



Sligro Food Group N.V.

HALF-YEAR REPORT

Sligro Food Group 2016

SLIGRO FOOD GROUP NET PROFIT €28 MILLION

Sales in the first half of 2016 amounted to €1,355 million, an increase of 6.3% on the corresponding period in 2015. On a like-for-like basis, sales growth was 1.6%. Net profit for the first six months was €28 million, down 3.4% compared with the corresponding period in 2015.

Koen Slippens, CEO:

"As expected, growth in both our markets is improving gradually. In the foodservice market, there is still a major discrepancy in sales growth between the various market segments. In both business units, we saw an improvement in sales growth in the second quarter.

At Foodservice, the acquisitions of De Kweker and Java were successfully integrated and preparations for the launch of Sligro in Belgium are well under way. The integration and start-up costs affected the half-year result, but we see that as an attractive investment in further growth in the Netherlands and Belgium.

At Food Retail, we had a challenging start to the year and the sales in our older EMTÉ (2.0) stores were under pressure. We were able to make progress towards reversing this trend in the second quarter, which nevertheless led to greater pressure from promotions and campaigns. We are anticipating a more structural recovery from areas such as the further roll-out of the new EMTÉ format generation 3.0. The performance of the three pilot stores and the three new stores we opened in the first half of the year give us confidence for the future."

Key figures

(x € million)

	2016	2015	Change %
Net sales	1,355	1,274	6.3
Organic sales growth, Foodservice in %	2.6	1.0	
Like-for-like growth, EMTÉ in %	(2.2)	0.7	
Organic sales growth, Group in %	1.6	0.6	
Gross operating profit (EBITDA)	66	65	2.6
Operating profit before amortisation (EBITA)	46	46	0.9
Operating profit (EBIT)	34	37	(7.1)
Net profit	28	29	(3.4)
Free cash flow	19	11	64.7
Shareholders' equity (mid-year)	603	573	5.3
Net interest-bearing debt (mid-year)	92	63	46.7
Earnings per share (x € 1)	0.65	0.66	

Results

The gross margin increased by €20 million to €308 million. The gross margin as a percentage of sales increased by 0.2% to 22.8%, partly as a consequence of changes in the mix.

Costs rose by €23 million to €275 million. As a percentage of sales, costs increased by 0.5% to 20.3%. This increase can be explained in part by changes in the mix, as well as by acquisition and integration costs and start-up costs for Sligro Belgium.

Other operating income was the same as in 2015, at €1 million.

The operating profit before amortisation was €46 million, the same as last year's figure. As a percentage of sales, this represents a decline of 0.2% to 3.4%. It should be mentioned that as a result of a change in how costs are presented in 2016, there has been a shift to amortisation of 0.1% of sales.

Foodservice

Net sales for Foodservice were up 9.6% (Q2: 11.6%). Organic growth was 2.6% (Q2: 2.6%). The acquisitions in 2015 and 2016 added a total of €60 million this year (Q2: €41 million). Bouter, which was acquired in 2015, will be included in organic sales from Q3.

The operating profit before amortisation increased by €2 million to €39 million. This improvement was driven primarily by the increase in sales. The acquisition and integration costs, as well as the start-up costs for Sligro Belgium, affected the performance of Foodservice.

Sligro Belgium

The preparations for the launch of our Sligro operations in Belgium are well under way. Based on the current status of the licencing and construction process, we expect to be able to open our first site in Antwerp before the summer of 2017. We are looking at Bruges and/or the Flemish coastal region for a potential second site. This process has also already been started.

Food Retail

Net sales were down 0.4% (Q2: unchanged from last year). EMTÉ's like-for-like consumer sales were down 2.2% in the first six months (Q2: a decline of 1.3%). We therefore lagged behind the market. We were able to make progress towards reversing the trend in the second quarter.

The operating profit before amortisation declined by €2 million to €7 million. Part of the short-term sales recovery programme

consists of campaigns and promotions that affect the result. Further recovery also stems from new initiatives under the loyalty programme and adjustments to the current format. In addition, we are working on the continued roll-out of the new EMTÉ 3.0 format generation to a total of 15 stores towards the end of 2016. In addition to the three renovated stores in Dieren, Uden and Nieuwegein, we also opened three new stores in Berlicum (NB), 's-Hertogenbosch and Eindhoven in 3.0 format.

