

# HALF-YEAR REPORT SLIGRO FOOD GROUP 2012

## SLIGRO FOOD GROUP NET PROFIT €26 MILLION

Net profit for the first six months was €26 million, down 22.6% compared with the corresponding period in 2011. Sales in the first half of 2012 amounted to €1,210 million, an increase of 2.1%. On a like-for-like basis, sales also grew by 2.1% (Q2: 1.3%).

### Koen Slippens CEO

'We are not pleased with the results for the first half of 2012. Market conditions continued to deteriorate in the first six months. Consumers are reducing their spending in these difficult times and the sector is responding with price cuts and special offers. There have also been major shifts in Foodservice's customer mix, adding to the pressure on gross profit. The good news is that our sales grew faster than the market in both foodservice and food retail and we improved our market position in both segments. The challenge we face in the second half of 2012 is to reverse the downward trend in results. We are addressing that challenge energetically.'

## Key figures

	x € million		Change in %
	2012	2011	
Sales	1,210	1,185	2.1
Like-for-like sales growth			2.1
Gross profit	264	272	(2.7)
Gross profit as % of sales	21.9	22.9	(1.0) <sup>1</sup>
Gross operating result (ebitda)	61	72	(15.3)
Operating result before amortisation (ebita)	39	51	(22.4)
Operating result (ebit)	34	46	(25.2)
Net profit	26	34	(22.6)

1) Percentage points

Gross profit as a proportion of sales was 1.0 percentage point lower at 21.9%. Sales growth partly compensated for this decline, but gross profit was still down almost €8 million. The reduction in gross profit margins, which was shared about equally between the two businesses, was largely responsible for the lower result. Costs as a proportion of sales were slightly lower at 19.2%. Cost savings were partly offset by the lower average spend per customer and the increase in costs due to government measures.



The net effect was a decline in the operating result before amortisation of over €11 million to €39 million. As a proportion of sales, this equates to a fall of 1.0 percentage point to 3.2%.

### **Food Retail**

In Food Retail, the increase in like-for-like consumer sales reported by EMTÉ was 2.3% (Q2: 2.9%). Based on the figures produced by the three market research bureaus, we estimate that the market grew by approximately 1.5% in the first six months (Q2: 1.1%), meaning that EMTÉ outperformed the market. The operating result before amortisation of intangible assets was €5 million, which was €5 million down compared with the first half of 2011 but, despite the worsening market conditions, close to the figure for the second half of 2011.

### **Foodservice**

Foodservice posted like-for-like sales growth of 1.8% in the first half (Q2: 0.6%). According to figures available to us, the market contracted by about 2%. This growth meant that we again increased our market share. In addition to the effect of the continuing fall in consumer spending there was also the distorting effect of the good weather in the second quarter of 2011. Foodservice's gross profit was under added pressure not only from price-cutting and special offers, but also from changes in our distribution channels and customer mix. Negotiating better procurement terms provided only partial compensation. Compared with the record level reached in the first half of 2011, the operating result before amortisation of intangible assets was €7 million lower at €34 million.

### **Outlook**

With the economic outlook remaining poor for businesses that rely on home-market consumer spending, we can look forward to sustained pressure on sales and intense price competition, which in turn will squeeze gross profit margins. This might lead to further market consolidation. The shift in Foodservice's customer mix will also be a factor in the second half of 2012. On the other hand, both Food Retail and Foodservice will have an easier basis for comparison in the second half of 2012: the operating result before amortisation of intangible assets rose by over 25% in the first half of 2011, but only about 10% in the second half. An improvement programme, focusing on margin and (indirect) costs, will also be launched.

Although we usually refrain from giving firm profit forecasts for the full year, we are making an exception this time, despite the uncertainties surrounding consumer spending in the fourth quarter, which is an important period for Sligro Food Group. We expect the operating result before amortisation of intangible assets in the second half of 2012 to fall short of the figure for the same period in 2011. We forecast a full-year net profit of around €65 million for 2012, compared with €78 million for the full year in 2011.

Sligro Food Group's financial position remains as strong as ever. Thanks to effective working capital management, we expect free cash flow for the full year in 2012 to show little change on last year, despite the lower result.

