Half-year report

SLIGRO FOOD GROUP 2013

Sligro Food Group net profit €26 million

Net profit for the first six months was more than €26 million, up 2.3% compared with the corresponding period in 2012. Sales in the first half of 2013 amounted to €1,229 million, an increase of 1.5%. On a like-for-like basis, sales growth was flat.

KOEN SLIPPENS CEO:

'The effects of the low consumer confidence and the general state of the economy were particularly noticeable in the foodservice market. The weather in the first half of the year certainly did not help either. Against that background we can hardly complain about the modest increase in profits, especially when you consider that pension costs were up by more than €2 million in the first half of the year. Foodservice saw profits fall under the burden of these additional pension costs plus the costs of integrating the business of Van Oers taken over at the beginning of this year. This integration process has now been successfully completed and nearly all the Van Oers customers have signed up to new contracts with Sligro. Food Retail showed robust profit growth, confirming our faith in the long-term strategy embarked on earlier this year.'

KEY FIGURES

	x € million		Change in %
	2013	**2012**	
Revenue	1,229	1,210	1.5
Like-for-like sales growth			(0.1)
Like for like growth, EMTÉ			2.6
Gross margin	280	264	6.0
Gross margin as % of sales	22.8	21.9	0.9[1]
Gross operating result (EBITDA)	61	61	1.2
Operating profit before amortisation (EBITA)	41	39	5.2
Operating profit (EBIT)	35	34	3.8
Net profit	26	26	2.3

1) Percentage points

The gross margin as a proportion of sales was up 0.9 of a percentage point at 22.8%, with both parts of the business contributing to the increase in approximately equal measure. For Food Retail, the pressure on prices eased while it was mainly the improvement in purchase terms and conditions which made the difference in the case of Foodservice.

Costs as a proportion of sales were up by 1.0 percentage point.

The pension costs connected with defined benefit plans increased by €2.1 million in the first half of the year, to €4.0 million. This was mainly the effect of lower interest rates. There will be a similar pattern in the second half of the year. These higher charges do not affect cash flow as the amount of the pension contributions actually payable does not change.
The increase in expenses is also due to the integration costs of approximately €1 million for Van Oers, increased tax payments and social security contributions, a change in the distribution mix in Foodservice and intensification of the ICT programme.
Overall, the operating profit before amortisation increased by €2 million. As a percentage of sales, this represents a 0.2-point increase.

FOOD RETAIL

In Food Retail, the increase in like-for-like consumer sales reported by EMTÉ was 2.6% (Q2 sales were actually down by 0.4% but the underlying sales were up by 0.9% after adjustment for the early date of Easter this year). This means that EMTÉ achieved growth roughly on a par with the market. The operating profit before amortisation of intangible assets improved by €4 million to €9 million, mainly on the back of an improvement in the gross margin.

FOODSERVICE

Foodservice posted like-for-like sales growth in the first half of 0.8% negative (in Q2, the figure was down by 1.4%; adjusting for the calendar effect, however, sales were flat). We estimate that the overall foodservice market shrank by approximately 4% in the first half of the year. Despite a substantial increase in the duty on tobacco products, our tobacco sales fell in the first half, with sales sharply lower in the border regions. Excluding this effect, Foodservice in fact achieved slight like-for-like sales growth.
Overall, Foodservice posted sales growth of €10 million, or 1.3%, with newly acquired Van Oers contributing €17 million to the revenue figure.
The operating profit before amortisation of intangible assets was €2 million down, at €32 million. Excluding the effect of the higher pension costs and the cost of integrating Van Oers, the operating profit before amortisation showed a slight increase. The effect of improved purchase terms and conditions was partially wiped out by the effect of a shift in our distribution channels.

OUTLOOK

We look upon the present economic climate as the new reality, with little prospect of change. That means continuing pressure on sales and fierce competition. In this trading environment, our efforts continue to focus on trimming our cost base accordingly. We are fortunate in still having plenty of scope for progress in that area.
New VAT rules came into effect for tobacco products on 1 July 2013. This is expected to lead to a fall in sales of approximately €30 million in the second half of 2013. This is an accounting effect that will not affect the profit figure. In the second half of 2013, Van Oers is expected to contribute almost €40 million to Group revenue, making a modest profit contribution at the same time.
As usual, we are not making any firm predictions regarding the profit for the year as a whole.
Our financial position continues to be as strong as ever and careful management of working capital will add to that strength, as was the case in the first half of the year.
We do not see any material changes in the risks and uncertainties described in the 2012 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.
The trading update on the third quarter is due to be published on 17 October.

