Half-year report 2010
Press release

Sligro
FOOD GROUP N.V.

Sligro Food Group reports first-half net profit of €28 million

Net profit for the first half of 2010 turned out at €28 million, up 4.6% on the same period in 2009. Sales in the first half of 2010 were 2.7% higher at €1,115 million. Organic sales growth amounted to 4.7%.

Koen Slippens, Executive Board Chairman: 'In challenging market conditions, Sligro Food Group achieved strong organic sales growth in both its foodservice and food retail businesses. We achieved our ambition of outperforming the total market by a clear margin in both market segments. The group ended the first half with a higher profit and we are pressing ahead with our investment programme which will enable us to benefit from economic recovery.'

Key figures

	2010	*Increase*
	€ million	*%*
Revenue	1,115	2.7
Organic sales growth		4.7
Gross operating profit (EBITDA)	63	4.6
Operating profit (EBIT)	37	2.9
Profit for the first half-year	28	4.6

Price and promotional campaigns and shifts in the activity mix put pressure on margins, resulting in a decline in gross margin as a percentage of sales by 0.3 points. Despite the effect of accelerated depreciation of €2.5 million, expenses as a percentage of sales were slightly lower. Excluding this additional depreciation, expenses as a percentage of sales were down 0.3 points. Other operating income in 2010 included a book profit of €1 million on the disposal of assets, compared with a book loss of similar magnitude in 2009.

Like-for-like consumer sales in food retail were 4.2% higher (Q2: 3.4%), with EMTÉ reporting growth of 5.2% (Q2: 4.6%) and Golff's sales up 1.5% (Q2: 0%). Excluding the effect of the Easter holiday, underlying growth in the second quarter was very close to that in the first three months (Easter was in Q1 in 2010 and in Q2 in 2009). On the basis of data provided by three research institutes, we estimate market growth of about 1% in the first half, so our food retail activities clearly outperformed the market. Despite the like-for-like growth, food retail sales were slightly lower due to the transfer of stores to Spar Holding and other parties, mainly in 2009. We operated an average of 120 supermarkets in the first half of 2010, compared with 135 in 2009. The food retail operating result was almost €6 million higher at €5 million, thanks mainly to the successful implementation of the Food Retail Masterplan and the €2 million increase in other operating income.

Organic sales growth in foodservice in the first half turned out at 4.9% (Q2: 4.1%). The quarterly figures for this segment were also affected by the timing of the Easter holiday. Although no market figures are yet available for the full half-year, the first-quarter figures for the hospitality sector point to a contracting foodservice market. Thanks to intensive customer acquisition, the strength of its format and its attractive price positioning, however, Sligro was able to continue growing against the market trend. The combination of this active market approach and the rising share of the service-station convenience store segment, where margins are lower, did translate into increased pressure on margins in foodservice. The operating profit on foodservice activities was down almost €5 million to €32 million, mainly due to heightened price competition and the additional depreciation.

The concentration of all our delivery activities in the Amsterdam region will require non-recurring accelerated depreciation of €5 million in 2010, which will be spread equally over the year.

Sligro Food Group's financial position remains strong, despite the distribution of the anniversary dividend in the first half of the year. The operating cash flow in the first half of 2010 was adversely affected by the 53rd week in 2009, advance payment of corporation tax and the revision of payment terms with a major supplier.

Outlook

Price and promotional competition has become intense in the food retail market, in response to consumers' spending caution and increased take-up of special offers and changing competitive relationships. Consumers are also still reluctant to spend in the foodservice market, exerting pressure on the profitability of our customers who need to reduce their expenses. On the other hand, the economic situation is becoming less volatile and uncertain and, slowly but surely, some optimism is returning, so we envisage no material change as compared with the risks and uncertainties described in our 2009 annual report.

As regards the second half of 2010, it must be borne in mind that the extra week in 2009 added an extra €40 million to sales in that year. The rapid growth in the service station convenience store segment in 2009 and the first half of 2010 will level off in the second half of this year. Because not all Golff supermarkets fit into the EMTÉ concept, the number of outlets will continue to decline a little, but group sales in 2010 are expected to turn out higher than in 2009. We are also expecting additional growth generated by the acquisition of Sanders Supermarkten, which was announced on 2 July 2010 and is scheduled for completion in August.

We prefer not to make firm predictions of our full-year results at this stage. Background to the half-year figures will be given today in a press conference and analysts' meeting.
The presentation given at these events has been posted at www.sligrofoodgroup.com

The trading update for the third quarter will be published on 21 October.

Veghel, 22 July 2010

On behalf of the Executive Board of Sligro Food Group NV
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Director's statement

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

1. The interim financial statements, as shown on pages 6–11 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 2–3 of this report, provides a true and fair view of the position at the balance sheet date and the business conducted during the first half of the financial year of Sligro Food Group N.V. and its subsidiaries, details of which are contained in the interim financial statements. The interim report also provides a true and fair view of the expected course of business, the investments and the circumstances affecting sales and results.