We do not see any significant changes in the risks and uncertainties discussed in the 2011 annual report, apart from those relating to the economic environment as mentioned above. The effect of the changes in pension rules (IAS19R), which will come into effect in 2013, were discussed in the 2011 annual report.

A presentation on the half-year figures will be given today in a press conference and a meeting for analysts. The presentation can be found at [www.sligrofoodgroup.com](http://www.sligrofoodgroup.com). The trading update on the third quarter is due to be published on 18 October.

Veghel, 19 July 2012

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

*Koen Slippens*

*Huub van Rozendaal*

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# DIRECTOR'S *statement*

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

1. The interim financial statements, as shown on pages 5-11 of this report, provide a true and fair view of the assets, liabilities, financial position and result for the first half-year of Sligro Food Group N.V. and its subsidiaries included in the consolidated statements.
2. The interim report, as shown on pages 1-2 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*

*W.J.P. Strijbosch, Director of Foodservice*

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# CONSOLIDATED PROFIT AND LOSS ACCOUNT

## FOR THE FIRST HALF OF 2012

(x € 1,000)

	2012	2011	2010
<b>Revenue</b>	<b>1,209,982</b>	<b>1,184,709</b>	<b>1,115,032</b>
Cost of sales	(945,580)	(912,989)	(863,078)
<b>Gross margin</b>	<b>264,402</b>	<b>271,720</b>	<b>251,954</b>
<b>Other operating income</b>	<b>1,552</b>	<b>1,912</b>	<b>2,577</b>
Staff costs	(124,557)	(122,398)	(111,990)
Premises costs	(30,407)	(29,847)	(30,069)
Selling costs	(10,095)	(9,266)	(10,374)
Logistics costs	(33,319)	(33,147)	(31,555)
General and administrative expenses	(6,427)	(6,814)	(7,177)
Depreciation of property, plant and equipment	(21,869)	(21,566)	(23,093)
Amortisation of intangible assets	(5,094)	(4,898)	(3,683)
<b>Total operating expenses</b>	<b>(231,768)</b>	<b>(227,936)</b>	<b>(217,941)</b>
<b>Operating profit</b>	<b>34,186</b>	<b>45,696</b>	<b>36,590</b>
Finance income	96	75	280
Finance expense	(2,824)	(3,543)	(2,320)
Share in results of associates	1,890	2,187	2,282
<b>Profit before tax</b>	<b>33,348</b>	<b>44,415</b>	<b>36,832</b>
Tax	(7,280)	(10,719)	(8,826)
<b>Profit for the first half year</b>	<b>26,068</b>	<b>33,696</b>	<b>28,006</b>
<b>Attributable to shareholders of the company</b>	<b>26,068</b>	<b>33,696</b>	<b>28,006</b>
<b>Figures per share</b>	<b>€</b>	<b>€</b>	<b>€</b>
Basic earnings per share	0.59	0.76	0.63
Diluted earnings per share	0.59	0.76	0.63

# CONSOLIDATED STATEMENT OF RECOGNISED INCOME AND EXPENSE

## FOR THE FIRST HALF OF 2012

(x € 1,000)

	<b>2012</b>	<b>2011</b>	<b>2010</b>
Profit for the first half year	26,068	33,696	28,006
Effective part of movements in the fair value of cash flow hedge of long-term loans, net of tax	477	2,832	709
Actuarial gains and losses on defined-benefit plans, net of tax	(2,520)	(2,236)	0
Share-based payments, net of tax	225	346	337
Income and expense recognised directly in shareholders' equity	(1,818)	942	1,046
<b>Recognised income and expense for the first half year</b>	<b>24,250</b>	<b>34,638</b>	<b>29,052</b>
<b>Attributable to shareholders of the company</b>	<b>24,250</b>	<b>34,638</b>	<b>29,052</b>

# ABRIDGED CONSOLIDATED CASH FLOW STATEMENT

## FOR THE FIRST HALF OF 2012

(x € 1,000)

