introduction. In addition to customer segmentation, the change also relates to roles and activities in the area of promotions. The switch from one to three categories is the first of many steps. Eventually, we will use our online and CRM plans to work towards using one-to-one targeted communication wherever possible.

→ **Price**

There is a growing need for price management in the market in which we operate, partly in response to economic trends and partly because the internet is making the market more and more transparent. Given this, we have refined our pricing policy. The economic side is built on three pillars:

- → Standard (reassuring and competitive).
- → Promotions (surprising and appealing).
- → Volume discount (for professional users of that part of the product range).

→ **Category management**

In the past, the amount of attention paid to category management was insufficient when compared with standard practice at retailers. One of the reasons for this is that our retail space is relatively flexible and inexpensive. We have now taken significant steps in this area in order to focus the product group on the needs of our core customer segments. The standard that has been set for this is a well-considered balance between sales, margin and value for the customer and the format. In the long term, we intend to professionalise category management so that it is comparable to the level seen at the retail business. Our colleagues at food retail will, of course, contribute the necessary know-how and where possible we will also use similar structures. The product range has been expanded at our new 3.0 stores, but not to the extent that customers believe it has. This is primarily down to improvements in presentation.

→ **Visual identity and CRM**

Our cash-and-carry stores and the Look-and-Feel of our general communication have become somewhat dated over the years. The Sligro 2.0 generation of stores is over 10 years old and therefore requires major maintenance work. We have therefore redefined our ambition in this area:

- → A clear, modern brand image among existing and potential customers that is in keeping with our ambition.
- → The image of being the market leader, a strong food brand with our own identity.
- → The above-all highly consistent execution and implementation of the above across the board, to be coordinated by a much larger marketing department.

OUR NEW CASH-AND-CARRY STORE IS TASTIER, BETTER VALUE, MORE PERSONAL AND MORE INSPIRING

We apply the following key concepts in this context: genuine, tasty, honest, pure, trade, service, robust, authentic, discovering new worlds, inspirational, personal and knowledgeable.

We have made major progress in this area, for example with our new 3.0 stores, our promotional communications, the new website and Foodbrigade. Nevertheless, we will need to take further significant steps in the areas of e-commerce and CRM in the next two years. A great deal of work is being done on this behind the scenes, and major investments have been made in IT, some of which have already been put into operation. Our customers are very happy with Slimis, our current online ordering application through which delivery service sales worth some €800 million are being handled annualy. However, we believe that our new e-commerce application, which we expect will go live at the end of 2015, will substantially exceed their expectations. We expect that the combination of the new e-commerce platform and the perfected CRM system will enable us to take our customers on a journey with us that provides them with more inspiration, more information and more targeted support. Within Sligro we refer to this process as online 3.0, and with it we expect to make significant steps forward with the strategy of our foodservice business.

→ **The new cash-and-carry wholesale outlets**

Our new stores are the best place to see our new visual identity and everything else resulting from the Sligro 3.0 project. There was overwhelming interest in the opening of our first new style cash-and-carry wholesale outlet in Maastricht on 10 March 2014. In this store we aim to be Tastier, better Value, more Personal and more Inspiring, which ultimately comes down to superlative customer focus. Looking back, we can thank the Municipality of Maastricht for the fact that the battle to sell our old store, which we reported on last year, lasted so long. It enabled us to choose Maastricht as the location for the launch of our most important innovation in the area of foodservice in the past decade. We deliberately took our time so that almost everything would go well first time, and we believe we were very successful in achieving this aim. However, our opinion is not as important as that of our customers, who rate the store very highly, as customer surveys and trends in sales show. Since then, we have also successfully launched a new store in Gouda (expanded from type 1 store to type 3 store) and converted the existing store in Eindhoven to the 3.0 style. In the first two of the aforementioned projects, the introduction of the 3.0 style was accompanied by a relocation to new premises, and in the case of Gouda it also entailed a major expansion. This makes it difficult to distinguish between the impact of the new premises/location and that of the change to the format. For this reason, the Eindhoven case provides the real evidence as to whether the new format works. As the new style Eindhoven store has only been open for six weeks, it is too soon to draw conclusions, but the initial results give grounds for optimism and have strengthened our determination to carry through our plans of introducing the new style at all stores in the next five to seven years. This will require heavy investment. Incidentally, a 3.0 store does not require substantially more in the way of investment than a 2.0 store, and the total amount invested will not deviate significantly from our target of 2% of sales due to the clever timing and distribution of investments across the Group. We expect that during the coming year the number of 3.0

stores will be increased to ten, including the 48th store, in Almere. The 49th store, located in Utrecht, will follow at the start of 2016.

DELIVERY SERVICE

Over the past few years we have built up a superb infrastructure of distribution centres that is geared to our current market share. As most of the growth required in order to achieve our ambition of a 30% market share will have to come from the delivery business, we have been thinking about how our infrastructure should develop in the next few years. The delivery operations of recent years have been associated with returns that are declining in relative terms. We have also noted that not enough has been done with regard to monetising services, and that growth in sales has been accompanied by a similar rise in costs. Over the next few years we will therefore focus on making further investments in customer focus and also on improving relative returns. With respect to the latter, specific steps have been defined in, among other things, our 'Good/Better' delivery service distribution centre programme and our 'Kicking Costs' programme. The latter programme, which mainly involves a different, smarter way of working, ran into delays in 2014 owing to the integration of acquisitions, the rapid incorporation of the customers taken over from Kruidenier and the commissioning of new infrastructure.

CASH-AND-CARRY

In the cash-and-carry business, the rollout of 3.0 and new stores is designed to bring about renewed attention to increasing sales (and margin) by means of higher levels of traffic and customer loyalty. We want to invest more in improving customer focus and make sure we do not disregard the format principles. By doing this, we hope to maintain excellent, relatively stable returns.

GROWTH BY ACQUISITION

The above discussion has focused mainly on organic growth. In addition to growing organically we also want to achieve growth through acquisitions. The fragmented market in which we operate -- a market in which the return is low or non-existent -- offers plenty of opportunities for us in the way of acquisitions. The timing of any acquisitions is something that we cannot determine in advance as it takes two to tango. Obviously, any takeover target needs to meet certain criteria:

→ It must first and foremost have an appropriate customer base/mix that, when combined with our business, creates synergy.
→ Its culture must not present an obstacle, as the company needs to be able to become part of Sligro (although not necessarily adopt its name).
→ It must be of a particular size or have a particular specialisation.
→ It must strengthen our presence at a regional or national level.
→ It must be acceptable in terms of market position and competition.

The acquisitions of Van Oers in 2013 and Horeca Totaal Sluis and Rooswinkel in 2014 satisfied these criteria.

HORECA TOTAAL SLUIS

In February we completed our takeover of this company, which has been included in our consolidated figures with effect from March. Horeca Totaal Sluis posted sales of some €20 million on an annual basis, which means it is extremely efficient, given that it has 40 employees. The West Zeeuws-Vlaanderen region served by Horeca Totaal Sluis is characterised by highly seasonal trading, with the emphasis primarily on the spring and summer. In that respect, the relatively poor weather seen during the summer in 2014 did not favour us. We waited until after the season had finished before fully integrating this company into our infrastructure, procedures and systems, and by November the time had come. Like the Vlissingen store, which also has highly seasonal trading, the Sluis store is an open delivery service distribution centre, which means that it combines cash-and-carry and delivery operations. In the case of the Sluis store, delivery services account for three quarters of sales. The customer mix of the Sluis store consists primarily of regional hospitality establishments, which is very much in keeping with Sligro. For this reason, to us the Sluis store is the 47th Sligro store.

ROOSWINKEL

Rooswinkel was a wholesaler that mostly provides delivery services and focuses on the small-scale hospitality sector and institutional customer market. In 2013 it posted sales of some €30 million and had 120 employees. Following a great deal of preparatory work, during the spring Rooswinkel's customers were transferred from the former location in Roermond to our newly opened delivery service distribution centre in Venray. This did create some difficulties, as sales from other locations had been combined at this distribution centre shortly before and there was also some organic growth in sales. Thanks to substantial additional efforts, matters were sorted out later in the year and Venray is now running at a normal level of productivity. One of our competitors made an attempt to snatch Rooswinkel's customers away. We managed to make up a large proportion of the loss of sales by means of a commercial counter-campaign targeting the customers of this competitor. We are not ruling out the possibility of repeating this campaign several times over the coming years, as our external sales force gained a great deal of energy and inspiration from it.

BELGIUM

In recent years our sales to Belgian customers have quadrupled to a level of €40 million. Customers in the border region have traditionally visited our cash-and-carry wholesale outlets, and we also had a number of customers with Dutch backgrounds who requested delivery to Belgium. When two major international companies asked us to deliver goods to their Belgian branches as well (we were already delivering to their Dutch branches) we were happy to oblige. This sounds more straightforward than it is, because while borders are open for people, they are certainly not for coffee and cola. Delivering these goods to Belgian branches involves a great deal of paperwork. In 2014 we decided to carry out a thorough examination of our position, opportunities and threats in Belgium and to draw up a long-term business plan. Our sales of €40 million gave us a market share of around 1% in Belgium, where relatively more is spent on 'out of home' food. We believe that there is little point in properly moving into a new market unless we can achieve a top-three position in that market in the longer term. Against that background, we are focusing on countries with relatively small populations and we intend to do one thing at a time. Following our attempts in Denmark, we are now investigating the Belgian market. In 2014 we appointed a country director and mapped out the market. Our business plan examines the route to market and the front and back-office requirements. Next, we want to identify what we require in which locations, and decide whether we will focus on cash-and-carry, delivery services or a combination of the two. In any event, we intend to use the Sligro brand strategy and format principles as a guide, supplementing them with Belgian 'elements'. We will focus primarily on organic growth as acquisitions cannot be used to strengthen a business until it has been properly built up. We expect that in the first half of 2015 our plans will be specific enough to be communicated to the outside world. For the time being, we are assuming that the Belgian market will offer us sufficient opportunities for future growth.

BERKEL EN RODENRIJS DELIVERY SERVICE DISTRIBUTION CENTRE

One project that definitely cannot go unmentioned in this chapter is the opening of our new delivery service distribution centre in Berkel en Rodenrijs. This hypermodern distribution centre complies with very high environmental and energy standards and has been awarded BREAAM*** certification (see page 69). The delivery activities of our former stores in The Hague and Barendrecht have been concentrated in Berkel en Rodenrijs. Both of these former establishments formed part of the assets acquired when VEN was taken over. The ten-year leases expired in 2014, and we were able to take this opportunity to adjust our distribution capacity to meet today's needs. During construction we decided to introduce a planned expansion phase ahead of schedule in view of the high level of new customers in this region. As a result, we now have a distribution centre with an area of 20,000m^2 that generates sales worth some €150 million on a yearly basis. The integration of the former stores went smoothly and we are now working on raising productivity to the desired level. As this normally takes us six months, we expect to achieve this goal during the first quarter.

We originally decided on a sale-and-lease-back construction for the building. From a strategic perspective, we do not believe that owning the property related to such distribution centres provides significant added value. However, since the property is BREEAM*** certified we are able to benefit from a number of tax breaks and subsidies that are not applicable to the same extent, if at all, for lessees. For this reason, we decided to hold on to the building and to finance this €14 million property investment ourselves. Fortunately, our financial position means that we are able to make decisions of this kind.

VAN HOECKEL

Van Hoeckel is our business that focuses on the institutional market. This market is subject to change, and the changes can be extreme. Perhaps not everyone is aware that the major shift away from residential care towards home care (and sometimes reduced levels of care) affects not only patients and healthcare providers but also their suppliers. In a short space of time, a foodservice segment that was stable and unaffected by economic trends for many years has become a shrinking market, and this situation will continue for a few years. A number of nursing homes and care centres have already been closed, and the Dutch Healthcare Authority (NZa) expects that the proportion will rise to 30% in due course. A total of 100,000 jobs will be lost in the care sector in the period from 2013 to 2015. This means that there will be fewer clients in the sector as well as fewer caregivers to feed.

Aside from the sharp drop in the number of places providing residential care, those that remain are making deep cuts, including in the area of food. This is unfortunate, because in this market food is very important when it comes to the client's perception of quality, yet it is a relatively small component of the cost.

Van Hoeckel estimates that its market contracted by 4% in 2014 and that it will shrink a further 4-5% in 2015. Fortunately, Van Hoeckel identified these trends at an early stage and was therefore the first part of the Group to assess its positioning based on the following principle:

- We are convinced that the best times of day in the care sector are mealtimes.
- For this reason, we support our customers to help them optimise their mealtime operations and the care they provide.

To this end, Van Hoeckel has introduced its ‘ABCD’ coaching model.

Van Hoeckel uses this model to support its customers in the care sector, and this has proved successful. In 2014, Van Hoeckel outperformed the market by some 4%, although it should be noted that even this is barely sufficient for growth in a contracting market such as the care sector.

ABCD COACHING

Focus on consumer
For sales and margin
Sales & Support

Concept based	Formats
Product range Coach ©	**TLC store**
Preparation Coach ©	**Restaurant**
Client experience ©	**Small-scale living**
Distribution Coach ©	**Home care**

PLAZA, FOOD FOR ALL WINS 'OUT OF HOME' FORMAT AWARD IN FAST FOOD SEGMENT

Organisation AND EMPLOYEES

GOALS

→ Establish long-term employment relationships, consistent with our status as a reliable and professional employer.
→ Encourage relatively long-lasting service with the company in order to maximise the payback from investments in training, corporate culture and commitment.
→ Maintain employees' pride in Sligro Food Group through intensive communication and enabling them to share in the Group's success.
→ Create a safe and pleasant working environment in which employees from different backgrounds can all feel at home.
→ Promote cooperation and partnership as a means of achieving targeted synergistic benefits for the Group.
→ Ensure we protect and promote important elements of our culture, our ‘Green Blood’, such as strength in unity, passionate pride, financial prudence, a healthy self-belief and a forthright attitude.
→ Create a leadership style reflecting our culture.
→ 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.
→ Continue promoting customer-oriented and customer-friendly practices as the norm for all our employees.
→ Anticipate the challenges in the marketplace and our ambitions for the future through a group-wide quality drive in the organisation.
→ Consistently strive to improve employees' performance by providing structured and challenging opportunities for training and management development.

CORPORATE CULTURE

These days we see again and again how important the Sligro culture is to our organisation. But what do we mean by this rather abstract concept of culture? More than anything, it is something you feel and something you are and, in a company like ours, it is not something you can define in a scientific way and certainly not something you should try and ‘control’. We choose our own path and we like having **healthy belief in ourselves**. In today’s society by contrast, legal requirements and documentation of actions are increasingly an end in themselves. This creates a real danger of many things becoming institutionalised instead of coming from the heart, which means they are no longer genuine. Having everything cut and dried does not generate a greater sense of satisfaction. For any company (especially one like ours) it is a huge challenge to tread the fine line between conflicting requirements. Our natural inclination is to act instinctively – that’s what we call entrepreneurship. And being entrepreneurial in a socially responsible manner comes naturally to us. It is simply a matter of impeccable corporate conduct, which is what you would expect of a family business with a stock-market listing. We are constantly at pains to strike the right balance between preserving a culture of informality and complying with all the stipulations and documentation requirements imposed on us by ‘others’. By ‘others’ we mean

controlling bodies in the widest sense – regulators, auditors, major customers, unions – the list goes on. For our part, incidentally, we do not see our culture as being anything special. We simply behave together with decency in a desire to generate **strength in unity**. There is much greater personal satisfaction to be gained from putting in a good performance as part of a good team. That this is by no means universally recognised is brought home to us particularly strongly when new staff join the company. These days we have little difficulty in recruiting staff to senior positions. Many an employee out there has had enough of the corporate culture in other organisations and is keen to come and work for us. On another more tactical level we need to raise our game even more if we are to realise our ambitious plans for the future, but a combination of talent and Sligro 'Green Blood' will always be vitally important. Staff lower down in the organisation, on the other hand, tend to appreciate our **consciously direct** attitude more, because it means they know exactly where they stand. In fact, you only need to work for us for a couple of days to become aware of the Sligro culture and, if it doesn't suit, you had better leave again pretty quickly. Not many people do, however, not least because our profiling-based recruitment and selection procedure looks in particular for personality traits that are going to fit in with our culture. Many of our employees are proud of the company, with what we refer to as a **passionate pride**, although we are perhaps guilty of a certain smugness in that regard. However, it almost goes without saying that the Sligro 3.0 project, described in detail commencing on page 37, will do a great deal to project that pride to the outside world as well. We are proud of being grocers. The dictionary definition of the term may have pejorative connotations but we see nothing wrong in having the attitudes of a humble shopkeeper. Indeed, we are proud of our **cost awareness**. Each and every day we take responsibility for the careful management of the assets we employ to propel our business forward on the road to a good future. In a nutshell, the Sligro culture is summarised in these five terms:

→ Strength in unity
→ Passionate pride
→ Cost awareness
→ Healthy belief in ourselves
→ Consciously direct

PEOPLE MAKE THE DIFFERENCE

It is our people who make the difference. We see that time and again in our customer opinion polling, with our cash-and-carry outlets scoring by far the highest satisfaction ratings. We are asked so many times how we 'train' staff to be so knowledgeable and helpful and the answer is always, 'We don't.' It is simply part of our culture, except that it obviously helps that many of our staff have hospitality sector backgrounds. Attending to other people's needs is something they grew up with. Incidentally, it is not only our customers who confirm this perception. Last year we conducted a wide-ranging job satisfaction survey among our staff which found the same thing, with staff attaching great weight to the importance of pride in and passion for their work. We record very high scores for commitment and enthusiasm compared with similar businesses. Perhaps people are seeking in their work and their immediate environment those things which they find wanting in society as a whole. In the Incompany survey, Sligro scored very highly for internal reputation and corporate culture, ranking among the top 10 of Dutch companies in the survey. The same qualities were also reflected last year in an inspirational session under the banner 'Food4thought', at which we asked 150 more senior staff for their thoughts on fair trade/food miles issues and dilemmas and how we could use our passion for food to promote ethical choices. We also cultivate that passion for food by organising team-based cookery courses. One of the key attributes we look for in our selection procedure is a genuine appreciation of good food. This applies not only to people who are going to be dealing with food on a day-to-day basis but also to accountants and ICT specialists. We are nevertheless aware that we still have some way to go in getting those in leadership positions to instil the Sligro culture into those at the bottom. We have accordingly developed a special training programme for managerial staff at various levels in the organisation.

LABOUR MARKET

There is still a certain amount of trouble in the labour market but things are settling down. It is encouraging that the employment figures are gradually improving, after years of job losses. It would be a good thing if the spotlight were shone more on job creation than unemployment. After all, the earning capacity of the nation essentially depends on people being in work. With effect from 2015, the Dutch figures will reflect the international definition of unemployment, leading to a drop of approximately one percentage point in the rate of unemployment, although the number of those out of work will rise by 1% – so everyone can choose which ever number makes them happy. The government, incidentally, has recently been on the defensive, based on old dogma from the days when the make-up of society was different. Countering flexibility is now in vogue in government circles, judging by the introduction of more and more rules, doubtless deriving from a belief that society can be fashioned to one's liking. Important aspects of the new Work and Security Act are at odds with the wishes of employers, and they do not reflect the way in which young people today are prepared to commit themselves either. The

STRENGTH IN UNITY
PASSIONATE PRIDE
COST AWARENESS
HEALTHY BELIEF IN OURSELVES
CONSCIOUSLY DIRECT

good elements of the new law are effectively snowed under as a consequence. In recent years a whole plethora of risks have been transferred from employees to employers, who have not been without not been given much in the way of tools for managing those risks. Such risks are difficult enough to bear for big companies like ours, let alone the SMEs that constitute the majority of our business-to-business customers. The restriction on the flexibility of temporary employment contracts to a maximum of two years is going to lead to more temporary contracts (instead of fewer, as intended) and force people to switch employers more frequently. Young people looking for casual work are not interested in a permanent contract of employment, but will be lost to us sooner than would otherwise be the case if they are priced out of a second part-time contract. To transfer the risks from employees to employers and to attempt to reduce flexibility is to fly in the face of economic reality, and the latter is always going to be stronger.

FLEXIBILITY

At Sligro, though, we are not keen on relying on flexible labour. Precisely because we cherish our corporate culture, what we really need are employees who have a lasting relationship with the company. Every business needs a certain degree of flexibility, however. The volume of work can shift from one location to another, may be seasonal or may depend on certain customers. Ensuring there is sufficient flexible working within the organisation gives us a substantial capacity to absorb workload fluctuations connected with acquisitions and other organisational changes. We have plenty of jobs but not always locally. There is a need for flexibility on both sides.

Thanks to that flexibility, when we took over Rooswinkel, we were able to offer a large group of employees who were surplus to immediate requirements suitable employment elsewhere in the Group or with the logistics companies who are our partners. We do not have our own transport operations but, because we have a long-standing relationship with our logistics providers, we are able to offer drivers from businesses we have acquired a new challenge through them. That would obviously not be possible in the absence of lasting relationships with the transport companies concerned. Incidentally we cultivate such lasting relationships not only because that is the decent way to do business but also because the driver is an important part of the service we deliver to our foodservice customers. In the case of Horeca Totaal Sluis, the redeployment ‘problems’ were relatively minor because of that company’s already efficient organisation, and we were able to allow natural wastage to reduce the number of people on flexible contracts to the desired level gradually over time.

SOCIAL PLAN

In some parts of our business we have implemented changes to reduce staffing levels to current requirements and occasionally that affected the terms of employment of staff. This was never done in the absence of a social plan, however. Nowadays these plans are agreed with the Works Council because the unions have withdrawn or have too few members. We have a great deal of respect for the fact that the Works Council is prepared to assume this responsibility. The biggest impact occurred with the implementation of modular job classification system at EMTÉ, which involved a dialogue with 800 staff over a short space of time, with financial implications for over half of them. The process was completed without too much labour unrest as a result of clear and consistent application and open communication. The employees accepted the arguments underpinning the decision. That says a great deal about our corporate culture. What has to be done has to be done, but always on a personal level and in a socially responsible manner. Other far-reaching changes were made affecting the on-site departments at the Delivery Service Centres and a couple of head-office departments, specifically Purchasing. This involved major changes to the working method and the organisational structure along process-based lines. The new suppliers' handbook was one of the things to come out of this exercise, contributing greatly to process-based operations for both parties. We expect to be able to complete the changes affecting Purchase in 2015.

In 2014 we invited new tenders for staff working flexible hours. This will enable us to achieve substantial cost savings brought about by intelligent cooperation and allowing a different approach to work scheduling. Apart from the cost savings, we expect quality improvement and a greater level of commitment. Finally, we started employing a greater number of students in our Delivery Service Centres in 2014, on relatively short-term contracts. Students are happy to work at times which are considered unsocial working hours by our regular staff (and certainly under the terms of our CLA).

SICKNESS ABSENCE

The provisions of the Temporary Staff Sickness and Incapacity Benefits (Restriction) Act (Wet BeZaVa) mean that, with effect from the beginning of 2014, we continue to be responsible for the sick pay of staff who leave the company while already on sick leave and even those who fall ill within one month of leaving. We have been implementing the new statutory arrangements properly with effect from day one. By keeping a close eye on contract end dates, the number of new sick pay claimants has been restricted to 16 and by far the majority of them only claimed for a short period. We contracted an outside consultancy to manage this process. This act, incidentally, is one of the examples of the way in which responsibility is being shifted to employers without any corresponding means of managing it. We have short-term absence well under control but absence of medium duration and long-term absence has increased, taking the overall absence rate up to 4.2% from 4.0%. A third component in long-term sickness absence has a psychological background, often relating to an individual's private life. As employer we initiate social work in such cases or offer the support of a psychologist. Increasingly, financial problems are what lie behind people reporting sick, and these are people who are in employment.

We are also seeing an increase in the number of wage garnishments. On average we had more than 300 in 2014. In our Amsterdam Delivery Service Centre we have a relatively large number of people who have got into financial difficulties and whose debts are being recovered in this way. This has prompted us to launch a pilot project to show people how to budget effectively. The results have been encouraging and we shall be doing this to a greater extent in severe cases. The other side of the coin is that we are becoming increasingly involved in the private affairs of our employees, which for several reasons is undesirable.

Our aim, through a combination of these measures, is ultimately to get the absence rate down below 4% again.

As we reported last year, under the Return to Work (Partially Disabled) Regulation (WGA), we were forced to revert to the public sector system for paying employees not qualifying as permanently unfit for work. Our automated absentee management process helps us to meet the strict formal requirements of the UWV, the official body implementing employee insurance schemes, on a timely basis. We have accordingly not been subject to any sanctions. It is perfectly possible to comply with the rules and that is the extent of our 'technical' responsibility – a prime example of the way in which things can appear properly organised on paper but certainly do not lead to satisfaction or to intelligent solutions.

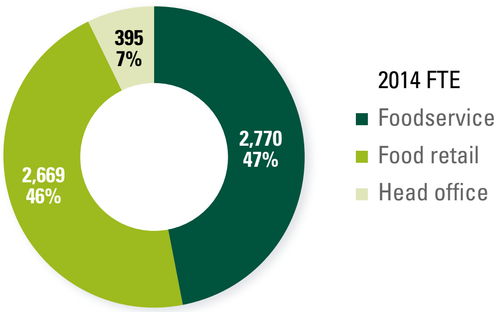
WORKFORCE MAKE-UP AND DIVERSITY

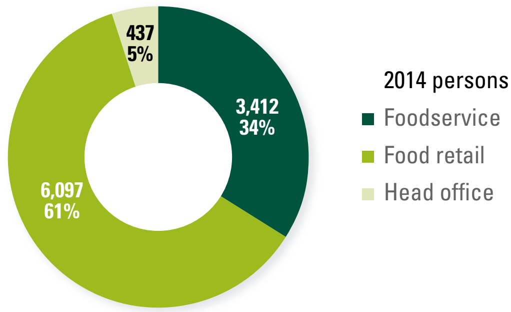
The following graphs analyse our overall workforce into three categories:

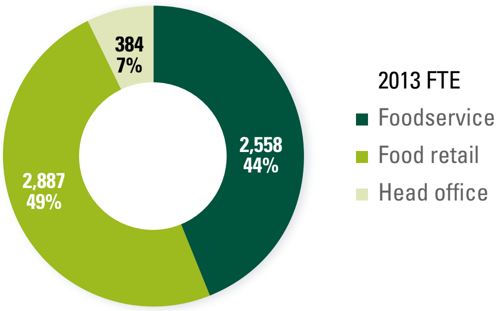
→ Head office
→ Food retail
→ Foodservice.

