ANNUAL REPORT

2015

Sligro Food Group N.V.

Annual Report

2015

Sligro Food Group N.V.

NET SALES
2.7
BILLION

DIVIDEND
PER SHARE
1.20

NET
PROFIT
81
MILLION

NUMBER OF
EMPLOYEES
10,153
NUMBER OF FTEs
5,740

KEY FIGURES

OPENING
Sligro Almere
and Utrecht

KNVB
PARTNERSHIP
SLIGRO AND KNVB

EMTÉ
GEWOON DE LEKKERSTE
NEW EMTÉ
3.0 FORMAT

SHARE IN NET SALES
7.8%

23.1%
MARKET SHARE
FOODSERVICE

SLIGRO
ACQUIRES
BOUTER
SPECIALIST IN
PROFESSIONAL KITCHENS

CONTENTS

ANNUAL REVIEW
2015

This annual review is a summary of the main topics of this report.

Economy

The Dutch economy continued to recover in 2015, albeit at a modest pace. Consumer confidence improved, as did employment, and these are significant predictors of developments in the Foodservice market although this correlation appears to have been weaker in recent years than in the past. While the housing market has picked up and consumers have again been spending more on durable goods, spending on food and beverages has only increased to a relatively limited extent. We have spoken in the past about a new climate rather than a crisis, that is to say it is not a temporary dip but more of long-term trend in consumer behaviour. This is not altogether bad, provided that we and our customers respond properly: the adjustment to the new reality has not, for example, been sufficiently implemented in the café segment. But it is our job not only to identify this but also to support our customers in making the change. Our inspiration lab, ZiN, which will be ready at the end of 2016, will be focused entirely on this.
We expect a further improvement in the economy in the next few years and this will encourage a gradual recovery in our markets.

Market

After years of contraction, 2015 saw growth in the foodservice market. There are still major differences in the ways the different segments are developing. The traditional hospitality sector grew faster than the market average but the beverages and, certainly, the care sectors are lagging behind the market and are even contracting. The underlying reason for this in the care sector is the far-reaching government measures. Government decisions are also weighing heavily on the café segment. The foodservice market as a whole is expected to gradually recover and grow in 2016.
The supermarket channel grew in 2015 and, for the first time in years, volumes also picked up. It was a relatively calm year if we look at prices, despite campaigns and promotions continuing to play a major role in the fight for customers. We are seeing more and more players entering the market with on-line initiatives and traditionally non-food retailers attempting to claim part of the food market. Nevertheless it is remarkable that the amount of supermarket space is continuing to rise. Local authorities do not seem to realise that it is far from logical to add a serious amount of space and even less to develop new shopping centres in a market which is not growing.

Foodservice

Foodservice again outperformed the market and, including sales from acquisitions, our market share grew by 0.5% to 23.1%. We have noticed that our Sligro 3.0 approach is bearing fruit in both delivery and cash-and-carry and is contributing to growth in sales. The superlative change in customer focus that is central to this continues to be one of Sligro's long-term distinctive strengths. This year we put a lot of energy into integrating Sligro 3.0 into our online platform that we will be launching in 2016. We have also made considerable progress on our Kicking Costs programme that has improved the profitability of delivery services in particular.

Bouter

In June, we acquired Bouter (CaterTech) bringing in a specialist in consultancy and designing, supplying, installing and maintaining professional kitchens, equipment and chilling and freezing technology. As a result, we will in future be able to meet this definite need of our customers, the food professionals. Immediately following the acquisition we made a start on linking the sales staff of Bouter and Sligro and straight away this created an improvement in sales at Bouter. Bouter will continue to operate relatively autonomously towards the customers in close cooperation with Sligro and Van Hoeckel but behind the scenes integrated where possible into our central back-office.

Belgium

In May 2015, we announced our decision that Sligro would enter the Belgian foodservice market. We see considerable opportunities to create a second market in Belgium, initially in Flanders, and want to take a top-three position in due course. This market will increase our 'fishpond' by 50% as foodservice is a relatively large domain in Belgium. The preparations are well under way in the sales department and the back-office and we expect to open our first Sligro outlet in Antwerp in 2017. As far as possible we will be making use of the Dutch infrastructure but fully realise that in many areas we will have to adapt to local customer requirements and the Belgian food culture.

Food Retail

For Food Retail, 2015 was the final year of the medium-term plan which we used when working on strengthening our basics and creating growth. The process improvements that we have implemented in operations and the back-office in recent years were clearly reflected in profitability in the past year and we have met the financial targets we set three years ago. Significant interim steps have been taken to create growth but we have not yet seen this adequately reflected in sales and we were unable to keep up with the market. To this end, therefore, the first EMTÉ 3.0 was launched in the fourth quarter and this will lead us away from the grey mid-field of the market. The Fijnproevers ('Gourmets') loyalty programme is growing steadily and customers' ranking of EMTÉ continues at a high level (based on GfK reports). As a result, we are confident about building on EMTÉ 3.0 in a new format generation.

EMTÉ 3.0

We have recently been working on a new brand strategy for EMTÉ. The process was similar to that of Sligro 3.0 and so we have called it EMTÉ 3.0. We will be positioning EMTÉ as 'Simply the tastiest supermarket' so that our customers can enjoy more good and tasty food. We are, therefore, seeking clearer synergies within Sligro Food Group while remaining close to the wishes and needs of EMTÉ's customers. The focus is mainly on delicious and authentic daily products characterised by terms such as tasty, healthy and sustainable. This is not mainly about raising our customers' culinary aspirations, but more on a good, tasty meal each day. We want to create more of an experience that surprises customers and challenges them to try something different. Following the opening of the first new-generation store in November, there will be three further stores in this style in early 2016. After making the improvements in a few areas that will certainly be highlighted by an evaluation of these stores, we will roll out in other locations from mid-2016. We will also make further developments online in order to continue meeting the changing demand from our customers.

Corporate social responsibility

Our corporate social responsibility (CSR) policy focuses on three main themes; people, the environment and our product range. As part of the G4 guidelines from the GRI, we have listed ten significant subjects under these themes and described the management approach to them in the corporate social responsibility section of this report.

Clear benchmarks and objectives have been set for these themes. Sustainable operations are now fully integrated in our business activities and, given that background, increasingly incorporated in our management report. In that sense, the new reporting in line with the G4 guidelines comes at a natural moment for us. In 2010, we drew up our targets for 2020 and now, roughly halfway, we see that we are well on our way to achieving them.

All in all, our CSR policy is developing well, something which as a listed family business we are very proud of, since, for a company such as ours, care for our surroundings is a simply a question of doing business fairly. We have been doing that for 80 years and our CSR path is a good way of making this real and measurable, following the choices and developments even more efficiently.

Risk management

We have taken steps in recent years towards a more formal approach to risk management. We believe it is very important that we find the right balance with the informal entrepreneurial spirit within the business so that we continue to see opportunities as well as the risks. It involves being in control - and not just on paper. We see our culture as a significant 'soft control' that protects us from within against many risks and types of fraud. Nevertheless, we recognise the need to formalise this more as the organisation grows and in 2015 we began developing processes starting at the strategic level. In the next few years, we will develop this further and communicate it at all levels of the organisation.

Results

Foodservice again outperformed the market with growth in sales of 2.8% (excluding week 53). Like-for-like growth was 1.5% with sales from acquisitions coming on top of this. EMTÉ's like-for-like growth of 0.2% in 2015 could not match the market (which grew by 2.3%). Including acquisitions and week 53, group sales were up 3.8% to a record level of €2,670 million.

Operating profit before amortisation rose by €16 million to €122 million. The underlying improvement was even better since EBITA included a net incidental gain of €3 million in 2014.

Both Foodservice and Food Retail saw marked improvements in results and this meant that we achieved our medium-term plan goals for Food Retail.

Net profit was up €12 million to €81 million, exceeding the record profit made in 2011. We are proud that we were able to exceed the net profit figure of €80 million for the first time in the year we celebrated our 80th anniversary.

Dividend

Based on the result for 2015 and our continuing strong financial position, we propose increasing the dividend by €0.10 to €1.20 per share. In accordance with our dividend policy, this will be made up of a regular dividend of €0.90 (2014: €0.80) and a variable dividend of €0.30 (2014: €0.30). An amount of €0.40 has already been paid as interim dividend. The final dividend for 2015 therefore amounts to €0.80.

2016

We expect that the economy will continue to recover gradually and that this will translate into growth in both our markets in 2016. During the past year we have 'upped our game' on many fronts with the further roll-out of Sligro 3.0, the introduction of EMTÉ 3.0, our plans for Belgium, our Kicking Costs programme and many other improvements in the sales department and the back-office. We have already benefited from this in 2015 and, above all, solid foundations have been laid for 2016. It is wonderful to see how our people right across the organisation have made a contribution to this. Our theme in 2016 is 'Building the Future'. We will be doing this with a further roll-out of Sligro 3.0 and EMTÉ 3.0, the launch of Sligro online 3.0 and the preparatory work for Belgium. We are also building ZiN, our inspiration lab, and modernising part of our central distribution centre. But there is much more than physical construction. In a market where customers' wishes are changing ever faster, you have to build an organisation that can respond quickly and flexibly to those needs: ever more customer focused and ever more personal. And so we are also building the organisation, processes, systems and data that will form the springboard for the future. We are bursting with energy to grasp the coming year with both hands. In other words, building the future. And as far as we are concerned it is a great future!

Koen Slippens
CEO

building
THE FUTURE

KEY FIGURES

(x € million)	2015	2014
Result		
Net sales	2,670	2,572
EBITDA	160	149
EBITA	122	106
EBIT	103	89
Profit for the year	81	69
Net cash flow from operating activities	140	147
Free cash flow	78	78
Proposed dividend	52	48
Equity and liabilities		
Shareholders' equity	606	570
Net interest-bearing debt	26	48
Total equity and liabilities	1,071	1,012
Employees		
Year average (full-time equivalents)	5,740	5,834
Salaries, social security charges and pension costs	253	239
Ratios		
Year-on-year increase in sales %	3.8	2.9
Year-on-year increase in profit %	17.4	1.5
As percentage of sales:		
Gross margin	23.2	23.2
Gross operating profit	6.0	5.8
EBITA	4.6	4.1
EBIT	3.8	3.5
Profit for the year	3.0	2.7
Return as % of average shareholders' equity	13.7	12.0
Operating profit as % of average net capital employed	15.7	13.8
Net interest-bearing debt/EBITDA as %	16.2	31.8
Shareholders' equity as % of total equity and liabilities	56.6	56.3
Figures per €0.06 share		
Number of shares outstanding at year-end (x 1,000)	43,790	43,685
(x €1)		
Shareholders' equity	13.84	13.05
Earnings	1.84	1.58
Proposed dividend	1.20	1.10
Year-end share price	33.30	31.25

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, PROVIDING A COMPREHENSIVE PACKAGE OF FOOD AND FOOD-RELATED NON-FOOD PRODUCTS AND SERVICES. 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 is the Dutch foodservice market leader, with a nationwide network of cash-and-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, small retail businesses and the institutional market. The cash-and-carry operation has 49 Sligro wholesale outlets and the delivery operation has eight delivery centres. In the institutional market, we trade under the Van Hoeckel name. Van Hoeckel has its own commercial organisation specialising in the care market and uses the same delivery network as Sligro for its operations.

