



Sligro Food Group N.V.

Press release

2014 RESULTS

Sligro Food Group 2014 net profit: €69 million

Net profit for the year amounted to €69 million, representing an increase of 1.5% compared with 2013. As reported in the press release of 2 January 2015, net sales in 2014 amounted to €2,572 million, an increase of 3.0%. Organic growth amounted to 1.7% (excluding the effect of (changes in VAT on) tobacco products).

Koen Slippens,
CEO:

'Sligro Food Group succeeded in posting increased profits in 2014 despite a lower contribution from associates. Earnings per share were up by 2%, at €1.58. This combined with our continuing strong financial position enables us to raise the dividend by €0.05 to €1.10 per share. Last year Sligro managed to expand its market position in foodservice substantially and our market share rose by 1.7 percentage points to 22.9%. In addition to the already visible commercial results, extensive efforts were made by Sligro Food Group to create a robust basis for the business and we expect to be able to improve our position in the years ahead as a consequence. With the aim of profiting from this work, our theme for 2015 is "Upping the Game". A gradually improving economy will help us to do this.'

The gross margin increased by €18 million to €596 million. As a percentage of net sales, this represents an increase of 0.1 of a percentage point, to 23.2%. This is mainly the effect of changes in the sales mix. Total operating expenses were up by €17 million, at €512 million. As a proportion of net sales, this also represents an increase of 0.1 of a percentage point, to 19.9%. This increase can principally be explained by a different mix of business activities as well.

The operating profit before amortisation amounts to €106 million, which is €6 million, or 6.0%, more than in 2013. Incidental gains and losses for the Group came in at the same level overall as in 2013 but there were differences in the segment figures, as disclosed below. In addition the share in the results of associates was down by €2 million because of the non-recurring costs incurred by Spar in connection with the closure of a distribution centre in Alkmaar and the write-off on our interest in the Superdirect venture.

Key figures

	x € million	Change %
Net sales	2,572	3.0
Gross operating profit (EBITDA)	149	4.2
Operating profit before amortisation (EBITA)	106	6.0
Operating profit (EBIT)	89	1.1
Net profit	69	1.5
Free cash flow	78	(22.8)
Shareholders' equity	570	(0.2)
Net interest-bearing debt	48	26.3
Earnings per share (x €1)	1.58	1.9
Dividend per share (x €1)	1.10	4.8

The operating profit before amortisation for the foodservice business increased by €8 million, to €93 million. That was partly accounted for by increased sales and partly by an improvement of €4 million in incidental gains and losses compared with 2013.

The food retail operating profit before amortisation was down by €2 million. However, without incidental results of €4 million negative, there would have been an increase of €2 million.

Earnings per share amounted to €1.58, three eurocents more than in 2013. It is proposed to increase the dividend to €1.10 per share, made up of a regular dividend of €0.80 (2013: €0.80) and €0.30 in variable dividend (2013: €0.25). Out of the total dividend, an amount of €0.40 per share has already been paid as interim dividend, leaving a final dividend of €0.70. The increase in the dividend reflects the continuing strong financial position.

The free cash flow amounted to €78 million. The ratio of the free cash flow to net profit is 113%. Compared with 2013, the free cash flow was down by €23 million. This is mainly caused by the high level of capital expenditure, the effect of which was partially cancelled out by a decline in working capital of €30 million. A major investment in 2014, amounting to €19 million, was concerned with the new delivery service centre in Berkel en Rodenrijs. The new distribution centre replaces two existing centres.

Board changes

Partly in connection with the appointment of Audit and Remuneration Committees and also to plan for future succession, the Supervisory Board proposes to increase the number of its members from four to five. It is proposed to appoint Mr Hans Kamps to the Supervisory Board. Mr Kamps is CFO of Boskalis and there is good evidence that he will strengthen our Board. A full CV of Mr Kamps will be appended to the agenda for the AGM, notice of which will be published on 4 February.

Outlook

We expect the economic recovery to continue, but at a gradual pace. Against that background we expect the total foodservice market to show some growth in 2015 for the first time since 2008. Modest growth is also expected for the food retail market. The acquisitions made in 2014 will increment sales by some €10 million. The 2015 financial year has 53 weeks which will increase sales by approximately €50 million which will obviously contribute to profits as well. Furthermore we expect

to outperform the market in 2015. The slight improvement in market conditions may possibly mean that there will be no additional squeeze on prices in 2015, although pricing will always remain a key factor, especially in food retail. All in all we shall continue to face highly competitive markets. 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.

The 2014 annual report will be published on 30 January 2015.

The results for the year are being presented at a press conference and in an analysts' meeting to be held today. The presentation can be found online at www.sligrofoodgroup.nl.