Veghel, 18 July 2013

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

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SCAN THE QR CODE FOR NOTES ON THE HALF-YEAR FIGURES

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 2013

(x € 1,000)

	2013	2012 [1)]	2011
Revenue	**1,228,726**	**1,209,982**	**1,184,709**
Cost of sales	(948,555)	(945,580)	(912,989)
Gross margin	**280,171**	**264,402**	**271,720**
Other operating income	**2,428**	**1,552**	**1,912**
Staff costs	(132,841)	(125,204)	(122,398)
Premises costs	(31,388)	(30,407)	(29,847)
Selling costs	(12,145)	(10,095)	(9,266)
Logistics costs	(34,975)	(33,319)	(33,147)
General and administrative expenses	(9,998)	(6,427)	(6,814)
Depreciation of property, plant and equipment	(20,607)	(21,869)	(21,566)
Amortisation of intangible assets	(5,826)	(5,094)	(4,898)
Total operating expenses	**(247,780)**	**(232,415)**	**(227,936)**
Operating profit	**34,819**	**33,539**	**45,696**
Finance income	201	96	75
Finance expense	(2,450)	(2,824)	(3,543)
Share in results of associates	891	1,890	2,187
Profit before tax	**33,461**	**32,701**	**44,415**
Tax	(7,289)	(7,118)	(10,719)
Profit for the first half year	**26,172**	**25,583**	**33,696**
Attributable to shareholders of the company	**26,172**	**25,583**	**33,696**

Figures per share	**€**	**€**	**€**
Basic earnings per share	0.60	0.58	0.76
Diluted earnings per share	0.60	0.58	0.76

1) Amended for changes in accounting policies Employee Benefits (IAS19R, see page 10).

CONSOLIDATED STATEMENT OF RECOGNISED INCOME AND EXPENSE

for the first half of 2013

(x € 1,000)

	2013	2012[1)]	2011
Profit for the first half year	26,172	25,583	33,696
Effective part of movements in the fair value of cash flow hedge of long-term loans, net of tax	(1,052)	477	2,832
Actuarial gains and losses on defined-benefit plans, net of tax	(675)	(2,035)	(2,236)
Share-based payments, net of tax	144	225	346
Income and expense recognised directly in shareholders' equity	(1,583)	(1,333)	942
Recognised income and expense for the first half year	**24,589**	**24,250**	**34,638**
Attributable to shareholders of the company	**24,589**	**24,250**	**34,638**

1) Amended for changes in accounting policies Employee Benefits (IAS19R, see page 10).

ABRIDGED CONSOLIDATED CASH FLOW STATEMENT

for the first half of 2013

(x € 1,000)

	2013	2012	2011
Net cash generated from operations	57,616	51,471	48,222
Interest received	201	96	75
Dividend received from associates	2,700	5,107	5,006
Interest paid	(2,393)	(2,762)	(3,489)
Corporate income tax paid	(21,959)	(8,644)	(19,930)
Net cash flow from operating activities	**36,165**	**45,268**	**29,884**
Acquisitions/investments	(17,532)	0	(631)
Sale of associates/operations	0	0	1,168
Capital expenditure on intangibles/property, plant and equipment/investment property/assets held for sale	(18,214)	(23,907)	(31,099)
Receipts from disposal of intangibles/property, plant and equipment/investment property/assets held for sale	1,972	3,118	8,728
Loans to assoiates	0	0	0
Repayments by associates	274	0	0
Net cash flow from investing activities	**(33,500)**	**(20,789)**	**(21,834)**
Repurchase of own shares	(3,006)	(3,311)	(3,472)
Repayment of long-term borrowings	0	0	0
Paid to joint venture	0	0	(30)
Dividend paid	(46,009)	(46,153)	(30,813)
Net cash flow from financing activities	**(49,015)**	**(49,464)**	**(34,315)**
Movement in cash, cash equivalents and short-term bank borrowings	**(46,350)**	**(24,985)**	**(26,265)**
Opening balance	101,646	56,360	67,464
Balance of the first half year	**55,296**	**31,375**	**41,199**

CONSOLIDATED BALANCE SHEET

as at 29 June 2013

(x € 1,000)

ASSETS	29-06-2013	29-12-2012	30-06-2012
Goodwill	126,107	126,287	126,287
Other intangible assets	57,582	44,575	47,102
Property, plant and equipment	293,478	293,334	309,272
Investment property	12,832	13,503	15,225
Investments in associates	42,216	43,984	39,321
Other financial assets	9,129	9,589	13,075
Total non-current assets	**541,344**	**531,272**	**550,282**
Inventories	193,241	210,658	190,069
Trade and other receivables	111,653	109,010	100,186
Other current assets	13,271	6,658	11,593
Corporate income tax	11,304	0	305
Assets held for sale	8,054	9,093	6,409
Cash and cash equivalents	55,296	101,646	31,375
Total current assets	**392,819**	**437,065**	**339,937**
Total assets	**934,163**	**968,337**	**890,219**

EQUITY AND LIABILITIES	29-06-2013	29-12-2012	30-06-2012
Paid-up and called capital	2,655	2,655	2,655
Reserves	527,428	551,854	512,697
Total shareholders' equity attributable to shareholders of the company	**530,083**	**554,509**	**515,352**
Deferred tax liabilities	31,408	31,201	33,414
Employee benefits	3,493	3,493	2,946
Other provisions	215	197	162
Long-term borrowings	176,101	174,792	177,338
Total long-term liabilities	**211,217**	**209,683**	**213,860**
Current portion of long-term borrowings	0	0	0
Bank borrowings	0	0	0
Trade and other payables	140,776	122,439	105,917
Corporate income tax	0	4,148	0
Other taxes and social security contributions	17,383	31,764	20,347
Other liabilities, accruals and deferred income	34,704	45,794	34,743
Total current liabilities	**192,863**	**204,145**	**161,007**
Total equity and liabilities	**934.163**	**968.337**	**890.219**