We also operate our own in-house production facilities for specialist convenience products, fish and patisserie and home caterer products, as well as a butchery centre focusing on the retail market. Bouter is our in-house specialist in installing and maintaining professional kitchen equipment and chilling and freezing technology. 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 75,000 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 an integrated logistics strategy. Group synergy is further enhanced by joint ICT systems, an integrated approach to the supply chain, centralised 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 film.


Frank Thijs

Important DATES

Financial calendar [1)]

Final 2015 sales	6 January 2016
Final 2015 figures	21 January 2016
Press conference (11.00 a.m.)	21 January 2016
Analysts' meeting (1.30 p.m.)	21 January 2016
Publication of annual report	5 February 2016
Record date	17 February 2016
2015 Annual General Meeting at the company's offices, Corridor 11, Veghel (10.30 a.m.)	23 March 2016
Ex-dividend date final dividend 2015	29 March 2016
Record date final dividend 2015	30 March 2016
Final dividend 2015 available for payment	6 April 2016
Trading update	21 April 2016
2016 half-year figures	21 July 2016
Press conference (11.00 a.m.)	21 July 2016
Analysts' meeting (1.30 p.m.)	21 July 2016
Trading update	20 October 2016
Final 2016 sales	4 January 2017
Final 2016 figures	26 January 2017
Press conference (11.00 a.m.)	26 January 2017
Analysts' meeting (1.30 p.m.)	26 January 2017
Publication of annual report	3 February 2017
2016 Annual General Meeting (10.30 a.m.)	22 March 2017

1) Press releases will be published at 7.30 a.m.

The company is based in Veghel and registered in the commercial register of the Chamber of Commerce and Industry for East Brabant in Eindhoven under number 160.45.002.

Corridor 11, P.O. Box 47, 5460 AA Veghel
Telephone +31 413 34 35 00/Fax +31 413 36 30 10
www.sligrofoodgroup.nl

SLIGRO SHARES

SLIGRO FOOD GROUP'S SHARES ARE TRADED ON THE EURONEXT AMSTERDAM N.V. STOCK EXCHANGE.
SLIGRO FOOD GROUP IS INCLUDED IN THE AMX INDEX.

Movements in shares (x 1,000)

	2015	2014	2013	2012	2011
Issued shares as at start of year	44,255	44,255	44,255	44,255	44,255
Shares repurchased (cumulative)[1)]	(465)	(570)	(555)	(433)	(296)
Shares outstanding as at year-end	**43,790**	**43,685**	**43,700**	**43,822**	**43,959**
Average shares outstanding	43,867	43,689	43,730	43,856	43,996

Included in the average number of shares outstanding as from the date concerned.

There were 43,790,015 shares in issue at year-end 2015, an increase of 105,000 on year-end 2014. The increase is attributable to the sale of shares that had been repurchased for the option plan. Earnings per share are calculated on the basis of the average number of shares in issue, as explained on page 135.

Sligro Food Group seeks to pay a cash dividend of approximately 50% of the profit after tax (excluding extraordinary items) on a regular basis. A proposal may be made to declare a variable dividend, depending on the capital ratio and liquidity position. The dividend is paid in two instalments, an interim dividend in the second half of the year and a final dividend after the Annual General Meeting.

The dividend proposed for 2015 is €0.90 per share, which equates to a pay-out ratio of 49%. In addition, it is proposed to pay a variable dividend of €0.30 per share, thus bringing the total dividend for the year to €1.20 per share. An interim dividend of €0.40 per share was paid on 1 October 2015 and so the final dividend will be €0.80.

In cash terms, a dividend totalling €1.10 per share was paid in 2015, made up of the final dividend for 2014 of €0.70 and the interim dividend for 2015 of €0.40.

Sligro Food Group's website (www.sligrofoodgroup.nl) includes information on the Group, its shares, financial position, press releases, Articles of Association, remuneration, directors' shareholdings and share transactions and corporate governance. This information is available in both Dutch and English. Visitors can download annual reports from this site and also subscribe to press releases.

KEY FIGURES
per share

Key figures per share (x €1)

	2015	2014	2013	2012	2011
High	39.25	32.65	30.50	24.85	26.10
Low	30.95	26.85	20.67	18.50	19.65
Year-end	33.30	31.25	28.21	21.75	20.75
Earnings per share	1.84	1.58	1.55	1.56	1.78
Dividend	1.20	1.10	1.05	1.05	1.05
Market capitalisation as at year-end (x € million)	1,458	1,365	1,248	963	918

TRANSACTION
information

Transaction information

	2015	2014	2013	2012	2011
Total value of shares traded (x € million)	156	104	117	125	227
Volume traded (x 1,000)	4,519	3,482	4,459	5,900	9,463
Number of transactions (single counting)	40,140	22,016	24,700	31,677	40,337

These figures are based on information from Euronext Amsterdam. The month with the highest volume of shares traded in 2015 was December (0.6 million shares). The lowest volume was 0.2 million shares in November.

Disclosure must be made when a shareholding exceeds or falls below certain legally stipulated percentages. Since this can result in double counting, the disclosures do not always provide a true picture of the number of free float shares. Corrections are consequently made for double counting. In the holdings of Sligro Food Group employees, 105,104 shares are held by members of the Executive Board. These are itemised on page 124.

DISCLOSURE
of major shareholdings

Stichting Administratiekantoor Slippens	**33.95 %**
Darlin N.V.	**6.12 %**
NN Groep N.V.	**5.70 %**
APG Asset Management N.V.	**5.10 %**
Stichting Administratiekantoor Arkelhave B.V.	**5.06 %**
Boron Investments B.V.	**5.03 %**
Beleggings- en Exploitatiemaatschappij De Engh B.V.	**5.01 %**
Stichting Werknemersaandelen Sligro Food Group	**3.94 %**

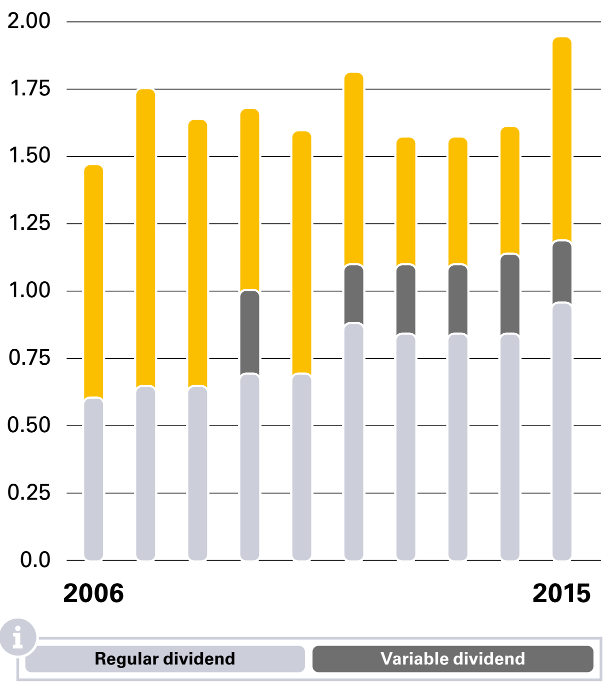
Market information has been used to estimate the geographical distribution of share capital at year-end 2015. This information covers 86% of the capital in 2015 (2014: 84%).

Geographical distribution of share capital (%)

	Private investors		Institutions		Total	
	2015	**2014**	**2015**	**2014**	**2015**	**2014**
Netherlands	53	53	18	16	71	69
UK			4	3	4	3
USA			9	8	9	8
Other countries			2	4	2	4
Total	**53**	**53**	**33**	**31**	**86**	**84**

SHARE PRICE
2011-2015

EARNINGS PER SHARE
2006-2015



DIRECTORS
And management

Supervisory Board

A. Nühn, chairman (62)
Th.A.J. Burmanje (61) [1)]
B.E. Karis (57)
R.R. Latenstein van Voorst (51) [1)]
J.H. Kamps (56)

Group Executive Board

K.M. Slippens, CEO (48)
R.W.A.J. van der Sluijs, CFO (39)
W.J.P. Strijbosch, Foodservice (47)

1) Retiring at the AGM on 23 March 2016.

Company Secretary

G.J.C.M. van der Veeken (54)

Executive Board of Sligro Food Group Nederland B.V.

Group Executive Board, together with

J.W.G. van den Berg, Logistics (46)
P.A. van Berkel, Production and Van Hoeckel (51)
A.E. Bögels, Purchasing and Product Range (43)
J.G.M. de Bree, Human Resources (58)
J.H.A. van Heerebeek, Food Retail Sales (49)
D.J. van Iperen, Foodservice Delivery (41)
K. Kiestra, Food Retail Operations (47)
C.A. Mulders, Foodservice Cash-and-Carry (43)
M.M.P.H.L. van Veghel, ICT (43)

Works Council

R. Heijberg, voorzitter
T. Bouman, secretaris
Y. El Adel
E. Beernink
D. van der Does
D. de Fijter
E. Goedhart-Joosten
T. Hendriks
M. Jans
D. Kleijer
F. van der Lelij
R. Lobker
T. van de Meerakker
G. Noord
J. Pennings
G. Rozema
F. Schalken
W. van Schijndel
S. Sillen-van der Velden
R. Stockmann
C. Thijssen
H. Verbraak
R. van Vliet
H. Waninge
J. van Zon

Sligro Food Group strives to be a quality company achieving **CONSISTENT** and controlled **GROWTH** for all its stakeholders.

STRATEGY
In outline

Sligro Food Group sells directly and indirectly to the entire Dutch food and beverages market, providing a comprehensive package of food and food-related non-food products and services. Our business units focus primarily on our customers and each has its own clear profile in the market. They are managed at Group level and supported by a professional, efficient and fully-integrated back-office organisation. The various operations work very closely together to maximise the benefits from internal synergy.

The organisation is driven by our culture, our 'Green Blood', which has its key focus on customers and our shared passion for tasty, good and honest food. Safeguarding and promoting this particular culture, therefore, has our specific attention in a steadily growing organisation.

The Group operates in a competitive environment where there is limited scope to translate cost increases into higher selling prices. We believe we can absorb the impact of cost increases by constantly increasing the efficiency of our operations, for example by ensuring that our distribution, communication and information systems are as effective as possible.