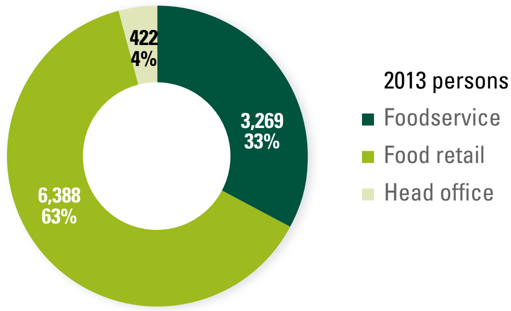
We have changed the definitions slightly compared with last year. The main difference is that the definition of what constitutes central head office no longer depends solely on

Employee numbers







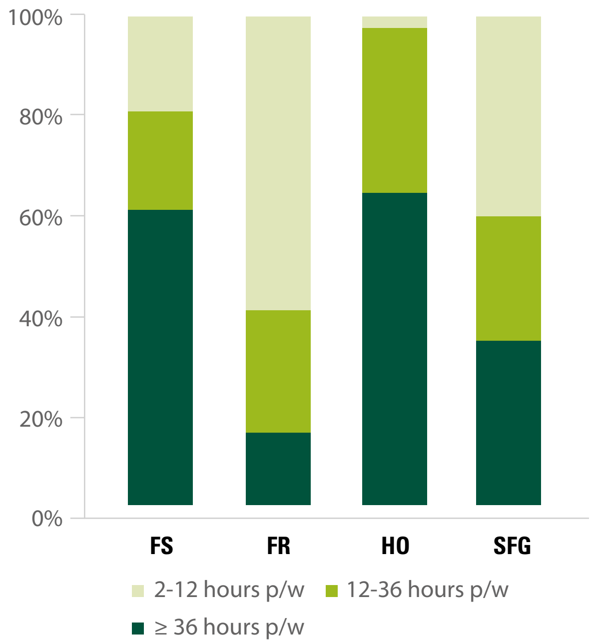


where an employee works. Head-office staff who perform activities exclusively in connection with foodservice or food retail operations are instead included in the numbers for the respective parts of the business. The comparative figures for 2013 have been restated on the same basis. The breakdown of employee numbers is as shown above.

The analysis shows that the total number of employees has hardly altered but there has been an increase of approximately 200 FTEs in foodservice and a decrease of approximately 200 FTEs in food retail.

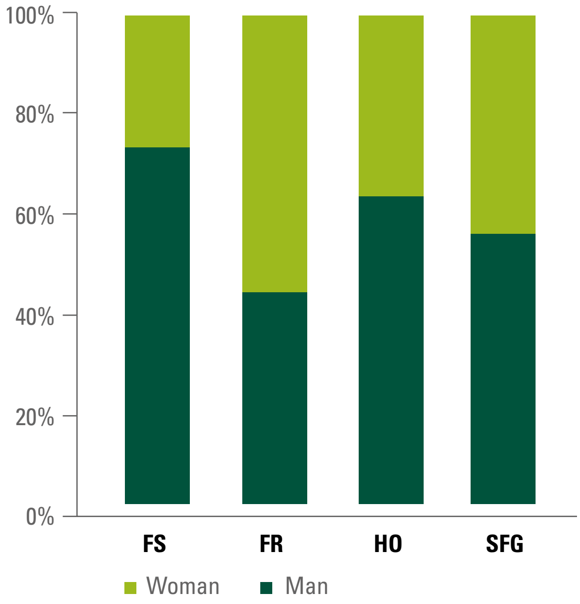
The total number of foodservice FTEs increased by 120 as a result of acquisitions in 2014. This relates to the acquisitions of Horeca Totaal Sluis and Rooswinkel (on a proportionate basis) and the full-year effect of the Van Oers acquisition in 2013. It should be remembered that the Rooswinkel (and Van Oers) drivers found jobs with our logistics service providers.. The graphs only show the numbers of actual Sligro employees. We also make use of temporary staff and Euroflex staff. This is partly the result of conscious choices we have made in our logistics activities and the need for flexibility and partly because of a shortage of permanent staff of the right quality. Over the year, 350 FTE positions (2013: 342 FTEs) were filled by the Group, using temporary staff. The reduction in staff numbers in food retail is mainly accounted for by two store closures, the transfer of stores to franchisees and the effects of the modular job classification system setup.
Staff can also be analysed according to type of contract, gender and age.

Staff analysed by contract

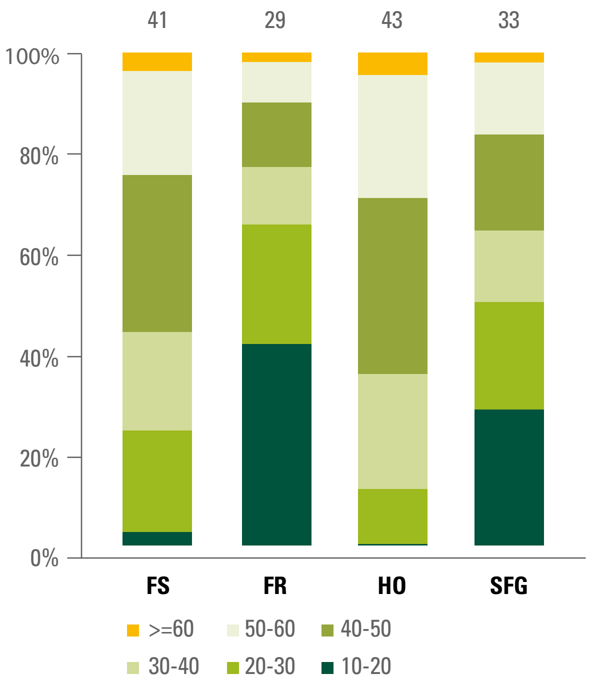


From these graphs can be seen, among other things, that large numbers of young people working a small number of hours are employed in the supermarkets. These are mainly students and schoolchildren doing part-time work alongside their studies. We have both boys and girls. The supermarkets provide them with very valuable first working experience and teach them a bit of the self-discipline needed to get up on time, show them how to treat customers, instil job discipline and, of course, teach them how to handle the money they earn. Contrary to public opinion and the attitude of the unions, where this is seen as exploitation of cheap labour, young people themselves

Staff analysed by gender



Staff analysed by age



see it as an attractive first job from which they learn a lot. In our job satisfaction surveys, this group of employees in particular shows very high scores. In addition, many women take part-time jobs in supermarkets, combining this work with home and family responsibilities. This explains the preponderance of women in the food retail business alongside the relatively small number of hours worked per week. The foodservice business, on the other hand, involves a large number of jobs concerned with logistics operations, which are less appealing to women. The age profile for foodservice is fairly balanced. The nature of the work, however, means there are not many places for non-adults. That also has to do with the standard of education required. Many jobs in a supermarket are manual whereas the foodservice activities require more highly qualified staff. Most foodservice employees are on full-time or near-full-time contracts.

The situation at our head office is totally different. Many jobs require secondary education qualifications or even graduates. This kind of job usually involves working full-time or on a substantial part-time contract. There is a clear trend towards increasingly high standards of education. Head-office jobs are not really gender-specific but the type of organisation we are means that men are over-represented. We are attempting to give more jobs to women in two places within the organisation. We would like to get more women progressing onto the management teams of our supermarkets, not least because most of our customers are women. In our head office, too, we are seeing the number of women in management positions increasing, which is something we welcome. This is done to some extent when recruiting but, in our organisation, in which it is very important to train up and bring on our own people, it just takes time. At Sligro, incidentally, diversity is a matter for pragmatic and open discussion rather than something to be dogmatically imposed, which would lead to all kinds of practical difficulties to be circumvented. We know what we would like to see and we believe it is right that there should be a better balance between men and women but we are taking things steadily, step by step.

It is true, when it comes to the Executive Board, that it is made up of three men, and this situation is not going to change with the replacement of the CFO in 2015. Seven years ago we decided that it was very important for there to be internal succession planning for this job because of the Group's unique financial management model. The designated successor happens to be male and we believe his experience of the business to be more important than gender. The Supervisory Board is made up of three men and one woman. The increase in the number of members led to the appointment of a man simply because the procedure, based on qualities and matching of the established profile, made this particular male candidate the clear favourite. We believe possessing the right competencies, coupled with Sligro Green Blood, to be every bit as important as gender. That is what gives our business its strength.

PARTICIPATION ACT

The Participation Act (aimed at increased inclusion and participation of people with disadvantages in the labour market) comes into operation in 2015. Our company is one whose instinct is to look for capabilities rather than disabilities. However, this new piece of legislation is full of ambiguities and the 'sticker' issue is far from resolved. It is not clear where responsibility lies and, as an employer, we have to deal with the UWV (the body implementing employee insurance schemes), municipal authorities, social services and sheltered employment organisations. We have 200 sites spread across the country and each region, each department even, has its own policy and vision. On top of that, various authorities are confusing their role of official body with that of customer of our company by demanding local reciprocity. We are taking part in a trial organised by the Brabant and Zeeland Employers' Association (BZW) involving the establishment of a dedicated organisation Werkbedrijf Oost-Brabant, creating a pilot region. Through this initiative we hope to help smooth the situation, with the aid of the General Association of Employers in the Netherlands (AWVN). We are also taking part in a trial in the Veghel area and we have conducted pilot schemes to employ disabled people as well. It is our observation that the primary and secondary legislation fails to take account of practical considerations. No doubt the penalties for non-compliance will be well organised, maybe they are its real purpose!

SAFETY

As a company we have an important responsibility for the safety of our employees and their perception of safety. Working for our company is not dangerous as such but it is nevertheless important to monitor safety closely if only to ensure that that continues to be the case. In 2014 we recorded 120 accidents (2013: 155). In 43 cases (2013: 53) treatment was necessary and, in 4 cases (2013: 4), the injury was serious enough to result in hospital admission. Obviously we have procedures in place for immediate investigation and accidents are reported as necessary to the Inspectorate of the Ministry of Social Affairs and Employment. Health and Safety support was contracted out to a professional services organisation in 2014, benefiting quality. We rolled out a new approach to risk assessments and standardised our evaluation procedures. The risk managers at our various sites received new training. The work instructions and safety cards for EMTÉ have been brought up to date and redistributed. They call for extra attention to the safe use of the various pieces of equipment in the store, including use by young people. Evacuation drills were held at all sites. There was one actual/attempted robbery in 2014 (2013: 2).

LEARNING AND DEVELOPMENT

Retirement and departure of staff made it necessary to re-staff this section of the HR-department. This provided the opportunity for a shift of emphasis, while respecting the work that had been done in the past, of course. One factor was the need for further digitisation, and the groundwork for this has been done. Important training programmes were connected with changes in our commercial approach. The implementation of Sligro 3.0 and even more so the Fijnproevers ('Gourmet') loyalty programme (because of its sheer scale) had quite a few implications for our organisation and the associated training needs. Training for the Fijnproevers programme involved e-learning and the Sligro 3.0 training programme involved a combination of local on-site training sessions, team-building exercises and e-learning. To mark the retirement of the former head of training we instituted the Jan Hoenselaars Award for the best dissertation or final report from our employees, or their children (at graduate level). We consider learning and development to be an important pillar of our human resources policy.

Our employee satisfaction surveys have revealed a considerable need for development opportunities. It is clear that we have to improve communication in this regard. Lifelong learning is the norm. The challenge is to get staff to recognise that they bear their own responsibility in this connection. It cuts both ways.

AS A COMPANY WE HAVE AN IMPORTANT RESPONSIBILITY FOR THE SAFETY OF OUR EMPLOYEES AND THEIR PERCEPTION OF SAFETY

PROFESSIONALISATION OF HRM

We have been making substantial progress in recent years in the professionalisation of the HRM organisation itself. HRM is gradually undertaking all the tasks which logically fall within the department's remit, reporting on them and providing independent, reliable and relevant management information on our most important asset, our employees. The first substantial steps associated with going digital have been taken and another big step forward will be made with automation at the beginning of 2015 in the form of Management Self-Service. We are currently in the process of selecting a new platform for Employee Self-Service, which will also have much wider application as a platform for cooperation and communication. That will alter a great deal when it comes to communication, training, management, transfer of information and cooperation. We expect to be able to go live with this system in 2015, when we have completed a careful implementation process. Incidentally, this exercise is not something that is restricted to HRM alone. We are making progress with the efficiency and quality of the enormous administrative process connected with having 10,000 employees, including 4,000 with part-time jobs as assistants. This inevitably means a high rate of staff turnover.

WORKS COUNCIL

The three-year term of the current Works Council started at the beginning of 2014. We have only one Works Council, corresponding to the organisational structure of the Group. We are after all a single business with three routes to the market and one integrated back-office, as can be seen from the organisation chart on page 23 Sitting on the Works Council are representatives from all parts of the business, but the Works Council divides its duties according to subject matter rather than business activity. In a company with 10,000 employees you cannot manage without worker representation. We are required to have a Works Council by law but we see that 'necessity' as a blessing. Input from employees, formalised via a Works Council and reinforced every day in consultative meetings or otherwise, enhances the quality of the company, and this, too, contributes to our 'strength in unity'.

There were four regular Consultative Meetings during the year and two extra Consultative Meetings, each devoted to a specific topic. These meetings always begin with an exchange of information. The Executive Board reports to the Works Council in detail about what is going on in the company, both with respect to the various activities and regarding matters which directly affect staff. The Works Council reports in turn according to a rotational system. It is worth mentioning a few of the 'consultative projects' in particular:

- → Far-reaching organisational changes having a major impact, such as the modular job classification system setup at EMTÉ, the rundown of the internal sales departments in the Delivery Service centres and the new sales organisation for the foodservice business.
- → The acquisitions and subsequent integration of Horeca Totaal Sluis and Rooswinkel, in particular the need for redeployment of staff in the case of the latter.
- → The agreement of the new pension scheme (described below).
- → The agreement of the new employee share ownership scheme (again described below).

These were far-reaching decisions or significant changes, all of which were agreed in a constructive and open dialogue. It is not always easy for a Works Council to assume joint responsibility for actions which sometimes hurt individual employees while being necessary for the company to have a good future. Moreover, some matters are complex, both as to content, for example when connected with legislation, and in their consequences. However, by devoting plenty of time to effective briefing in the special committees, it is nevertheless possible to reach a fair decision. With mutual respect and openness, and plenty of Sligro 'Green Blood', we always manage to arrive at satisfactory solutions. In 2014, the business also included the following items:

- → Staff changes in various departments.
- → The progress (and lack thereof) in CLA negotiations.
- → The Group's 2013 Annual Report.
- → The company-wide Sligro Food Group social plan.
- → The employee satisfaction survey.
- → The HRM roadmap and other developments affecting HRM.
- → The Fijnproevers loyalty programme.
- → The pension fund's annual report for 2013.
- → The indexation of travelling expenses.
- → The expense-allowance scheme.
- → The cost-cutting programme 'Kicken op Kosten'.
- → Staff assessment interviews.
- → The CFO succession.

The above list reveals that there was plenty to talk about. Discussions were conducted in a particularly constructive

manner and, thanks to the preparatory work carried out in committee, they were productive. We owe the Works Council our respect for this and we are grateful to the Council for the pleasant and professional manner in which we have been able to work together.

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. These two CLAs still have in common that negotiations in recent years have been extremely tough or have failed to reach agreement altogether. In contrast to our Works Council, the unions refuse to take responsibility for the necessary modernisation of conditions of employment. Both CLAs have since expired and no new agreements have been reached. For the employees who were covered by these CLAs, employers have unilaterally awarded pay increases so that their workers do not lose out because of the failure of the negotiations. We are actually quite happy with that situation. If the proper mechanism does not work we simply have to find one that does.

PENSIONS AND PENSION FUNDS

Coming into effect in 2015, the government imposed substantial restrictions on the accrual of pension rights in 2014. The new rules led to a great deal of discussion in the two main CLA groups affecting Sligro, resulting in 'emergency measures' shortly before year-end. One of the contentious issues was the problem of transitional 'rights' from the past. These rights (connected with early retirement arrangements under VPL legislation) mostly relate to half-hearted defined 'pre-pension' benefits, which are not properly funded. This means that a large group of employees is paying substantial amounts for a small group of relatively old men. Fortunately, there is growing resistance to this state of affairs that is still euphemistically referred to as 'solidarity'. Those employees who are covered by the wholesale sector CLA have been included in the company pension fund operated by the Group. We decided in the past against implementing the transitional arrangements, so we do not now have any schemes to 'dismantle'. Our scheme for the affected group was in the past largely in line with the arrangements for the sector, with the exception of the 'pre-pension' business. In 2014, however, in close consultation with the Works Council and the pension fund trustees, we decided on our own course of action. Obviously this scheme takes into account the legal requirements and the tougher regulatory standards. The new scheme is what is known as a collective defined contribution scheme, in which the contribution rate is fixed for both employer and employee for five years. The implementation of this scheme also relieves us of compliance with a number of complicated accounting rules which appeared to show that the Group was exposed to far more financial risks relating to the pension fund than was actually the case. From now on, the employer's contribution payable by the Group will be the same as the related cost recognised in the profit and loss account. We decided that the reduction in pension rights should be reflected only to a limited extent in reduced contributions. Moreover, it is only the level of contributions payable by employees which is lower. Our intention with this decision is to be able to manage a higher rate of annual increase for pensions in due course, following the extra support measures which all affected parties had previously implemented in 2010. Our aim is that our employees after a lifetime of work should be able to support themselves in their retirement without having to start growing their own vegetables in an effort to make ends meet. The company pension fund is in relatively good health, with a funding ratio as at year-end 2014 of 126%.

EMPLOYEE SHARE OWNERSHIP

Ever since the flotation of our company we have been encouraging share ownership by employees (shares for the 'ordinary' man and woman). We are proud that, over the years, this has led to almost 4% of the shares being in the hands of our employees. That is all part of our 'Strength in unity Green Blood' culture. The problem, however, was that the scheme started to cost too much. The relationship between the 'value' of the shares for the employee and the cost to the company began to be excessively skewed. Various government initiatives had made the scheme simply too costly. Fortunately, in conjunction with the expence-allowance scheme, a reasonable solution has been found, coming into effect as from 2015. The new scheme comprises a combination of shares and 'Green Blood Certificates', a kind of share option. The Green Blood Certificates will still lead to increased share ownership in the fullness of time. The Executive Board has also converted its own options scheme into Green Blood Certificates, except that in the case of the directors the existing longer period for which shares must be held is maintained and now applies not just to 50% but to the entire 'benefit' potentially deriving from the scheme. The Works Council was wholeheartedly in favour of the revised scheme.

CORPORATE
social responsibility

It is our practice to cover both our financial results and our sustainability performance in our annual report. In the sections 'Corporate social responsibility' and 'Organisation and employees' we set forth our vision, our approach and the specific issues we have addressed in 2014. We also report on progress towards our sustainability targets up to 2020.

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, or rather in today's new economic reality. For us, corporate social responsibility is simply a key element of professional and sustainable business practices. This may have to do with our position as a listed family business because, as a family business, we want to do things properly and treat our environment with due respect.

> We measure the added value of Sligro Food Group by more than financial performance alone. As well as financial results, issues relating to safety (including food safety), energy, the environment and society also play an important role for us. Corporate social responsibility sits naturally in our integrated business vision, whereby we create value at the economic (Profit), environmental (Planet) and social (People) levels.

The focus in 2014 was again on the further definition and achievement of our CSR objectives. For several years now we have been showing how our intrinsic motivation, namely our sincere desire to help in shaping the world we leave to the generations to follow, is perfectly compatible with the pursuit of quantified targets. We believe that this combination is important, because setting targets alone should not be an end in itself. What is ultimately at issue are the targeted, concrete improvements that our business is able to make bit by bit over time.

ONE BUSINESS, ONE POLICY

As a centrally managed organisation we pursue a single sustainability policy for the Group. The core themes, ambitions and targets accordingly apply to the Group as a whole. In the scope and extent of our reporting, however, we do distinguish between our foodservice and our food retail activities, in view of the scale of these activities. In foodservice, Sligro is market leader in the Netherlands (22.9% market share), demanding that:
- → We encourage innovation
- → We are open to experiment
- → We assume the role of director of value chain orchestrator
- → We take sustainability initiatives as a matter of course.

In food retail, EMTÉ is a small player (2.7% market share), so a more modest role is appropriate, meaning that:
- → We tend to follow rather than initiate…
- → except with respect to EMTÉ's trump card: fresh produce.

Our scope and position in the chain

Sligro Food Group in the supply chain

CHEESE & MEAT PRODUCTS

FOR US, CORPORATE SOCIAL RESPONSIBILITY IS SIMPLY A KEY ELEMENT OF PROFESSIONAL AND SUSTAINABLE BUSINESS PRACTICES

ABOUT THIS REPORT

In this section we report on the results achieved and the most significant developments in the field of corporate social responsibility (CSR) in 2014. The figures concerning staff are given in the 'Organisation and employees' section of this report. Previous sections also contain information and key figures relating to the Group's organisation. The report has been prepared in accordance with the Global Reporting Initiative (GRI) guidelines and qualifies as level C (self-declared). Sligro seeks to improve the transparency and relevance of the annual report with the help of the GRI guidelines and the Transparency Benchmark criteria. The GRI table can be found on page 156 of this report. The topics covered in this CSR report have been nominated by the experts on the CSR Steering Group. The content of the report also reflects questions, responses and feedback from stakeholders such as consumers, employees, NGOs and shareholders and discusses developments in the sector, such as legislation and standards. The report's main target groups are our employees, customers, shareholders, suppliers and potential employees.

The report and the related GRI table can also be found on our corporate website.Please address any questions, comments or suggestions to: mvo@sligro.nl.

IMPLEMENTATION IN THE ORGANISATION

The Group makes use of a CSR Steering Group. The composition of this Steering Group has been matched to the CSR core themes which we have formulated for Sligro Food Group and for which the members bear ultimate responsibility for their respective areas within Sligro Food Group. The CSR Steering Group as a whole makes policy choices and the individual members implement them operationally within their respective areas. The CSR Steering Group is chaired by the chairman of Sligro Food Group's Executive Board. The CSR Steering Group met on eight occasions in 2014.

INTERNAL COMMUNICATION

Progress towards our sustainability targets was a regular item on the agendas of the meetings of the Works Council, Executive Board and Supervisory Board in 2014 and regular presentations on that subject were given at those meetings. Last year internal communication was scaled up in terms of frequency and volume. Our staff magazine 'SliM' devoted at least two pages each month to our sustainability activities and news of the latest developments was published on the Group intranet 'Slimnet'. September saw the organisation of the inspirational conference 'Food4Thought', connected with the sustainability debate within the Group. The conference

WE RAISE THE SUBJECT OF OUR SUSTAINABILITY POLICY AT ALL LEVELS AND WITH ALL SORTS OF GROUPS was attended by 150 staff and was addressed by outside speakers, to encourage debate and thought about the way in which we deal with food on a day-to-day basis, as well as the implications this has for future developments, the role we play in this as individuals and as a company and what our responsibilities are. To keep this inspirational debate alive in our company and, more particularly, to involve more people, an internal digital 'Food4Thought' newsletter has been launched.

EXTERNAL COMMUNICATION

Our all-new corporate website went live in 2014, with corporate social responsibility not only occupying more space but also having a more prominent position, with a separate link on the main navigation bar. We also actively sought to generate media interest last year with the object of publicising specific sustainability developments outside the organisation as well. We had noticed that we tended to sell ourselves short, perhaps out of natural modesty. Stories which succeeded in attracting particular media attentionincluded the record sales of our Eerlijk & Heerlijk ('Honest & Delicious') ethical choice range and the popularity of beef from animals allowed to graze in Dutch nature reserves, sold under the Natuurvlees label.

STAKEHOLDER DIALOGUE

Our clear choices and definite targets spark interest and inevitably generate greater attention and a more intensive stakeholder dialogue. We raise the subject of our sustainability policy at all levels and with all sorts of groups, e.g. our shareholders, staff, suppliers, customers, sector organisations, public authorities, NGOs, people living in the vicinity of our sites and students. The content of this dialogue ranges, for example, from the specific matching of our sustainability policy to the wishes of customers to stimulating discussions with other players in the supply chain regarding the marketing of a sustainable product range. We are open to such dialogue and seek very much to engage in it.

There was again dialogue with various NGOs in 2014, with the emphasis on food safety, food reliability, food availability and animal welfare. In general we find these discussions constructive and we are able to report that the differences in points of view are not as great as public perceptions suggest, so that the argument is increasingly about the speed of progress and priorities.

As a major player in the food market we play a responsible role by assuming administrative functions and by our active involvement within sector and regional organisations. We are, for instance, an active member of the Centraal Bureau Levensmiddelenhandel or CBL ('Dutch Central Food Retail Association') and we perform a number of management and committee functions, including those relating to sustainability. The Group is represented on the executive committee of the Dutch Foodservice Institute (FSIN) and, in the CEO Convention, we have a presence on the Advisory Board and in the Food Squad in a managerial capacity.

A new development concerns AgriFood Capital. In 2020, North-East Brabant will be a leading region for agriculture and food – a region with an international reach, with the power to attract people from across the Netherlands and with local forms of partnership. Businesses, public authorities and academic establishments in the region are working together to develop innovative products, technologies and concepts. Together they are seeking solutions to problems facing society such as sustainability, food and health. As a key player, we are very much involved in this programme and perform a pioneering role in it as well as a function on the foundation's executive committee.

CSR CERTIFICATION

Initially we opted to focus on content rather than form and were always rather circumspect when it came to certification of our CSR activities. This was basically a pragmatic decision, given the reach and complexity of our organisation. We have, however, now taken a further step towards certification. We have been looking at all the possible models and decided on FIRA. FIRA verifies the CSR information of companies and institutions, providing a quantifiable basis for discussion of CSR performance, using reliable data. In November 2014 we made a start with this process and our aim is to complete registration after the publication of this report. We can then start populating the FIRA database with current information and key figures.

CORE THEMES, AMBITIONS AND TARGETS

There are three core themes to our CSR policy, which we believe cover the areas in which our major opportunities and challenges lie and for which we bear the greatest and most obvious responsibilities for reporting in the chain: people, the environment and our product range. We have formulated qualitative and quantitative ambitions for each of these themes.

Our core themes

People	Environment	Product range
		
Our employees	Energy	Sustainability
Our customers	CO_2	Health
Our community	Packaging	Food waste
	Waste	

AMBITIONS AND TARGETS

The ambitions that relate to these core themes are:

People

We want to offer our employees and their families a challenging, inspiring and safe working environment. We want to play an active and responsible role in the community in which we are directly or indirectly involved.

Respect for all stakeholders is part of our CSR policy. One way in which this respect is expressed is in transparent communication with customers, about products and about resolving problems. Customer satisfaction for us is a measure of the extent to which customers perceive Sligro as treating its customers well. We have therefore set ourselves the goal of sustained improvement in our Net Promoter Score (NPS).

Environment

We aim to play a pioneering role, in which our respect for the environment drives us constantly to undertake bold but sensible innovation, keeping social and economic returns in balance while remaining aware of our stewardship responsibilities.

As a measure of the success of our efforts, we have calculated our CO_2 emissions. To relate our CO_2 emissions to the growth of our business in the coming years, we express them as a percentage of sales. We are aiming to reduce our CO_2 emissions as a percentage of sales by 20% between 2010 and 2020 – what we refer to as our 20-20 goal.

Product range

It is our responsibility to assist and motivate our customers to make sustainable and healthy choices.

Our unique Eerlijk & Heerlijk (literally 'Honest & Delicious') ethical choice range, which we launched in 2010, forcefully identifies the sustainably produced products we have on offer. We are aiming for 10% year-on-year growth in Eerlijk & Heerlijk sales up to year-end 2015.

CHALLENGES, QUESTIONS AND DILEMMAS

There is more than one side to the sustainability coin

'Sustainability' is a broad umbrella for a variety of issues and interests. These may run parallel to each other but sometimes they run counter to each other because differing interests or goals are at stake and the one does not necessarily outweigh the other. Animal welfare versus food safety is just such a dilemma. What is more important: to give chickens the most natural possible life by allowing them complete free range or to give them better protection against bird flu by keeping them indoors? And what if there is an adverse environmental impact by not being able to control the manure issue as effectively in free range husbandry – as is the case with organic chickens, with which CO_2 emissions are 60% higher than with intensively reared chickens. Such considerations and therefore the different choices available are reflected in the products on the shelves of our supermarkets. After all, not every consumer has the same priorities or cares about sustainability to the same extent. Making the product range more sustainable, therefore, is not a simple either/or matter but one which requires a constant balancing act and step-by-step progress.