CONSOLIDATED STATEMENT OF MOVEMENTS IN SHAREHOLDERS' EQUITY

for the first half of 2013

(x € 1,000)

	Paid-up and called capital	Share premium	Other reserves	Revalua-tion reserve	Hedging reserve	Reserve for own shares	Total
Balance at 31-12-2011	**2,655**	**31,106**	**511,451**	**3,690**	**(1,284)**	**(7,052)**	**540,566**
Transactions with owners							
Share-based payments			225				225
Dividend paid			(46,153)				(46,153)
Repurchase of own shares						(3,311)	(3,311)
	0	0	(45,928)	0	0	(3,311)	(49,239)
Total realised and unrealised results							
Profit for the first half year			25,583				25,583
Cash flow hedge					477		477
Actuarial results			(2,035)				(2,035)
	0	0	23,548	0	477	0	24,025
Balance at 30-06-2012	**2,655**	**31,106**	**489,071**	**3,690**	**(807)**	**(10,363)**	**515,352**
Balance at 29-12-2012	**2,655**	**31,106**	**530,576**	**3,113**	**(2,578)**	**(10,363)**	**554,509**
Transactions with owners							
Share-based payments			144				144
Dividend paid			(46,009)				(46,009)
Repurchase of own shares						(3,006)	(3,006)
	0	0	(45,865)	0	0	(3,006)	(48,871)
Total realised and unrealised results							
Profit for the first half year			26,172				26,172
Cash flow hedge					(1,052)		(1,052)
Actuarial results			(675)				(675)
	0	0	25,497		(1,052)	0	24,445
Balance at 29-06-2013	**2,655**	**31,106**	**510,208**	**3,113**	**(3,630)**	**(13,369)**	**530,083**

NOTES

to the interim financial statements 2013

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 2013, from 30 December 2012 to 29 June 2013, inclusive. The comparative figures cover the same period in 2012.

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 2012 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 2012 except for the changes resulting from the amended IAS19R Employee Benefits, as already explained in the 2012 annual report. This has led to the pension costs relating to defined benefit plans in the comparative figures for 2012 (relative to the actual figures reported for 2012) increasing by €1.3 million a year to €3.7 million. In the first half of 2012, this represents a figure of €0.65 million. After tax, the effect for the full-year in 2012 amounts to €1.0 million. This additional charge reduces the figure for actuarial gains and losses included in the recognised income and expense.

The actuarial computation based on IAS19R has not been performed for 2011 and the figures for 2011 have accordingly not been restated.

Largely owing to a lower interest rate, the pension costs (before tax) in 2013 will increase to €7.9 million.

The increase in the pension costs has no effect on cash flow since the actual contribution payable does not change.

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.

SEGMENT INFORMATION

for the first half of 2013

(x € million)

	Foodservice		Food retail		Total	
	2013	2012[3)]	2013	2012[3)]	2013	2012[3)]
Revenue	803.3	793.0	425.4	417.0	1.228.7	1.210.0
Other operating income	1.3	0.5	1.1	1.1	2.4	1.6
Gross operating profit (EBITDA)	45.6	47.6	15.6	13.0	61.2	60.6
As % of revenue	5.7	6.0	3.7	3.1	5.0	5.0
EBITA	31.6	33.8	9.0	4.9	40.6	38.7
As % of revenue	3.9	4.3	2.1	1.2	3.3	3.2
Operating profit (EBIT)	29.6	32.5	5.2	1.1	34.8	33.6
As % of revenue	3.7	4.1	1.2	0.3	2.8	2.8
Finance income and expense					(2.2)	(2.7)
Results of associates					0.9	1.9
Profit before tax					33.5	32.8
Net capital expenditure[1)]	18.9	15.4	2.1	8.9	21.0	24.3
Net capital employed[2)]	461.4	437.0	179.8	212.8	641.2	649.8

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

2) Excluding financial fixed assets.

3) Amended for changes in accounting policies Employee Benefits (IAS19R, see page 10).

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 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 leads the Dutch foodservice market, with a nationwide network of cash & 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, smaller retail businesses and the institutional market.

The cash & carry operation has 46 Sligro wholesale outlets and the delivery operation has 11 delivery centres. On the institutional market, we trade under the Van Hoeckel name.

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 focusing on the retail market. Our Fresh Partners associates specialise in meat, game and poultry, fruit and vegetables and bread and bakery products.

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 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 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 2012 totalled €2,467 million, generating a net profit of €69.5 million. The average number of full-time equivalent employees was just over 5,800. The Sligro Food Group shares are listed on NYSE Euronext.

→ Sligro Food Group corporate video

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