To be sure of wielding sufficient purchasing power in the market, our food retail purchases are handled by cooperative purchasing organisation Superunie, which has a share of approximately 30% of the supermarket sector. We handle much of our own purchasing for our foodservice business, which is the market leader in the foodservice sector.

We aim for average annual growth in like-for-like sales over an economic cycle of around 3%, assuming annual inflation of approximately 1.5%. We also intend, and expect, to grow through acquisitions, although such growth is, by its very nature, less gradual than organic growth. Given the level of fragmentation that still exists in the Dutch food market, we think it is likely that acquisitions can also be made in the coming years. We are also seeking opportunities in the foodservice markets in neighbouring countries. We aim for profit growth that, on average, equals or outstrips our growth in sales. We can furthermore offer shareholders attractive returns over the longer term by controlled exploitation of the assets at our disposal. We aim to operate in a socially responsible manner and we report our performance in this area. For a listed family business such as ours, economic and social gains go hand in hand.

One of the ways in which we seek to be an attractive partner for our customers is by providing a high level of service at competitive prices. Our growth strategy provides our staff with opportunities for personal development while giving our suppliers the chance to increase their product sales and introduce new product lines. Society as a whole benefits from increasing levels of employment and the resultant rise in tax revenues. As a supplier of food products, we are fully aware of the importance of food safety. It goes without saying that we comply with all external quality standards.

Achieving our objectives will strengthen Sligro Food Group's independent position in the market, a position we intend to retain in the longer term.


EMTE
krokante muesli

COMMERCIAL
Developments

Goals

- Increase like-for-like sales by an average of 3% per annum, with growth through acquisitions on top of this.
- Take the market share in Foodservice to 30% in the Netherlands.
- A distinctive position for EMTÉ in the Dutch supermarket landscape.
- In due course achieve a top-3 position in Belgium as a second home market for Foodservice.
- Maximise the potential for internal synergy and exchange of know-how between Group activities.
- Achieve competitive and permanent margin management.
- Provide high-quality service, always with a view to maximising customer loyalty.

Strategic implementation

- Continually renew and improve our commercial concepts, formats and distribution channels, including e-commerce and an omni-channel approach.
- Ensure efficient and effective operational management of our retail and foodservice outlets.
- Optimise synergy behind the scenes while presenting distinct identities front of house.
- Focus on the big picture to avoid unnecessary complexity.
- Expand and upgrade our network and optimise and enlarge existing outlets.
- Establish a more differentiated positioning in respect of our regional customers by combining the professionalism that we can offer through our critical mass with the character of a local partner: 'growth by staying small'.
- Strengthen customer relationships through loyalty programmes, events, private labels and our range of fresh produce and unique products from our own production kitchens.
- Further expand the package of physical and online services aimed at B2B customers in both Foodservice and Food Retail in order to support them in their day-to-day commercial and operational struggle.
- Further increase our expertise, customer focus and entrepreneurial culture through ongoing employee training programmes.
- Continually champion the typical Sligro Food Group 'Green Blood' culture in a growing organisation.
- Make the best possible use of that distinctive element of the corporate culture of our company, namely our employees: their expertise, their passion and their unmatched commitment to our customers.
- Capitalise on acquisition opportunities satisfying our criteria.

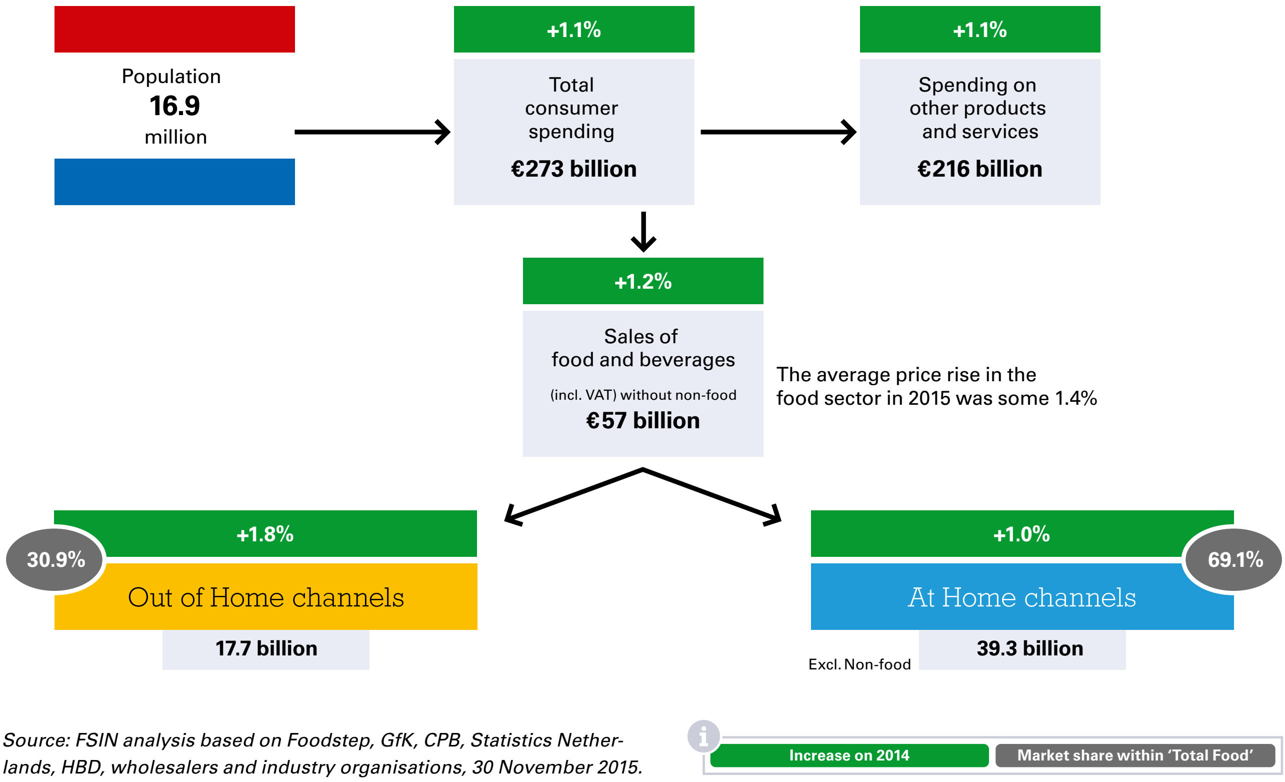
The food market

Sligro Food Group is active in all main segments of the Dutch food market, i.e. the market for food and beverages. This market comprises both the 'out of home' or foodservice channel and the 'at home' or food retail channel. We are directly or indirectly primarily dependent on consumer spending on food. Economic indicators such as consumer confidence and unemployment figures are, therefore, significant predictors of developments in our markets although this correlation seems to be weaker than it used to be.

An analysis of total consumer spending on food and beverages is presented in the diagrams on page 22. These diagrams have been taken from the Foodservice Beleidsmonitor report, compiled on behalf of the Dutch Foodservice Institute (FSIN).

This report provides an overview of the Dutch foodservice sector and developments in this market, also in relation to the food retail market. As the foodservice market is far less homogeneous than the supermarket sector, figures for the former are much less consistent and reliable than those available for the food retail sector. This is evident, for example, in the structural differences between the market projections by FSIN and Statistics Netherlands (CBS), the latter in our view (and that of many other players in the segments of outlets, suppliers and wholesalers) having long overstated growth in the hospitality market by a considerable margin. The fact that in addition to the hospitality sector, the overall Foodservice market includes the care segment, company catering, sports clubs and suchlike also serves to make comparisons difficult. A recent CBS report indicates growth of more than 5% (Q3: 6.4%) for the traditional hospitality sector in the first three quarters of 2015 compared with 2014, including price rises of 1.1% compared with inflation of some 0.8%.

FSIN puts foodservice growth in 2015 at 1.8% and 2.6% for hospitality. In our opinion, the FSIN's figures are the best analysis of the market even though they are based on calendar years and we work on the basis of 52 or, as this year, 53 weeks.



Source: FSIN analysis based on Foodstep, GfK, CPB, Statistics Netherlands, HBD, wholesalers and industry organisations, 30 November 2015.

Market approach

The chart below shows which Group operating companies target the various segments of the food market. Although the activities primarily focusing on customers are performed separately, and therefore with 100% focus, everything is closely managed 'behind-the-scenes' from the centre, wherever possible. This synergy, in both Foodservice and Food Retail, is a means of differentiating ourselves from the competition, while also promoting our learning ability and achieving greater efficiency. Only where a centralised approach is not possible or desirable do we use individual systems and processes. In this way we maximise the synergistic benefits on the one hand and, on the other, ensure a clear focus on the customer and the specific market in each individual business unit.

CENTRAL WHERE POSSIBLE
local where necessary

Central distribution centre and head office in Veghel

Food Retail	Foodservice Cash-and-Carry	Foodservice Delivery service
EMTÉ	Sligro	Sligro/ Van Hoeckel
130 Company-operated and franchise stores	Large and small hospitality sector, leisure, caterers, forecourt outlets, large-scale users, institutional	
2 Distribution centres	National network of 49 cash-and-carry outlets	National network of 8 delivery-service outlets

Specialised production facilities for convenience products (Culivers), fish (SmitVis) and meat (retail), patisserie/home caterer (Maison Niels de Veye) and four fresh-produce associates and professional kitchens (Bouter)

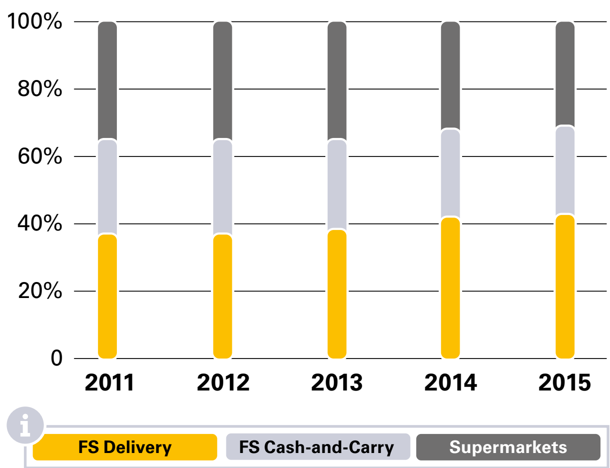
We are the foodservice market leader with a share of 23.1% (source: Foodservice Beleidsmonitor 2016). In Food Retail we hold a market share of 2.7% (source: IRI and Nielsen). If total consumer spending on food is taken as the basis, the Group's share of the food market, in value terms, works out at approximately 8%. That puts us firmly at number three in the Dutch food market.