Deregulation?

National government is devolving more and more authority down to municipal level. This deregulation at national level has major implications for supermarket formats that have national or supra-regional coverage, as nearly all of the Dutch supermarket chains do. Local authorities now have the power to make changes to legal requirements that previously applied nation-wide. And that is happening. The result is that different municipalities have different rules and regulations relating to such things as opening times, energy covenants and the implementation of the Alcohol Licensing and Licensed Premises Act, making it increasingly difficult for supermarket organisations to apply the same policy in all their stores. This leads to inefficiencies and increased costs plus confusion and frustration for customers.

Supermarket reputations

Our supermarkets lie at the heart of the community and play an important role not only in the economy but also in society at large. Supermarkets put life's primary necessities of food and drink within the immediate reach of everyone in the Netherlands. We assume responsibility for the safety, healthiness and sustainability of the products we sell. It is accordingly us and the supermarket sector that politicians, NGOs and the media turn to when it comes to complying with legal requirements or getting other players in the chain and the general public to conform to society's wishes. The numerous initiatives which we and the Central Food Retail Association (CBL) take in relation to sustainability and healthy eating mean that, as an industry, we stick our heads above the parapet, making it easy to target us collectively. It seems we are expected to be able to solve all kinds of problems – products from Israeli-occupied areas, food fraud, irregularities in factories, intensive chicken farming, PC concerns about Zwarte Pieten ('Black Peter' figures who traditionally accompany Saint Nicholas in the run-up to Christmas) on our shelves – it is up to the supermarket sector to sort it out, or stand accused of being behind it. Such often negative stories emanating from the food supply chain are quickly spread via social media, as are all the various opinions circulating in the population generally or promulgated by self-appointed experts. Increasingly this is creating a picture at odds with reality and this we should be concerned about and need to address. In order to guard and enhance our reputation, both we and the CBL will be focusing as far as possible on fact-based communication, with strong emphasis on the social and economic relevance of the food retail and foodservice sector.

Tax

We also consider paying our way in society – in the form of taxes, according to the agreed rules – to be part of our Corporate Social Responsibility. We are transparent in our payment of tax on the basis of a tax agreement, referred to as Horizontal Supervision, that we entered into with the Dutch Tax & Customs Administration in 2014. This 'covenant' contains reciprocal agreements on the manner in which the company and the tax authority will deal with each other in a transparent manner. This has included performing a tax self-assessment, assisted by outside consultants. Nearly all our activities are carried on within the Netherlands and this means that Dutch corporation tax is payable on the entire taxable profit in the Netherlands. Obviously, we take advantage of all the tax facilities which the law provides, but without attempting to test the limits. Moreover, since we have very little debt, we make a substantial contribution to the Dutch tax take on company profits. We do not engage in any tax avoidance schemes involving countries with lower tax rates. The following statement shows how much actual corporation tax we have paid in the last five years.

(x € million)	
2014	23
2013	22
2012	18
2011	17
2010	21
	101

The total amount is €101 million, and we should just like to mention that the lower figures in 2011 and 2012 were partly to do with special accelerated depreciation facilities by which the government attempted at the time to encourage investment, and we responded to the incentive. As can be seen from our cash flow statement, not only do we pay a great deal in corporation tax but we also make many other payments to public authorities as well. In some cases it is we ourselves who owe the tax which is payable, for example as an employer, but in other cases we are simply collecting tax on behalf of the government (as an unpaid public servant), as in the case of VAT, excise duty and employees' PAYE income tax and social security contributions. Over the past five years, these payments have been as follows:

(x € million)	
2014	209
2013	212
2012	197
2011	193
2010	195
	1,006

The above statement shows that we have collected and paid over more than €1 billion in this type of tax.

DEVELOPMENTS AND PROGRESS BY CORE THEME

People

Our employees

We are very well aware that our success is entirely down to our employees. They are the key to success not only in terms of production capacity but more especially as regards their conduct, their commitment, passion, customer care, creativity and entrepreneurship. This annual report therefore focuses closely on our employees (starting on page 45), discussing business culture, vitality and other elements of our ambitions in that area. We believe our corporate culture to be one of the most robust and durable distinctive success factors of our business. That is why we devote a great deal of time and attention to it. The section covering employees also contains the key figures on the workforce and the results of the employee satisfaction survey.

Our customers

Respect for all stakeholders is part of our CSR policy. One way in which this respect is expressed is in transparent communication with customers, regarding the quality and origin of products and about resolving problems. Customer satisfaction for us is a measure of the extent to which customers perceive Sligro as treating its customers well.

Customer satisfaction – foodservice

Back in 2013 we initiated a structured approach with the object of measuring Sligro's Net Promoter Score (NPS) on an ongoing basis in the same way as for EMTÉ. Not only do we measure our own performance but we also benchmark the results against our competitors.The 2014 survey again showed that Sligro scored highest among the nationally operating wholesalers.
Sligro NPS: 17
Promoters: 28%
Detractors: 11%
Passives: 61%

The NPS is arrived at by taking the difference between the percentage of promoters and the percentage of detractors. It is not itself a percentage but an absolute number in the range -100 to +100.

Customer satisfaction – food retail

We also measure customer satisfaction with EMTÉ using the NPS. In addition we use the annual GfK summer and Christmas reports to see how EMTÉ scores compare with other supermarkets.

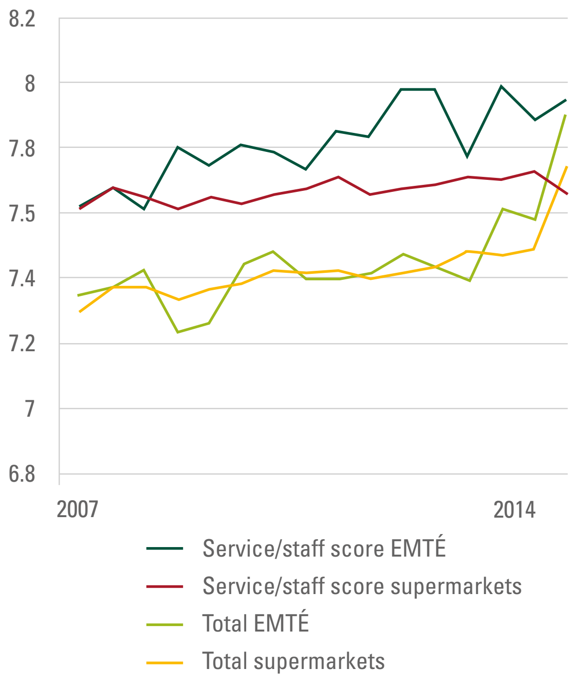
Gfk summer and Christmas reports

Starting with the 2014 Christmas report, GfK has changed the way it does its survey. The new survey method includes only the opinion of the primary and secondary customers. Previously, the

Sligro Net Promoter Score: 17

GfK customer satisfaction survey arrived at a final ranking based on the summer and Christmas reports combined. With effect from the 2014 Christmas report, the presentation of the different supermarket formats is included in the overall ranking. On that basis EMTÉ ranks in 10th place. For the sake of comparison, however, and to permit a trend to be seen we are restricting ourselves to the customer rating, and it should be pointed out that the customer rating as from the 2014 Christmas report relates solely to regular customers. They represent approximately 75% of the total sales. In terms of customer rating, EMTÉ ranks in 3rd place. Measurement of the customer friendliness score has also changed since the previous Christmas report. From now on, this score takes into account several factors in addition to the friendliness of staff, such as the availability of staff, product information, waiting times at the checkout and tidiness of the store. This rating is now referred to as 'Service/staff'.

GfK 2014 fresh produce report



For the fifth time, EMTÉ was voted as the supermarket with the best meat department in the Netherlands.

Most customer-friendly businesses in the Netherlands

EMTÉ was named as the most customer-friendly supermarket in the Netherlands in a customer survey by Market-Response in 2012. In 2013, EMTÉ came in third. Last year we managed to climb up a rung again to 2nd place. Overall we ranked in 11th position in the list of 'most customer-friendly businesses in the Netherlands' (2013: 18th).

Mystery shopper research at EMTÉ

The overall score from this customer survey has been showing a steady improvement for several years: 7.87 (2010), 7.99 (2011), 8.06 (2012), 8.14 (2013). In the 2014 survey we once again managed to improve our overall rating, albeit by a small amount,with a score of 8.15.

Net Promoter Score EMTÉ

There was a change in the way that the NPS is arrived at in the 2014 customer survey, making the score comparable with that for Sligro. The sample size had already been increased to more than 10,000 customers in 2013 and, last year, there was a further increase in the number of respondents to no fewer than 23,230 customers. The value of this research has therefore become so great that it is now possible to draw conclusions at store level as well and decide on action plans accordingly. Our Net Promoter Score improved compared with 2013.

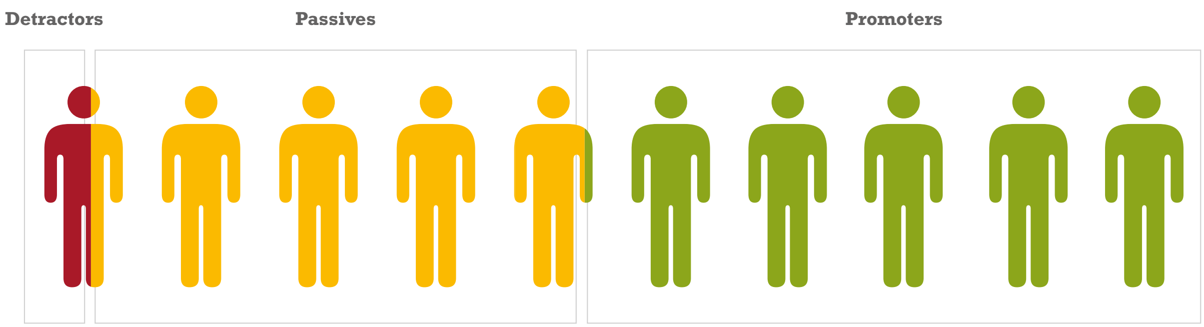
EMTÉ NPS: 45

Promoters: 51%

Detractors: 6%

Passives: 43%

EMTÉ Net Promoter Score: 45



OUR COMMUNITY

Sponsorship and support for good causes

We have made a conscious decision to lend our long-term support to a number of specific social/societal, people-orientated activities or good causes, in order to prevent the funds earmarked for this purpose from being diluted across a whole range and variety of projects. We continued our long-standing support for Liliane Fonds and Villa Pardoes in 2014.

Sponsorship involves being deliberately selective. Our support comes with strings attached, and has to make a meaningful contribution to our business, marketing and sustainability strategies. In all our sponsorship projects, therefore, we seek close cooperation with the beneficiaries or the organisers of an event based on mutual equality. This creates a logical link between what is sponsored and Sligro Food Group or a particular part of the business and can deliver the relevant added value on the principle that 'you don't get something for nothing'. Our detailed sponsorship policy can be found on our corporate website.

Verwenzorg

Van Hoeckel (our business unit specialising in the institutional market) and its employees have been actively involved in the Verwenzorg ('Tender Loving Care') project. The object is to provide patient care for the chronically ill, not by ensuring proper medical care but by improving their quality of life, for example by giving them personal attention. Large groups of people with a chronic illness, such as those living in homes for the elderly, are not able to organise celebrations, do the things they enjoy or simply arrange a nice day out for themselves because they are dependent on others. That is where Tender Loving Care comes in. For Van Hoeckel, TLC means providing voluntary support staff and propagating the message. In this way, Van Hoeckel and its employees are also directly and personally involved in ensuring the well-being of our customers' patients. Their initiatives and activities also encourage other Sligro Food Group employees to do similar things. In 2014, for instance, staff from various departments at the Sligro headquarters and the Sligro delivery service centres across the country played an active part in numerous TLC events organised by Van Hoeckel involving its care sector customers.

DoSocial

Van Hoeckel is one of the founder members of DoSocial, a new foundation formed by several organisations which are directly or indirectly involved in care or are keen to make their contribution towards it. Together they have one single overarching objective: structural improvement in the social well-being of the elderly and/or people needing help. These efforts rely on every partner in the cause contributing to the realisation of social initiatives. That mainly involves contributing hours, manpower, resources, expertise and/or know-how. And, of course, they also make a financial contribution, but that is not the primary objective. What is important is the strength that comes from working together.

For example, DoSocial has set up the Sociale Voorraadkast ('Social Store Cupboard'), a digital marketplace for social supply and demand. Socially justified requests can be placed in this 'cupboard' and others can then offer what they have to give. Thus supply and demand are brought together and activities are performed which make a structural improvement to the well-being of care clients. DoSocial was responsible for several major initiatives in 2014 which also provide a scalable example for others to follow. A lovely garden was created, for instance, for residents of the De Ronssehof home in Gouda and, by employing crowd funding methods among other things, plus the efforts of tens of volunteers, the sightseeing boat Ilje is navigating the canals of Amsterdam, enabling clients of the care organisation Cordaan once more to enjoy a canal trip. In 2015, Do Social will also be turning its attention to vulnerable and lonely elderly people still living at home, with initiatives centred on the neighbourhood function of a district centre. Van Hoeckel is a fervent supporter of DoSocial activities and allows its employees every opportunity to make an active contribution to this initiative.

Christmas hampers and good causes

Selling special Christmas hampers to support good causes has become a tradition at Sligro. In 2014 it supported the Liliane Fund and the Nationaal Ouderenfonds, in this way. Each fund is linked to a specific Christmas hamper and a fixed donation is made to the good cause for each hamper sold. In 2014, this campaign raised a total of more than €25,000 for these good causes.

Food bank

In Sligro's logistics model, all products that cannot be sold from all outlets are returned to the central distribution centre in Veghel. Here they are sorted into 'usable' and 'no longer usable'. Usable products that are suitable for a food bank are collected at regular intervals by the Veghel-Udenand 's-Hertogenbosch Food

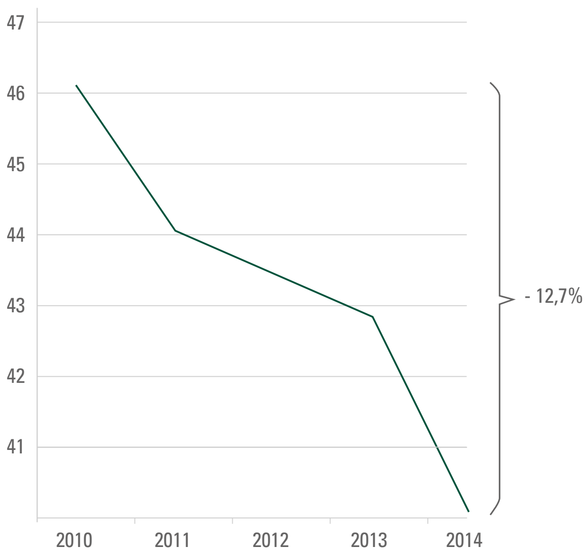
Bank organisation. In addition to this ongoing support, to mark the reopening of the Sligro outlets in Maastricht and Eindhoven we made an extra financial donation to the food banks in those towns.

THE ENVIRONMENT

We aim to play a pioneering role, in which our respect for the environment drives us constantly to undertake bold but sensible innovation, keeping social and economic return in balance while remaining aware of our stewardship responsibilities.

As a measure of the success of our efforts, we calculate our CO_2 emissions as a percentage of sales. We are aiming to reduce our

Reduction in CO_2 emissions as % of sales



CO_2 emissions as a percentage of sales by 20% between 2010 and 2020.

The CO_2 graph shows the CO_2 emissions in relation to the total sales expressed as grams of CO_2 equivalents/net sales in euros.

Scope:

The total energy usage for the stores, wholesale outlets, offices, distribution centres and production sites plus all goods movements between all stores, wholesale outlets, distribution centres and production sites used by the Group in 2014.

***Trend*:**

In 2014 we achieved a 5.5% reduction in CO_2 emissions compared with 2013. Over the space of four years there has been an improvement of 12.7%. The relatively sharp reduction in 2014 is partly explained by the warm weather, which resulted in much lower gas consumption. Another factor is the 3% increase in sales compared with 2013.

We have defined three priority areas within the overarching theme of 'the environment':

→ Energy
→ Logistics
→ Waste

Energy

Gas

Scope:

The total gas usage for the stores, wholesale outlets, offices, distribution centres and production sites used by the Group in 2014.

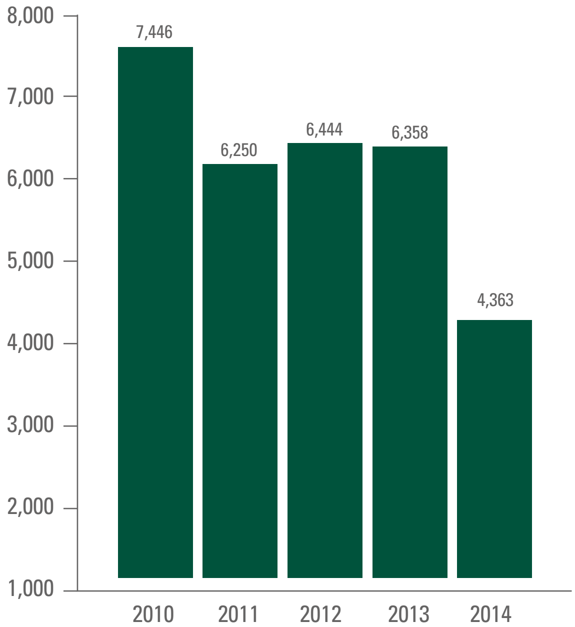
Trend:

With a drop of more than 31%, gas consumption in 2014 was sharply lower than in 2013. In volume terms this means we used almost 2,000,000 m³ less gas.

IN 2014 WE ACHIEVED A 5.5% REDUCTION IN CO_2 EMISSIONS COMPARED WITH 2013

The main explanation for this was the exceptionally warm year. With an average temperature of 11.7°C, 2014 was the warmest year since regular temperature records were first kept, in 1706. The higher temperatures alone led to a reduction in our gas consumption of 22%. The additional savings of 600,000 m³ of gas are attributable to the optimisation of existing heating systems and the new-build projects in which gas is not used at all. The new Sligro premises in Maastricht, Gouda and Berkel en Rodenrijs have no gas. These buildings are entirely heated by heat recovery from the refrigeration equipment. In 2015, any new premises we build will as far as possible not have gas and existing heating systems will be further optimised.

Gas, consumption in m³ x 1,000



Elektricity

Scope:

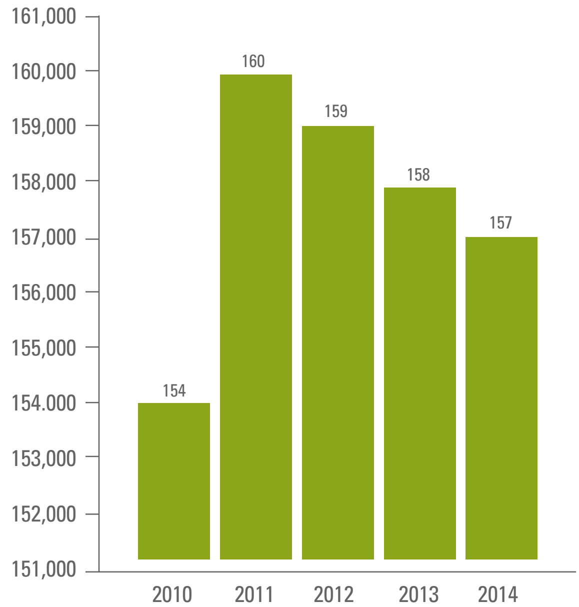
The total electricity usage for the stores, wholesale outlets, offices, distribution centres and production sites used by the Group in 2014.

Trend:

There was a slight drop in electricity consumption in 2014, in fact less than 1% compared with 2013. In the case of electricity, the warmer weather in 2014 had the opposite effect, in that our air-conditioning and refrigeration systems used more power. However, with the further introduction of daytime closures on the freezer chests in our wholesale outlets and the commissioning of new sites with more energy-efficient equipment, total electricity consumption did go down. The new Sligro sites in Maastricht, Gouda and Berkel en Rodenrijs are much more energy-efficient than the old wholesale outlets in Maastricht and Gouda and the delivery service sites in The Hague and Barendrecht. The conclusion of the supermarket covenant also contributed to lower energy consumption by our EMTÉ stores. In 2015, the open freezer chests will be fitted with daytime closures in a number of the wholesale outlets.

Electricity, consumption in kWh x 1,000

Logistics



Scope:

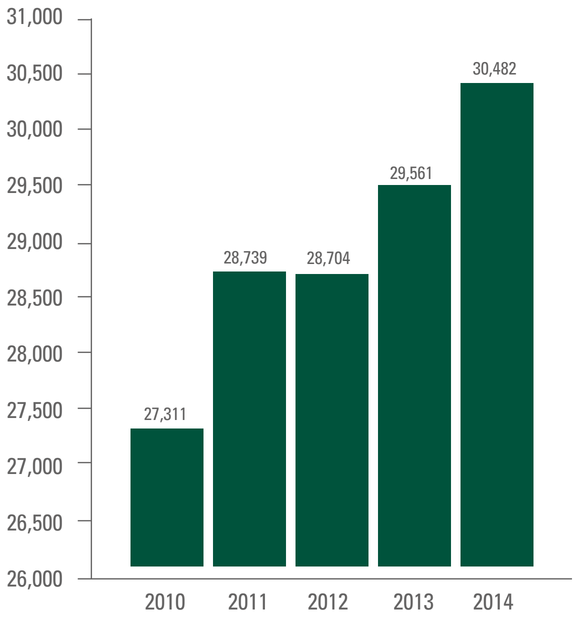
Transport within Sligro is almost entirely contracted out to specialist logistics service providers. Services provided for:

→ Transport from the Central Distribution Centre in Veghel to the Sligro outlets
→ Deliveries from the Retail Distribution Centres in Putten and Kapelle to the EMTÉ supermarkets
→ Deliveries from the Sligro Delivery Service Centres to customers.

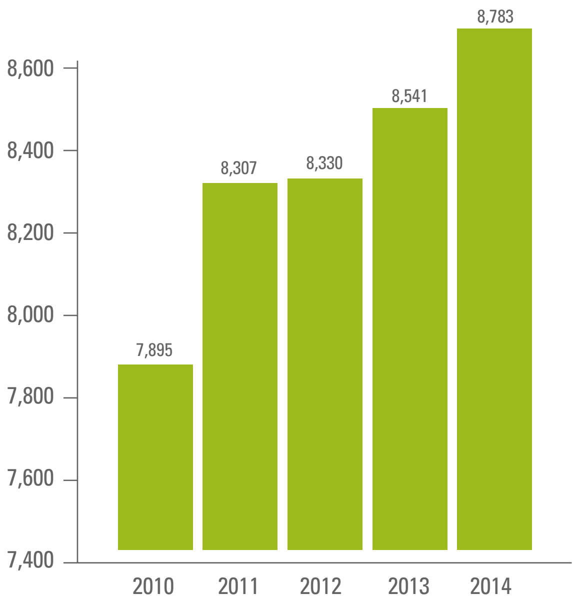
***Trend*:**

The use of alternative fuels is still in its infancy. Trials involving LNG-powered and electric vehicles have so far made only a limited contribution to the targeted reduction in CO_2 emissions. Trucks are, however, becoming increasingly fuel-efficient and, by the same token, have reduced emissions. A great deal more can be achieved by having an increasingly dense distribution network and larger transport volumes. Bigger drops and fewer stops reduce the distance driven significantly. Further attention will be devoted to this trend in 2015, with the introduction of a new transport concept for that purpose. In addition to fuel consumption we shall be looking increasingly at the refrigeration systems for chilled and frozen foods in the trucks. The first entirely new systems were brought into use in 2014. These systems do not have separate combustion engines to drive them, enabling fuel savings of more than 50% (for refrigeration) to be achieved. They also meet the highest environmental standards and are almost noiseless in operation. Some systems incorporate a battery pack, allowing them to run with zero emissions for a substantial proportion of any journey.

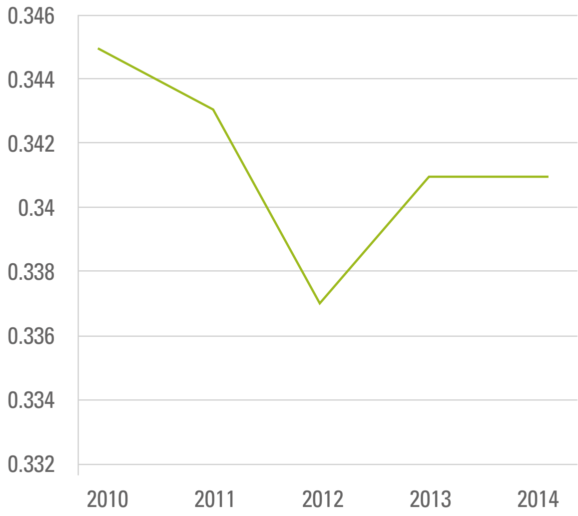
Distance in km x 1,000



Fuel, in litres x 1,000



Litres of fuel per €100 sales



Waste

We aim to produce less and less waste in our production, logistics and sales processes. We believe we have an important duty to throw away as little as possible and reduce residual waste in particular. Sending residual waste to landfill or incineration does not do businesses, the environment or society any favours in the long term. By reducing waste and separating waste streams for recycling we can minimise the environmental impact of our waste. The waste streams we nevertheless generate we endeavour to give a second life as far as possible by using them as raw material for something else or converting them into green energy. In that sense, waste is not a valueless residual product but rather a resource or product at the start of a new cycle. Waste can thus have a second life and be used for new raw materials or to generate green energy. In this way, we are helping to limit such things as climate change, CO_2 emissions and scarcity of raw materials.

Some examples:

→ The entire stream of waste paper and cardboard, Styrofoam/EPS, glass and plastic film for recycling is returned to the processing industry.

→ All products beyond their sell-by date, from both wholesale and retail channels, go for anaerobic digestion.

→ Outdated and waste food from our Culivers production kitchens also goes for anaerobic digestion.

→ All fats and oils are collected for the biodiesel industry.

→ All meat, fish, poultry and game waste and products beyond use-by date/BBD are always collected as Category 3 ABP waste so it can be used for the animal feeds industry.

The CO_2 emissions from our waste stream are entirely dependent on the way in which our waste is processed by third parties. We can control the volume of waste and oversee proper waste separation. Beyond that, waste processors determine what the CO_2 emissions from our waste will be, depending on what route they choose for processing it. For that reason, we publish the CO_2

reduction we achieve by offering our separated waste for processing instead of the figures for un-separated and residual waste.

CO_2 reduction in the chain due to waste separation

2010:	3,133 tonnes
2011:	3,395 tonnes
2012:	3,700 tonnes
2013:	3,668 tonnes
2014:	5,214 tonnes

Trend:

The greater part of the sharp increase in 2014 results from improved technology for the anaerobic digestion of food waste. Increasing amounts of useful energy can consequently be obtained from these high-energy input materials and less waste is needed to produce a given amount of heat.