In our trading update on 16 April we shall be reviewing the developments in the first quarter in greater detail. The half-year figures will be published on 16 July.

Veghel, 22 January 2015

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

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→ Notes to the annual figures by
Koen Slippens

Annexes:

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3. Consolidated balance sheet
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Profile: www.sligrofoodgroup.com

The complete press release can be downloaded from www.sligrofoodgroup.com.

Appendix 1

Consolidated profit and loss account for 2014

(x € million)

	2014	2013	2012
Revenue	2,572	2,498	2,468
Cost of sales	(1,976)	(1,920)	(1,910)
Gross margin	596	578	558
Other operating income	5	5	3
Staff costs	(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)
Impairment	(3)	(2)	
Depreciation of property, plant and equipment	(40)	(41)	(43)
Amortisation of intangible assets	(17)	(12)	(11)
Total operating expenses	(512)	(495)	(472)
Operating profit	89	88	89
Finance income and expense	(4)	(4)	(5)
Share in results of associates	1	3	5
Profit before tax	86	87	89
Tax	(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	1.58	1.55	1.56
Diluted earnings per share	1.58	1.55	1.56
Proposed dividend	1.10	1.05	1.05

Appendix 2

Consolidated cash flow statement for 2014

(x € million)

	2014	2013	2012
Receipts from customers	2,845	2,710	2,656
Other operating income	1	3	3
	<u>2,846</u>	<u>2,713</u>	<u>2,659</u>
Payments to suppliers	(2,323)	(2,210)	(2,180)
Payments to employees	(144)	(137)	(135)
Payments to the government	(209)	(212)	(197)
	<u>(2,676)</u>	<u>(2,559)</u>	<u>(2,512)</u>
Net cash generated from operations	170	154	147
Interest received and paid	(4)	(4)	(5)
Dividend received from associates	4	5	5
Corporate income tax paid	(23)	(22)	(18)
Net cash flow from operating activities	<u>147</u>	<u>133</u>	<u>129</u>
Acquisitions/investments	(17)	(19)	(1)
Sale of associates/operations			0
Capital expenditure on property, plant and equipment/investment property/assets held for sale	(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	(16)	(4)	(5)
Investments in/loans to associates	(5)	(1)	0
Repayments by associates	0	2	0
Net cash flow from investing activities	<u>(91)</u>	<u>(51)</u>	<u>(35)</u>
Repayment of long-term borrowings	(53)		
Paid to joint venture			0
Repurchase of own shares	(1)	(3)	(3)
Dividend paid	(63)	(46)	(46)
Net cash flow from financing activities	<u>(117)</u>	<u>(49)</u>	<u>(49)</u>
Movement in cash, cash equivalents and short-term bank borrowings	(61)	33	45
Opening balance	135	102	57
Closing balance	<u>74</u>	<u>135</u>	<u>102</u>

Appendix 3

Consolidated balance sheet

as at 27 December 2014 before profit appropriation

(x € million)

ASSETS	27-12-2014	28-12-2013	29-12-2012
Goodwill	126	126	126
Other intangible assets	72	53	45
Property, plant and equipment	295	286	293
Investment property	15	13	13
Investments in associates	45	43	44
Other financial assets	9	5	10
Total non-current assets	562	526	531
Inventories	213	192	210
Trade and other receivables	146	140	109
Other current assets	9	7	7
Assets held for sale	8	6	9
Cash and cash equivalents	74	135	102
Total current assets	450	480	437
Total assets	1,012	1,006	968
EQUITY AND LIABILITIES	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	570	571	555
Deferred tax liabilities	27	28	31
Employee benefits	4	4	3
Other provisions	0	0	0
Long-term borrowings	124	119	175
Total long-term liabilities	155	151	209
Current portion of long-term borrowings		53	0
Bank borrowings	0	0	0
Trade and other payables	200	148	122
Corporate income tax	0	4	4
Other taxes and social security contributions	33	33	32
Other liabilities, accruals and deferred income	54	46	46
Total current liabilities	287	284	204
Total equity and liabilities	1,012	1,006	968

Appendix 4

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 at 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

Appendix 5

Consolidated statement of recognised income and expense for 2014

(x € million)

	2014	2013	2012
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

Appendix 6

Segmented information for 2014

The results and net capital employed can be divided over the segments as follows:

(x € million)	Foodservice		Food retail		Total	
	2014	2013	2014	2013	2014	2013
Revenue	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 (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
Free cash flow	44	76	34	25	78	101
Net CAPEX ²⁾	53	34	7	2	60	36

1) Excluding investments in associates.

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