Analysis of sales

Sligro Food Group focuses, directly or indirectly, on the food and beverage appetites of consumers in the Netherlands. Consumer shopping is catered for on a self-service basis by the EMTÉ supermarkets whereas foodservice customers have the option of cash-and-carry or delivery or a mix of the two. The cash-and-carry outlets are typically used by smaller or secondary customers, possibly in response to promotions, although larger customers also visit them for inspiration and information or simply because they prefer to select their products themselves. The latter are often also foodservice customers who receive regular supplies from the range of over 75,000 items held at our delivery-service locations. On average 75% of the delivery customers visit a cash-and-carry outlet twice per month.

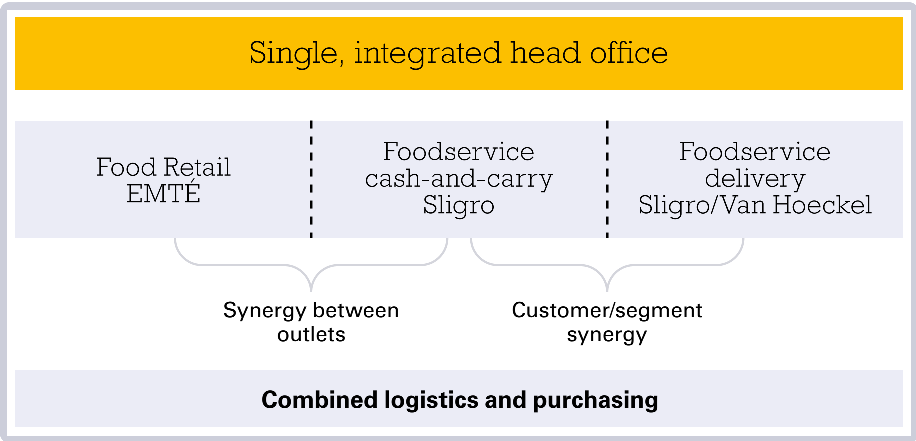
The sales and sales trends of the three channels, supermarkets, Foodservice cash-and-carry and Foodservice delivery, are shown in the chart. This shows that we grew fastest in delivery in recent years (like-for-like and through acquisitions). We expect that we will benefit most from this part of the market in the next few years.

ANALYSIS OF SALES
2011 - 2015



Synergy

The following schematic shows the links and the synergy between the three channels. Instead of operating as a group of businesses, Sligro Food Group is a single, integrated business with overlapping types of customers and distribution methods: the routes to the market, in other words. The strong competition coupled with the availability and use of market data means that the Dutch food retail market is more professional than the foodservice market. Our Foodservice organisation can learn a great deal from that. Food Retail in turn can learn a great deal from our Foodservice operation, as the market leader that prides itself on its service and customer loyalty, not to mention the broadest range on the Dutch market.



SINGLE INTEGRATED business

SLIGRO FOOD GROUP IS NOT A GROUP OF COMPANIES, BUT A SINGLE INTEGRATED BUSINESS ENJOYING HIGH LEVELS OF SYNERGY BETWEEN THE THREE CHANNELS TO THE MARKET.

Our central distribution centre plays a key role in the efficiency and effectiveness of the logistics in the Group and assists us to convert the critical mass that we create with different routes to the market into cost benefits. The same applies for the central structure and systems such that the departments and processes are structured so that they operate as a whole for the group. In addition, this means that the best use is made of shared knowledge and synergies. The integrated back-office and related systems are a good example of how Foodservice and Food Retail can use each other's knowledge to strengthen insight and management.

Our membership of Superunie ensures that we can operate in a competitive retail market but it also offers us benefits in part of the Foodservice product range. Combined with our own purchasing department in Sligro Food Group, we are thus creating a strong purchasing block in the market. As a result, with our own production facilities and Fresh Partners, we are able to offer distinctive products to all our customers. We definitely view this as a strength and not as power since, after all, we are creating value and not diminishing or destroying it. We will be focusing in the coming years on more and faster innovation so that we can continue to inspire our customers. Our inspiration lab, ZiN, which is unique in the Netherlands and which we will be opening above our new cash-and-carry wholesale outlet in Veghel in the second half of 2016, is a good example of this. This will create an environment where, working with many partners, our intention is that our foodservice customers will be able to perform better in their own businesses, get training and inspiration, help with starting up and innovating. We are looking forward to this!

The strength of our unique corporate culture is a key distinction in both the foodservice and the food retail markets. The passion for food and beverages and customer focus are in our genes and not learnt. This makes them 'real' and difficult to copy. And it is appreciated by our customers. We are proud of this and we are succeeding in explaining it better outside the organisation. The award given to EMTÉ as the best supermarket for listening to its customers is a good example of this and the subject is of course receiving a great deal of attention in our preparations for entering the Belgian market.

Our commercial systems and data can be used in all channels, although we serve customers' requirements in markedly different ways in the different segments. We can, however, still make many improvements and learn from each other in the various segments. The supporting technology and data management are now highly centralised and we will continue to make major investments here in the next few years as we expect that leadership in data management will be a crucial competitive factor in the future. Building the Future!


Groenten en

FOOD RETAIL
Developments

Key figures

(x € million)

	2015	2014
Net sales	841	823
Gross operating profit (EBITDA)	31	28
Operating profit before amortisation (EBITA)	21	13
Free cash flow	27	34
Net capital employed [1]	127	145
EBITDA as % of sales	3.7	3.4
EBITA as % of sales	2.5	1.7
EBITA as % of average CE	15.6	8.6

1) Excluding associates.

Market developments

To assess the trends in the retail market we make use of information from GfK, Symphony IRI and AC Nielsen. The last two organisations collect market data from the supermarket chains that are 'affiliated' to them. These chains cover around 80% of the total market. GfK bases its data on consumer surveys. In our eyes, GfK is a specialist in data in which the link to consumer characteristics and profiles is of great importance. However, when it comes to overall market figures, such as sales trends, market shares and 'fair share' positions (a format's market share in a particular product category), the scan data collected by IRI and Nielsen is more reliable than the random sampling and individual consumer responses used by GfK.

As in past years, we have taken the arithmetic mean of the IRI and Nielsen figures to build up a picture of the market during the year. Obviously, the scan data submitted to the two organisations for the 80% of the market covered was the same in each case. The difference was attributable to the other 20% of the market, in particular that part of the market occupied by Aldi and Lidl. The estimates made by IRI and Nielsen for this part of the market differ sharply. Building up a picture of the market is also difficult owing to e-commerce and to retailers expanding their ranges to cover other segments.

Market size €35.6 billion

Taking the arithmetic mean of the IRI and Nielsen figures as a basis, the market grew by 3.4% in 2015 to €35.6 billion. On a 52-week basis there was growth of 2.3% and a market of €35.2 billion. After a gap of some years, the rate of growth is above inflation, indicating that volumes are growing.

Market shares

(in %)

Market players Supermarkets [1]	Market share 2015	2014	2013
Albert Heijn	35.0	34.1	34.0
Jumbo	17.5	14.0	11.2
C1000 [2]	1.0	5.8	9.5
Plus [3]	6.2	5.9	5.8
Aldi/Lidl	16.6	16.4	15.9
Sligro Food Group [3]	2.7	2.7	2.7
Other [4]	21.0	21.1	20.9
	100	**100**	**100**

1) Source: Sales figures from the companies themselvesmarket definition according to Nielsen and IRI. 2) Taken over by Jumbo in 2012. 3) Member of Superunie purchase cooperative. Superunie members have a total market share of approximately 30%. 4) Almost all in the 'other' category are members of Superunie.

The food retail market continues to be challenging. There is still only limited growth in the market while new and existing players are joining the market with online initiatives and we are seeing traditionally non-food retailers attempting to move into food. It is, therefore, remarkable that supermarkets' floor area is continuing to increase despite these developments. We are also increasingly seeing relocations of supermarkets to sites outside existing retail areas, where non-food retailing is already suffering, reinforcing their decline. Although local authorities are aware of this, they are taking only limited action.

In 2012, Jumbo took over C1000 and it has converted most of those stores to the Jumbo format. Albert Heijn and Coop both acquired some C1000 stores and have converted them to their own format. As a result, the last C1000 store and the brand left the market during 2015. The results of the conversions were, therefore, apparent in market shares in recent years.

Procurement market

The Dutch market is supplied by five purchasing organisations. These are Aldi and Lidl, which are, of course, supplied from outside the country to a very great extent, and Ahold, Jumbo and the Superunie purchasing cooperative, which represents the relatively small players who are, however, regionally very strong.

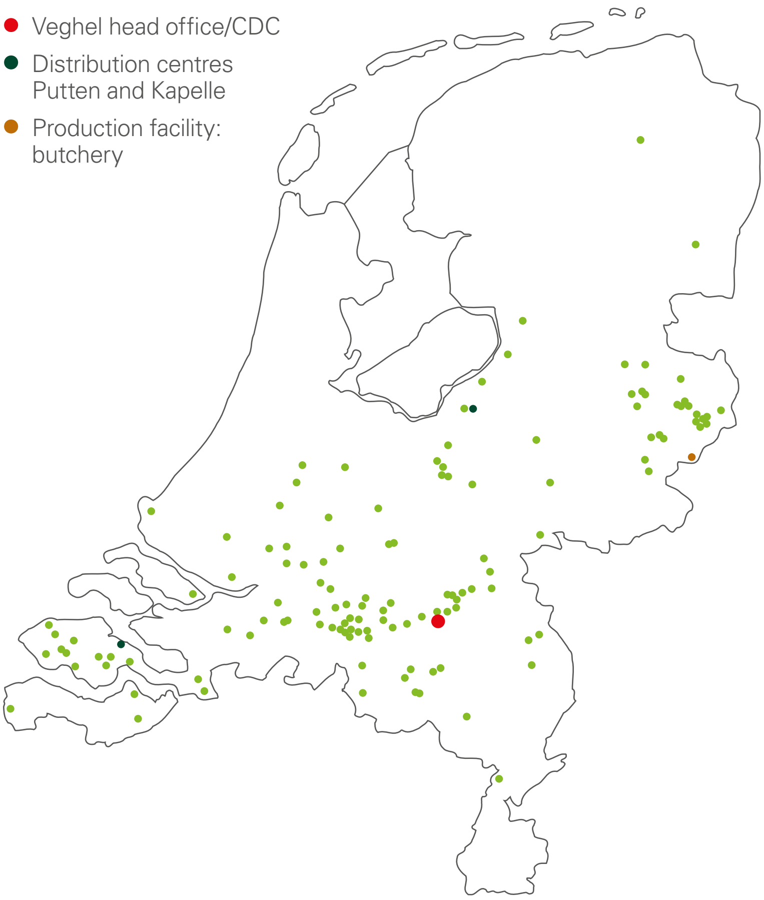
In 2015, the shares of the procurement market represented by the latter three once again showed very little change, with Ahold at around 35%, Superunie about 30% and Jumbo some 20%. Superunie and its thirteen members provide the Dutch consumer with a wide choice of supermarket formats, in contrast to the rest of Western Europe, where in each country around five large retailers dominate the market.