Scope:

These figures include all tonnages for the various waste streams: outdated products, Category 3 waste/ABP, vegetable kitchen and food waste, glass, paper & cardboard, film and cooking oil. The reduction in CO_2 emissions is calculated on the basis of the 2014 conversion factors for each waste stream as used by Van Gansewinkel. The CO_2 figures used have been arrived at by reference to the TNO research establishment, using ISO 14040/14044 procedures and standards. This approach is supported by the LCA (Life Cycle Assessment) platform of the European Commission and other organisations. The stated CO_2 reduction is the reduction for the entire chain. This is because some materials can be reused after waste separation, which means a significant reduction in CO_2 emissions when they are made into new products. This is because recovering such secondary raw materials uses less energy than incinerating them and extracting and processing primary raw materials. This CO_2 saving in the chain is not part of our 2020 target for our 'in house' CO_2 emissions (transport plus gas and electricity consumption).

PRODUCT RANGE

Purchasing policy

Within a wholesale and retail business like Sligro Food Group, purchasing and supplying goods play a key role. We believe it is important for us to be able to offer our customers quality products produced with due regard for CSR principles. The standards we set ourselves are contained in our Suppliers Handbook. This covers such things as product and food safety, BSCI certification, product traceability, packaging, the quality management system, incident management & recalls, audits and our ethical choice label Eerlijk & Heerlijk ('Honest & Delicious').

Eerlijk & Heerlijk

eerlijk & heerlijk

It is our responsibility to assist and motivate our customers to make sustainable and healthy choices. This is what lay behind the development of our Eerlijk & Heerlijk range. Eerlijk & Heerlijk can be seen as an umbrella brand under which all sustainably produced items in Sligro Food Group's product range are sold.There are four categories:

- Organic
- Fair trade
- Sustainable
- Local

Our objective is to offer the widest possible choice of sustainable products. No distinction is therefore made in the Eerlijk & Heerlijk range between 'A' brands and Sligro Food Group's exclusive brands.

In each of the four categories we have products with carefully selected certifications, which guarantee that they actually make a genuine contribution relevant to that particular category. In the appendix at the end of this report there is a complete list of the certification marks qualifying for inclusion in the Eerlijk & Heerlijk range.

→ Promotional film clip
Eerlijk & Heerlijk

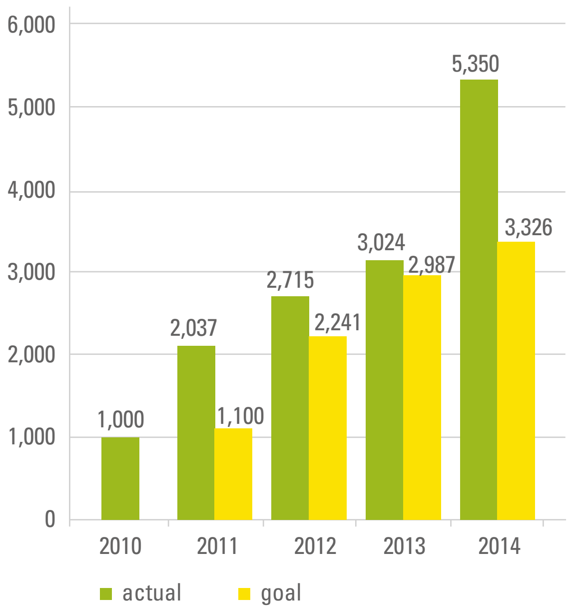
The Eerlijk & Heerlijk product range is still growing. Our current aim is to have achieved 10% year-on-year growth by the end of 2015. We shall be announcing our 2020 target in 2015; we do not consider it realistic to look so far ahead at this stage.

There were several major additions to the Eerlijk & Heerlijk range in 2014, resulting in a sharp, 77% increase in the number of products labelled Eerlijk & Heerlijk. This expansion is seen in three out of the four categories defining the range. The exception is 'local'.

Number of Eerlijk & Heerlijk products in our range

2010: 1,000
2011: 2,037
2012: 2,715
2013: 3,024
2014: 5,350

Number of Eerlijk & Heerlijk products:



Eerlijk & Heerlijk sales

The sharp rise in the number of products under the Eerlijk & Heerlijk label meant that Eerlijk & Heerlijk sales in 2014 topped €150 million for the first time. The final sales figure for the whole of 2014 was almost €165 million, an increase of 37% compared with the preceding year. The proportion of sales accounted for by Eerlijk & Heerlijk products exceeded 5% for the first time, too, with a final figure of 6.2% – a result to be proud of!

Number of products per category:

	2013	2014	Change
Organic	870	1,205	+38%
Fair trade	884	1,201	+36%
Sustainable	1,034	2,847	+175%
Local	459	399	-13%

The biggest increase stems from the inclusion of sustainable non-food products in the range. In this context, 21 non-food certification labels have been added to the four categories of Eerlijk & Heerlijk, all of them relating to the 'sustainable' aspect. The Eerlijk & Heerlijk food range has also undergone sharp expansion. The most important addition in the food line concerns the label Keten Duurzaam Varkensvlees ('Sustainably Produced and Marketed Pigmeat'), which confers 'sustainable' certification. Under this label, which was previously part of the environmental certification mark Milieukeur, more than 400 pigmeat products have been added to the range. In addition, a large number of organic products have been added and growth in the number of UTZ Certified products continues.

Numbers of food products in the Eerlijk & Heerlijk range for each certification mark (blue shading indicates new labels added in 2014):

Certification mark	2013	No. of products 2014	Change
ASC	23	50	+117%
BAP	50	25	-50%
Beter Leven keurmerk	460	515	+12%
- of which with 1 star	*306*	*319*	*+4%*
- of which with 2 stars	*18*	*42*	*+133%*
- of which with 3stars	*136*	*154*	*+13%*
Organic labels	868	1203	+39%
- of which Demeter	2	3	+50%
Fair for Life / For Life	0	13	-
Fairtrade / Max Havelaar	225	287	+28%
Fairtrade Cocoa Program	0	8	-
Global GAP	103	96	-7%
Keten Duurzaam Varkensvlees	0	401	-
Label Rouge	19	17	-11%
Milieukeur	80	118	+48%
MSC	198	223	+13%
Naturland Wildfish	0	12	-
Rainforest Alliance	73	100	+37%
UTZ certified	659	892	+35%
VISwijzer: green	0	56	-
VISwijzer: orange	0	30	-

STICHTING DE NOORDZEE AND EERLIJK & HEERLIJK

Sligro Food Group signed an alliance with Stichting de Noordzee, the not-for-profit organisation behind the sustainable fish VISwijzer and Goede VIS op de Kaart programme initiative in 2014. The aim of this alliance is to arrive at a reliable and independent assessment of the entire fish range carried by Sligro Food Group, applying VISwijzer standards, with all products qualifying for a green or an orange VISwijzer label being included in the Eerlijk & Heerlijk range. Stichting de Noordzee will also have an advisory role with respect to making our fish range more sustainable. It is expected that the assessment of our fish range will have been completed by midway through the second quarter of 2015.

HEALTHY RANGE

The 'healthy eating' tick mark (Ik-Kies-Bewust' or IKB - literally 'I make informed choices') is widely accepted in the sector as an indicator of healthier products.

Number of different IKB products carried:

2012: 813

2013: 885

2014: 1,103 (996 'A' brands and 107 own label)

The increase in 2014 is partly a consequence of an increase in the number of 'A' brands carrying the IKB mark of approval. We also started applying for IKB approval for our own-brand products in 2014.

BETER LEVEN AND FAIR TRADE

In addition to the ongoing attention to animal welfare and fair trade inherent in our Eerlijk & Heerlijk programme, EMTÉ participated in two themed weeks devoted to extra promotion of the ethical product range. During the Beter Leven Week (theme: animal welfare), running from 20 to 26 October, we promoted meat bearing the Beter Leven label right across the range both in-store and in our customer communication. The Beter Leven stamp of approval was developed by the Dierenbescherming ('Dutch animal protection league'), which obtains independent professional guarantees before awarding the label. Depending on the conditions in which animals are kept and the relevant legislation, one, two or three stars are awarded. EMTÉ offers the full range of choices. Similarly, a 'Fair Trade Week' was held from 25 October to 2 November, focusing on products bearing the Fairtrade/Max Havelaar label to highlight the need for a better future for farmers, farm labourers and their families in developing countries.

BREAK POINT; THE HEALTHY SCHOOL CANTEEN

We are supporting our customers with a scheme to encourage the sale of healthy products in schools. Using the tagline Breakpoint, dé gezonde schoolkantine ('Breakpoint; *the* healthy school canteen') we are helping schools and caterers to reverse the trend towards unhealthy lifestyles among young people and encouraging a healthy lifestyle instead.

2012: 27 Breakpoint locations

2013: 37 Breakpoint locations

2014: 52 Breakpoint locations

FOOD WASTAGE – FOOD RETAIL

The Dutch Food Sustainability Alliance, in which we participate through our CBL affiliation, named 2014 the Year against Food Wastage. As part of this initiative it was agreed that supermarkets should try and organise at least two activities designed to make consumers more aware of food wastage. In our Boodschappen ('Food Shopping') magazine aimed at EMTÉ customers we accordingly devoted considerable space to food wastage. In a regular column entitled Slim kopen & koken ('Clever ideas for buying & cooking') we give hints on how to make savings and handy tips for using up leftovers. Bundled with Issue 9 was a pull-out 'Savings ABC' kitchen poster with practical tips for avoiding food wastage and saving energy in the kitchen.

Alongside those efforts, there were the ongoing activities aimed at reducing food wastage, focusing on the categories of processed meats/cheese, fresh meat and dry goods.

→ The changes that were implemented at the end of 2012, particularly in the modular product range make-up of the processed meats and cheese category, with tighter management of the range based on sales and footfall, did not immediately translate into lower food wastage losses in 2013 (3% reduction that year). By contrast, the reduction in wastage in 2014 was substantial – down by 20% compared with 2013.

→ Wastage losses in the fresh meat department have been reduced by 13% compared with 2013, as a result of supply chain optimisation and changes in pack sizes.

→ We have also succeeded in reducing wastage in the goods with long shelf lives, with 14% less taken off the shelves and going to waste compared with the preceding year.

→ The total wastage of products in our stores last year was reduced by 8%. This is on top of the 15% reduction achieved in 2013.

BSCI

We have been signed up to the Business Social Compliance Initiative (BSCI), an audit system for monitoring and steadily improving working conditions at suppliers, since 2010. The scheme now has more than 1,400 affiliated members in 20 countries. There is a BSCI code of conduct, covering such things as minimum wages, freedom to organise and negotiate collectively, overtime payment, ethical treatment, health & safety and a ban on child labour, discrimination and forced labour.

The code of conduct for suppliers is also part of our own corporate code. The BSCI methodology and tools are applicable to all sorts of products, both food and non-food. As such, this code has also been made an integral part of the Suppliers Handbook, which the Group produced in 2014 for all its suppliers.

As from May 2015, there will be a new BSCI Code of Conduct, under which the quantified requirement of 67% of suppliers assessed as 'approved' or 'improvement needed' will cease to apply. However, this will not alter the Group's fundamental belief and conviction that, by talking to the suppliers concerned, it should attempt to improve working conditions in risk countries, having due regard to the particular products and with respect for local market conditions. The Group will be continuing to address these issues in its dealings with its contract partners in 2015 with the aim of agreeing concrete plans for improvement and a step-by-step improvement in the entire chain.

As well as our three core themes - 'People', 'Environment' and 'Product range' - for each of which we have defined our qualitative and quantitative ambitions for 2020, many other sustainability-related activities were undertaken within Sligro Food Group in 2014 which were of a more one-off or short-term nature. They are certainly worth mentioning here, because they give a good insight into the broad scope of our sustainability-related efforts:

BREEAM CERTIFICATION FOR BERKEL EN RODENRIJS SLIGRO DELIVERY SERVICE CENTRE

Back in 2013 we commissioned our new Sligro Delivery Service Centre in Venray. With its various design features, choice of materials and energy-saving systems, the building qualified for BREEAM certification rated 'GOOD' (2 stars). Further development of the knowledge and experience gained in Venray resulted in BREEAM certification rated 'VERY GOOD' (3 stars) for our new Sligro Delivery Service Centre in Berkel en Rodenrijs opened in 2014. A diagram illustrating the savings achieved in this building can be found on pages 72 and 73.

EMTÉ PARTNERING KINDERZWERFBOEK PROJECT

As many as 15% of children in the Netherlands leave school functionally illiterate. We believe it is important for children to be encouraged to read and improve their reading. For several years now, EMTÉ has accordingly been involved in initiatives such as BoekenBakkersActie, a competition for writers of children's books, and in a partnership with the child support charity Stichting Kinderhulp for distributing Kinderzwerfboeken (literally 'wandering books for children'). These are books intended to pass from one child to another. They are left in schools, in hospitals, on trains, in waiting rooms, in hotels, at petting zoos and on buses. And it works. In recent years, hundreds of thousands of children have received a boost to their language skills from the million or so books that have been sent on their travels. In 2014, EMTÉ donated 60,000 children's books, which have been distributed mainly in areas where children do not have easy access to books.

EMTÉ AND THE 'NATUURVLEES' LABEL

At EMTÉ we set great store by the quality of our fresh products. When it comes to meat, we have been voted the supermarket with the best meat department for several years now. It is therefore only natural that we should take a pioneering role in sustainably produced meat. In the autumn of 2014, in partnership with the cooperative NCN (Natuurvlees Coöperatie Nederland) we launched a pilot in 20 stores to sell meat bearing the Natuurvlees label and it has since been decided to sell this meat in all EMTÉ stores from the spring of 2015 onwards. This meat, which has exceptionally high sustainability credentials, comes from Limousin cows between four and eight years old which have been free to roam outdoors in nature reserves in the Netherlands, such as areas managed by Staatsbosbeheer – the Dutch 'Forestry Commission' – for practically their entire lives. Animal welfare is an important factor here. The animals have plenty of space in which to graze and browse, with a 'stocking density' of less than one beast per hectare. Calves are born and grow naturally. They are fattened naturally and feed largely on what is available in the nature reserve. Antibiotics are only used when necessary from an animal welfare point of view. The farmers are paid a previously agreed price for their beasts. EMTÉ pays the NCN a subsidy per kilogram. This is used to cover all the NCN's costs and any remainder is divided among the nature reserve manager and the farmers who have supplied the animals, providing an extra source of income for them. NCN is a non-profit organisation. The cooperative is currently working to expand the number of affiliated farmers so as to have a sufficient volume available to be able to sell 'nature reserve beef' in all EMTÉ stores as from spring 2015. For more information, visit: www.natuurvlees-nederland.nl

FILLING UP WITH A DIFFERENT KIND OF JUICE

The number of electric and hybrid vehicles in the Netherlands is growing steadily and, despite the fact that the more recent models in many cases have quite a range, we are asked fairly regularly by head office staff and visitors whether it would be possible to 'fill up' with electricity at Sligro. We have therefore decided to install charge points next to 4 parking spaces at the head office in Veghel in order to gain experience and see whether charge points in places like these really meet a need.

TRANSPARENCY BENCHMARK

Our annual report is also assessed against the Transparency Benchmark of the Ministry of Economic Affairs, Agriculture & Innovation (EL&I). Although this does not measure our actual sustainability performance and only rates our report on the degree of transparency, this benchmark does give us information on how our transparency compares with that of other companies. A total of 409 companies are officially included in the Transparency Benchmark but this year 165 companies did not appear in the rankings because of a 'zero score' or failing to publish information. A tougher scoring method means that the average score for the companies that were included is lower than last year: 99 points in 2014 compared with 104 in 2013. With a score of 120 points out of a possible 200 we finished in 100th place out of the 244 companies that were assessed. This means our position in the overall ranking remained the same. We can, however, be proud of our ranking in the 'Retail' category, where we came in 4th place, putting us among the leaders out of 36 retail and wholesale businesses. The average score for this category (excluding zero scorers) was 84.

	2014	**2013**	**2012**
Score:	120/200	138/200	99/200
Overall ranking:	100/244	97/500	124/500

Since the new Transparency Benchmark criteria are not consistent with the way in which we report, we do not expect any substantial improvement in 2015

HEAD-OFFICE PRINTER PROJECT

We reported last year on the project begun in 2013 to replace all the printers and copiers with the object not only of cost savings but also of achieving improved sustainability. The project was completed in March 2014 and we were then able to gauge the actual savings achieved. The replacement programme ultimately resulted in the installation of 465 more energy-efficient pieces of equipment. The number of pages printed on both sides has risen by more than 25% since the introduction of the new equipment, making a direct contribution to the reduction in CO_2 emissions. A concerted effort will be made in 2015 to cut back on the printing of documents generally and on colour printing and copying in particular.

PRODUCT RECALLS IN 2014

There were 118 product recalls in 2014, analysed as follows:

→ 41 concerning exclusive brands (own brand, house brand, private label)
→ 68 concerning 'A' brands
→ 9 concerning Superunie brands.

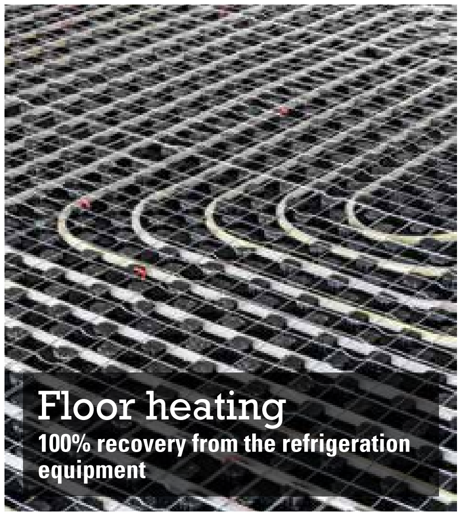

INTERMEZZO
SCAN THE QR-CODE AND VIEW THE FILM CLIP OF RON VAN MEEGEN, NON-FOOD EMPLOYEE AT SLIGRO

Better energy performance

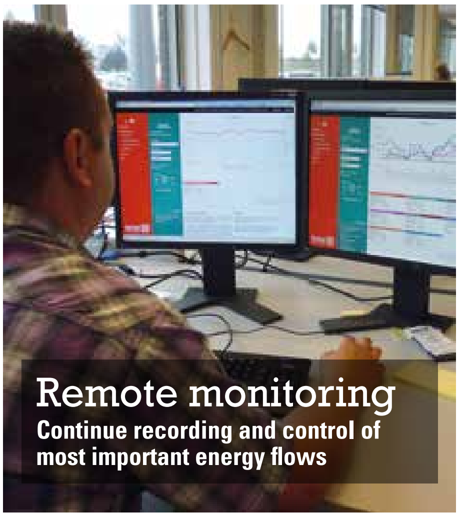
than legal requirement of

73%

Heat recovery
No gas connection needed because of heat recovery
savings **45 households**



Floor heating
100% recovery from the refrigeration equipment



Remote monitoring
Continue recording and control of most important energy flows

Air treatment
Always fresh air
Efficiency **84%**

Sligro and **sustai**

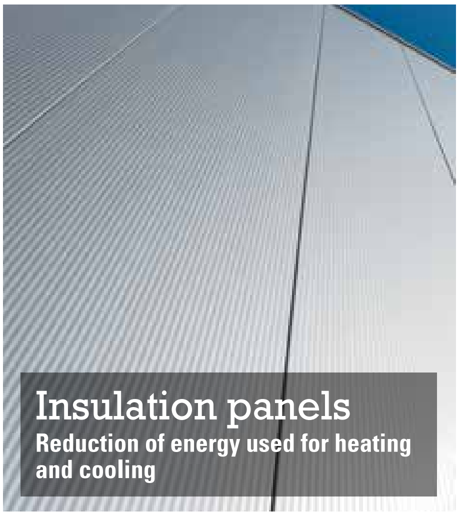
Delivery service Berkel en Rod

VRF system
Recovery heat used to cool and heat other spaces. Highter Efficiency

100% natural cooling agent
Minimal impact on greenhouse effect

Dynamic LED
Indoor lighting
Energy savings compared to fluorescent lighting **70%**


LED
outdoor lighting


Insulation panels
Reduction of energy used for heating and cooling


Green spaces
Planting of green spaces minimises building's impact on flora en fauna


inability
lenrijs
Sligro
Big in enjoyment


Automatic
Leak detection


Battery management system
Savings 30%


Separating
waste


Safe
cycling


Flush volume
Savings 100,000 L

FISH & SHELLFISH

MOST CRITICAL RISKS:
ACQUISITIONS
ICT SYSTEMS
AUTHORITIES
CUSTOMERS, PARTNERS AND SUPPLIERS

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 136 of the financial statements, which considers such things as the credit risks, liquidity risks and market risks to which the Group is exposed. A sensitivity analysis is also included. It should be noted that we do not consider these risks to be exceptional in terms of either their nature or their magnitude.

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 the Group as a food supplier in relation to food safety are also discussed. Where relevant, the Group is insured against all the customary risks so that the financial consequences of calamities are covered as far as possible. With a well-equipped quality assurance department we are rigorous in our quality checks. We consider the following to be the most critical risks in our activities:

ACQUISITIONS

Despite all precautions and due diligence, acquisitions involve greater risk than organic growth, as is borne out by the numerous mergers and acquisitions in the market that do not live up to expectations. 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. Considerable value can be destroyed by cultural differences and by employees pursuing different agendas, but primarily by ICT integration exercises and the like. ICT integration has to take account of both internal and external aspects, including interfacing with systems used by customers and suppliers. Rather than bringing in people from outside, Sligro Food Group has a policy of immediately setting up a multidisciplinary integration team comprising people from its own ranks and from the business that has been taken over. The strategy has always been for the back-office activities of the acquired business to migrate across to the Group's own central organisation and back-office systems. This approach has proved successful in identifying and addressing many of these risks, as was the case with the acquisitions of Rooswinkel and Horeca Totaal Sluis.

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. Recent years have seen a great deal of work and millions in financial resources invested in further optimisation of the central, integrated ICT back-office, with the focus on continuity and stability plus the flexibility to permit upscaling.

In 2014, a major incident affecting one of the data centres was simulated by switching off the power, followed by isolation of the primary data centre at network level. Working to a detailed emergency procedure, the other data centre took over almost flawlessly, the reverse procedure then being flawlessly accomplished. The exercise was repeated for the secondary data centre and this test, too, went smoothly.

In 2013, a new national firewall structure was implemented, taking our security against external cyber threats to a much higher level. Additionally, a detailed plan was approved for the future enterprise architecture in which the IT, software and business architecture all come together. The related aspects of continuity of data processing and security of information were also formalised as part of the same planning exercise. By the end of 2014, 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 data warehouse application.

AUTHORITIES

Public authorities on occasion take drastic action, which can have a major impact on operations or results, threatening part of the business relatively quickly. Environmental measures and opportunistic spending cuts in particular can have a serious effect. The changes to healthcare, for example, hit Van Hoeckel, by turning a sector which used to mirror the state of the economy into a shrinking market. Political decisions are sometimes scarcely predictable. Examples we could mention are intervention in things like Christmas presents for staff, the anti-smoking policy as it affects the hospitality sector, changes in VAT and increases in excise duty (the implications of which have not been thought through), which have had a considerable negative impact in the border regions especially. Government 'spending cuts' often simply translate into higher charges for businesses (and, therefore, individuals), although it appears this will be less of an issue in 2015. Intervention by regulators can also have a serious impact on operating processes.

CUSTOMERS, PARTNERS AND SUPPLIERS

Since economic conditions have been tough for many years now, it is not only consumers that are hard-hit but also many businesses find themselves in financial difficulties. The restricted access to credit experienced by many businesses means that continuity risks are increasing. That increases our credit risk on trade receivables, with evidence of a rise in bad debts, although the diversity within the customer portfolio means that the risks remain manageable. The combination of the state of the economy and the growing interdependence between us and business partners (including Fresh Partners) and suppliers is leading to increased continuity risks. That concerns not only financial risks but also ICT risks, with the potential to adversely affect our operations. Incidentally, the Superunie Purchasing Cooperative which we are members of recently introduced a means of bridging conflicting terms of business between suppliers and customers in the form of a Supply Chain Finance programme. We are considering a similar step for our foodservice purchasing operations.

RISK MANAGEMENT AND CONTROL SYSTEMS

We have a special department focusing 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 data warehouse, where practically all our operating and financial data are recorded, is of great benefit to us in this respect. Like a protective 'Big Brother', this department monitors certain trends or key figures and series of figures using advanced analysis tools. All our business units have been integrated into the Group's central information and control system. Added to this, there has been substantial progress in recent years in documenting business processes in connection with efforts to improve them as part of the project named Regie op Processen ('Direction of Processes'). We are making similar progress with the documentation of the administrative organisation, primarily with respect to financial processes in the Finance Department, but also in relation to the three main business units of Food Retail, Foodservice Cash-and-Carry and Foodservice Delivery, seeking to strike a balance between preserving an informal entrepreneurial spirit and the need for greater formalisation of processes. This is a tricky thing to get right, especially as it can sometimes feel as if being 'in control' on paper (with everything cut and dried) is more important than actually having control.

As the Group operates at many different sites, 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. Considerable progress was made in 2014 with the long-term general back-office plan, deliberately integrating the business and the back-office agendas in an effort to ensure that business plans are practicable in terms of processes, systems and staffing and that proper consideration is given to the related necessary controls. This plan will be updated quarterly and discussed with the management team. This approach proved its worth in 2014, resulting in fewer weak links, better internal coordination and, ultimately, more efficient and effective processes with reduced risks. Because we would always like to do more than we can, tough decisions have to be made, though it remains a challenge to reconcile the high ambitions of our company with what are its realistic options.

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 accounting 'surprises' relating to 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. We regard improving the reliability of our management information and, more importantly, ensuring that it becomes increasingly specific and targeted, as an ongoing process. Commencing in 2015, a clear distinction will be made within the Finance Department between financial control and business control. It has been found that our organisation requires greater business control backup to provide financial and other support for business decisions. As well as our own internal checks, the external auditors also examine the operation of the accounting and internal control structures as part of their audit of the financial statements. Partly in connection with the change of auditors in 2014 and the arrival of a new CFO in 2015, an audit committee has been appointed, making for even greater scrutiny of the figures and the accounting organisation plus closer contact with the auditors. The findings contained in the management letter will be discussed with the audit committee and with the Supervisory Board (without the Executive Board present). They show that the accounting organisation is of a good standard.

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 92. We have no indications to suggest that these systems will not function properly during the current financial year.

IN 2014, A MAJOR INCIDENT AFFECTING ONE OF THE DATA CENTRES WAS SIMULATED

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 a lack of compliance with existing regulations and the absence of effective sanctions in the event of non-compliance. This puts us at a competitive disadvantage, particularly when it comes to potential acquisitions.

There were no transactions with executive or supervisory directors in 2014 that involved a possible material conflict of interest, nor were any transactions 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 the recommendation of the Supervisory Board. Supervisory Board members retire at the latest at the close of the first general meeting following the day marking 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.