K.M. Slippens, Executive Board Chairman

H.L. van Rozendaal, Finance Director

J.H.F. Pardoel, Director of Food Retail

J.H. Peterse, Director of Foodservice

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Consolidated profit and loss account
for the first half of 2010

(x € 1,000)

	2010	2009	2008
Revenue	**1,115,032**	**1,085,853**	**1,078,393**
Cost of sales	(863,078)	(837,635)	(830,922)
Gross margin	**251,954**	**248,218**	**247,471**
Other operating income	**2,577**	**490**	**5,878**
Staff costs	(111,990)	(110,840)	(110,331)
Premises costs	(30,069)	(29,990)	(29,367)
Selling costs	(10,374)	(9,421)	(11,057)
Logistics costs	(31,555)	(30,871)	(30,821)
General administrative expenses	(7,177)	(7,011)	(7,057)
Depreciation of property, plant & equipment	(23,093)	(20,944)	(19,778)
Amortisation of intangible assets	(3,683)	(4,078)	(3,961)
Total operating expenses	**(217,941)**	**(213,155)**	**(212,372)**
Operating profit	**36,590**	**35,553**	**40,977**
Finance income	280	172	581
Finance expense	(2,320)	(3,660)	(6,182)
Share in profits of associates	2,282	3,037	2,177
Profit before tax	**36,832**	**35,102**	**37,553**
Tax	(8,826)	(8,324)	(9,070)
Profit for the first half-year	**28,006**	**26,778**	**28,483**
Attributable to shareholders of the company	**28,006**	**26,778**	**28,483**

Figures per share	€	€	€
Basic earnings per share	0.63	0.61	0.65
Diluted earnings per share	0.63	0.61	0.65

Abridged consolidated cash flow statement
for the first half of 2010

(x € 1,000)

	2010	2009	2008
Net cash generated by operations	48,386	71,468	57,959
Interest received	280	172	581
Dividend received from associates	4,155	2,851	996
Interest paid	(2,371)	(4,416)	(6,340)
Corporate income tax paid	(21,057)	(9,510)	(7,494)
Net cash flow from operating activities	**29,393**	**60,565**	**45,702**
Acquisitions/investments	0	0	(2,389)
Sale of associates/operations	1,280	125	3,833
Capital expenditure on property, plant and equipment/investment property/assets held for sale/intangible assets	(21,923)	(20,079)	(27,480)
Receipts from disposal property , plant and equipment/investment property/assets held for sale/intangible assets	0	0	9,193
Loans to associates	(1,100)	0	0
Repayments by associates	0	66	0
Net cash flow from investing activities	**(21,743)**	**(19,888)**	**(16,843)**
Re-purchase own shares	(3,580)	0	0
Repayment of long-term debt	(14,805)	(16,522)	(14,959)
Paid to joint venture	(100)	0	0
Dividend paid	(44,074)	(18,880)	(13,855)
Net cash flow from financing activities	**(62,559)**	**(35,402)**	**(28,814)**
Movement in cash, cash equivalents and short-term bank borrowings	**(54,909)**	**5,275**	**45**
Opening balance	24,684	883	(29,250)
Balance at the first half-year	**(30,225)**	**6,158**	**(29,205)**

Consolidated balance sheet *as at 3 July 2010*

(x € 1,000)

ASSETS	03-07-2010	02-01-2010	27-06-2009
Goodwill	127,007	127,547	127,547
Other intangible assets	39,721	42,261	45,190
Property, plant and equipment	286,056	284,381	284,272
Investment property	24,499	24,499	25,186
Investments in associates	39,910	41,771	39,076
Other financial assets	16,962 1)	2,640	1,941
Total non-current assets	**534,155**	**523,099**	**523,212**
Inventories	176,214	189,282	176,607
Trade and other receivables	98,675	107,716	88,233
Corporate income tax	12,760	529	0
Other current assets	7,672	3,789	13,986
Assets held for sale	3,097	3,097	1,847
Cash and cash equivalents	16,828	24,684	17,929
Total current assets	**315,246**	**329,097**	**298,602**
TOTAL ASSETS	**849,401**	**852,196**	**821,814**

EQUITY AND LIABILITIES	03-07-2010	02-01-2010	27-06-2009
Shareholders' equity			
Paid-up and called capital	2,655	2,655	2,655
Reserves	461,066	479,668	430,207
Total shareholders' equity attributable to shareholders of the company	**463,721**	**482,323**	**432,862**
Liabilities			
Deferred tax liabilities	24,250	24,007	19,393
Employee benefits	5,355	7,055	12,432
Other provisions	316	316	213
Bank borrowings	126,443	128,283	141,292
Total long-term liabilities	**156,364**	**159,661**	**173,330**
Current portion of long-term debt	27,850	27,850	28,152
Short-term bank borrowings	47,053	0	11,771
Trade and other payables	103,423	109,784	111,226
Corporate income tax	0	0	2,411
Other taxes and social security contributions	17,196	22,874	28,720
Other liabilities, accruals and deferred income	33,794	49,704	33,342
Total current liabilities	**229,316**	**210,212**	**215,622**
Total equity and liabilities	**849,401**	**852,196**	**821,814**

1) Including €13,719 fair value of derivatives.