EMTÉ
GEWOON DE LEKKERSTE

Locations

Food Retail

- EMTÉ
- Veghel head office/CDC
- Distribution centres Putten and Kapelle
- Production facility: butchery



Store network

We ourselves have around 130 EMTÉ supermarkets, of which 33 were operated by independent retailers at the end of 2015. Our market share represented by these supermarkets is 2.7%. As the map shows, our stores are not spread evenly throughout the country and so our regional market shares are much higher.

An overview of our supermarkets is given in the table below:

Number at year-end		x 1,000 m^2 retail space at year-end		Consumer sales[1] x € million		Index of like-for-like sales	
2015	**2014**	**2015**	**2014**	**2015**	**2014**	**2015**	**2014**
130	127	139	136	975	946	100	99

1) Including changes in the store portfolio during the year and VAT.

This year, the increase of 0.2% in like-for-like sales lagged behind growth in the market and we still experienced relatively volatile quarterly sales figures. A major reason for this was the relatively old branch network in a market where very many sites have been updated in recent years following format changes. Dependence on campaigns and successful promotions also makes sales growth volatile.

Total Food Retail sales comprise EMTÉ's consumer sales (excluding VAT) and the wholesale value of sales to franchisees and to the leisure group Center Parcs. Sales (excluding VAT) can be broken down as follows:

(x € million)	Net sales		Share of sales as %	
	2015	**2014**	**2015**	**2014**
Company-operated supermarkets	666	659	79	80
Independent retailers	175	164	21	20
Total	**841**	**823**	**100**	**100**

Total Food Retail sales increased by 2.3% compared with the previous year partly as a result of the 53-week year, which added €16 million in sales. Three franchised supermarkets joined our network in 2015.

External rating

EMTÉ's butchery department came first in its category for the sixth time in the GfK vote for Beste Vers Supermarkt ('Best Fresh Produce Supermarket'). In 2015, we also won awards for the best cheese department and best processed meat department, each for the second consecutive year. Overall we again came third in the GfK fresh produce report, so we have now held a solid top-3 place for some time. We were also named as the supermarket that listens best to its customers.

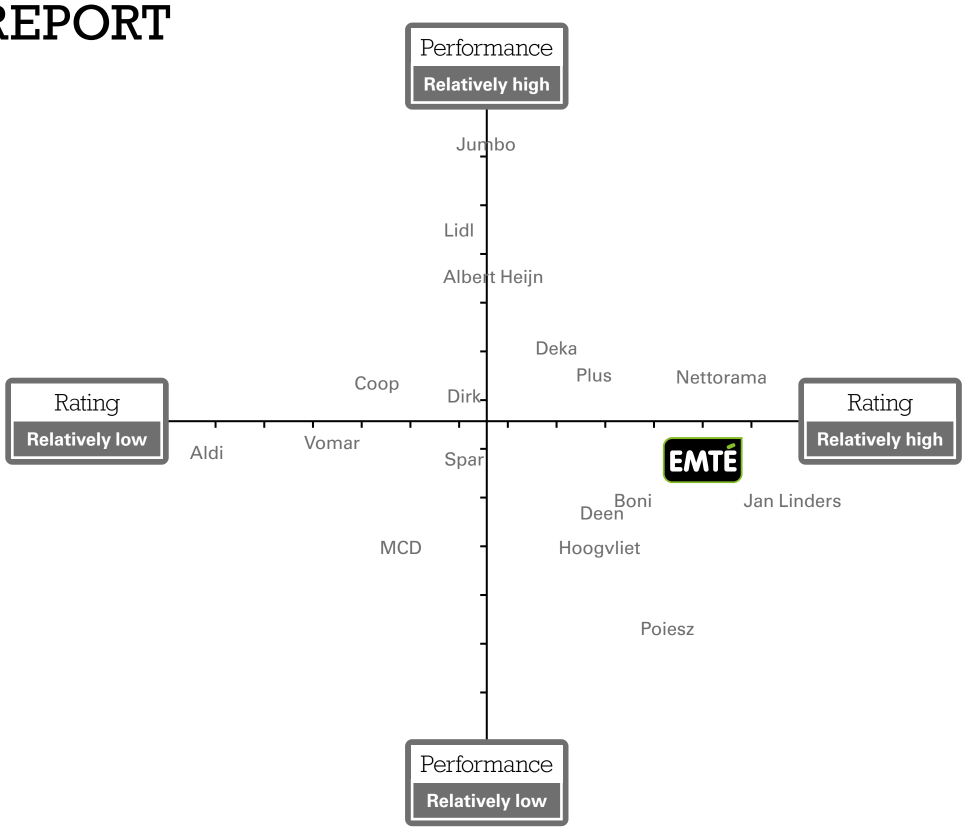
The most important reports in our sector are the Zomer- en Kerstrapport ('Summer and Christmas Reports') published by GfK. There were changes in their structure in 2014 and the weightings were revised further in 2015. This makes comparisons with earlier years more difficult although the Summer and Christmas Reports for 2015 are comparable.

In the Christmas report, EMTÉ held its excellent number-3 position for customer rating, which it also achieved in the Summer report. On the performance axis (determined in part by factors such as acquisitions), EMTÉ improved slightly from 13th to 12th position over the six months. Overall, therefore, we were in 4th place in the Christmas report (Summer 2015: 5th place). We believe that the success of our format has to be based on customer rating and so we are very pleased with the high scores on that axis. In due course this will be reflected in the performance score.

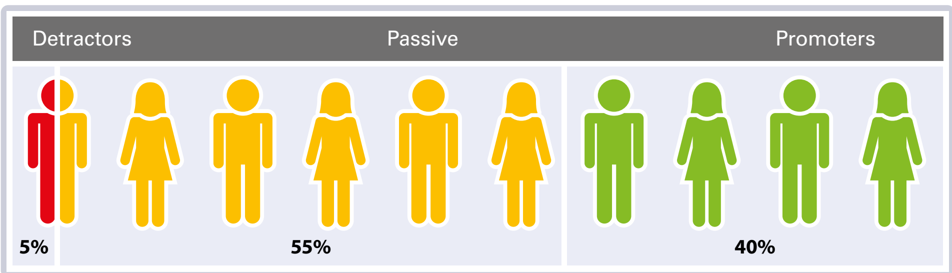
We frequently measure customer satisfaction ourselves, using the Net Promoter Score (calculated as promoters less detractors). The 2015 survey showed that EMTÉ's customers were 40% Promoters, 5% Detractors and 55% Passive. This gives us an NPS of +35 (2014: +45).

CHRISTMAS REPORT
2015

Source: GfK December 2015



EMTÉ's NET PROMOTER SCORE: 35



Medium-term plan

In early 2013 we presented a medium-term plan for 2013-2015 with six building blocks that focus on strengthening the basics of the business and creating growth. The most important financial targets we set out were EBITA as a percentage of sales of 2.5% to 3.0% and EBITA as a percentage of capital employed above 15%. We are of course very pleased to have achieved both of these targets.

As the medium-term plan has now reached its end, we will use the first few months of 2016 to evaluate it extensively, looking at all the quantitative and qualitative results against the targets. We will report on this externally later in the year. The main developments in the past year are set out below.

BUILDING BLOCKS for growth

Creating growth | Loyalty | Unique product range | Building the brand

Strengthening the basics | Back-office in order | Category management | Operational excellence

Creating growth

The Fijnproevers ('Gourmets') loyalty programme introduced last year has established itself among our regular customers at EMTÉ. Many of them have registered and are saving and exchanging points and use the website and other social media. Both the number of transactions and the average spend by Fijnproevers customers rose in the past year. Since our customers are no longer anonymous to us, we can also make them tailored offers and we started doing this in the summer of 2015. These personalised offers are proving to be successful and add value to both our customers and our suppliers. We will continue to develop the CRM programme we set up for this in the next few years. What is clear, however, is that Fijnproevers is not yet sufficiently attractive to secondary and tertiary customers and that was one of the objectives. Recruitment and activation along with rolling out the CRM programme further will help extend its attraction.

In recent years we have made clearer decisions on our product range and using the strength of Sligro Food Group and its wide product range, production facilities and Fresh Partners. We can and must go much further, however, and we will do this in the next few years as part of our new format generation. The 'sweetshop' is now open for EMTÉ's category management to choose from, adding unique items from the Sligro product range to the 'tastiest supermarket in the Netherlands'.

We have also been busy building the brand, with new campaigns and a new presence on TV, focusing more on inspiration and simply tastier food. We saw that good savings campaigns always boosted market share and our 360 degree approach, in which we address the same themes at every customer contact, is increasingly contributing to this. Price campaigns alone are not sufficient to create sales growth. We proved very vulnerable in the weeks when we did not run a campaign. The revision of EMTÉ's brand strategy is, however, the main pillar for growth and so we worked hard on it during 2015. The initial results are on show to customers now our first pilot store has opened in Dieren. The programme goes much further, however, than just the physical renovation of the stores as we explain below.

Despite these efforts, we have not been able to structurally outgrow the market in the recent past. In our opinion, setting out the new brand strategy and translating it into new format generation, including an up-to-date branch network, are particularly important preconditions for creating that growth over the next few years.

Strengthening the basics

We have improved many of the processes in the back-office and this gave us better insight and control over operations. The quality and availability of the stocks in the stores have improved hugely now that our ordering systems have been rolled out widely and include almost every product group. As a result, shrinkage has also been reduced. We are now working with a clear agenda for improvement and see opportunities for the future, including for our franchisees.

Many improvements have been made to the category management process. Duties and roles have been reallocated and specified but recruiting the right staff proved to be difficult in the past year. As a result we have faced delays in developing our plans in this area. In the second half of 2015, we built a department with a new manager of category management that can undertake these plans in 2016. The link between processes and available product range and category management has been coordinated at Sligro.

We have made considerable progress on operational excellence. Tackling wage costs, using the modular organisation chart with normative staff levels, made a particularly significant contribution to improving the results in 2015. A lot of attention went into staff training. A 'training house' has been developed covering and updating the full range of training from the introduction programme to management development. On conversion to the EMTÉ 3.0 format generation, the entire store team will be coached and trained intensively. Logistics costs were reduced once again in the past year but we see further opportunities for cutting costs in the coming years from better aligning operations and supply chain.

We have clearly strengthened our basics in recent years and using improved insights and process management have also refocused the agenda for the next few years. It is good to see the measures taken in 2014 and 2015 reflected in improved results in 2015.

Financial targets

With EBITA of 2.5% and EBITA as a percentage of capital employed of 15.6% for the full year 2015, we have met the targets we set ourselves. Although we are content with the results achieved to date, our ambition for underlying sales growth goes much further. Growth in sales per square metre is the basis for future improvements in profitability which currently come from cost savings and process improvements. We realise very well, however, that setting a new brand strategy and a new format generation takes time. We, therefore, expect that the basis we have set for this in recent years will gradually lead to a positive turn-around in sales trends from 2016.