In 2014 the Supervisory Board established an audit committee, which consists of two members of the Supervisory Board. They meet on a regular basis with the CFO, his successor and the auditors. The Supervisory Board as a whole continued to perform the duties of the remuneration, selection and appointments committee in 2014. There are plans to establish a separate committee to cover these duties when the Supervisory Board is expanded. The chairman of the Supervisory Board will then step down from the audit 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 covers the items stipulated by the Articles of Association and other resolutions proposed 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 restrict or exclude shareholders' preemptive rights (with the approval of the Supervisory Board, the Executive Board has been granted powers until 19 September 2015 to issue shares as yet unissued);
→ Repurchase and cancel shares (the Executive Board has been granted powers until 19 September 2015 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 DUTCH CORPORATE GOVERNANCE CODE

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

→ 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 that are on the same level in the same manner.
→ No agreements have been reached on the level of any severance pay. Legislation limiting severance pay to a maximum of one year's salary will come into force on 1 July 2015.
→ 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 its shares are priced correctly.

BREAD & PATISSERIE

CAPITAL expenditure

GOALS

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

With capital expenditure of €14 million we invested heavily in both intangible assets and property, plant and equipment. This figure is above 2% of sales but that target is, of course, a long-term average. Two particularly large items account for €25 million of the total:

- → €19 million, including €14 million in property, was invested in 2014 in the new Delivery Service Centre in Berkel & Rodenrijs. In view of the substantial tax breaks connected with the BREEAM***-certified sustainability status of the building (see page 69), it made sense to retain ownership of the premises.
- → Given the property market situation, we took the opportunity to buy two premises in 2014 which we previously had on lease, at a cost of €6 million.

Additionally, the realisation/completion of the new 3.0 format cash-and-carry outlets in Maastricht, Eindhoven and Gouda (including the buildings) involved an investment of €17 million. In 2013, we deliberately held back expenditure on the cash-and-carry stores pending the transition to 3.0.

The following table analyses the net capital expenditure together with the related amortisation and depreciation.

(x € million)	Foodservice		Food retail		Total	
	2014	**2013**	**2014**	**2013**	**2014**	**2013**
Intangible assets (software)	5	4			5	4
Property, plant and equipment	51	30	7	4	58	34
Disposals of assets held for sale	(3)	(0)	(0)	(2)	(3)	(2)
Net capital expenditure	**53**	**34**	**7**	**2**	**60**	**36**
Depreciation and impairments	(29)	(28)	(14)	(15)	(43)	(43)
Amortisation of software	(4)	(3)			(4)	(3)
Subtotal	**(33)**	**(31)**	**(14)**	**(15)**	**(47)**	**(46)**
Net movement	**(20)**	**3**	**(7)**	**(13)**	**13**	**(10)**

Apart from the items already mentioned, we invested a great deal in IT software and hardware in 2014. The combined expenditure was €7 million (2013: €8 million). We are engaged in a long-term ICT investment programme, with expenditure of this order budgeted each year.

In 2015 we shall also be investing in particular in the upgrading of the cash-and-carry outlets to Sligro 3.0 format, which will include an entirely new store in Almere and work on the new store to be opened in Utrecht at the beginning of 2016. Overall, however, we do not expect capital expenditure to be vastly adrift from the target level of 2% of sales.

RESULTS

GOALS

- → Increase sales organically by 3% a year and take advantage of acquisition opportunities as they present themselves.
- → Ensure that the increase in net profit matches or exceeds sales growth.
- → Distribute about 50% of the year's profit as a regular dividend and pay a variable dividend on top of that, reflecting the financial position.

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 the 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 because there is no delegation of authority or spending powers in the conventional sense. Instead, we 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. Using management by results, the individual business units have a constant incentive to get the best out of the activities by reference to key performance indicators combined with internal benchmarking. Indirectly, therefore, everyone is working to optimise the overall group result. Once each year the correlation between the KPIs and the financial results is examined. This detailed management information provides us with the basis for investment decisions. We attach greater value to this information than we do to classical investment calculations. We believe that this approach is far more suited to our entrepreneurial business culture. As a family business with stock-market listing 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 do not allow it to divert our attention from decisions where the value and benefits only become visible at a later stage.

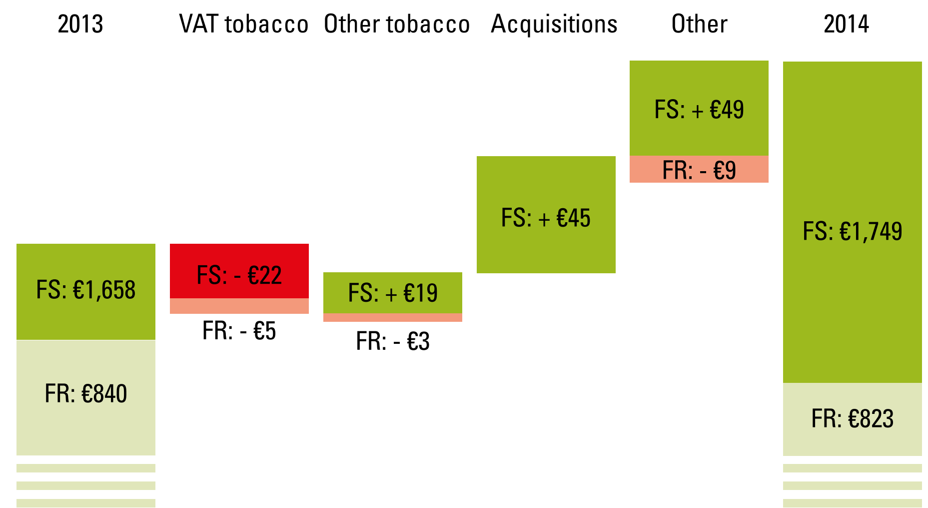
The profit and loss account can be summarised as follows:

(x € million)			As % of sales	
	2014	**2013**	**2014**	**2013**
Net sales	2,572	2,498	100.0	100.0
Cost of sales	(1,976)	(1,920)	(76.8)	(76.9)
Gross margin	596	578	23.2	23.1
Other operating income	5	5	0.2	0.2
Total operating expenses excluding depreciation, amortisation and impairments	(453)	(440)	(17.6)	(17.6)
Gross operating profit (EBITDA)	149	143	5,8	5,7
Depreciation and impairments	(43)	(43)	(1.7)	(1.7)
EBITA	106	100	4,1	4,0
Amortisation of intangible assets	(17)	(12)	(0.6)	(0.5)
Operating profit (EBIT)	89	88	3,5	3,5
Net finance income and expense	(3)	(1)	(0.1)	(0.0)
Profit before tax	86	87	3,4	3,5
Tax	(17)	(19)	(0.7)	(0.8)
Profit for the year	69	68	2.7	2.7

Net sales rose 3.0% to €2,572 million in 2014.

The increased sales revenue can be analysed as follows:

Sligro Food Group net sales



amounts x € million

There are two separate effects with regard to tobacco products (in both 2013 and 2014). The change in the way the VAT is levied on tobacco products caused sales in the second half of 2013 to be reduced by €27 million, with a further €27 million reduction in the first half of 2014. Independently of that effect, tobacco sales were down in 2013 by €16 million but rose by €16 million in 2014.

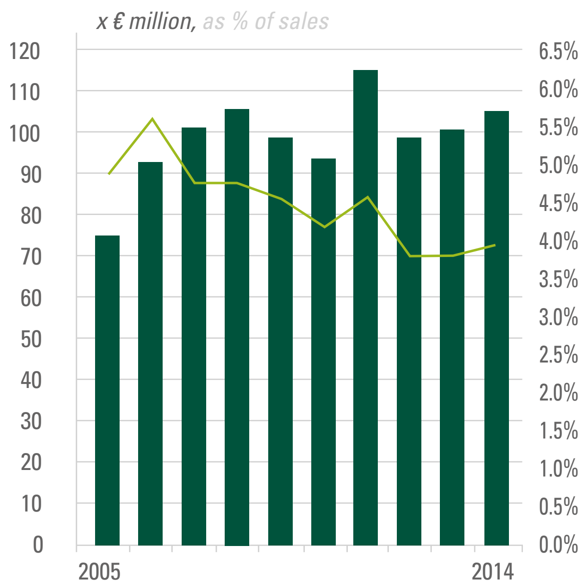
Sales in 2014 increased by €45 million on the back of acquisitions. This figure is made up of the full-year effect of the Van Oers takeover made in 2013, the acquisition of Horeca Totaal Sluis included in the figures from 1 March 2014 and the transfer of the customers from Rooswinkel in the spring of 2014.

Like-for-like growth for the Group (excluding the effects of tobacco products) was 1.7%. Foodservice growth amounted to 3.5% but the figure for food retail was 1.5% negative. Like-for-like consumer sales at EMTÉ were down 0.7%.

The gross margin as a proportion of sales revenue increased by 0.1 of a percentage point to 23.2%. The tobacco sales increase referred to above in fact lifted the figure by 0.2 of a percentage point so there was actually a drop of 0.1 of a point apart from that. This was due to changes in the sales mix.

On the expenses side there is a similar pattern. On the face of it, costs remained the same as a percentage of sales but, if we exclude tobacco, there is an improvement of 0.2 of a percentage point. This is largely the effect of cost-cutting measures and a reduction of €2 million in pension costs (on an accounting level). Overall, the gross operating profit (EBITDA) improved by €6 million to €149 million. We believe that the EBITA figure is the best indicator of the result (on operations) and the €6 million increase to €106 million represents an improvement of 0.1 of a percentage point to 4.1% of sales.

EBITA



The amortisation of intangible assets is made up of two components:

(x € million)

	2014	2013
Amortisation of software	4	3
Other amortisation	13	9
	17	12

Only the amortisation of software has matching investments (including replacement investments). The other amortisation charges are connected with acquisitions of sites and with the value of customer accounts or long-term contract signup fees paid by customers.

Finance income and expense has increased because the share in the results of associates was down. The explanation for this mainly concerns Spar, which decided to concentrate activities in a single distribution centre, resulting in one-off costs. The item also includes the write-down on the Superdirect venture.

The tax burden is lower than in 2013, largely because of the tax breaks connected with the investment in Berkel & Rodenrijs.

The overall effect of the above was that the net profit increased by €1 million, or 1.5%, to €69 million. Earnings per share, calculated on the average number of shares in issue, was €1.58 compared with €1.55 in 2013. It is proposed to increase the dividend by €0.05 to €1.10, made up of regular dividend of €0.80 and a variable dividend of €0.30. This is in line with the dividend policy. An amount of €0.40 has already been paid as interim dividend, leaving a final dividend of €0.70 per share.

The segment analysis of results on the next page shows an €8 million increase in the operating profit before amortisation for the foodservice business, compared with a drop of €2 million in food retail.

(x € million)	Foodservice		Food retail		Total	
	2014	2013	2014	2013	2014	2013
Net sales	1,749	1,658	823	840	2,572	2,498
Other operating income	4	1	1	4	5	5
Gross operating profit (EBITDA)	121	114	28	29	149	143
Operating profit before amortisation (EBITA)	93	85	13	15	106	100
Operating profit (EBIT)	83	81	6	7	89	88
Net capital employed at year-end [1)]	458	426	145	172	603	598
EBITDA as % of sales	6,9	6.9	3,4	3.5	5.8	5.7
EBITA as % of sales	5.3	5.1	1.6	1.8	4.1	4.0
EBIT as % of sales	4.7	4.9	0.7	0.8	3.5	3.5
EBITA as % of average net capital employed	21.0	20.2	8.6	8.3	17.8	16.6
EBIT as % of average net capital employed	18.8	19.1	3.8	4.1	14.9	14.6

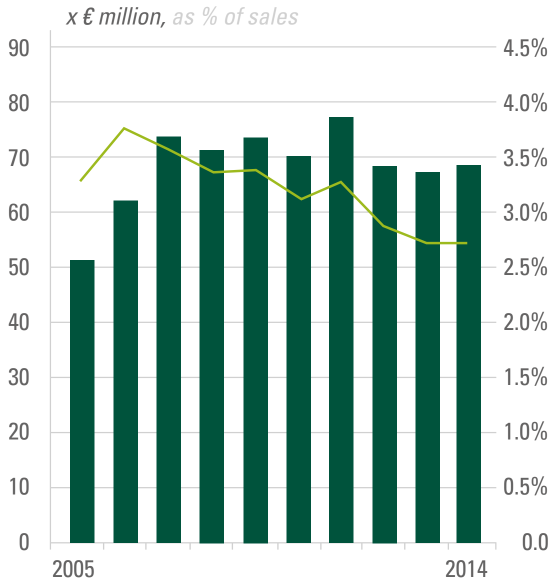
1) Excluding associates.

Whereas incidental gains and losses play quite a significant part in the make-up of the segment information, for the Group as a whole there was no change, as can be seen in the following analysis.
This shows that, of the €8 million improvement in EBITA on the foodservice business, €4 million is accounted for by non-recurring gains and losses and that, in the absence of these exceptionals, there would have been an increase in EBITA on the food retail business of €2 million rather than a decrease of €2 million. From this we conclude that there has been an underlying improvement in the operating profit before amortisation for both parts of the business.

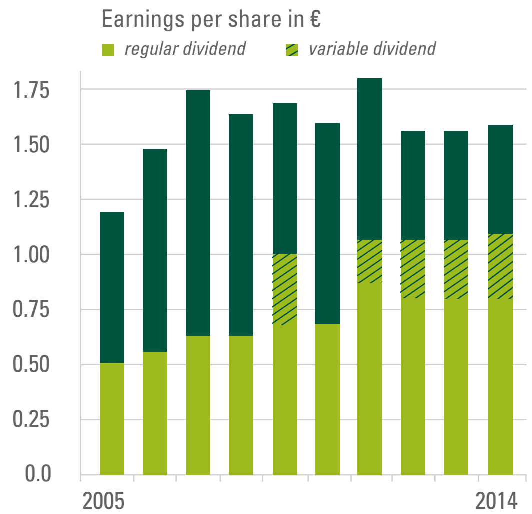
(x € million)	Foodservice		Food retail		Total	
	2014	2013	2014	2013	2014	2013
Book profits / (losses)	4	-	(2)	3	2	3
Gains on pensions [2)]	4	2	0	0	4	2
Impairment	(2)	-	(1)	(2)	(3)	(2)
Net	6	2	(3)	1	3	3

2) Difference between actual employer's contribution and benefit expense for accounting purposes. This gain appears as a negative amount in the statement of recognised income and expense.

NET EARNINGS



PER SHARE



FINANCING

GOALS

→ Ensure that sufficient finance is available under credit facilities and that the company comfortably meets the stipulated ratios.
→ Limit working capital to 12 days' sales.
→ Issue shares only for major acquisitions that immediately contribute to earnings per share.

We do not have difficulty in financing our business. Our free cash flow is more than adequate, as the condensed cash flow statement on the next page shows, and if needed we can easily raise money on the capital market or from banks.

We invested heavily in 2014, compared with a relatively low level of capital expenditure in the preceding two years. As explained on page 81, the 2014 figure is largely accounted for by major investments of a more or less non-recurring nature. In 2013, we had deliberately deferred investments because of plans to introduce the new cash-and-carry format. A typical level of investment for the current volume of business is around €50 million, which equates to approximately 2% of sales.

Another aspect having a particular impact is that, in 2014, the closing week of the financial year ended on Saturday, 27 December, so that the last two business days of the year coincided with Christmas. No bank payments were possible during this period so we were unable to pay our suppliers and were similarly unable to collect payments from customers, and inventories were higher than normal. We estimate that this gives the appearance of a drop in working capital of approximately €20 million, which will result in an opposite effect in 2015.

The 2015 financial year has 53 weeks and closes on Saturday, 2 January 2016, so once again the reported working capital position will be affected by the date on which the year is closed. On top of the €20 million from 2014, another investment in working capital, totalling approximately €20 million, will be required, made up of two components. The first of these concerns tax payments; in a 53-week year we make 13 payments of payroll deductions and excise duty instead of 12. That requires an additional €10 million. The second component concerns the net amount of the other working capital items, which will likewise be approximately €10 million higher, mainly because of the lower amount of trade payables. That in turn is connected with the high level of sales leading up to Christmas, which have to be financed. The combined effect is that the accounts will appear to show €40 million extra working capital as at year-end 2015, or the equivalent of 6 days' sales.

Contrasting with this item, which is not connected with the underlying business activities, we have a structural improvement programme resulting from Supply Chain Finance initiatives, among other things. Through these initiatives we expect to be able to reduce the working capital requirement over the next three or four years by around 7 days' sales, with a reduction of 2–3 days' sales in 2015. Based on the current volume of business, that corresponds to approximately €50 million in the longer term and €15–20 million in 2015. As a consequence we have lowered the medium-term target to 12 days, although we expect to see a blip to around 16 days' sales as at year-end 2015.

The following summary shows that, in the past five years, we have spent €83 million on acquisitions, paid back €89 million of our debt and returned €245 million to our shareholders.

ABRIDGED CASH FLOW STATEMENT

(x € million)

	2014	2013	2012	2011	2010
Net cash flow from operating activities	147	133	129	124	107
Net cash flow from investing activities excluding the net effective of acquisitions and the investment in Superunie	(69)	(32)	(33)	(48)	(41)
Free cash flow	78	101	96	76	66
Net profit for comparison purposes	69	68	69	78	70
Cash conversion in %	113	148	140	98	94
The free cash flow was used to fund:					
Net acquisitions/Superunie	(22)	(19)	(1)	0	(41)
Payment of dividend and repurchase of own shares	(64)	(49)	(50)	(34)	(48)
Net change in debt and cash	8	(33)	(45)	(42)	23
	(78)	(101)	(96)	(76)	(66)

Working capital has shown a downward trend over the years in relation to sales, as the following summary shows:

(x € million)

	2014	2013	2012	2011	2010
Current assets, excluding cash and cash equivalents	376	346	335	324	316
Current liabilities, excluding interest-bearing items	(287)	(231)	(204)	(178)	(178)
	89	115	131	146	138
In days' sales revenue	13	17	19	22	22

WE DO NOT HAVE DIFFICULTY IN FINANCING OUR BUSINESS

25 YEARS
as a listed company

On 20 October 2014, Sligro Food Group celebrated 25 years since going public.

This section of the report looks back on that period, starting with the reasons for floating the company in the first place:

→ To raise the extra capital, including the possibility of paying non-cash stock dividends, in order to continue growing at the desired rate.
→ To facilitate the transfer of a family business to following generations in a safe manner.
→ To gain the attendant advantages of professionalisation together with the input of a works council, plus enhanced brand awareness/corporate identity.

Seen in today's light, it is difficult to imagine that a company with sales revenues of €190 million, generating a net profit of less than €3 million and with 600 employees should be able to contemplate stock market flotation, even on the parallel market. Even if you double the euro amounts to allow for inflation, the business would not exactly cut the mustard. Added to which, the family held 75% of the shares and was heavily represented on both the Executive Board and the Supervisory Board. The issue price, incidentally, was €1.18 and the market capitalisation came to €28 million, including almost €5 million raised from the flotation.
But it is perhaps the prospectus that shows just how much times have changed. It ran to just 42 pages, whereas IMCD in 2014 needed 264, but then we did not have to include any disclaimers and we did not even have a CFO, for that matter!

The timing of the flotation was not particularly fortunate either, coinciding as it did with the minicrash in October 1989. It would take until 1992 before the share price rose above the issue price, although it then steamed ahead. It was in 1992 that the number of acquisitions really began to take off and, in 1993, the long-held belief in the value of co-determination became a reality with the appointment of the first Works Council. In 1996 we had a share issue to fund the takeover of Van Hoeckel. This was the only share issue there has been since floating the company and it should be noted that we did not start paying substantial cash dividends until stock dividends were discontinued in 2009. This shows how our shareholders facilitated the growth strategy financially for as long as was necessary. Other milestones of the past 25 years are listed below:

1997 Sales top NLG 1 billion, with net profit of more than NLG 25 million.
2000 Takeover of Prisma (€320 million sales).
2001 Sales top €1 billion, with net profit of more than €25 million
2002 Takeover of EMTÉ (€100 million sales).
2004 Takeover of VEN (€235 million sales).
1st USPP ($140 million) and net profits of more than €50 million.
2006 Acquisition of 50% of Edah and takeover of Inversco (costing €170 million).
2008 The credit crunch erupts. Share price drops by 45%.
2011 All time high net profit of €78 million.
2013 Foodservice market share exceeds 20%.
Our share of profits in this sector is 50%.

Value creation was always the financial result of our enterprise and never its objective, which is possibly why the result has been so good.

Anyone investing €20,000 at the time of the flotation would now be a millionaire, provided they reinvested dividends which, given our long-maintained policy of paying stock dividends, was probably the obvious thing to do. That represents a compound rate of return of 17% per annum. Although the graph hardly presents a picture of steady progress – there was a long, slow start, followed by periods of rapid growth, then a deep dip caused by the credit crunch

1) Adjusted for the four share splits (in 1995, 1998, 2003 and 2007), making one of the original shares equivalent to 20 today.

but finishing with a fine spurt to our present position.

Those 25 years as a listed company coupled with a history that goes back 80 years are what bring us to where we are today:

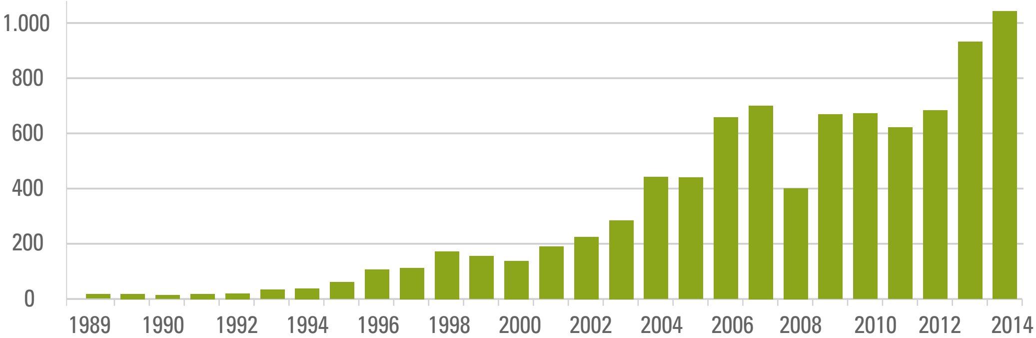
A quality company with a steady, manageable rate of growth that is mindful of the interests of all its stakeholders. Sales in 2014 totalled €2.6 billion, generating a net profit of €69 million. The market capitalisation amouts to almost €1.4 billion at year-end 2014. Day in, day out, more than 10,000 employees (5,800 FTEs) are hard at work to ensure that we remain successful into the future.

THE IDEAL MIX: LISTED FAMILY BUSINESS

The culture and the commitment of a family business

The professionalism, transparency and discipline of a listed company

IF YOU HAD INVESTED €22,000 AT THE TIME OF THE IPO IN 1989 ... YOU WOULD NOW BE A MILLIONAIRE



THE COFFEE AND TEA
DEPARTMENT IS LED BY
A BARISTA

OUTLOOK

We expect the economic recovery to continue, but at a gradual pace. The important thing is that more jobs are being created and that the take-home pay of consumers is rising. The latter trend has not been seen for many years. Against that background we expect the total foodservice market to show some growth in 2015 for the first time since 2008. The hospitality sector began to report growth in 2014 and, in our view, will be the main driver of growth in the overall market in 2015. The food retail market also expects to see modest growth.

As can be seen from the graph on page 33, we have been significantly outperforming the market with our foodservice business for 10 years (and even longer). In food retail, the picture is more mixed. For the Group as a whole, we are expecting once again to do better than the market. The acquisitions made in 2014 are expected to add around another €10 million to sales. The slight improvement in market conditions may possibly mean that there will be no additional squeeze on prices in 2015, although the market will continue to be highly competitive. In the food retail market we are, for that matter, price followers, largely bound by the vagaries of others who, in recent years, have not exhibited a great deal of logic in that regard. In the foodservice market we are more able to set our own agenda but competitive pricing is part of our effort to gain market share through organic growth. Our aim is to strike the right balance between strong positioning on price and all-out investment in creating growth.
We do, however, expect to see greater benefits from our Kicken op Kosten programme in 2015, especially as progress with cost-cutting was delayed somewhat in 2014. External circumstances are expected to have little impact on the cost base.

In 2014, there was a relatively high level of incidental gains and losses, in both operating profit and finance income and expense. The overall impact on the net profit was minimal, however. Based on existing indications, we do not expect any impact from exceptionals in 2015 either.

The 2015 financial year has 53 weeks, and this results in approximately €50 million in extra sales but also additional costs of course. On balance, however, an extra week at the end of the year makes a somewhat higher profit contribution than an average week.

In short, we are more positive about our prospects in 2015, but progress will be one small step at a time, we feel, after the years of stagnation. Another important aspect of 2015 will be the rebranding and expansion of our cash-and-carry network in Sligro 3.0 format and the translation of 3.0 to the sales programme among other things. EMTÉ is hoping to make everyone aware of 'the tastiest supermarket in the Netherlands', which is being rolled out in a number of pilot stores, and Sligro is hoping to go live with its 3.0 online programme by the end of 2015.

On top of that we are working full tilt on a number of back-office programmes relating to the HR, Purchase and Supply Chain departments. It is clear that the pace will be hectic in 2015 and we are accordingly 'Upping the Game'. After six years of stagnation we are hopeful that we have seen the back of such times. As always, we refrain from making any definite forecasts because, as you know, forecasting is a tricky business, especially where the future is concerned!

WE EXPECT THE ECONOMIC RECOVERY TO CONTINUE, BUT AT A GRADUAL PACE

DIRECTORS'
statement of responsibilities

As required by the relevant statutory provisions, the directors state that, to the best of their knowledge:

1. The financial statements, as shown on pages 102-148 of this report, give a true and fair view of the assets, liabilities, financial position and profit for the financial year of Sligro Food Group N.V. and the enterprises included in the consolidated financial statements.

2. The directors' report, as shown on pages 17-91 of this report, gives a true and fair view of the position of Sligro Food Group N.V. and its consolidated enterprises on the reporting date and of the course of their affairs during the financial year. The directors' report describes the material risks to which Sligro Food Group N.V. is exposed.

Veghel, 21 January 2015

K.M. Slippens, CEO
H.L. van Rozendaal, CFO
W.J.P. Strijbosch, Foodservice Director

Also signed by R.W.A.J. van der Sluijs, who has been nominated for appointment as CFO with effect from 18 March 2015.

CORPORATE governance statement

The desired balance between the interests of all the stakeholders involved in the Group required by Dutch law and the Dutch Corporate Governance Code has always formed an important basis of our corporate policy. Sligro Food Group embraces the one share/one vote principle and does not have any anti-takeover mechanisms or change-of-control protections in place.

This statement is included 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 in digital form in the corporate governance section of www.sligrofoodgroup.com. The information that is to be included in this statement pursuant to Sections 3, 3a and 3b of the Decree can be found in the following sections of the 2014 annual report and is deemed to be included and repeated here:

→ information on compliance with the principles and best-practice provisions of the Code (page 78 'Corporate governance');
→ information on the principal features of the management and control system in connection with the Group's financial reporting process (page 75 'Risk management and control systems');
→ 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 79 'General meeting of shareholders');
→ information on the composition and functioning of the Executive Board (page 15 'Directors and management', page 78 'Executive Board' and page 98 'Executive Board conditions of employment');
→ information on the composition and functioning of the Supervisory Board (page 15 'Directors and management' and page 79. 'Report of the Supervisory Board');
→ information on the rules for appointing and replacing members of the Executive Board and Supervisory Board (page 78 'Executive Board' and page 79 'Supervisory Board');
→ information on the rules for amending the company's Articles of Association (page 79 'General meeting of shareholders');
→ information on the powers of the Executive Board to issue and repurchase shares (page 79 'Annual general meeting of shareholders');

→ information on 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 135;
→ information on transactions with related parties (page 78 'Corporate governance' and page 143 'Related-party disclosures').