De Kweker, Java and Van Heinde

In February 2016, we announced that we would be acquiring the activities of De Kweker on Texel and in Purmerend, Java (Belgium) and Van Heinde. The activities of De Kweker have been integrated in recent months and the process is nearly complete. In 2017, the store in Purmerend will be relocated, remaining in the town, and further integrated within Sligro. Java Foodservice is now focussing on further growth within its market segments in Belgium and is increasingly taking on shared service operations for Sligro Food Group in Belgium. In May, at the Van Heinde site in 's-Hertogenbosch an EMTÉ store was opened.

Dividend

Based on the half-year figures for 2016, it has been decided to pay an interim dividend. In principle, the interim dividend is set at half the regular dividend for the preceding year. The interim dividend is therefore €0.45 per share and will be made payable on Monday, 3 October 2016. The ex-dividend date will be Friday, 23 September 2016 and the record date is Monday, 26 September 2016.

Financial position

The Group's financial position remains as strong as ever, enabling us to invest sustainably in maintaining and growing our physical and ICT infrastructure and overhauling our marketing formats in the Netherlands and Belgium. Around the turn of the year, we successfully introduced our Supply Chain Finance programme, which will enable us to achieve further improvements in working capital in the next few years. In 2016, we strengthened our long-term financing once again in the form of a US Private Placement of €30 million with a term of 7 years and an annual interest rate of 1.33%

Outlook

We expect growth in both our markets to continue at a gradual pace. For the foodretail market, we expect market growth for the whole of 2016 to be similar to last year's growth based on 52 weeks. The foodservice market is expected to grow more sharply than in the previous year for the whole of 2016 based on 52 weeks, even though the differences between the market segments within Foodservice are still considerable.

The Foodservice acquisitions of Java and De Kweker in 2016 will contribute an additional amount of approximately €70 million to sales. The roll-out of Sligro 3.0 is making steady progress and in the autumn we will start the roll-out to customers of our new online ordering system. We expect to start building work on our Antwerp store this year. The preparations for the start-up of Sligro in Belgium are still under way and the integration of the back-office operations for Belgium at Java will take further shape.

At EMTÉ we are focussing on a continued recovery in sales in the current 2.0 format and of course on the further roll-out of the new 3.0 format generation and the 'tastiest supermarket' in The Netherlands.

We are not making any concrete predictions for the full-year results. As mentioned previously, the start-up costs for Sligro Belgium and the absence of the 53rd week will exert downward pressure on the 2016 results.

In our 2015 annual report we described the main risks and uncertainties. There have been no material changes in this regard.

A presentation of the half-year figures will be given today in a press conference and a meeting for analysts. The presentation can be found on our corporate website www.sligrofoodgroup.nl. The trading update on the third quarter is due to be published on 20 October.

Veghel, 21 July 2016

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

Koen Slippens

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www.sligrofoodgroup.nl



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for notes on the
half-year figures.

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DIRECTORS' statement

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

1. The interim financial statements, as shown on pages 5-11 of this report, provide a true and fair view of the assets, liabilities, financial position and result for the first half-year of Sligro Food Group N.V. and its subsidiaries included in the consolidated statements.
2. The interim report, as shown on pages 1-3 of this report, provides a true and fair view of the position at the balance sheet date and the business conducted during the first half of the financial year of Sligro Food Group N.V. and its subsidiaries, details of which are contained in the interim financial statements. The interim report also provides a

true and fair view of the expected course of business, the investments and the circumstances affecting sales and results.

K.M. Slippens, CEO

R.W.A.J. van der Sluijs, CFO

W.J.P. Strijbosch, Foodservice director

CONSOLIDATED PROFIT AND LOSS ACCOUNT

for the first half of 2016

(x € million)	2016	2015	2014
Net sales	1,355	1,274	1,260
Cost of sales	(1,047)	(986)	(975)
Gross margin	308	288	285
Other operating income	1	1	4
Staff costs	(148)	(136)	(133)
Premises costs	(31)	(30)	(32)
Selling costs	(12)	(11)	(12)
Logistics costs	(40)	(38)	(38)
General and administrative expenses	(12)	(9)	(9)
Impairments			(2)
Depreciation of property, plant and equipment	(20)	(19)	(19)
Amortisation of intangible assets	(12)	(9)	(9)
Total operating expenses	(275)	(252)	(254)
Operating profit	34	37	35
Finance income and expense	(2)	(2)	(2)
Share in result of associates	3	2	0
Profit before tax	35	37	33
Tax	(7)	(8)	(6)
Profit for the first half year	28	29	27
Attributable to shareholders of the company	28	29	27
Figures per share	€	€	€
Basic earnings per share	0.65	0.66	0.61
Diluted earnings per share	0.65	0.66	0.61