New EMTÉ 3.0 format generation

Why change

Following Sligro, in the past year, we developed a new brand strategy for EMTÉ. It was needed because we believed our format was not sufficiently distinctive in the very competitive mid-market and as a result it was increasingly difficult to keep up with growth in the market.

Our competitors are investing strongly in their formats, new players are entering the market and traditionally non-food players are expanding into food. In addition, after more than seven years in the current format our supermarkets are out of date and need to be refreshed. As the Super de Boer and C1000 brands have disappeared in recent years, about 800 surrounding stores have taken on a new appearance, irrespective of the brand. This has only made our stores look even older.

The needs of our customers are also changing. They are opting more for convenience, shopping more often during the week and in smaller quantities and expecting more inspiration and service from their supermarket. Sustainable and responsible shopping is on the rise and good, healthy food is important. Customers have also become more aware of prices and the price-quality relationship in recent years. While all chains have regularly been shouting about the latter point, distinctiveness with respect to quality, inspiration and innovation has actually declined in the recent past and so there is more pressure in the mid-market.

The key question we are asking ourselves, therefore, is: how can EMTÉ continue to create growth in this challenging market?

Our vision

Good (healthy, high-quality and sustainable) and tasty food is becoming more important. This is a real challenge for many families every day.

Our mission

We have challenged ourselves to become 'Simply the tastiest supermarket in the Netherlands'. Every day and for special occasions.

Our role

In a changing landscape, we see it as EMTÉ's role to let our customers enjoy good, tasty food. We are using the synergies within Sligro Food Group more clearly than in the past while remaining close to the needs and wishes of EMTÉ's customers. The focus is mainly on delicious and authentic everyday products including concepts such as tasty, healthy and sustainable. The average supermarket customer only considers seven recipes for evening meals and so we have set ourselves the target of expanding their 'taste vocabulary'. This is not mainly about increasing their culinary aspirations but about having a good, tasty meal every day. For special occasions, but also during the week. We want to create more experiences that surprise our customers and challenge them to try something new.

Our strengths and opportunities

We know that EMTÉ has a strong fan-base among its primary customers, for example, from the ratings in the GfK Summer and Christmas Reports. For many years, we have had the best butchery, processed meats and cheese departments and a good bakery and they have won awards. We can use this to pave the way to being the tastiest supermarket in the Netherlands. Our supermarket is accessible, our staff are friendly and EMTÉ is recognised for its strong promotions. The synergy within Sligro Food Group and the purchasing power of Superunie and Sligro Food Group offer a major basis to being a player in the competitive supermarket environment.

Our weaknesses and challenges

Despite the loyal base, our customer group is too small, including in comparison with other supermarkets. This is reflected in a shortfall in sales per square metre that must be reversed. EMTÉ's store image is old-fashioned while the pressure in the market is increasing as competitors invest in modernisation. As a result, the strong elements of our format are unknown beyond our regular customer base and as a format we are insufficiently unique. We score less well on price perception, in particular among secondary and tertiary customers, who think we are more expensive than we actually are. We are strong in fresh produce but not yet in fruit and vegetables. Given our results in other fresh produce we are sure we can alter that image in the future.

From A to B

To move from the existing situation to the picture outlined above, we have a specific, comprehensive long-term plan, part of which builds on what we started under the medium-term plan. The EMTÉ brand stands for growth with the aim, as 'simply the tastiest supermarket', of significantly outgrowing the market. Many more links with Sligro without going too far up the culinary ladder. Known internally as: EMTÉ 3.0.

VISION & MISSION EMTE 3.0

OUR VISION: GOOD (HEALTHY, HIGH-QUALITY AND SUSTAINABLE) AND TASTY FOOD IS BECOMING MORE IMPORTANT. THIS IS A REAL CHALLENGE FOR MANY FAMILIES EVERY DAY.

OUR MISSION: WE HAVE CHALLENGED OURSELVES TO BECOME 'SIMPLY THE TASTIEST SUPERMARKET IN THE NETHERLANDS'. EVERY DAY AND FOR SPECIAL OCCASIONS.

Customers

We focus on the widest possible public, remembering the differences between our customers, concentrating in the new generation primarily on customers who are looking for convenience (including what will I eat this evening?, simple inspiration, one-stop shopping) and above all who can and want to enjoy everyday tasty food. Not enough of these customers have come to us in the past; while they specifically have a greater than average interest in tasty food and like to try new things. Despite the excellent fresh produce on offer, they thought too many items were missing from our range and they wanted inspiration.
Our current customer base is more traditional in nature, particularly appreciates fresh produce quality and is more price conscious. Naturally, we want to keep as many of them as possible but we know that our true Sligro Food Group strength is elsewhere and, in addition, this group is declining nationally.

In short, keep as many of today's loyal shoppers as possible but work hard to attract the new group in the mid-market. Research has shown that, with some exceptions, this group of customers is present in sufficient numbers in the towns where EMTÉ has branches. This is logical as we face several national competitors in many places and so the entire range is actually represented.

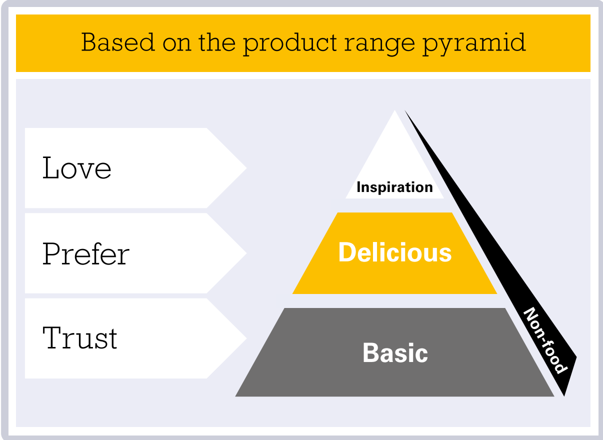
People

The importance of culture at Sligro Food Group is well known and we have translated it into our DNA under the name 'Green Blood'. We will be doing this more strongly at EMTÉ with a clear programme that expresses our values and embeds them at every level. We are aiming to achieve a customer-focused culture at EMTÉ similar to that at the Sligro cash-and-carry wholesale outlets. Employees will have plenty of freedom to assist customers and that will be associated with a high degree of responsibility. A properly organised central back-office will help the store employees so that they can concentrate on customer satisfaction.

Products

To be distinctive, we will have to make choices. We are investing in fresh produce and complementary products so that our customers can prepare healthy and tasty meals. To make space for these products, we are looking critically at the items in non-cooking related product groups.

MODULAR
product range structure



The pyramid above shows our product range. Our product range strategy is to thin out the basic product range to make shelf-space available for the 'delicious' products and items that can inspire our customers.

Part of our distinctive strength is in our private label and exclusive brands, where we make best use of the purchasing power and know-how of Sligro Food Group and Superunie and cooperation with our production facilities and fresh partners to differentiate ourselves in terms of quality and innovation. In some individual areas, the modularity may differ from the basis.

Prices

We do not claim to be the cheapest supermarket in the Netherlands. That is not our strength but we will continue to emphasise that EMTÉ is a competitive format, not least on price, with attractive special offers. We will revise the regular pricing of our product range. The main reference items will be cheaper and in line with the competitors where price is dominant in their positioning. For other items, we will follow our own strategy, which is not as dependent on price changes made by our competitors.

We have also defined new roles for promotions so that our promotion strategy is structured differently. This will ensure a balance in which we can positively influence our price image but also inspire our customers with good, tasty food.
The quality of the specialist at supermarket prices!

Visual identity

As is clear from the above, a new look and feel in the stores is not the essence of the new format generation but in the short term it will be the most obvious to our customers. The visual identity reflects what the EMTÉ brand stands for. Our new supermarkets will, therefore, revolve around a strong food experience, authenticity and a fresh, modern retail image. We want to emphasise that EMTÉ is the specialist in good, tasty food. This is reflected in the way in which we present our product range, the concepts we add and how we communicate with our customers in the stores. We assist our customers to make choices and gain inspiration and we also tell them about our products.

Central management

The changes we want to make will only succeed if we have strong central management of our new brand strategy. This has developed in recent years as part of the medium-term plan. Setting frameworks centrally, and strongly enforcing them, while offering the stores freedom to do business is a powerful model. It ensures that we constantly and consistently maintain our course and do not stray.

Roll-out and evaluation

On 11 November 2015 we opened our first store in the new format generation in Dieren and there will be another three in early 2016: two, in Uden and Nieuwegein, are conversions and there is an entirely new site in Berlicum (North Brabant). After a few months, we will take time to analyse and evaluate the results of these pilot locations. This will show which parts of the new concept are working well and what needs to be adjusted or refined, and lead to a refocused concept that we will then roll out across the rest of the stores, but we will of course develop it continuously. The stores will be closed for about two weeks for conversion. We expect that about 15 will have been converted by the end of 2016 and we will convert about 20 in each of the following years.

EMTÉ Online

Although still small in food, there is no doubt that online is taking a major place in our market and this will only increase in the next few years. Online is, therefore, expressly on our agenda although up to now we have given priority to developing our new brand strategy and new format generation. This does not mean however that we have done nothing with online since our alliance with Superdirect. The introduction of our new website in combination with Fijnproevers and an ever-more dominant presence on social media are examples of this. But, of course, we are looking forward and certainly see a future for a shopping site for EMTÉ. We are creating the conditions for this since, when we purchased our new Online platform for Sligro Online 3.0, we selected a platform which is also suitable for Retail and the programme to improve our data quality will meet a further condition. In 2016 we will develop plans to combine a physical store with an online environment for EMTÉ.

SPAR

Our associate, Spar, in which we have a 45% interest, worked further on its medium-term plan in 2015. The market, especially in the specific segment where Spar operates, is stagnating and suffering from falling volumes. On the other hand, demographic changes and a thinning out of stores in villages offers opportunities for the future. Spar is now taking the steps required to benefit from this and become the best small-scale local format in the Netherlands.

In 2014, SPAR bore the charge for the closure of one of its distribution centres in 2016 along with some non-recurring charges for measures that in due course will return it to health. The non-recurring charges were much smaller in 2015 and so Spar achieved a considerably better result than in 2014.

As a shareholder we support the path that Spar is taking and are confident that it will find the right balance between customer, business and shareholder returns.


Frank Staps
Stigro

FOODSERVICE
Developments

Key figures

(x € million)	2015	2014
Net sales	1,829	1,749
Gross operating profit (EBITDA)	129	121
Operating profit before amortisation (EBITA)	101	93
Free cash flow	51	44
Net capital employed [1]	486	458
EBITDA as % of sales %	7.0	6.9
EBITA as % of sales %	5.5	5.3
EBITA as % of average CE %	21.3	21.0

1) Excluding associates.