REPORT
of the Supervisory Board

The Dutch economy improved gradually in the course of 2014, as is borne out by various macroeconomic figures. The recovery is still shaky, however, and we do not expect to see any strong growth in the years ahead either. Frankly, that is the new reality.

The foodservice market continued to shrink somewhat in 2014, although the decline was significantly less than in 2013. By contrast, the food retail market flatlined in 2014, ending the trend of recent years, in which there was limited growth.

Given this background we can be pleased with the Group's growth in Foodservice. This growth resulted from acquisitions and from winning new customers, including new business following the demise of a competitor. Market share increased by 1.7 percentage points to 22.9%, representing a doubling in the space of 10 years. Much hard work has been done on the Sligro 3.0 project (including the online presence) and these efforts continue. Full details of the project are given in the Foodservice section of the report. The Foodservice operating profit before amortisation increased by €8 million in 2014 to €93 million.

For the first time in many years, the Food retail business failed to outgrow the market on a like-for-like basis. Following the lead of Sligro 3.0, EMTÉ is also hard at work overhauling its brand strategy, with the aim of making the same successful progress as Sligro. In anticipation of this, EMTÉ launched its Fijnproevers ('Gourmet') loyalty programme. Initial indications are promising. Food retail profits in 2014 were squeezed, with the operating profit before amortisation down by €2 million at €13 million. This decline, however, was restricted to the first half of the year. For the fifth time in succession, EMTÉ was crowned as having the best supermarket meat department, and also netted the prize for best cheese department in 2014.

The Group's net profit for 2014 increased by €1 million to €69 million. Overall, the impact of incidental expenses was limited but, at individual cost-centre level, the effect was significantly more noticeable, as it was for the individual business units. More detail can be found in the analysis contained in the section on results. 2014 therefore came in below expectations but that just emphasises the ambitious nature of the Group, which means the bar is always set high. The free cash flow was again strong, at a level of €78 million.

These figures are presented in the 2014 financial statements prepared by the Executive Board, with which we are in agreement. For 2014, it is proposed to pay a regular dividend of €0.80 per share, representing a payout ratio of 51%. In addition, it is proposed to pay a variable dividend of €0.30 per share (2013: €0.25), making the total dividend for the year €1.10 (2013: €1.05). In order to spread the cash flow and to mark the 25th anniversary of our stock market flotation, it was decided, with effect from 2014, to pay an interim dividend amounting to half of the regular dividend for the preceding year. This results in an extra payment of €0.40 per share in 2014, making the actual cash dividend in 2014 €1.45.

SUPERVISION

In 2014, the Supervisory Board met in formal session on five occasions. On one occasion, both Ms Burmanje and Mr Latenstein were unable to attend but submitted their comments regarding the business of the meeting beforehand.

The first meeting of the year discussed at length the results, the directors' report and the results press release. The former auditors also reported on their audit findings at this meeting and we were pleased to note that the auditors did not have

FROM LEFT TO RIGHT:
BART KARIS, DORINE BURMANJE, ADRIAAN NÜHN AND RONALD LATENSTEIN VAN VOORST

any material audit misstatements to report or any other comments of an important nature requiring immediate follow-up on the part of the Executive Board and/or Supervisory Board. The auditors gave a presentation on the pilot for the new auditors' report, the first actual use of which was for Sligro Food Group. The newly appointed auditors taking over in 2014 attended the presentation by the previous auditors in an observer capacity. The same meeting also fixed the amount of the variable remuneration for the Executive Board members, based on the criteria and approved remuneration policy adopted one year previously. Also on the agenda were the preparations for the general meeting of shareholders, including the resolution proposing to divide the dividend into an interim and final dividend.

The second meeting was a full-day session. The first part of the day involved the visit (made each year) to see the business in action, on this occasion to the new delivery service centre in Venray and to the first Sligro 3.0 cash-and-carry outlet in Maastricht. The Board was impressed by what has been achieved with Sligro 3.0 in a relatively short time. The rest of the day was devoted to the 2014–2017 Long-Term Plan prepared by the Executive Board. We are satisfied that the Executive Board has its eye on the medium to long term as well as the short term. Progress with the Long-Term Plan will be evaluated in 2016.

The third meeting was devoted to the half-year results and the associated press release. Also discussed in this context were the accounting implications of the changes to the pension scheme and the revised approach to the treatment of share options awarded in previous years (in connection with the first exercise of options in 2014). The meeting also decided to appoint an audit committee, to be chaired by Mr Latenstein. Also agreed was the proposed audit committee agenda for the year and the committee's relationship with the full Board. Various management changes immediately below Group Executive Board level were discussed, as well. The business of the meeting more importantly included the announced departure of Mr Van Rozendaal as CFO and the decision to appoint Mr Van der Sluijs as his successor, marking a successful outcome of a lengthy process of internal succession planning. Finally, the Executive Board informed the Supervisory Board about the decision to enter into covenants with the Dutch Tax & Customs Administration regarding compliance with certain tax obligations on the part

THE BOARD WAS IMPRESSED WITH SLIGRO 3.0

of franchisees and a covenant relating to 'Horizontal Supervision' with regard to monitoring of the Group's tax affairs. This process first involved close, internal self-assessment followed by a baseline inspection conducted by the tax office.

In the fourth meeting, the Board initially met alone. It was decided on this occasion to have the functioning of the Board evaluated by outside consultants. It was also decided to appoint an additional member, with financial and stock-market experience, to the Board. The intention is that this new Supervisory Board member should join the audit committee in the position temporarily occupied by the chairman. The audit committee reported on its agenda. The meeting discussed the results for the third quarter, the future organisation of Finance, accounting issues (pensions and options, in greater depth), the tax position and investor relations. Then, with the new auditors present, their audit plan was discussed, together with their experience so far. This was followed by further discussion of the third-quarter figures and the progress of the cost-cutting programme Kicken op Kosten.

The HR Manager gave the Board a presentation on the results of the employee-satisfaction survey and the growth in the number of women among the top 200 staff. Group policy on diversity, incidentally, is not driven by figures or percentages but by ability. The secretary of the CSR committee gave a progress report on the CSR programme and the issues which occasionally arise. Finally, the ICT manager reported on both the existing situation and the expected progress in the medium term and how this related to the integrated back-office agenda of ICT, Supply Chain and Finance and the main developments affecting the business. Special mention was made of the Boss project (to disentangle highly interconnected systems) and measures in place to protect continuity and security.

In the fifth and final meeting of the year, the Supervisory Board assessed the Executive Board without its members present, based on evaluation forms. We concluded that there was a good working relationship both within the Executive Board and the Supervisory Board and between the two governing bodies. There were no indications of inadequate performance, structural disagreement or conflicts of interest. Additionally, the Supervisory Board looked at the question of succession within the Executive Board and the Supervisory Board with a view to ensuring that appropriate candidates will be lined up in good time.

It was decided in 2014 to institute a remuneration committee and an appointments committee in the course of 2015. These matters were dealt with by the Board as a whole in 2014. The final meeting and the meeting of the audit committee preceding it also gave detailed consideration to the management letter from the auditors, both without the Executive Board present and with the Executive Board in attendance. The auditors believe that there is scope for greater formalisation of corporate governance and internal control. The ICT environment was also looked at closely by the auditors and they again felt that further steps could be taken to formalise matters, which is something that management, and ICT management in particular, is looking into. In the audit committee meeting prior to the main meeting, the AO/IC Department gave an outline of the status of processes and documentation thereof. The meeting also decided that an internal audit function made little sense, given the structure of the Group, with its single Finance Department. The Executive Board gave the Supervisory Board a presentation on the risks relating to fraud and the associated risk management measures, together with an assessment of the situation. As usual, the budget for the forthcoming year was also discussed.

The first of the 2015 meetings discussed the results for 2014. The auditors have not reported any material audit misstatements requiring immediate follow-up on the part of the Executive Board and/or Supervisory Board with respect to this year either. We endorse the conclusions of the Executive Board regarding the risk management and control systems, as described on page 76. This meeting also considered the extensive evaluation of the Board conducted by the external consultants.

It may be concluded from the above that there is a smoothly operating team with dedicated members who feel a sense of belonging to the company. The atmosphere is frank and constructive and the general attitude is one of having 'both feet firmly on the ground'.

Cooperation between Supervisory Board and Executive Board has developed positively in recent years. Issues are debated openly. Our Board has been able to make a professional contribution towards charting the course steered by the company.

We have taken on board points for future improvement and the succession planning and the associated competencies required have received plenty of attention. The constructive role of the Board's chairman is emphasised by the members. Each year, in addition to its formal sessions (five in 2014, as referred to above), the Supervisory Board meets on two occasions without anyone else in attendance. The chairman of the Supervisory Board also has periodical discussions with members of the Executive Board and/or Supervisory Board members. In 2014, a member of the Supervisory Board was present as observer at two of the consultative meetings with the Works Council. As usual in the case of the Group, we are pleased to report that the Executive Board and Works Council conduct their meetings in a frank and constructive atmosphere. In the language and culture of Sligro Food Group, the saying is 'Worked together, won together'.

EXECUTIVE BOARD CONDITIONS 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.

Once every three years, the remuneration package is benchmarked against a reference group comprising around 20 companies. This exercise was not due in 2014.

Both the short-term and long-term bonus plans pay out amounts equal to 30% of fixed salary if targets are met. In 2014, achievement of the forecast profit counted 50% towards the bonus, the remaining 50% depending equally on implementation of the CSR agenda, successful integration of Rooswinkel and Horeca Totaal Sluis and achievement of the 2014 food retail targets plus the cost reductions of the Kicken op Kosten programme. The ratio of total 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.

In connection with the 'Green Blood Certificates' programme for staff (see page 53), the Executive Board decided that the period for which shares obtained by exercising options must be held before disposal should be maintained at four years and that this restriction should henceforward extend to the entire net benefit (previously only half). Variable remuneration in 2014 worked out at 38% of the full target level amount (2013: 80%). The main factors behind the award of less than 100% were the actual profit figures and the failure (at this stage) to achieve the cuts envisaged in the Kicken op Kosten programme for 2014. Details of Executive Board remuneration are contained in note 6 of the financial statements on page 122.

DEPARTURES FROM THE CORPORATE GOVERNANCE CODE

The members of Sligro Food Group's Executive Board have contracts for indefinite 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 period of notice which Executive Board members are required to give is three months. By law, the minimum notice which the company can give is six months. The conditions of employment for Executive Board members do not contain any severance pay clauses. This has to do with the longer period of notice for the company. A change in the law, incidentally, limits termination payments to a maximum of one year's salary with effect from 1 July 2015. The general meeting of shareholders has also approved this departure from the Code.

BOARD CHANGES

As mentioned above, a resolution proposing to increase the number of members of our Board by appointing Mr Hans Kamps will be put before the AGM to be held on 18 March 2015. Mr Kamps is CFO of Boskalis and has the credentials of someone who will strengthen our Board. A more comprehensive CV of Mr Kamps will be appended to the agenda for the AGM. There was no female candidate available that matched the requirements of the adopted profile.

In mid-2014, Mr Van Rozendaal gave notice that he wished to step down as CFO of Sligro Food Group at the AGM on 18 March 2015. He has held this post for 24 years, making him the CFO with the longest tenure with one company of any listed company in the Netherlands. Sligro Food Group has thrived over this period and Mr Van Rozendaal has made an important contribution to that success. We owe him an enormous debt of gratitude. We are pleased that we have been able to find a successor within the company in the proposed appointment of Mr Van der Sluijs. During the past seven years, mentored by the Executive Board and our Board, he has developed into a worthy successor to Mr Van Rozendaal. Agreement has been reached with Mr Van der Sluijs that his remuneration will be brought up to the envisaged level over three years, as is our usual policy. The fact that the internal succession planning was started at such an early stage precluded the inclusion of a female candidate in the selection procedure.

FINANCIAL STATEMENTS

The 2014 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 Deloitte, whose unqualified audit report can be found in 'Other Information' on page 150.

We invite you to:

→ adopt the 2014 financial statements;
→ adopt the proposed profit distribution;
→ ratify the Executive Board's conduct of the company's affairs;
→ ratify the supervision exercised by our Board.

In 2014, the Executive Board attempted to strike the right balance between competing priorities. Sometimes they didn't get the balance completely right so they will be 'upping the game' in 2015. Sligro Food Group, as always, is buzzing with energy. We are indebted to the Executive Board and the workforce for the huge effort that has been required, and will continue to be required in 2015.

Veghel, 21 January 2015

A. Nühn, Chairman
Th.A.J. Burmanje
B.E. Karis
R.R. Latenstein van Voorst

SUPERVISORY BOARD

A. Nühn (61)
Supervisory Director, Dutch nationality (m). Appointed in 2009 until 2013, reappointed to 2017 and not eligible for reappointment thereafter. Supervisory Director of HG International, Anglovaal Industries, Cloetta, Plukon Food Group and Kuoni AG and member of the Board of Trustees of WWF-Netherlands (World Wide Fund for Nature).

Th.A.J. Burmanje (60)
Supervisory Director, Dutch nationality (f). Appointed in 2008, reappointed in 2012 until 2016 and not eligible for reappointment thereafter. Chair of the Dutch Land Registry Board. Member of the Supervisory Board of Deltares and of the Netherlands School of Public Administration, Supervisory Board chairman of Canisius Wilhelmina Ziekenhuis and member of the Supervisory Board of ARN B.V. and Zeeman textielSupers.

B.E. Karis (56)
Supervisory Director, Dutch nationality (m). Appointed in 2012 and eligible for reappointment. Chairman of the Executive Board of Zeeman textielSupers.

R.R. Latenstein van Voorst (50)
Supervisory Director, Dutch nationality (m). Appointed in 2008, reappointed in 2012 until 2016 and not eligible for reappointment thereafter. Independent consultant.

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.


EXCELLENTE
ALEX MEIJER & CO
THEEPAKKERS SINDS
EXCELLENTE THEEPLUKKERS
THEEPAKKERS SINDS

Financial statements

ANNUAL FIGURES

Consolidated profit and loss account
for 2014

(x € million)

	Notes	2014	2013	2012 [1]
Net sales	**2, 3**	**2,572**	**2,498**	**2,468**
Cost of sales		(1,976)	(1,920)	(1,910)
Gross margin		**596**	**578**	**558**
Other operating income	**4**	**5**	**5**	**3**
Staff costs	5	(271)	(265)	(255)
Premises costs		(62)	(63)	(61)
Selling costs		(24)	(22)	(20)
Logistics costs		(77)	(72)	(67)
General and administrative expenses		(18)	(18)	(15)
Impairments		(3)	(2)	
Depreciation of property, plant and equipment	11	(40)	(41)	(43)
Amortisation of intangible assets	10	(17)	(12)	(11)
Total operating expenses		**(512)**	**(495)**	**(472)**
Operating profit	**2**	**89**	**88**	**89**
Finance income and expense	8	(4)	(4)	(5)
Share in results of associates	13	1	3	5
Profit before tax		**86**	**87**	**89**
Tax	9	(17)	(19)	(20)
Profit for the year		**69**	**68**	**69**
Attributable to shareholders of the company		**69**	**68**	**69**

Figures per share		**€**	**€**	**€**
Basic earnings per share	20	1.58	1.55	1.56
Diluted earnings per share	20	1.58	1.55	1.56
Proposed dividend	19	1.10	1.05	1.05

1) This concerns the comparative figures for the year from the 2013 financial statements.

Consolidated statement of recognised income and expense
for 2014

(x € million)

	2014	2013	2012 [1]
Profit for the year	69	68	69
Items never recognised in the profit and loss account:			
Actuarial gains and losses on defined-benefit plans, net of tax	(3)	(2)	(5)
Items recognised or which may be recognised in the profit and loss account:			
Effective part of movements in the fair value of cash flow hedge of long-term loans, net of tax	(2)	(1)	(1)
Reclassified to consolidated profit and loss account	0	0	0
	(2)	(1)	(1)
Income and expense recognised directly in shareholders' equity	(5)	(3)	(6)
Recognised income and expense for the year	**64**	**65**	**63**
Attributable to shareholders of the company	**64**	**65**	**63**

1) This concerns the comparative figures for the year from the 2013 financial statements.

Consolidated cash flow statement
for 2014

(x € million)

	Notes	2014	2013	2012[1)]
Receipts from customers		2,845	2.710	2,656
Other operating income		1	3	3
		2,846	2,713	2,659
Payments to suppliers		(2,323)	(2,210)	(2,180)
Payments to employees		(144)	(137)	(135)
Payments to the government		(209)	(212)	(197)
		(2,676)	(2,559)	(2,512)
Net cash generated from operations	30	170	154	147
Interest received and paid		(4)	(4)	(5)
Dividend received from associates	13	4	5	5
Corporate income tax paid		(23)	(22)	(18)
Net cash flow from operating activities		**147**	**133**	**129**
Acquisitions/investments	1	(17)	(19)	(1)
Sale of associates/operations	13			0
Capital expenditure on property, plant and equipment/ investment property/assets held for sale	11	(60)	(35)	(37)
Receipts from disposal of property, plant and equipment/investment property/assets held for sale		7	6	8
Capital expenditure on intangible assets	10	(16)	(4)	(5)
Investments in/loans to associates	13	(5)	(1)	0
Repayments by associates	13	0	2	0
Net cash flow from investing activities		**(91)**	**(51)**	**(35)**
Repayment of long-term borrowings	22	(53)		
Paid to joint venture				(0)
Repurchase of own shares		(1)	(3)	(3)
Dividend paid		(63)	(46)	(46)
Net cash flow from financing activities		**(117)**	**(49)**	**(49)**
Movement in cash, cash equivalents and short-term bank borrowings		**(61)**	**33**	**45**
Opening balance		135	102	57
Closing balance		**74**	**135**	**102**

1) This concerns the comparative figures for the year from the 2013 financial statements.

Consolidated balance sheet
as at 27 December 2014 before profit appropriation

(x € million)

ASSETS	Notes	27-12-2014	28-12-2013	29-12-2012[1)]
Goodwill	10	126	126	126
Other intangible assets	10	72	53	45
Property, plant and equipment	11	295	286	293
Investment property	12	15	13	13
Investments in associates	13	45	43	44
Other financial assets	13	9	5	10
Total non-current assets		**562**	**526**	**531**
Inventories	14	213	192	210
Trade and other receivables	15	146	140	109
Other current assets	16	9	7	7
Assets held for sale	17	8	6	9
Cash and cash equivalents	18	74	135	102
Total current assets		**450**	**480**	**437**
Total assets		**1,012**	**1,006**	**968**

EQUITY AND LIABILITIES	Notes	27-12-2014	28-12-2013	29-12-2012
Paid-up and called capital		3	3	3
Reserves		567	568	552
Total shareholders' equity attributable to shareholders of the company	19	**570**	**571**	**555**
Deferred tax liabilities	9	27	28	31
Employee benefits	5	4	4	3
Other provisions	21	0	0	0
Bank borrowings	22	124	119	175
Total long-term liabilities		**155**	**151**	**209**
Current portion of long-term borrowings	22		53	0
Bank borrowings	22	0	0	0
Trade and other payables	31	200	148	122
Corporate income tax	9	0	4	4
Other taxes and social security contributions	23	33	33	32
Other liabilities, accruals and deferred income	24	54	46	46
Total current liabilities		**287**	**284**	**204**
Total equity and liabilities		**1,012**	**1,006**	**968**

1) This concerns the comparative figures for the year from the 2013 financial statements.

Consolidated statement of changes in equity
for 2014 before profit appropriation

(x € million)

	Paid-up and called capital	Share premium	Other reserves	Revaluation-reserve	Hedging reserve	Treasury shares reserve	Total
Balance as at 29-12-2012	**3**	**31**	**531**	**3**	**(3)**	**(10)**	**555**
Transactions with owners							
Share-based payments			0				0
Dividend paid			(46)				(46)
Repurchase of own shares						(3)	(3)
	0	0	(46)	0	0	(3)	(49)
Total realised and unrealised results							
Profit for the year			68				68
Investment property			(0)	0			
Cash flow hedge					(1)		(1)
Reclassification					(0)		(0)
Actuarial results			(2)				(2)
	0	0	66	0	(1)	0	65
Balance as 28-12-2013	**3**	**31**	**551**	**3**	**(4)**	**(13)**	**571**
Transactions with owners							
Share-based payments			(1)				(1)
Dividend paid			(63)				(63)
Repurchase of own shares						(1)	(1)
	0	0	(64)	0	0	(1)	(65)
Total realised and unrealised results							
Profit for the year			69				69
Investment property			(1)	1			
Cash flow hedge					(2)		(2)
Reclassification					0		0
Actuarial results			(3)				(3)
	0	0	65	1	(2)	0	64
Balance as at 27-12-2014	**3**	**31**	**552**	**4**	**(6)**	**(14)**	**570**

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 27 December 2014 in the year under review. The 2014 financial year has 52 weeks. The comparative figures for the 2013 and 2012 financial years also relate to 52 weeks. The financial year 2015 will consist of 53 weeks.

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 21 January 2015.

D. Accounting policies used in the preparation of the consolidated financial statements

The financial statements are presented in millions of euros, except where otherwise indicated. The euro is the functional currency. In the financial statements for 2014, the figures have been rounded to the nearest million for the first time. Previously they were presented in thousands. The comparative figures have been restated accordingly but percentages calculated in the past on the basis of thousands remain unchanged. The historical cost convention has been applied except for investment property 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.

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 2013. In the 2013 financial statements, the total operating income included an impairment loss on property, plant and equipment. In these financial statements, this loss is presented separately in the 2013 comparative figures. Furthermore reference is made to page 110 for a note on a change in presentation with respect to intangible assets.

E. New standards and interpretations

The EU-approved standards IFRS 10 Consolidated Financial Statements, IFRS 11 Joint Arrangements, IFRS 12 Disclosure of Interests in Other Entities and the amendments to IFRS 7 relating to the netting of financial assets and financial liabilities have been applied for the first time in the 2014 financial year. None of these standards had a material effect on the Group's financial statements, although incidental additional disclosures have been made in the notes.

The Group has elected not to apply the new standards IFRS 9 Financial Instruments and IFRS 15 Revenue from Contracts with Customers ahead of time. These standards are not expected to have any material impact on the Group's financial statements.

F. Specific choices under IFRS

In some instances, IFRS permits various options in the application of accounting principles. The most important choices are explained below:

Measurement of fair value

A number of accounting policies and disclosures require the measurement of fair value.

The Group periodically reviews the significant changes in value. Where fair value measurement is based on external information, the Group assesses the documentary evidence of fair value obtained from the third parties concerned to verify that the amounts arrived at satisfy IFRS requirements, including the hierarchical level of the fair values into which such measured amounts are classified.

More information on the assumptions underlying the measurement of fair value is contained in the following notes:

	Accounting policy
Investment property	F
Other financial assets, fair value hedge	H2
Assets held for sale	H13
Bank borrowings	H2

Property, plant and equipment

IFRS allows the option of measuring property, plant and equipment (or individual assets) at either cost or fair value. Sligro Food Group opted for cost-based treatment since this involves a more straightforward calculation in our specific business.

Investment property

IFRS allows the option of measuring investment property at either cost or fair value. The investment property comprises supermarket premises leased to Group franchisees. In contrast to the other property included in property, plant and equipment, the fair value is unequivocal. Moreover, the Group may not be the owner of these premises but may be subletting them. This property accordingly has the nature of a financial investment and the fair value provides a more accurate view of the economic performance. The existence of a transparent property market for supermarket premises means that the fair value can be calculated by applying a typical market capitalisation factor to the rental income.

Cash flow statement

IFRS allows the cash flow statement to be prepared using either the direct method or the indirect method, albeit with a preference for the direct method, and this is the method adopted by the Group as it provides the most accurate view of the actual cash flows. A reconciliation with the indirect method is included in note 30.

G. Accounting policies of a more critical nature

G1 Net sales

This is the proceeds from the sale of goods and services to third parties, net of value added tax, volume, other discounts and the value of loyalty programmes. 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.

G2 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 compensation are received from suppliers, the two main ones being:

i Temporary price reductions, usually relating to special offers to customers 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 by the Group, 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.

G3 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 of 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, also ten years. Where long-term customer accounts stem from specific signup fees with customers, the life of the asset is taken as equal to the period of the contract. 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.
It was decided, with effect from the beginning of 2014, to change the presentation of non-recurring customer contract signup fees for long-term contracts. Previously, these were treated as prepaid expenses or set against bonuses payable to customers. With effect from the beginning of 2014, they have been recognised as intangible assets, resulting in the following transfers.

(x € million)	
Intangible assets	4
Prepaid expenses	(1)
Customer bonuses payable	(3)
	0

Previously these items were also charged to income over the contract periods, the difference being that, with effect from the beginning of 2014, the charge is included in amortisation of intangible assets whereas previously it was deducted from net sales. This change in presentation results from a more specific interpretation of IAS 38.

G_4 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 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 33 1/3

G5 Defined-benefit plan

Under H5ii it was mentioned that there is a new pension scheme. Although the way in which this is treated is not considered a critical accounting policy, the financial implication of the change is relevant.

H. Other accounting policies

H_1 Foreign currency

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. As all the Group's subsidiaries, associates and joint ventures are Dutch companies there is no translation risk. The treatment of financial derivatives is described below.

H_2 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, as explained below.
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 (due to interest rates and exchange rates) from a recognised liability, the effective portion of a gain or loss on the derivative financial instrument is recognised in equity (via the statement of recognised income and expense). This item is transferred to the profit and loss account in the same period or periods in which the underlying liability affects the result. The ineffective portion of any gains or losses is recognised immediately.

Hedging monetary assets and liabilities

Where a derivative financial instrument is used to hedge the currency risk on a recognised monetary liability, hedge accounting is in principle not used, meaning that the gain or loss on exchange is recognised in the profit and loss account.

H_3 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.

H_4 Expenses – general

The presentation of expenses is based on classification by nature. 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.

H_5 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 for almost all of the Group's schemes providing privately insured benefits to top up state benefits including the schemes provided by EMTÉ Supermarkten and for certain groups of employees, such as fruit and vegetable and meat department staff, which are covered by industry pension funds. These arrangements are classed as a defined-contribution plan because the Group is only under obligation to pay the agreed level of contributions and does not bear any additional actuarial or other risks in respect of the accrued length of service.

ii Defined-benefit plans

The new pension scheme provided by Stichting Pensioenfonds Sligro Food Group replaced the old defined-benefit pension arrangements, with effect from 1 June 2014, and qualifies under IAS 19 as a collective money purchase arrangement, i.e. defined-contribution plan. The old scheme was terminated at the end of May 2014, resulting in a non-recurring accounting (i.e. non-cash) gain on pensions of €4 million before tax in the first half of the year. The new scheme has minimal impact on the cost of the actual pension contributions borne by the Group.

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.

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 addition to shareholders' equity and liabilities. Since the options are granted unconditionally, the fair value of the options is expensed in the year in which the options are granted. The options are payable half obligatory in shares and the other half for choice in either shares or cash. The first 50% is therefore treated as being 'equity settled', with the cost expensed and a corresponding addition to shareholders' equity, with no further adjustments. The second 50% is treated as being 'cash settled', with the cost expensed and a corresponding increase in the liabilities, this latter item being adjusted each year through profit or loss, depending on the movements in the fair value of the position.

H_6 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.