CONSOLIDATED STATEMENT OF RECOGNISED INCOME AND EXPENSE

for the first half of 2016

(x € million)	2016	2015	2014
Profit for the first half year	28	29	27
Items never recognised in the profit and loss account:			
Actuarial gains and losses on defined-benefit plans, net of tax			(3)
Items recognised or which may be recognised in the profit and loss account:			
Effective part of movements in the fair value of cash flow hedge of long-term loans, net of tax	1	2	(2)
Income and expense recognised directly in shareholders' equity	1	2	(5)
Recognised income and expense for the first half year	29	31	22
Attributable to shareholders of the company	29	31	22

ABRIDGED CONSOLIDATED CASH FLOW STATEMENT

for the first half of 2016

(x € million)	2016	2015	2014
Net cash generated from operations	79	67	57
Interest received	(2)	(2)	(2)
Dividend received from associates	3	1	2
Corporate income tax paid	(26)	(21)	(21)
Net cash flow from operating activities	54	45	36
Acquisitions/investments	(51)	0	(16)
Capital expenditure on property, plant and equipment/investment property/assets held for sale	(30)	(28)	(36)
Receipts from disposal of property, plant and equipment/investment property/assets held for sale	1	0	7
Capital expenditure on intangibles	(6)	(6)	(13)
Investments in/loans to associates	0	0	(5)
Repayments by associates	0	0	0
Net cash flow from investing activities	(86)	(34)	(63)
Proceeds from long-term borrowings	30	0	0
Change in own shares	2	3	(0)
Dividend paid	(35)	(31)	(46)
Net cash flow from financing activities	(3)	(28)	(46)
Movement in cash, cash equivalents and short-term bank borrowings	(35)	(17)	(73)
Opening balance	94	74	135
Balance of the first half year	59	57	62

CONSOLIDATED BALANCE SHEET

as at 2 July 2016

(x € million)			
ASSETS	02-07-2016	02-01-2016	27-06-2015
Goodwill	145	126	126
Other intangible assets	83	67	68
Property, plant and equipment	341	315	311
Investment property	19	19	15
Investments in associates	49	48	46
Other financial assets	22	25	21
Total non-current assets	659	600	587
Inventories	232	220	204
Trade and other receivables	160	144	121
Other current assets	12	9	10
Corporate income tax	13		13
Assets held for sale	4	4	7
Cash and cash equivalents	59	94	57
Total current assets	480	471	412
Total assets	1,139	1,071	999
EQUITY AND LIABILITIES	02-07-2016	02-01-2016	27-06-2015
Paid-up and called capital	3	3	3
Reserves	600	603	570
Total shareholders' equity attributable to shareholders of the company	603	606	573
Deferred tax liabilities	31	25	27
Employee benefits	4	4	4
Other provisions	0	0	0
Long-term borrowings	168	138	134
Total long-term liabilities	203	167	165
Bank borrowings	0	0	0
Trade and other payables	265	207	182
Corporate income tax		6	
Other taxes and social security contributions	21	26	37
Other liabilities, accruals and deferred income	47	59	42
Total current liabilities	333	298	261
Total equity and liabilities	1,139	1,071	999

CONSOLIDATED STATEMENT OF MOVEMENTS IN SHAREHOLDERS' EQUITY

for the first half of 2016

(x € million)

	Paid-up and called capital	Share premium	Other reserves	Revalua- tion reserve	Hedging- reserve	Reserve for own shares	Total
Balance at 27-12-2014	3	31	552	4	(6)	(14)	570
Transactions with owners							
Dividend paid			(31)				(31)
Change in own shares			2			1	3
	0	0	(29)	0	0	1	(28)
Total realised and unrealised results							
Profit for the first half year			29				29
Cash flow hedge					2		2
	0	0	29	0	2	0	31
Balance at 27-06-2015	3	31	552	4	(4)	(13)	573
Balance at 02-01-2016	3	31	585	4	(4)	(13)	606
Transactions with owners							
Dividend paid			(35)				(35)
Change in own shares						3	3
	0	0	(35)	0	0	3	(32)
Total realised and unrealised results							
Profit for the first half year			28				28
Cash flow hedge					1		1
	0	0	28	0	1	0	29
Balance at 02-07-2016	3	31	578	4	(3)	(10)	603

NOTES

to the interim financial statements 2016

General

Sligro Food Group N.V. is established in Veghel, Netherlands. The interim financial statements include the parent company and its subsidiaries (also referred to as the 'Group'). The interim financial statements cover the first 26 weeks of 2016, from 3 January 2016 to 2 July 2016, inclusive. The comparative figures cover the same period in 2015.