Consolidated statement of movements in shareholders' equity *for the first half of 2010*

(x € 1,000)

	Paid-up and called capital	Share premium	Other reserves	Reva-luation reserve	Hedging-reserve	Unappro-priated profit	Total
Balance as at 02-01-2010	**2,655**	**31,106**	**369,831**	**5,010**	**(589)**	**74,310**	**482,323**
Profit appropriation			74,310			(74,310)	0
Re-purchase own shares			(3,580)				(3,580)
Dividend paid			(44,074)				(44,074)
Recognised income and expense			337		709	28,006	29,052
Balance as at 03-07-2010	**2,655**	**31,106**	**396,824**	**5,010**	**120**	**28,006**	**463,721**

Consolidated statement of recognised income and expense *for the first half of 2010*

(x € 1,000)

	2010	2009	2008
Effective part of movements in the fair value of cash flow hedge of long-term loans, net of tax	709	(1,051)	869
Share based payments, net of tax	337	0	0
Income and expense recognised directly in shareholders' equity	1,046	(1,051)	869
Profit for the first half-year	28,006	26,778	28,483
Total recognised income and expense for the first half-year	**29,052**	**25,727**	**29,352**
Attributable to shareholders of the company	**29,052**	**25,727**	**29,352**

Notes *to the interim financial statements*

General

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

The interim financial statements cover the first 26 weeks of 2010, from 3 January 2010 to 3 July 2010, inclusive. The comparative figures cover the same period in 2009.

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 2009 consolidated financial statements.

Audit status

This half-year report is unaudited.

Accounting policies applied in the preparation of the interim financial statements

The same accounting policies have been applied by the Group in these interim financial statements as in the 2009 consolidated financial statements.

Seasonal effects

There is a seasonal pattern in the foodservice business, with sales normally higher in the second half than in the first. 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.

Pensions

The employee benefits provision was reduced by €1.7 million in the first half in connection with contribution payments. In accordance with the guidelines issued by the regulator, the Nederlandsche Bank, the funding ratio of the company pension fund in mid-2010 is estimated at approximately 96%.

Segmentation of results for the first half of 2010

(x € million)

	Foodservice		Food retail		Total	
	2010	2009	2010	2009	2010	2009
Revenue	759.4	723.8	355.6	362.1	1,115.0	1,085.9
Other operating income	0.4	0.2	2.2	0.3	2.6	0.5
Operating profit	31.9	36.7	4.7	(1.1)	36.6	35.6
as % of revenue (EBIT)	4.2	5.1	1.3	(0.3)	3.3	3.3
Gross operating profit (EBITDA)	47.9	49.9	15.5	10.7	63.4	60.6
as % of revenue	6.3	6.9	4.4	3.0	5.7	5.6
Net capital expenditure[1)]	21.0	20.6	4.9	2.0	25.9	22.6
Net capital employed[2)]	444.0	406.0	180.5	181.2	624.5	587.2

1) On property, plant and equipment, intangible assets and assets held for sale.
2) Excluding financial fixed assets.

Other operating income

(x € million)

	2010	2009
Rental income	1.6	1.5
Book profit (loss) on disposal of property, plant and equipment/ investment property/assets held for sale/intangible assets	1.0	(1.0)
	2.6	**0.5**

Profile

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

Food retail

The food retail activities comprise around 120 full-service supermarkets operated under the EMTÉ and Golff formats, of which 40 are operated by independent retailers.

Foodservice

The foodservice activities comprise two businesses that work closely together.

Sligro offers both cash-and-carry and delivery services from 45 large cash-and-carry stores and 10 delivery centres serving bars and restaurants, leisure facilities, volume users, company caterers, fuel retailers, small and medium-sized enterprises and smaller retail businesses.

Van Hoeckel is fully focussed on the institutional market.

We operate our own in-house production facilities, making specialised convenience products and fish and patisserie items, while our Fresh Partners associates specialise in meat, game and poultry, fruit and vegetables and bread and bakery products.

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

CIV Superunie B.A., which has a market share of around 30% of the Dutch supermarket sector, handles Sligro Food Group's food retail purchases. As market leader, the group handles its own purchases of foodservice products. Sligro Food Group companies actively seek to share expertise and utilise the substantial scope for synergy and economies of scale.

Activities that are primarily client-related take place largely at an individual operating company level, with behind-the-scenes management at a central level.

We strive to increase our gross margins through joint purchasing, combined with direct and detailed margin management. Operating expenses are kept in check through ongoing, tight cost control and a joint, integral logistics strategy. Group synergy is further enhanced by joint IT systems, joint management of property and group management development.

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

Sales in 2009 totalled €2,258 million, with net profit of €74 million. The group employed an average of over 5,500 full-time equivalents in 2009.