H_7 Share in results of associates

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

H_8 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.

H_9 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 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 H_3, rental income and any fair value gains and losses are included in other operating income.

H_{10} Financial assets
Investments in associates 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 mainly comprise interest-bearing loans to customers and loans to associates. The loans are carried at amortised cost less any impairment losses.

H_{11} 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.

H_{12} 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.

H_{13} 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.

H_{14} 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.

H_{15} 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 H_8.
The provision for employee benefits is explained in H_5. 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.

H_{16} 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.

H_{17} Other liabilities, accruals and deferred income
These are carried at amortised cost.

I. 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.
→ De Dis B.V. te Ter Apel (86%).
→ Van Hoeckel B.V. te 's-Hertogenbosch.
→ Horeca Totaal Sluis B.V., Sluis.

Food retail
→ EMTÉ Franchise B.V., Veghel.
→ EMTÉ Supermarkten B.V., Veghel.
  → EMTÉ Vleescentrale B.V., Veghel.
→ EMTÉ Vastgoed B.V., Veghel.

The effectiveness of the Group's legal structure is appraised each year with a view to simplification where appropriate.

Associates are those entities in which the Group has significant influence, but not control, over the financial and operating policies. The consolidated financial statements include the share in the results of associates measured using the equity method. 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.

J. 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.

K. Earnings per share

The Group reports both basic and diluted earnings per share (EPS). 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.

Notes
to the consolidated financial statements

Notes

1. Acquisitions, investments and disposals

Two acquisitions were made in 2014. The first concerns the takeover of the entire share capital of Horeca Totaal Sluis B.V. Horeca Totaal Sluis mainly serves the hospitality sector (leisure industry) and institutional customers, and the business is highly seasonal. With a staff of around 40, annual sales are approximately €20 million, mainly relating to deliveries. The takeover was completed on 21 February. The figures of Horeca Totaal Sluis have been included in the consolidation from March onwards.
The second concerns the takeover of the wholesale activities of Rooswinkel Horeca Groothandel B.V. This acquisition concerned the customer accounts, generating annual sales of around €30 million, a number of delivery vehicles (leased) and around 120 staff. The transport operations have since been outsourced and the vehicle leases and drivers transferred. A gradual transfer of the customer contracts took place during the spring of 2014.
The two acquisitions together added €27 million to consolidated net sales. If these acquisitions would have formed part of the Group for the full year 2014, the sales would have been €10 million higher, without any material effect on the result. In combination with the acquisition of Van Oers, completed in 2013, the total additional contribution resulting from acquisitions to sales in 2014 was €45 million. On top of the debt-free purchase price, the acquisition of Rooswinkel involved an additional investment in working capital of approximately €1 million, partly because only a proportion of the inventories was taken over and none of the trade receivables and payables were taken over. This investment has been included in the cash flow from operating activities.

An analysis of the acquired assets and equity and liabilities is as follows:

(x € million)

	2014	**2013**
Intangible assets	16	17
Property, plant and equipment	1	0
Financial assets		1
Inventories	2	1
Trade and other receivables	2	
Assets held for sale		
Cash and cash equivalents	3	
Deferred tax liabilities	(3)	
Employee benefits	(0)	
Trade and other payables	(1)	(0)
Total identifiable net assets	20	19
Less: cash and cash equivalents	(3)	
Debt-free purchase price	**17**	**19**

The above figures are provisional. The final purchase price depends on certain criteria being satisfied. Presented in the above statement is a total debt-free purchase price of €17 million, whereas a maximum purchase price of €19 million was contractually agreed. The acquisitions will be completed in 2015 and it is not in fact expected that any additional payments will be made. Additionally, the activities of Super Direct Retail B.V. were discontinued in 2014 and the financial interest in this venture was written off, as disclosed in note 13.

2. Segment information

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

(x € million)

	Foodservice		Food retail		Total	
	2014	2013	2014	2013	2014	2013
Net sales[1]	**1,749**	**1,658**	**823**	**840**	**2,572**	**2,498**
Other operating income	4	1	1	4	5	5
Total income	**1,753**	**1,659**	**824**	**844**	**2,577**	**2,503**
Operating profit	**83**	**81**	**6**	**7**	**89**	**88**
Finance income and expense					(4)	(4)
Share in results of associates	1	0	0	3	1	3
Tax					(17)	(19)
Profit for the year					**69**	**68**
Segment assets	660	593	230	235	890	828
Associates	13	7	32	36	45	43
Unallocated assets					77	135
Total assets	**673**	**600**	**262**	**271**	**1,012**	**1,006**
Segment liabilities	202	167	85	64	287	231
Unallocated equity and liabilities					725	775
Total equity and liabilities	**202**	**167**	**85**	**64**	**1,012**	**1,006**
Net capital employed[2]	458	426	145	172	603	598
Net interest-bearing debt[3], provisions and associates					(33)	(27)
Group equity					**570**	**571**
Staff costs	170	161	101	104	271	265
Number of employees[4]	3,165	2,942	2,669	2,887	5,834	5,829
Capital expenditure[5]	56	34	7	7	63	41
Disposals[5]	(3)	(0)	(0)	(5)	(3)	(5)
Investment customer bases	11				11	
Depreciation[6] and amortisation software	33	31	14	15	47	46
Other amortisation	6	2	7	7	13	9

1) There are no transactions between the segments. 2) Excluding associates. 3) Interest-bearing debt less freely available cash and cash equivalents and the fair value of derivatives. 4) Certain head office staff who perform activities on behalf of the Group as a whole have been included in the Foodservice activities. 5) Involving property, plant and equipment, investment property, assets held for sale and software (at transaction level) 6) Including impairments.

3. Net sales

This is very largely made up of 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).

Coming into effect on 1 July 2013 there was a change in the way VAT is levied on tobacco products. Prior to that date, VAT was levied at the manufacturing level. Since then it has been calculated in the normal way. The effect was to depress sales in the second half of 2013 by approximately €27 million, with €22 million of this figure affecting foodservice and €5 million affecting food retail. A similar effect was apparent in the first half of 2014 relative to the first half of 2013. The analysis of revenue by activity is as follows:

(x € million)

	2014	**2013**
Foodservice	1,749	1,658
Food retail	823	840
	2,572	**2,498**
Goods/services		
Goods supplied	2,551	2,479
Services rendered	21	19
	2,572	**2,498**

4. Other operating income

(x € million)

	Notes	**2014**	**2013**
Investment property rental income	12	2	1
Result on disposal of assets held for sale	12	0	0
Other rental income		1	1
Book profit (loss) on property, plant and equipment and other incidental gains and losses	11	2	3
		5	**5**

5. Employee-related items

5.a. Staff costs

Staff costs are made up as follows:

(x € million)

	Notes	**2014**	**2013**
Salaries		194	190
Social security contributions		31	30
Net benefit expense on defined-benefit plans	5c	0	8
Defined-contribution plan contributions		13	6
Share-based payments	5e	1	0
Contract/temporary staff		17	16
Other staff costs		15	15
		271	**265**

5.b. Employee benefits provision

This provision can be analysed as follows:

(x € million)

	Notes	2014	2013
Post-employment benefits	5c		0
Long-service benefits	5d	4	4
		4	**4**

5.c. Pensions and pension funds

Within the Group there are basically two pension schemes, connected with the two principal collective labour agreements covering the Group's activities.

There will be changes to all, below mentioned, pension schemes in 2015, in line with the new statutory rules, to bring the contribution rates within the band between permitted minimum and maximum pension base percentages.

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. This scheme is treated as a defined-contribution plan because the Group is only under obligation to pay the agreed level of contributions and does not bear any additional actuarial or other risks in respect of the accrued length of service. The industry pension fund has a reserve deficit. EMTÉ Supermarkten does not have any obligation beyond the payment of contributions. The level of contributions is linked to the pension base and is calculated in the same manner for all companies affiliated to the Pension Fund.

Other CLAs/industry-wide pension funds

A small proportion of the Group's employees is covered by other industry pension funds. The schemes are conditional indexed average pay schemes and the related pension funds also have reserve deficits. These schemes, too, are treated as defined-contribution plans because the Group is only under obligation to pay the agreed level of contributions and does not bear any additional actuarial or other risks in respect of the accrued length of service.

Food Wholesale Sector CLA

The other staff within the Group come under this CLA. The pension scheme for these employees is administered by Stichting Pensioenfonds Sligro Food Group. In 2014, agreement was reached on a new pension scheme for these employees. The treatment as a defined-benefit plan was discontinued at the end of May 2014 and was treated as a defined-contribution plan since that date. The new scheme comes into operation on 1 January 2015, with the contribution rate fixed for five years. The Group does not have any obligation beyond the payment of the agreed level of contributions.
The discontinuation of the old scheme at the beginning of June 2014 resulted in a non-recurring accounting (i.e. non-cash) gain on pensions of €4 million, as shown in the analysis hereafter. From 1 June onwards, the net benefit expense has been the same as the amount of the employer's contributions payable.

The following analyses disclose details of the pension costs:

Actuarial assumptions (as %):	Prior to 1 June 2014	2013
Discount rate, also used as the expected rate of return on plan assets	3.0	3.4
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	1.0	0.5
Closing annualised increase for inactive members	1.0	0.5

Pension costs (defined-benefit plan)

(x € million)	Prior to 1 June 2014	2013
Service cost	4	7
Current service cost	*6*	*13*
Employee contributions	*(2)*	*(6)*
Net return	0	0
Expected return	*(3)*	*(6)*
Interest cost	*3*	*6*
Interest cost related to asset ceiling	*0*	*0*
Result on termination	(4)	
Administration cost	0	1
Net benefit expense recognised in profit and loss account	**0**	**8**
Adjustments to pension liabilities/assets		
Actuarial loss/gain	*(15)*	*(9)*
Financial assumptions	*18*	
Experience-based assumptions	*20*	*(1)*
Asset ceiling	*(19)*	*12*
Net benefit expense included in statement of recognised income and expense	**4**	**2**
Total net benefit expense on defined-benefit plans	**4**	**10**

5.d. Long-service benefits

(x € million)	2014	2013
Opening balance	4	4
Benefits paid	(0)	(0)
Benefit expense for the year	0	0
Actuarial result (also expensed) for the year	0	0
Closing balance	**4**	**4**

5.e. Share-based payments (share option scheme)

The target group for the share option scheme comprises approximately 40 individuals who are awarded unconditional share options which vest immediately and can be exercised after 4 years. The exercise price is the first ex-dividend price after the grant date. Under the share option scheme rules, at least 50% and as from 2015 for new options granted to the members of the Executive Board for 100% of any net gain (after tax) 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 average base salary and the award ratio multiplied by a factor depending on the development in the total shareholders return relative to a peer group, varying between 0% and 150%. The composition of the peer group forms part of the scheme, as approved by the General Meeting of Shareholders and published on the website. The peer group benchmarking in 2015 gives a factor of 75% (2014: 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. Prior to year-end 2014, shares were repurchased to match all options in issue as at the date of award, the shares concerned then being held by the foundation managing employee shares. In 2015, this will be done on the basis of expectations arrived at by applying the Black & Scholes formula explained below.

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

	Number
Opening balance	555,000
Exercised	(148,800)
Awarded	163,800
Closing balance	**570,000**

The exercise price for the options exercised in 2014 was €24.06. The actual share price at the time of exercise was €29.72.

The analysis of the share options in issue as at year-end 2014 is as follows:

	Maturity	**Exercise price**	**Number**
5 maart 2011	1 april 2015	23.62	147,000
23 maart 2012	1 april 2016	24.13	137,200
22 maart 2013	1 april 2017	24.64	122,000
21 maart 2014	1 april 2018	28.63	163,800

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 2014, amount to €0.4 million (2013: €0.3 million)

Based on the following assumptions:

→ Risk-free interest rate: 0.65% (2013: 0.51%).
→ Volatility: 21%, based on a 4-year historical average (2013: 21%).
→ Dividend yield: 4% (2013: 4,26%).
→ Maturity date: 4 years (2013: no change).

Because, up to year-end 2013, the options were accounted for solely as being equity settled, an adjustment was made at the beginning of 2014 for the cash settled part. This adjustment resulted in a charge to shareholders' equity of €1 million and an expense of €0.4 million in the 2014 profit and loss account. On top of that, the adjustment to fair value of the cash settled part as at year-end 2014 resulted in the recognition of an additional expense of €1 million.

6. Remuneration of Executive Board and Supervisory Board

The remuneration charged to the profit and loss account for the company's Executive Directors in 2014 was €1.892 thousands (2013: €2.333, including €154 'crisis levy'). The remuneration can be analysed as follows:

(x € 1,000)

	K.M. Slippens		H.L. van Rozendaal		W.J.P Strijbosch		Total	
	2014	**2013**	**2014**	**2013**	**2014**	**2013**	**2014**	**2013**
Fixed salary	434	430	377	374	377	372	1.188	1.176
Short-term bonus	50	105	44	92	44	92	138	289
Long-term bonus	50	105	44	92	44	92	138	289
Pension contribution	98	106	118	128	85	79	301	313
Value of options	24	19	24	19	24	19	72	57
Voluntary social security contributions	10	10	9	9	9	9	28	28
Statutory social security contributions	9	9	9	9	9	9	27	27
Total	**675**	**784**	**625**	**723**	**592**	**672**	**1.892**	**2.179**

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% (2013: 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 (2013: 15%). If the target is exceeded, the bonus is increased in line with the percentage outperformance. For 2014, the other 50% depends on the achievement of considerable progress on the CSR agenda and specifically on the successful integration of Rooswinkel and Horeca Totaal Sluis, the achievement of the 2014 food retail targets and the achievement of at least 90% of the cost-cutting target. 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 2014 bonuses were calculated at 38% of the target level (2013: 80%).

The value of the options concerns the number of options awarded in the year multiplied by the value of each option based on the formula stated in note 5.e. 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.

Voluntary social security contributions includes incapacity benefit plan insurance premiums. The members of the Executive Board are also able to claim expenses and a mileage allowance for using their own cars in connection with the business. Since these benefits serve to cover actual costs incurred and are not considered to form part of the remuneration as such, they have not been included in the above totals.

The annual remuneration for the chairman of the Supervisory Board, A. Nühn, was €40 thousands (2013: €40) and that of the other members of the Supervisory Board €32 thousands (2013: €32). The remuneration is not performance-related. The total remuneration amounted to €136 thousands (2013: €136). 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.

Movements in share and option ownership were as follows:

Equities	Exercise-price	K.M. Slippens	H.L. van Rozendaal	W.J.P Strijbosch
Opening balance		89,447	164,275	1,617
Purchase		3,261	5,725	3,687
Sale				
Closing balance		**92,708**	**170,000**	**5,304**
Options				
Opening balance		37,200	37,200	17,800
Exercised	24.06	(9,600)	(9,600)	
Awarded	28.63	10,400	10,400	10,400
Closing balance		**38,000**	**38,000**	**28,200**

The actual share price at the time of exercising 2014 was €29.72.

The number of options in issue as at year-end can be analysed as follows:				
Maturing on 1 april 2015	23.62	9,800	9,800	
Maturing on 1 april 2016	24.13	9,800	9,800	9,800
Maturing on 1 april 2017	24.64	8,000	8,000	8,000
Maturing on 1 april 2018	28.63	10,400	10,400	10,400
Closing balance		**38,000**	**38,000**	**28,200**

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 2014 amounted to €220 thousands (2013: €260). Other work consists principally of other audit services, including audits relating to customer contracts, the fee for which, charged by the previous auditors in 2014, was €33 thousands (2013: €41). The auditors are not engaged to perform consultancy work.

8. Finance income and expense

(x € million)

	2014	2013
Finance income from loans granted to customers and late payment credit charges received from customers, plus interest on tax paid in advance	1	1
Finance expense for finance-related obligations	(5)	(5)
	(4)	**(4)**

9. Tax

9.a.1. Tax (corporate income tax)

A ‘Horizontal Monitoring Covenant’ was signed with the Dutch Tax and Customs Administration in 2014. A covenant of this kind lays down agreements reached between the tax authorities and the company and reduces the chance of ‘surprises’.
The Dutch tax system recognises a difference between the reported profit and is 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 € million)

	2014	2013
Tax for the year	20	23
Prior-year adjustments	(1)	(1)
Tax liability for the year	**19**	**22**
Taxes accounted for directly in recognised income		
Movement in cash flow hedge of long-term loan	0	0
Actuarial gains and losses on defined-benefit plans	1	0
	1	0
Movement in deferred tax liabilities	(3)	(3)
Tax shown in the profit and loss account	**17**	**19**

9.a.2. Effective tax burden

The effective tax burden can be analysed as follows:

(x € million)

	2014	2013
Profit before tax	**86**	**87**
Tax burden at the standard rate of 25.0%	21	22
Prior-year adjustments	(1)	(1)
Other, including tax facilities and tax-exempt income, including tax-free results of associates, capital expenditure allowances and innovation allowances	(3)	(2)
Effective tax burden 19.8% (2013: 21.9%)	**17**	**19**

9.b. Current tax assets and liabilities

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

(x € million)

	2014	2013
Assets	**0**	
Liabilities		**4**

As at year-end 2014, all wholly owned subsidiaries, with the exception of EMTÉ Vastgoed B.V., 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 € million)

	2014	2013
Intangible assets	7	5
Property, plant and equipment	19	22
Inventories	1	1
Net liability	**27**	**28**

The deferred tax liabilities mainly relate to the recognition of intangible assets from acquisitions and to different carrying amounts for property, to which special tax rules apply. In addition, in past years, tax facilities allowing accelerated depreciation 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 € million)

	2014	2013
Opening balance	28	31
Acquisitions	2	
Movement during the year	(3)	(3)
Movements in previous years	(0)	1
Taxes accounted for directly in recognised income		(1)
Closing balance	**27**	**28**

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

10. Goodwill and other intangible assets

Movements in this item were as follows:

(x € million)

	Goodwill	Other intangible assets		
		Store locations and custo-mer bases	Software	Total
At cost	130	87	16	103
Accumulated amortisation	(4)	(46)	(12)	(58)
Balance as at 29 December 2012	**126**	**41**	**4**	**45**
Capital expenditure		1	4	5
Disposals	0	(1)		(1)
Acquisitions		16	0	16
Amortisation		(9)	(3)	(12)
Total movements	0	7	1	8
At cost	130	103	20	123
Accumulated amortisation	(4)	(55)	(15)	(70)
Balance as at 28 December 2013	**126**	**48**	**5**	**53**
Reclassification[1]		4		4
Capital expenditure		11	5	16
Disposals				
Acquisitions		16	0	16
Amortisation		(13)	(4)	(17)
Total movements	0	18	1	19
At cost	130	137	25	162
Accumulated amortisation	(4)	(71)	(19)	(90)
Balance as at 27 December 2014	**126**	**66**	**6**	**72**

1) See note G_3 on page 109.

Allocation of goodwill to cash-generating units

Goodwill is allocated to cash-generating units as follows:

(x € million)

	2014	2013
Food retail	30	30
Foodservice	96	96
	126	**126**

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, taking into account the market prices paid in the recent period for both individual stores and groups of supermarket outlets and typical market revenue multipliers. The test has shown that the fair value less costs to sell is well in excess of the carrying amount of the goodwill (and the other assets) of the food retail unit (2013: ditto).

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 (2013: no change).

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) in the preceding year and the budget for the current year, the reasonableness of the assumption being tested against the operating profits in earlier 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 (7%)

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 (1%)

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 € million)

	Land and buildings	Plant and equipment	Other assets	Assets under construction	Total
At cost	375	61	226	1	663
Accumulated depreciation	(135)	(46)	(189)		(370)
Balance as at 29 December 2012	**240**	**15**	**37**	**1**	**293**
Capital expenditure	9	5	13	10	37
Disposals	(3)		0		(3)
Acquisitions			0		0
Depreciation	(15)	(6)	(20)		(41)
Total movements	(9)	(1)	(7)	10	(7)
At cost	380	66	236	11	693
Accumulated depreciation	(149)	(52)	(206)		(407)
Balance as at 28 December 2013	**231**	**14**	**30**	**11**	**286**
Capital expenditure	44	8	16	(10)	58
Disposals	(0)	(0)	(0)		(0)
Acquisitions		0	0		0
Transfer[1)]	(6)				(6)
Depreciation	(16)	(6)	(18)		(40)
Impairments	(3)	0	0		(3)
Total movements	19	2	(2)	(10)	9
At cost	408	71	247	1	727
Accumulated depreciation	(158)	(55)	(219)		(432)
Balance as at 27 December 2014	**250**	**16**	**28**	**1**	**295**

1) Transferred to investment property and 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 € million)

	2014	2013
Land	68	56
Supermarket store premises	22	24
Buildings	102	90
Subtotal properties owned	**192**	**170**
Land occupied by leased premises	3	2
Leasehold improvements	55	59
	250	**231**

The area of land totals 823,000 m^2 (2013: 785,000 m^2), of which 285,000 m^2 (2013: 285,000 m^2) is accounted for by the central complex.

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

	Number		x 1,000 m^2		x € million	
	2014	2013	2014	2013	2014	2013
Cash-and-carry wholesale outlets	24	22	154	146	71	58
Customer distribution centres	5	4	81	61	35	21
Production companies	3	3	17	18	11	11
Central complex	1	1	136	136	45	46
Supermarkets used by the Group	18	20	25	25	30	34
	51	**50**	**413**	**386**	**192**	**170**

12. Investment property

(x € million)

	2014	2013
Opening balance	13	13
Transferred from property, plant and equipment	2	
Transferred to assets held for sale	(0)	(1)
Fair value adjustments	0	1
Closing balance	**15**	**13**

The investment property includes 7 (2013: 7) supermarket premises leased to franchisees on operating leases. The gross sales area amounted to 9,132 m^2 (2013: 8,908 m^2). The rental income is disclosed 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 €28 thousands (2013: €29). The leases are on normal terms. No external appraisals were conducted in 2014.

13. Investments in associates and other financial assets

(x € million)

	Note	2014	2013
Associates		**45**	**43**
Other financial assets			
Loans to associates		0	1
Loans to customers		7	4
Fair value of derivatives	22	2	
		9	**5**

Associates

The investments in associates are as follows:

(in %)

	2014	2013
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
Coöperatieve Inkoopvereniging Superunie B.A., Beesd		
Food retail		
Spar Holding B.V., Waalwijk	45	45
Super Direct Retail B.V.[1], Zaltbommel	37	37

1) In liquidation.

The carrying amounts of the investments in associates derive from the most recently published figures. All the investments, with the exception of that in Super Direct Retail B.V., are of a strategic nature. Voting rights are equal to the percentage interest in each case.

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

(x € million)

	2014	2013
Opening balance	43	44
Acquisitions/increase in interest held		1
Investments and disposals	5	0
Result	1	3
Dividend	(4)	(5)
Closing balance	**45**	**43**

The summarised financial information for the associates, on the basis of a 100% interest as shown by their most recent financial statements (i.e. 2013/2012) , is as follows:

(x € million)	Spar Holding B.V.		Other associates	
	2014	**2013**	**2014**	**2013**
Assets	75	78	65	64
Liabilities	40	40	57	54
Shareholders' equity	35	38	8	10
Net sales	454	475	827	647
Net earnings	6	7	0	2

Other financial assets
The loans to customers have maturities averaging several years and are usually at market interest rates, although some are interest-free.

14. Inventories

Inventories were made up as follows:

(x € million)	**2014**	**2013**
Central distribution centre	64	50
Stores and regional distribution centres	139	135
Packaging deposits	8	7
Stock in transit	2	
	213	**192**

The carrying amount of inventories is after impairment losses of €7 million (2013: €8).

15. Trade and other receivables

(x € million)	**2014**	**2013**
Trade receivables	89	92
Suppliers	57	48
	146	**140**

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 €4 million (2013: €3).
The movements in this item were as follows:

(x € million)	**2014**	**2013**
Opening balance	3	2
Accounts written off	(1)	(1)
Charged to the result	2	2
Closing balance	**4**	**3**

16. Other current assets

(x € million)

	2014	2013
Other amounts receivable and prepaid expenses	**9**	**7**

The other amounts receivable and prepaid expenses include staff loans and receivables in respect of investment projects.

17. Assets held for sale

(x € million)

	2014	2013
Property	**8**	**6**

This concerns 10 (2013: 8) real estate projects, mainly in the food retail segment. The premises concerned are for sale with immediate possession. Also recognised as assets held for sale are premises which have been on the market for longer than one year. Despite this, the intention is still to sell these premises in the short term. During the course of the year, one property was added to this class of assets but was immediately sold, generating a book profit of €3 million, which has been included in other operating income.

(x € million)

	2014	2013
Opening balance	6	9
Transferred from property, plant and equipment	5	1
Impairment	(0)	(2)
Disposals	(3)	(2)
Closing balance	**8**	**6**

18. Cash and cash equivalents

(x € million)

	2014	2013
Cash balances and pipeline deposits	18	20
Freely available bank balances	51	110
Time deposits	5	5
	74	**135**

The maturity of the time deposit is 30 September 2015 and is associated with guarantees provided by a financial institution.

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 capital as at 27 December 2014 amounted to €2,655,300.90 (28 December 2013: €2,655,300.90).

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

(x 1.000)

	2014	2013
Opening balance	44,255	44,255
Movements	0	0
Closing balance	**44,255**	**44,255**
Repurchased	(570)	(555)

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 106.

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 €19 million (2013: €16) in respect of actuarial losses on defined-benefit pension plans charged to reserves. An amount of €5 million of the other reserves (2013: €7) 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 570,000 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 € million)

	2014	2013
Addition to other reserves	21	22
Interim dividend paid (2014: €0.40 per aandeel; 2013 nil)	17	
Available for regular (final) dividend (2014: €0.40 per share; 2013: €0.80)	18	35
Available for variable dividend (2014: €0.30 per share; 2013: €0.25)	13	11
	69	**68**

This proposed profit appropriation, except for the interim dividend, has not been reflected in the balance sheet and does not affect the corporate income tax on profits.

20. Earnings per share

Weighted average number of outstanding shares during the year:

(x 1,000)

	2014	2013
Opening balance	43,700	43,822
Effect of repurchase of own shares	(11)	(91)
	43,689	**43,731**

(x € 1)

	2014	2013
Basic earnings per share	1.58	1.55
Diluted earnings per share	1.58	1.55

The 570,000 staff share options awarded have a dilutive effect in that the exercise price is below the average share price for the year and have therefore 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.

22. Long-term and short-term borrowings

Long-term liabilities

(x € million)

	Remaining term (years)	2014	2013
5.09% USD 70 million loan (bullet loan)			53
3.55% USD 75 million loan (bullet loan)	3	62	54
4.15% USD 75 million loan (bullet loan)	6	62	54
Fair value of derivatives		0	11
		124	**172**
Amounts falling due within one year			53
Amounts falling due after more than one year		**124**	**119**
Amounts falling due after more than five years		**57**	**57**

The Group uses cross-currency interest rate swaps to manage interest rate and foreign currency risks of the USD-loans in accordance with its treasury policy. The term of the swaps is the same as that of the loans. The hedging of the outstanding USD loans has been treated as a cash flow hedge.

The 5.09% USD loan was effectively converted into a euro loan with a variable markup of 53 basis points above Euribor. This loan was repaid in full at the end of 2014.

The 3.55% USD loan and the 4.15% USD loan have been effectively 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 swap relating to the 4.15% USD-loan is rounded nil (2013: €7 negative), which has been included in long-term liabilities. The fair value of the swap relating to the 3.55% USD-loan is €2 million positive (2013: €4 negative), which has been included in other financial assets.