Statement of compliance

This half-year report has been prepared in accordance with the International Financial Reporting Standards, as adopted the European Union (EU-IFRS), and IAS 34 Interim Financial Reporting. It does not contain all the information required for full financial statements and should be read in conjunction with the 2015 consolidated financial statements.

Audit status

This half-year report is unaudited.

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

The financial reporting policies applied by the Group in this half-year report are the same as those for the consolidated financial statements for 2015.

Seasonal influences

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

Acquisitions

Three acquisitions were made in the first half-year of 2016. This concerns the takeover of De Kweker, Java (Belgium) and Van Heinde. An analysis of the acquired assets and equity and liabilities is as follows:

(x € million)	2016
Intangible assets	39
Property, plant and equipment	16
Inventories	7
Trade and other receivables	23
Cash and cash equivalents	(0)
Long-term liabilities	(1)
Deferred tax liabilities	(8)
Employee benefits	(2)
Trade and other payables	(23)
Total identifiable net assets	51
Less: cash and cash equivalents	0
Debt-free purchase price	51

Segmentation net sales

(x € million)

Net sales	Foodservice		Food Retail		Total	
	2016	2015	2016	2015	2016	2015
The Netherlands	880	842	414	415	1,294	1,257
Belgium from The Netherlands ¹⁾	17	17			17	17
Belgium from Belgium ²⁾	44				44	
Total	941	859	414	415	1,355	1,274

1) This relates on the one hand to delivery sales from the Dutch delivery centres to Belgian customers. On the other hand, these are Belgian customers from the border region who shop in the Dutch cash & carry wholesale outlets.

2) This relates to the Java sales from March to June 2016.

SEGMENT INFORMATION

for the first half of 2016

(x € million)

	Foodservice		Food Retail		Total	
	2016	2015	2016	2015	2016	2015
Net sales	941	859	414	415	1,355	1,274
Other operating income	0	0	1	1	1	1
Gross operating profit (EBITDA)	55	51	11	14	66	65
Operating profit before amortisation (EBITA)	39	37	7	9	46	46
Operating profit (EBIT)	31	32	3	5	34	37
Net capital employed ¹⁾	565	481	118	140	683	621
EBITDA as % of sales	5.9	5.9	2.7	3.3	4.9	5.1
EBITA as % of sales	4.2	4.3	1.6	2.1	3.4	3.6
EBIT as % of sales	3.3	3.7	0.7	1.2	2.5	2.9
EBITA as % of average net capital employed	19.8	18.7	14.7	12.1	18.8	17.1
EBIT as % of average net capital employed	17.0	16.5	8.8	7.2	15.4	14.3
Free cash flow	3	4	16	7	19	11
Net capital expenditure ²⁾	27	33	8	4	35	37

1) Excluding investments in associates and fair value of derivatives.

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

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 around 30 are operated by independent retailers.

Foodservice

As a market leader with a nationwide network of 50 cash-and-carry outlets and 8 delivery centres in the Netherlands, Foodservice focuses on large and small-scale hospitality establishments, leisure facilities, caterers, wholesalers, company restaurants, forecourt retailers, small and medium-sized enterprises, small retail businesses and the institutional market. In the institutional market, we trade under the name Van Hoeckel. In the other market segments we trade under the name Sligro. Sligro and Van Hoeckel have their own commercial organisations specialising in their markets and use the same delivery network for their operations.

As a top three player in the Belgian Foodservice market, JAVA Foodservice targets the institutional, company catering and hotel chain market segments.

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 2015 totalled €2.7 billion, generating a net profit of €81 million. The average number of employees on a full-time basis was over 5,700. Sligro Food Group shares are listed on Euronext Amsterdam.



Sligro Food Group
corporate video