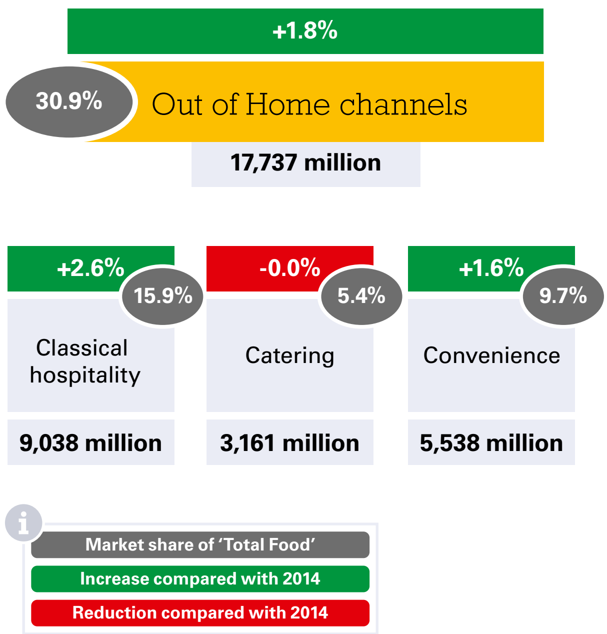
Market developments

We use information from the Dutch Foodservice Institute (FSIN) on developments in the foodservice market. FSIN makes its market assessments using consumer spending and expresses the market in terms of wholesale prices based on this. The difference between consumer spending and wholesale prices represents VAT and the added value of the wholesale customers. The growth in sales in consumer spending and the wholesale value do not by definition have to run exactly parallel as there are different quantities. The added value included in consumer spending differs strongly by segment (care institutions, restaurants, company catering, sports clubs) within the foodservice market.

We are seeing growth once again in classical hospitality, which increased by 2.6% compared with the previous year. Restaurants in particular are seeing a clear recovery, but the beverages and fast-food sectors are still lagging behind. In catering we see a flat picture mainly because of the ongoing decline in the care sector, which has suffered from austerity measures for some years and this is clear in its spending on food. The pressure on the care market is expected to continue in the coming years. FSIN reports that the influx of refugees to the Netherlands is currently making up for some of the underlying decline in the sector.

Market size at wholesale prices €6.5 billion

FSIN estimated that the foodservice market at consumer prices rose by 1.8% in 2015 compared with the previous year, measured on a calendar year basis. The consumer spending market was, therefore, some €17.7 billion; about €6.5 billion at wholesale prices. As we work in periods of 52 or, as this year, 53 weeks, it is not simple to compare these market figures and ours. We and FSIN estimate that we have beaten the market like-for-like and this, along with acquisition sales, has seen our market share rise again.



Source: FSIN analysis based on Foodstep, GfK, CPB, Statistics Netherlands, HBD, wholesalers and industry organisations, 30 November 2015.

Market shares

(as %)

Market players Foodservice [1]	Market share 2015	2014 [2]	2013
Sligro Food Group	23.1	22.6	21.2
Lekkerland	12.7	12.7	12.4
Deli-XL	10.9	11.0	11.1
Hanos/ISPC	7.2	7.1	7.0
Makro (Metro)	6.3	6.7	6.8
Total other beverage wholesalers [3]	12.4	12.6	12.7
Other Maxxam (VHC, Horesca, Topclass Groep) [3]	6.2	6.2	6.5
Supertrade (Digross, Interkring, De Kweker, Huuskes) [3]	5.1	5.1	5.1
Other [3]	16.1	16.0	17.2
	100	**100**	**100**

1) Source: Foodservice Beleidsmonitor 2016. 2) 2014 restated. 3) New category.

The market shares are based purely on food sales to foodservice customers. FSIN makes its own estimates of the share of non-food and sales to non-foodservice market customers (by its definition) in cash-and-carry (for example, SMEs). This explains the difference between the market share figures presented by FSIN and the Foodservice sales reported by Sligro Food Group.

In 2015, FSIN revised the classification of the wholesalers and added a number of new clusters. Sligro Food Group's market share for 2014 as reported last year has been adjusted downwards (from 22.9% to 22.6%). The 22.9% was an estimate by FSIN in May 2014 and was revised in 2015. Although this affects the interpretation of individual years, we believe that the long-term trend, where we are winning market share, is a correct picture. This trend continued this year.

CASH-AND-CARRY and delivery service

Locations

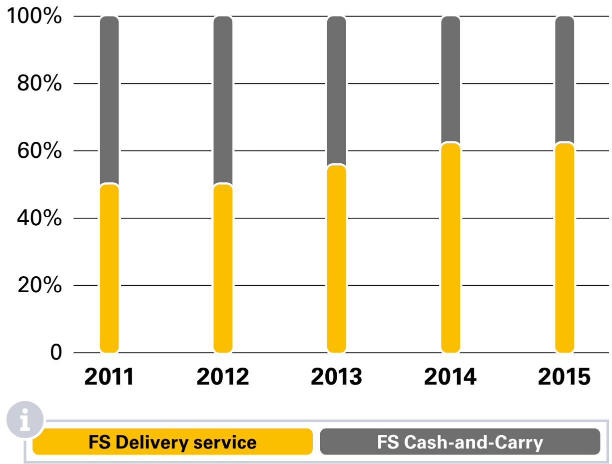
Foodservice

- Sligro cash-and-carry
- Sligro delivery service
- Sligro cash-and-carry/ delivery service
- Van Hoeckel
- Production facilities
- Bouter
- Veghel head office/ central distribution centre

Outlet network

We expanded our nationwide network to 49 locations with the opening of our new cash-and-carry outlets in Almere and Utrecht in 2015. In addition, we set up eight distribution centres for deliveries to foodservice customers. Three of the 49 cash-and-carry locations now also offer delivery (the Open Delivery Service) and that is mainly to do with specific regional and seasonal peaks. The strength of the network is mutual cooperation. 75% of our delivery customers visit the cash-and-carry wholesale outlets once every two weeks on average for inspiration, advice and items they have forgotten. The cash-and-carry wholesale outlets are perfect showrooms and collection centres for smaller foodservice customers who, as they grow, can if they wish transfer seamlessly to delivery services. And so, although we separate the operations with a view to the needs of our customers and efficiency, commercial cooperation is strongly embedded.

NET SALES
Foodservice



	Outlets year-end		x 1,000 m² floor space year-end	
	2015	**2014**	**2015**	**2014**
2.0 style				
Type 1	13	14	51	56
Type 3	27	27	191	191
Type 4	2	3	25	36
Total	42	44	267	283
3.0 style				
Type 3	4	1	30	6
Type 4	3	2	37	26
Total	7	3	67	32
Total Cash-and-Carry	**49**	**47**	**334**	**315**

Type 1: excluding fresh produce. Type 3/4: including fresh produce.

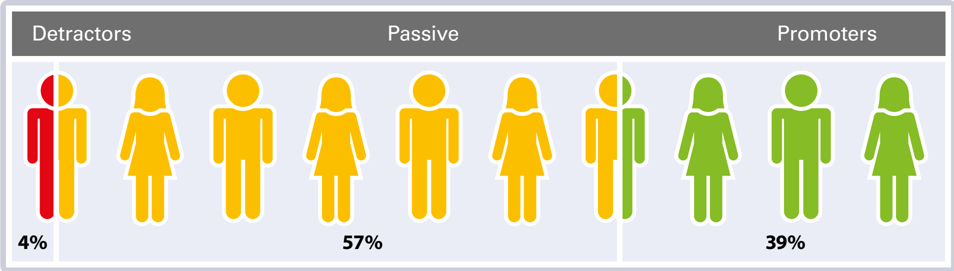
External rating

Sligro wants to position itself as a partner for food professionals. We do this every time we come into contact with our customers. For some years, we have had an in-house on-line knowledge and inspiration platform for hospitality businesses: Foodbrigade. This has not gone unnoticed and is appreciated, as shown once again this year when Foodbrigade won Silver at the International Content Marketing Awards and the Dutch PR Award in the B2B category.

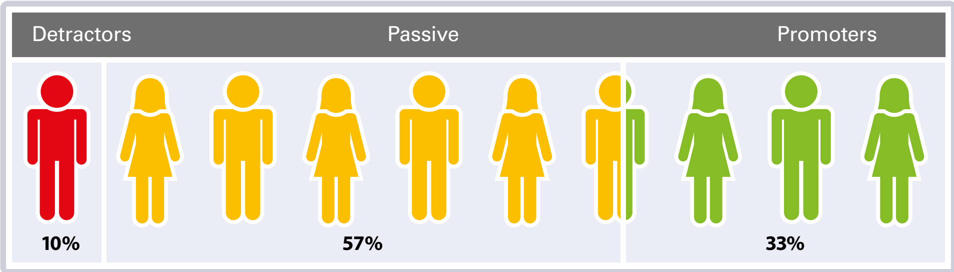
We try to put the emphasis in the Foodservice strategy on a superlative form of customer leadership. In the end it is the customer who decides how successful we are in this. We, therefore, have a structured approach to frequent measurement of Sligro's Net Promoter Score (calculated as promoters less detractors). We not only examine our own performance but also benchmark the result against our competitors.

NET PROMOTER SCORE

Sligro Cash-and-Carry:
35



Sligro Delivery service:
23



Sligro 3.0

Last year, we described and explained 'the why' and the scope of Sligro 3.0 at length. Sligro 3.0 is not a static concept and so it underwent further development during 2015. This is clear from the steady roll-out of 3.0 in the cash-and-carry network but also from increasingly refined and personal communications with our customers. There are also the inspiration concept and 360-degree communication with which a large number of new concepts have been launched for our customers. The message is not so much what it costs them but the return they can make in their business. Tastier, more personal, cheaper and more inspirational! We have also made great progress in the past year developing our new Sligro Online platform, which will offer our current ordering module (Slimis) and also much more inspiration and service in the coming year.

Our vision

Tasty, good and honest food is increasingly important.

Our mission

We want to make tasty, good and honest food available to all Dutch food professionals and their customers.

Our role

Sligro allows people to enjoy tasty, good and honest food by delivering excellent products and services to food professionals. We serve all segments of the food market. Our most distinctive feature is our people, who are close to our customers and help them with solutions for perfect service for their customers and guests. We help food professionals in all parts of their business that deal with the food and beverages of employees, guests or customers.