Bank borrowings

Security

As at year-end 2014, the Group had overdraft facilities totalling €110 million, which had not been drawn on. An amount of €40 million of the facility is committed. The bank borrowings are unsecured. Sligro Food Group was, however, required to satisfy the following ratio as at year-end 2014 in respect of both the long-term debt and the overdraft facilities.

	Required	Actual
Net interest-bearing debt/operating profit before depreciation and amortisation	< 3.0	0.3

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 € million)

	2014	2013
VAT, excise duty and waste management contribution	21	22
Payroll tax and social security contributions	12	10
Pension contributions	0	1
	33	**33**

24. Other liabilities, accruals and deferred income

(x € million)

	2014	2013
Employees	23	22
Customer bonuses	11	8
Packaging deposits	5	5
Loyalty scheme liabilities	4	2
Other	11	9
	54	**46**

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 2014, the receivables from food retail customers included in other financial assets totalled approximately €4 million (2013: €3) and in trade receivables totalled approximately €9 million (2013: €13).

The aging of these trade receivables is as follows:

(x € million)

	< 1 month	1-3 months	3-12 months	>12 months	Total
2014	9	0	0		9
2013	13	0	0		13

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 (Dutch payment product name: Bedrijven Euro-incasso) and customers only initiate payments to a limited extent. Although direct debit does not guarantee payment, should a customer have insufficient funds, experience has shown 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 fairly minor. Despite the financial difficulties of some of our foodservice customers, the risks and the losses remained relatively small although there has been an increase. As at year-end 2014, receivables from foodservice customers in other financial assets totalled approximately €3 million (2013: €1) and in trade receivables totalled approximately €80 million (2013: €79).

The aging of these trade receivables is as follows:

(x € million)

	< 1 month	1-3 months	3-12 months	>12 months	Total
2014	80	0	0		80
2013	78	1	0		79

As at year-end 2014, the Group had receivables from suppliers totalling €57 million (2013: €48), 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. Moreover (partly in view of the changes in credit market conditions), the availability of €40 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	124	135	4	71	60
Current liabilities	287	287	287		
	411	422	291	71	60

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

Note 22 provides an analysis of the long-term financing and associated interest rate terms.

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 H_2, 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 30 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

Changes in the interest rate have hardly any impact on the Group's results.

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

Directly attributable labour costs account for more than 50% of total costs. The effect of a general increase of half a percentage point in labour costs is estimated to reduce the result before tax by approximately €1 million. Approximately 6% of the cost base is directly or indirectly dependent on energy prices. 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 target average rate of revenue growth. In 2014, estimates of future growth potential were revised downwards.

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 are derived from market data and other sources. The property investments are also measured at fair value and are included in 'level 3' (own valuation method based on knowledge available within the Group, as disclosed under F in the accounting policies).

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 among the suppliers to 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 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, the Group has aimed to make a relatively large acquisition every one or two years. In 2014, the wholesale activities of Rooswinkel and the shares of Horeca Totaal Sluis B.V. were acquired, adding 2% to Group sales in a full year. 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 2014, 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. Progress was again made on this front in 2014 , including a continuity test involving the shutdown of one of the data centres. 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. We have detailed procedures in place to minimise the consequences in case of threats to public health. Failure to abide by these principles could have serious implications for the Group's market position.

Authorities

Public authorities on occasion take drastic action, which can have a major impact on operations. Such official measures can be unpredictable, unjustified or both.

26. Operating lease and rental obligations

Contracts under which the Group is lessor:

(x € million)

	2014	2013
Operating lease obligations		
< 1 year	0	0
1-5 years	0	0
> 5 years		
Expense in the year	0	0
Rental obligations for premises occupied by the Group		
< 1 year	33	34
1-5 years	100	104
6-10 years	62	62
> 10 years	21	26
Expense in the year	34	35
Present value	205	198
Rental obligations on behalf of customers		
< 1 year	4	3
1-5 years	9	10
> 5 years	3	3
Present value	15	15

The operating lease obligations relate mainly to ICT systems. The rental obligations for premises occupied by the Group concern 109 premises (2013: 113). 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 variety as regards rental obligations, frequently including the option for the tenant to renew the lease. The present value stated above is the face value of the rents concerned plus expected annual increases calculated using a discount rate of two percentage points above the risk-free interest rate. During 2014 the risk-free rate decreased, which resulted in an increase of the present value.

Contracts under which the Group is lessor:

(x € million)

	2014	2013
Investment property		
< 1 year	1	1
1-5 years	1	1
> 5 years	1	
Other property		
< 1 years	2	2
1-5 years	4	4
> 5 years		0

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 2014, there were investment obligations totalling approximately €12 million (2013: €30).

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 €2 million (2013: €2). 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, despite none of them being of material significance.

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 in note 15.

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 2014, these items, excluding capital expenditure on leased premises, totalled approximately €215 million (2013: €189). 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.

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 in note 1. 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 € million)

	2014	2013
Operating profit	89	88
Depreciation and amortisation	57	53
Impairments	3	2
	149	**143**
Other operating income included in cash flow from investing activities	(4)	(2)
	145	**141**
Changes in working capital and other movements:		
Inventories	(20)	20
Trade and other receivables and other current assets	(7)	(31)
Current liabilities	57	26
Provisions	0	(1)
Shareholders' equity	(5)	(1)
	25	**13**
Net cash generated from operations	**170**	**154**

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

(x € million)

	2014	2013
Cash and cash equivalents	74	135
Bank borrowings	0	0
	74	**135**

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 in note 13. In 2014, this business represented a combined purchase volume at market prices of €194 million (2013: €188). As at year-end 2014, the amount owed to these companies in connection with trading was €15 million (2013: €13). 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 €0 million (2013: €0) has also been extended to Vemaro B.V. 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 2014, the amount owed to Vemaro in connection with trading was €8 million (2013: €2). In view of the nature of the account, it has been included in 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 2014 amounted to €945 million (2013: €947). As at year-end 2014, the amount owed in connection with trading was €77 million (2013: €52). In view of the nature of the liabilities, they have been treated as trade payables.

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

In 2014, 15,000 Sligro Food Group shares (2013: 122,200) were purchased at market price from Stichting Werknemersaandelen Sligro Food Group.

Company profit and loss account
for 2014

(x € million)

	2014	2013	2012
Share in profits of subsidiaries	69	68	69
Other gains and losses	0	0	
Profit for the year	**69**	**68**	**69**

Company balance sheet
as at 27 December 2014 before profit appropriation

(x € million)

ASSETS	27-12-2014	28-12-2013	29-12-2012
Intangible assets	8	8	8
Financial assets	562	558	546
Total non-current assets	**570**	**566**	**554**
Receivables from group companies		5	1
Total current assets		**5**	**1**
Totaal assets	**570**	**571**	**555**

EQUITY AND LIABILITIES	27-12-2014	28-12-2013	29-12-2012
Shareholders' equity			
Paid-up and called capital	3	3	3
Share premium	31	31	31
Other reserves	459	458	439
Legal reserve for participating interests	8	11	13
Unappropriated profit	69	68	69
	570	**571**	**555**
Payables to group companies	0		
Total current liabilities	**0**		
Total equity and liabilities	**570**	**571**	**555**

Notes to the company financial statements
(amounts in millions of euros 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 in section D of the accounting policies for the consolidated financial statements, 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 € million)

	2014	2013
Opening balance		
Acquisition cost	10	10
Accumulated amortisation	(2)	(2)
	8	8
Disposals		0
Closing balance	**8**	**8**
Acquisition cost	10	10
Accumulated amortisation	(2)	(2)

Financial assets

(x € million)

	2014	2013
Investments	537	533
Receivables from group companies	25	25
	562	**558**

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

(x € million)

	2014	2013
Opening balance	533	546
Result	69	68
Share-based payments	(1)	0
Income and expense recognised directly in equity	(5)	(3)
Repurchased own shares	(1)	(3)
Dividend	(58)	(75)
Closing balance	**537**	**533**

Receivables from group companies
This relates to a 10-year of loan of €25 million at an annual interest rate of 1%.

Equity and liabilities

Shareholders' equity

Changes in equity are presented in greater detail on page 106 and further information on shareholders' equity is given in note 19 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 € million)

	2014	2013
Consolidated		
Other reserves	552	551
Hedging reserve	(6)	(4)
Treasury shares reserve	(14)	(13)
Revaluation reserve	4	3
	536	**537**
Company		
Other reserves	459	458
Unappropriated profit	69	68
Legal reserve for participating interests	8	11
	536	**537**

Legal reserves for participating interests

This item comprises the legal reserve for investments in subsidiaries/associates and the revaluation reserve. Movements were as follows:

(x € million)

	2014	2013
Opening balance	11	12
Movement during the year	(3)	(1)
Closing balance	**8**	**11**

The legal reserves for investments of €8 million (2013: €11) 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 (resulting from revaluations) and the part thereof that is distributable to the parent. The legal 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 103.

Duly signed for publication,

Veghel, 21 January 2015

Supervisory Board:	Executive Board:
A. Nühn, chairman	*K.M. Slippens, CEO*
Th.A.J. Burmanje	*H.L. van Rozendaal*
B.E. Karis	*W.J.P. Strijbosch*
R.R. Latenstein van Voorst	

Other information

Independent auditor's report

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

Report on the audit of the financial statements 2014

Our opinion

We have audited the financial statements 2014 of Sligro Food Group N.V. (the company), based in Veghel. The financial statements include the consolidated financial statements and the company 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 December 27, 2014, and of its result and its cash flows for 2014 in accordance with International Financial Reporting Standards as adopted by the European Union (EU-IFRS) and with Part 9 of Book 2 of the Dutch Civil Code.

→ the company financial statements give a true and fair view of the financial position of Sligro Food Group N.V. as at December 27, 2014, and of its result for 2014 in accordance with Part 9 of Book 2 of the Dutch Civil Code.

The consolidated financial statements comprise:

1. the consolidated balance sheet as at December 27, 2014;
2. the following statements for 2014: the consolidated profit and loss account, the consolidated statement of recognised income and expense, consolidated statement of changes in equity and consolidated cash flow statement; and
3. the notes comprising a summary of the significant accounting policies and other explanatory information.

The company financial statements comprise:

1. the company balance sheet as at December 27, 2014;
2. the company profit and loss account for 2014; and
3. the notes comprising a summary of the significant accounting policies and other explanatory information.

Basis for our opinion

We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. Our responsibilities under those standards are further described in the "Our responsibilities for the audit of the financial statements" section of our report.

We are independent of Sligro Food Group N.V. in accordance with the Verordening inzake de onafhankelijkheid van accountants bij assurance-opdrachten (ViO) and other relevant independence regulations in the Netherlands. Furthermore we have complied with the Verordening gedrags- en beroepsregels accountants (VGBA).

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

Materiality

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. The materiality affects the nature, timing and extent of our audit procedures and the evaluation of the effect of identified misstatements on our opinion.

Based on our professional judgment we determined the materiality for the financial statements as a whole at EUR 6 million. The materiality is based on 7% of profit before tax. We have also taken into account misstatements and/or possible misstatements that in our opinion are material for the users of the financial statements for qualitative reasons. This is related to the share-based payments, remuneration of the executive board and Supervisory Board and cash and cash equivalents (reference is made to disclosure note 5.e., 6 and respectively 18 of the financial statements).

We agreed with the Supervisory Board that significant misstatements, which are identified during the audit, would be reported to them, as well as smaller misstatements that in our view must be reported on qualitative grounds.

Scope of the group audit

Sligro Food Group N.V. is head of a group of entities. The financial information of this group is included in the consolidated financial statements of Sligro Food Group N.V.

Because we are ultimately responsible for the opinion, we are also responsible for directing, supervising and performing the group audit. In this respect we have determined the nature and extent of the audit procedures to be carried out for group entities. Decisive were the size and/or the risk profile of the group entities or operations. On this basis, we selected group entities for which an audit or review had to be carried out on the complete set of financial information or specific items.

Our group audit focused on all entities within the consolidation. We have performed all audit procedures ourselves at all group entities and we have not used the work of other auditors as part of our audit.

By performing the procedures mentioned above, we have been able to obtain sufficient and appropriate audit evidence about the group's financial information to provide an opinion about the consolidated financial statements.

Our key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements. We have communicated the key audit matters to the Supervisory Board. The key audit matters are not a comprehensive reflection of all matters discussed.
These matters were addressed in the context of our audit of the financial statements as a whole and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

The valuation of supplier incentives

Note G2 includes a description of the various supplier incentives such as bonuses, promotional payments and payment discounts. These concern specific agreements with individual suppliers. Part of the supplier incentives have been received in advance during the financial year. We have performed control testing procedures on the relevant internal controls included in the supplier incentives process. In addition, we performed substantive testing procedures on the valuation of the supplier incentives.

The valuation of Goodwill

For Food retail the recoverable amount has been determined based on the estimated calculation of the fair value less cost to sell, taking into account the market price paid in the recent period for both individual and groups of supermarket outlets and typical market revenue multipliers. We verified the assumptions applied in the valuation of the estimated fair value and assessed the reasonableness of the assumptions.

For Foodservice, the recoverable amount has been determined based on the calculation of the value in use 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. For the audit, we included a valuation expert in our audit team to assess the reasonableness of the applied assumptions and the valuation method used by the company. Our substantive audit procedures specifically focused on the applied assumptions.

Reliability and continuity of electronic data processing

In assessing the reliability and continuity of the electronic data processing we included specialised IT-auditors in our audit team. Our audit procedures focused on the IT-infrastructure and testing of the relevant internal controls with respect to continuity, logical access and change management procedures. For those areas relevant for our audit where we could not rely on electronic data processing we performed additional substantive audit procedures.

Responsibilities of the executive board and the Supervisory Board for the financial statements

Executive board is responsible for the preparation and fair presentation of the financial statements in accordance with EU-IFRS and Part 9 of Book 2 of the Dutch Civil Code, and for the preparation of the executive board report in accordance with Part 9 of Book 2 of the Dutch Civil Code. Furthermore, Executive board is responsible for such internal control as Executive board determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

As part of the preparation of the financial statements, Executive Board is responsible for assessing the company's ability to continue as a going concern. Based on the financial reporting frameworks mentioned, executive board should prepare the financial statements using the going concern basis of accounting unless executive board either intends to liquidate the company or to cease operations, or has no realistic alternative but to do so. Executive board should disclose events and circumstances that may cast significant doubt on the company's ability to continue as a going concern in the financial statements.

The Supervisory Board is responsible for overseeing the company's financial reporting process.

Our responsibilities for the audit of the financial statements

Our objective is to plan and perform the audit assignment in a manner that allows us to obtain sufficient and appropriate audit evidence for our opinion.

Our audit has been performed with a high, but not absolute, level of assurance, which means we may not have detected all errors and fraud.

We have exercised professional judgment and have maintained professional skepticism throughout the audit, in accordance with Dutch Standards on Auditing, ethical requirements and independence. A complete description of our responsibilities is available on www.nba.nl/standaardteksten-controleverklaring.

Report on other legal and regulatory requirements

Report on the executive board report and the other information

Pursuant to legal requirements of Part 9 of Book 2 of the Dutch Civil Code (concerning our obligation to report about the management board report and other information):

- We have no deficiencies to report as a result of our examination whether the executive board report, to the extent we can assess, has been prepared in accordance with Part 9 of Book 2 of the Dutch Civil Code, and whether the information as required by Part 9 of Book 2 of the Dutch Civil Code has been annexed.
- We report that the executive board report, to the extent we can assess, is consistent with the financial statements.

Engagement

We were engaged by the Supervisory Board as auditor of Sligro Food Group N.V. on March 19, 2014 as of the audit for year 2014 and have operated as statutory auditor ever since that date.

Breda, 21 January 2015

Deloitte Accountants B.V.
Drs. M.R. van Leeuwen 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 € million)	
Addition to other reserves	21
Interim dividend paid (€0.40 per share)	17
Available for regular (final) dividend (€0.40 per share)	18
Available for variable dividend (€0.30 per share)	13
	69

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

1) 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.
2) 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.
3) 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.
4) Insofar as the general meeting does not resolve to distribute profit for any specific year, such profit shall be added to the reserves.
5) 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.
6) 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.

7) 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.
8) 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.
9) Profit distributions not claimed within five years of the date on which they became payable shall revert to the company.
10) 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)[9]

	2014	2013	2012	2011	2010
Result					
Net sales	2,572	2,498	2,468	2,420	2,286
EBITDA	149	143	142	159	146
EBITA	106	100	99	115	99
EBIT	89	88	89	105	91
Profit for the year	69	68	69	78	70
Net cash flow from operating activities	147	133	129	124	107
Free cash flow	78	101	96	76	66
Proposed dividend	48	46	46	46	31
Equity and liabilities					
Shareholders' equity[1]	570	571	555	541	500
Net capital employed[2]	651	640	659	692	689
Total assets	1,012	1,006	968	931	937
Employees					
Year average (full-time equivalents)	5,834	5,829	5,848	5,880	5,513
Staff costs[3]	239	234	227	217	203
Capital expenditure					
Net capital expenditure[4]	60	36	33	46	41
Depreciation[5]	40	41	43	44	47
Ratios					
Increase in sales (%)	2.9	1.3	1.9	5.9	1.3
Increase in profit (%)	1.5	(0.9)	(12.3)	11.4	(5.5)
Gross margin as % of sales	23.2	23.1	22,6	23.2	23.1
EBITDA as % of sales	5.8	5.7	5,8	6.6	6.4
EBITA as % of sales	4.1	4.0	4,0	4.7	4.3
EBIT as % of sales	3.5	3.5	3,6	4.3	4.0
Profit after tax as % of sales	2.7	2.7	2.8	3.2	3.1
Return on average Shareholders' equity[6]	12.1	12.1	12.5	15.0	14.3
EBIT as % of average net capital employed	13.8	13.6	13.1	15.2	13.6
Shareholders' equity as % of total assets	56.3	56.8	57.3	58.1	53.3
Sales per employee (x €1,000)	441	429	422	412	415
Staff costs per employee (x €1,000)	41	40	39	37	37
Figures per share of €0,06) nominal value[7] (in euros)					
Shares in issue (millions)	43.7	43.7	43.8	44.0	44.1
Shareholders' equity	13.05	13.07	12.65	12.30	11.34
Net earnings	1.58	1.55	1.56	1.78	1.59
Proposed dividend, as form 2014 including interim dividend	1.10	1.05	1.05	1.05	0.70
Of which variable dividend[8]	0.30	0.25	0.25	0.20	

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 2, footnote 5. 5) Excluding impairments. 6) Calculated on profit for the year. 7) Prior-year figures restated for the share split in 2007. 8) 2009: Jubilee bonus. 9) Changes in accounting policies are only reflected in restatement of the figures for the preceding year which also appear in the main financial statements.

2009	2008	2007	2006	2005
2,258	2,168	2,066	1,661	1,545
149	147	135	119	100
106	107	101	93	76
98	99	96	90	74
74	71	74	62	51
123	103	83	78	48
73	74	8	51	9
44	28	28	24	21
482	426	375	313	265
645	644	645	571	414
852	875	858	719	534
5,552	5,600	5,083	3,662	3,521
197	191	171	127	114
47	36	82	32	41
42	40	34	26	24
4.2	4.9	24.4	7.5	7.0
4.2	(3.9)	19.5	22.0	(13.2)
23.3	23.8	22.9	21.6	20.2
6.6	6.8	6.5	7.2	6.5
4.7	4.9	4.9	5.6	4.9
4.3	4.5	4.6	5.4	4.8
3.3	3.3	3.6	3.7	3.3
16.4	17.8	21.6	21.5	20.8
15.2	15.3	15.8	18.3	18.7
56.6	48.7	43.7	43.5	49.7
407	387	406	454	439
36	34	34	35	32
44.3	43.7	43.1	42.4	42.0
10.90	9.75	8.69	7.37	6.32
1.68	1.63	1.72	1.46	1.21
1.00	0,65	0,65	0,57	0,50
0.30				

Global Reporting Initiative (GRI) table

Indicator		Whereabouts in report
Vision and strategy		
1.1	Directors' statement of responsibilities.	Foreword
Organisational profile		
2.1	Name of the reporting organisation.	Sligro Food Group N.V.
2.2	Main brands, products and/or services.	Summary/Profile
2.3	Operational structure.	Profile
2.4	Head office location.	Veghel
2.5	Number of countries in which the organisation is active.	Profile
2.6	Ownership structure and legal form.	Important dates
2.7	Sales markets.	Profile
2.8	Size of reporting organisation.	Profile
2.9	Significant changes during reporting period.	None
2.10	Awards received during reporting period.	CSR chapter
Reporting parameters		
3.1	Reporting period.	2014
3.2	Date of most recent report.	21 January 2015
3.3	Reporting cycle.	Annual
3.4	Contact point for questions about report or contents.	mvo@sligro.nl (CSR chapter))
3.5	Process for determining contents of report.	CSR chapter – About this report
3.6	Scope of report.	CSR chapter – About this report
3.7	Any specific restrictions on scope of report.	N/a
3.8	Basis for reporting on other entities.	N/a
3.10	Explanation of effects of reformulation of information previously provided.	N/a
3.11	Significant changes compared with previous reporting periods.	N/a
3.12	Table showing location in report of standard reporting elements.	CSR chapter – About this report
Executive Board, obligations, engagement		
4.1	Management structure of the organisation, including committees reporting to the senior management body	Directors and management
4.2	Chairman of the senior management body.	Directors and management
4.3	Organisations with a simple management structure: number of independent and/or non-executive members of the senior management body.	N/a
4.4	Mechanisms by which shareholders and employees can make recommendations to or exercise co-determination rights on the senior management body.	Shareholders' Meeting and Works Council (Employees)
4.14	List of groups of interested parties involved by the organisation.	CSR chapter – About this report
4.15	Basis for identification and selection of interested parties to be involved.	CSR chapter – About this report
Performance indicators		
Economy		
EC1	Direct economic value generated and distributed, including revenue, operating expenses, staff remuneration, donations and other social investments, retained profit and payments to capital providers and public authorities.	Financial Statements
EC3	Coverage of liabilities relating to the organisation's defined-benefit plan.	Financial Statements
EC4	Significant financial support from a public authority.	None
Climate		
EN3	Direct energy consumption via primary energy sources in joules or multiples of joules (such as gigajoules).	CSR chapter – Energy
EN4	Indirect energy consumption via primary energy sources in joules or multiples of joules.	CSR chapter – Energy

Indicator		Whereabouts in report
EN5	Energy saving due to reduced consumption and efficiency improvements, in joules or multiples of joules.	CSR chapter – Energy
EN6	Initiatives to switch to energy-efficient or renewables-based products and services and reduction in energy consumption as a result of these initiatives.	CSR chapter – Energy
EN7	Initiatives to reduce indirect energy consumption and reductions already made.	CSR chapter – Energy
EN16	Total direct and indirect emissions of greenhouse gases by weight (in tonnes CO_2 equivalent).	CSR chapter – CO_2
EN17	Other relevant indirect emissions of greenhouse gases by weight (in tonnes CO_2 equivalent).	CSR chapter – CO_2
EN18	Initiatives to reduce emissions of greenhouse gases and reductions achieved.	CSR chapter – CO_2
EN22	Total weight by type and method of disposal.	CSR chapter - Waste
EN27	Percentage of products sold and of which the packaging is collected, by category.	CSR chapter - Waste
EN29	Significant environmental impacts of transporting products and other goods and materials used for the organisation's operations, and transporting members of the workforce.	CSR chapter – Logistics / CO_2
Working conditions		
LA1	Total personnel by type of job, collective labour agreement and region .	Employees
LA4	Injuries, occupational diseases, sickness absence and work-related deaths by region	Employees/ website
LA7	Injuries, occupational diseases, sickness absence and work-related deaths by region.	Employees – Sickness absence
LA8	Education, training, counselling, prevention and risk control programmes in place to assist workforce members, their families or community members regarding serious diseases.	Employees - Safety
LA10	Average number of hours' training received by employees per year, by job group.	Employees
LA11	Programmes for competency management and lifelong learning aimed at guaranteeing the ongoing employability of staff and to help them at the end of their career (retirement preparation).	Employees
Human rights		
HR1	Percentage and total number of substantial investment agreements including clauses on human rights or subject to verification of compliance with human rights.	CSR chapter – Product range
HR2	Percentage of principal suppliers and contractors subject to verification of compliance with human rights and measures taken.	CSR chapter – Product range
HR5	Activities in respect of which it has been determined that there could be substantial risk to the right of free association and the right to negotiate collective labour agreements and measures taken to uphold those rights.	CSR chapter – Product range
HR6	Activities in respect of which it has been determined that there could be a substantial risk of child labour and measures taken to prevent child labour.	CSR chapter – Product range
HR7	Activities in respect of which it has been determined that there could be a substantial risk of cases of forced or compulsory labour and measures taken to prevent forced or compulsory labour.	CSR chapter – Product range
Society		
SO6	Total value of donations, both financial and in kind, to political parties, politicians and related institutions, by country.	None
SO7	Total number of lawsuits relating to anti-competitive, cartel-based and monopolistic practices and the outcomes of such lawsuits.	None
SO8	Monetary value of material penalties and total number of non-monetary sanctions relating to non-compliance with legislation or regulations.	None
Product responsibility		
PR5	Policy on customer satisfaction, including results of customer satisfaction surveys.	CSR chapter - Clients

Eerlijk & Heerlijk range certification marks

FOOD

Organic

European organic logo
EKO
Demeter
Bio Equitable
Naturland
EcoSocial
Biogarantie
Agriculture Biologique
Soil Association
Bio Siegel
Bio Suisse
Consejo de Agricultura Ecologica
IBD Organico
Argencert
USDA
KRAV
Ø-Merket
Australian Certified Organic

Fair trade

Fairtrade / Max Havelaar
UTZ Certified
Fair for Life
For Life
Fairtrade Cocoa Program
Fairtrade Sugar Program

Sustainability

MSC
ASC
Naturland Wildfish
VISwijzer groen
VISwijzer oranje
Milieukeur
Rainforest Alliance
Beter Leven label 1 star
Beter Leven label 2 stars
Beter Leven label 3 stars
Keten Duurzaam Varkensvlees
Label Rouge
France Limousin
CPE Vrije Uitloop
produCERT Scharrel Kippenvlees
produCERT Scharrel Rundvlees
produCERT Scharrel Varkensvlees

NON-FOOD

Organic

EKO
Demeter
Global Organic Textile Standard
Organic Exchange 100 Standard
Cosmebio BIO
Ecocert Organic
NaTrue 3 stars

Fair trade

Fairtrade / Max Havelaar
Fairtrade Cotton Program

Sustainability

EU Ecolabel
Nordic Ecolabel
Der Blaue Engel
Milieukeur
Ecocert Natural
NaTrue 1 star
NaTrue 2 stars
IVN (Internationaler Verband der Naturtextilwirtschaft)
Ecologo (Canada)
PEFC
FSC
Kiemplantlogo
OK Compost
Ecover

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Disclaimer

The 2014 annual report of Sligro Food Group N.V. is available in Dutch and English. The original financial statements were drafted in Dutch. In case of any discrepancies between the English and the Dutch text, the latter will prevail. Copies of the annual report in Dutch and English are available on request from Public Relations Department, Sligro Food Group N.V., Veghel, Netherlands.

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