	2012	2011	2010
Net cash generated from operations	51,471	48,222	48,386
Interest received	96	75	280
Dividend received from associates	5,107	5,006	4,155
Interest paid	(2,762)	(3,489)	(2,371)
Corporate income tax paid	(8,644)	(19,930)	(21,057)
<b>Net cash flow from operating activities</b>	<b>45,268</b>	<b>29,884</b>	<b>29,393</b>
Acquisitions/investments	0	(631)	0
Sale of associates/operations	0	1,168	1,280
Capital expenditure on intangibles/property, plant and equipment/investment property/assets held for sale	(23,907)	(31,099)	(21,923)
Receipts from disposal of intangibles/property, plant and equipment/investment property/assets held for sale	3,118	8,728	0
Investments in/loans to associates	0	0	(1,100)
<b>Net cash flow from investing activities</b>	<b>(20,789)</b>	<b>(21,834)</b>	<b>(21,743)</b>
Repurchase of own shares	(3,311)	(3,472)	(3,580)
Repayment of long-term borrowings	0	0	(14,805)
Paid to joint venture	0	(30)	(100)
Dividend paid	(46,153)	(30,813)	(44,074)
<b>Net cash flow from financing activities</b>	<b>(49,464)</b>	<b>(34,315)</b>	<b>(62,559)</b>
<b>Movement in cash, cash equivalents and short-term bank borrowings</b>	<b>(24,985)</b>	<b>(26,265)</b>	<b>(54,909)</b>
Opening balance	56,360	67,464	24,684
<b>Balance of the first half year</b>	<b>31,375</b>	<b>41,199</b>	<b>(30,225)</b>

# CONSOLIDATED BALANCE SHEET

AS AT 30 JUNE 2012

(x € 1,000)

<b>ASSETS</b>	<b>30-06-2012</b>	<b>31-12-2011</b>	<b>02-07-2011</b>
Goodwill	126,287	126,287	126,287
Other intangible assets	47,102	50,552	54,960
Property, plant and equipment	309,272	307,242	309,282
Investment property	15,225	15,225	15,254
Investments in associates	39,321	42,551	40,044
Other financial assets	13,075	9,279	4,237
<b>Total non-current assets</b>	<b>550,282</b>	<b>551,136</b>	<b>550,064</b>
Inventories	190,069	197,352	187,991
Trade and other receivables	100,186	110,618	99,346
Other current assets	11,593	8,016	14,114
Corporate income tax	305	0	9,730
Assets held for sale	6,409	7,634	7,659
Cash and cash equivalents	31,375	56,360	41,199
<b>Total current assets</b>	<b>339,937</b>	<b>379,980</b>	<b>360,039</b>
<b>Total assets</b>	<b>890,219</b>	<b>931,116</b>	<b>910,103</b>
<b>EQUITY AND LIABILITIES</b>	<b>30-06-2012</b>	<b>31-12-2011</b>	<b>02-07-2011</b>
Paid-up and called capital	2,655	2,655	2,655
Reserves	512,696	537,911	497,771
<b>Total shareholders' equity attributable to shareholders of the company</b>	<b>515,351</b>	<b>540,566</b>	<b>500,426</b>
Deferred tax liabilities	33,414	35,006	32,959
Employee benefits	2,946	2,947	3,042
Other provisions	162	191	208
Long-term borrowings	177,338	174,169	166,464
<b>Total long-term liabilities</b>	<b>213,860</b>	<b>212,313</b>	<b>202,673</b>
Current portion of long-term borrowings	0	0	53,232
Bank borrowings	0	0	0
Trade and other payables	105,917	106,798	97,857
Other taxes and social security contributions	20,347	24,229	20,634
Other liabilities, accruals and deferred income	34,744	47,210	35,281
<b>Total current liabilities</b>	<b>161,008</b>	<b>178,237</b>	<b>207,004</b>
<b>Total equity and liabilities</b>	<b>890,219</b>	<b>931,116</b>	<b>910,103</b>



# CONSOLIDATED STATEMENT OF MOVEMENTS IN SHAREHOLDERS' EQUITY

## FOR THE FIRST HALF OF 2012

(x € 1,000)

	Paid-up and called capital	Share premium	Other reserves	Revaluation reserve	Hedging reserve	Reserve for own shares	Total
<b>Balance at 01-01-2011</b>	<b>2,655</b>	<b>31,106</b>	<b>467,423</b>	<b>4,537</b>	<b>(2,068)</b>	<b>(3,580)</b>	<b>500,073</b>
Transactions with owners							
Share-based payments			346				346
Dividend paid			(30,813)				(30,813)
Repurchase of own shares						(3,472)	(3,472)
	0	0	(30,467)	0	0	(3,472)	(33,939)
Total realised and unrealised results							
Profit for the first half year			33,696				33,696
Cash flow hedge					2,832		2,832
Actuarial results			(2,236)				(2,236)
	0	0	31,460	0	2,832	0	34,292
<b>Balance at 02-07-2011</b>	<b>2,655</b>	<b>31,106</b>	<b>468,416</b>	<b>4,537</b>	<b>764</b>	<b>(7,052)</b>	<b>500,426</b>
<b>Balance at 31-12-2011</b>	<b>2,655</b>	<b>31,106</b>	<b>511,451</b>	<b>3,690</b>	<b>(1,284)</b>	<b>(7,052)</b>	<b>540,566</b>
Transactions with owners							
Share-based payments							
Dividend paid			225				225
Repurchase of own shares			(46,153)				(46,153)
	0	0	(45,928)	0	0	(3,311)	(49,239)
Total realised and unrealised results							
Profit for the first half year			26,068				26,068
Cash flow hedge					477		477
Actuarial results			(2,520)				(2,520)
	0	0	23,548	0	477	0	24,025
<b>Balance at 30-06-2012</b>	<b>2,655</b>	<b>31,106</b>	<b>489,071</b>	<b>3,690</b>	<b>(807)</b>	<b>(10,363)</b>	<b>515,352</b>

# NOTES

## TO THE INTERIM FINANCIAL STATEMENTS 2012

### 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 2012, from 1 January 2012 to 30 June 2012, inclusive. The comparative figures cover the same period in 2011.

### 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 2011 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 2011 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.

# SEGMENT INFORMATION

## FOR THE FIRST HALF OF 2012

(x € million)

	Foodservice		Food retail		Total	
	2012	2011	2012	2011	2012	2011
Revenue	793.0	778.6	417.0	406.1	1,210.0	1,184.7
Other operating income	0.5	0.5	1.1	1.4	1.6	1.9
Gross operating profit (EBITDA)	48.2	53.9	13.0	18.3	61.2	72.2
As % of revenue	6.1	6.9	3.1	4.5	5.1	6.1
EBITA	34.4	40.8	4.9	9.8	39.3	50.6
As % of revenue	4.3	5.2	1.2	2.4	3.3	4.3
Operating profit (EBIT)	33.1	39.7	1.1	6.0	34.2	45.7
As % of revenue	4.2	5.1	0.3	1.5	2.8	3.9
Finance income and expense					(2.7)	(3.5)
Results of associates					1.9	2.2
Profit before tax					33.4	44.4
Net capital expenditure <sup>1)</sup>	15.4	18.5	8.9	6.7	24.3	25.2
Net capital employed <sup>2)</sup>	437.0	456.3	212.8	218.8	649.8	675.1

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

2) Excluding financial fixed assets.

# PROFILE

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

## FOOD RETAIL

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

## FOODSERVICE

Sligro Food Group leads the Dutch foodservice market, with a nationwide network of cash-and-carry and delivery services serving large and small-scale bars and restaurants, leisure facilities, volume users, company and other caterers, fuel retailers, small and medium-sized enterprises, smaller retail businesses and the institutional market.

The cash-and-carry activities are served by 45 Sligro cash-and-carry wholesalers, while delivery services are provided by 10 Sligro delivery centres and Van Hoeckel, which is fully focussed on the institutional market.

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

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

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

Activities that are primarily client-related take place at an individual operating company level, with behind-the-scenes management at a central level. We strive to increase our gross margins through joint purchasing, combined with direct and detailed margin management.

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

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

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