Our strengths and opportunities

Sligro is a powerful leader in the Dutch foodservice market and has grown faster than the market for many years. Further consolidation in the market is expected and, thanks to its size and financial strength, Sligro is excellently positioned to play a leading role in this. With our extensive national network of cash-and-carry outlets and delivery locations which work intensively with each other, we are always close to our customers and can offer a high quality, reliable service. We see scope for further refinement of the network and opportunities for increasing economies of scale to improve efficiency and returns. The market has not been easy for our customers and demand for further support and service is increasing. Our experience and knowledge of our customers' markets and business shows there are many ways to help them. With a wide product range, our own brands, production facilities and cooperation with Fresh Partners, we can offer our customers new concepts. In recent years, we have looked at a number of neighbouring countries and see that we can also make a difference there with the Sligro concept provided we adapt appropriately to local conditions.

Our weaknesses and challenges

Market conditions have only improved slightly in recent years. We think this is a permanent change and it is the new climate we have to work in. Although we have a strong position, we will have to adapt continuously to the changing market.

Different customers demand different service levels and Sligro's delivery service is still not responding adequately to this. Over the next few years, we will be working on a more differentiated range of services and this will also be reflected in our pricing.

Although we have a strong purchasing organisation, our own production facilities and many Fresh Partners who ensure innovation in the product range, we believe that the speed and number of innovations must increase. Our customers are demanding different solutions and concepts and we have to respond to this.

Prices and price perceptions in cash-and-carry are important points for attention. Sligro sometimes seems more expensive than it is and so we have to communicate and monitor prices better.

We cannot allow ourselves to become complacent. We are currently the market leader but we also see that the market is changing around us. There are new players (and players from the retail sector) who want to enter the foodservice market. Larger customers are looking increasingly to the best possible structure for purchasing and logistics and are challenging us to think and move with them.

VISION & MISSION Sligro 3.0

OUR VISION: TASTY, GOOD AND HONEST FOOD IS INCREASINGLY IMPORTANT.

OUR MISSION: WE WANT TO MAKE TASTY, GOOD AND HONEST FOOD AVAILABLE TO ALL DUTCH FOOD PROFESSIONALS AND THEIR CUSTOMERS.

Sligro Online 3.0

For some years, our Foodservice delivery customers have been using Slimis, our online ordering application. It is a fast, clear ordering module that is rated very highly by our customers and over €1 billion was processed online in 2015. We realise, however, that what is good today will not be good enough tomorrow, and so we want to put the Sligro 3.0 concept online.

We aim to create a personalised platform which will still offer the simplicity and efficiency of the current ordering application and, if the customer so desires, add a lot of inspiration and service such as menu suggestions, wine lists, menu calculations, allergen solutions. At a later stage, services could also be added to take work off our customers' hands. Thus we are specifically involving our customers when developing concepts and ideas. We want to get closer to customers, deliver greater added value and so forge stronger links.

The first step, however, is a seamless transition from the old to the new environment in 2016 without immediately adding a lot of new services. We will then gradually expand our online offer and develop it in consultation with our customers to increase its value and their satisfaction.

Cash-and-Carry

The conversion to 3.0 is progressing well and in addition we opened our 48th and 49th outlets in Almere and Utrecht in 2015. As well as the conversion programme, cash-and-carry wholesaling and marketing organised a range of activities for existing and potential customers. The combination of an inspiring environment and activities that add a lot of value for our customers ensures a growing customer base and higher spending. The modernised 3.0 outlets are ahead in growth in sales and as a result we have actually been able to increase sales and margins in the cash-and-carry wholesale outlets and, as a spin-off, also support delivery services in the region.

Delivery service

We estimate that 60% of the foodservice market consists of delivery and 40% of cash-and-carry. The delivery market is growing faster and, furthermore, we have relatively more market share to gain than in cash-and-carry. We expect that our ambition of growing from a market share of 23% to 30% will, therefore, come mainly from growth in delivery services. With this in mind, as well as addressing growth in delivery services, we are looking for an improvement in the relative returns. The projects we have launched in recent years to optimise the infrastructure have contributed to this but as part of Kicking Costs we have paid considerable attention to reducing variable costs in the delivery process in 2015. This had a clear effect on delivery margins in 2015. In the coming year, we will move further ahead on this and introduce a differentiated service offer and associated pricing. We call this 'the logistics menu'. We will be able to offer a tailored service to our customers and create and measure added value where possible. We are also working with a number of our large customers to find opportunities to cut the distances we drive for deliveries not only from the cost viewpoint but also certainly with the aim of cutting CO2 emissions. This latter point is very important to both Sligro and many of our customers.

Van Hoeckel

Van Hoeckel focuses primarily on the institutional market, which has been under severe pressure for some years as a result of spending cuts brought about by government measures. As a result, Van Hoeckel has been able to offset the general market trend which has also clearly affected its existing customers. In recent years Van Hoeckel has developed its own vision for the market and, anticipating Sligro 3.0, has repositioned itself. It is now benefiting from this. This is also a must in a market that is continuously changing. Van Hoeckel is further extending its services and adding new concepts. With the successful launch of the online 'At the table' platform in early 2015, Van Hoeckel introduced a comprehensive solution for meal deliveries to small-scale care homes. At the end of 2015, Van Hoeckel introduced the 'Experience' concept with a successful pilot at the Groene Hart hospital in Gouda. 'Experience' is a full-service concept for hospitals centred more than ever on the patient. The patient decides what, when and where to eat. The hospital maintains full control over the nutritional process but is fully supported and relieved of work by Van Hoeckel.

Belgium

In 2015, we made a final decision that Sligro should enter the still fragmented Belgian foodservice market and we think that we can add something with our Sligro 3.0 concept. We will initially be focusing on Flanders. Research we have done and are still doing among existing and potential customers in Belgium shows that there is a place for a player like Sligro. We are fully aware that food culture differs between countries and even regions and so we will adapt to local customer requirements as we do in the different regions of the Netherlands. 2016 will be spent preparing for the opening of our first site in Belgium. Given the time required for licences and construction, we expect to open our first site with delivery facilities in Antwerp in early 2017. In the run-up to this, we will be busy with various matters preparing for operations in Belgium. We will adapt the Belgian organisation as far as possible to our existing ICT platform and structure the Supply Chain from the existing network in the Netherlands. We will supplement and adjust our product ranges for the Belgian market partly with our Fresh Partners who will also be supporting us in Belgium.

In the meantime, we will of course also be building our profile in Belgium by approaching individual customers, participating in fairs and offering trips to inspire potential customers. Where necessary we will be reinforcing our central organisation in both the Netherlands and Belgium to be ready for the opening in 2017.

Acquisitions

In addition to organic growth, we want also Foodservice to grow through acquisitions. We still see scope for further consolidation in the Netherlands and are well positioned to play a prominent role in this but we cannot set the pace on our own. Only a very few candidates appeared on the market in recent years, and they have to meet our criteria:

- first and foremost an appropriate customer base/mix that, when combined with our business, creates synergy;
- a culture that does not present an obstacle;
- a particular size or specialisation;
- strengthen our presence at a regional or national level;
- acceptable in terms of market position and competition.

The acquisition of Bouter in 2015 met these criteria.

Bouter

In June, we acquired CaterTech and since then it has continued under the Bouter name by which it is best known in the market. Bouter specialises in consultancy and designing, supplying, installing and maintaining professional kitchen equipment and chilling and freezing technology. Bouter has a specialised range of own-brand products and exclusive licences and focuses on hotels, company restaurants, healthcare, education and shipping. Bouter's products and services complement those of Sligro and they will reinforce each other in many customer segments. Bouter generated sales of €22 million in 2014 and has some 106 employees on a full-time basis. Cooperation between the sales representatives of Sligro and Bouter was enhanced immediately following the acquisition and this led to an increase of over 20% in Bouter's sales in 2015. Bouter will continue to operate relatively autonomously, but where possible we have integrated the back-office activities. We will further optimise the organisation and infrastructure in 2016 so that profitability and sales can improve further.

ORGANISATION
And employees

Goals

- Establish long-term employment relationships, consistent with our status as a reliable and professional employer.
- Encourage relatively long-lasting service with the company in order to maximise the payback from investments in training, corporate culture and commitment.
- Maintain employees' pride in Sligro Food Group through intensive communication and enabling them to share in the Group's success.
- Create a safe and pleasant working environment in which employees from different backgrounds can all feel at home. Consequently, we look carefully at the diversity in our workforce.
- Encourage cooperation and partnership as a means of achieving targeted synergistic benefits for the Group.
- Ensure we protect and promote important elements of our culture, our 'Green Blood': Strength in unity, Passionate pride, Cost awareness, Healthy belief in ourselves and Consciously direct.
- Create a leadership style reflecting our culture.
- Remain committed to an informal organisation, where short lines of communication and reporting help to achieve intelligent and rapid solutions in day-to-day activities.
- Continue promoting customer-oriented and customer-friendly practices as the norm for all our employees.
- Anticipate the challenges in the marketplace and our ambitions for the future through a group-wide quality drive in the organisation.
- Consistently strive to improve employees' performance by providing structured and challenging opportunities for training and management development.

Corporate culture

Our distinctive culture and the standards and values embedded in it are key drivers of our way of doing business. Although culture is a relatively abstract term, it is at the same time very real when you experience it. In addition, a culture cannot be 'arranged' but is much more the logical corollary to the way in which we work together and manage over time.
Our natural inclination is to keep things informal: we are averse to status, have short, direct communication lines and build on trust. In a society which is becoming more and more formalised, it is a challenge to find a balance between properly organising formal matters and holding on to our informal culture. Things are not automatically better just because they are put down on paper. A 'healthy belief in ourselves' means in this context choosing between formality where it is needed and informality where possible.

Of course, we structure our entrepreneurialism in a socially responsible way. As a listed family business, this comes naturally to us. We fully appreciate that we are part of the wider community and so are happy to account for our way of doing business. We do not see that as an obligation, however, but are happy to explain what we do and how we do it.
Recognition of individual performance is very important. People are encouraged if their own contribution is noticed and appreciated. This means that the entire team or organisation can become better and we call this 'Strength in unity'.
In recent years, a number of employees have been taken on at the strategic management level. They first learn a lot about the 'not-very corporate' nature of our organisation. It is very important for success to discover and understand what that means for operations and management at Sligro Food Group.
We need to raise our game even more at another more tactical level of our organisation. Partly to properly interpret the ambitious strategic plans, partly from the need to speed up. The world we want to do business in is changing ever faster. New techniques and new insights demand rapid adaptation. That not only demands a good ICT base; employees will also have to anticipate our customers' changing requirements more quickly.
We aim for a open communication culture. Addressing good and bad behaviour immediately, but with respect for the individual, is 'Consciously direct'. Sometimes newcomers take a while to get used to the culture and if it does not suit them they often quickly leave. Our culture is dominant and

definitely not optional. Part of the selection of new employees looks specifically at whether candidates have the necessary competences.
This directness, which makes absolutely clear what is and is not acceptable, is in general valued at all levels and certainly at the operative level it is nice to know exactly where you stand.
You have to have passion if you are dealing, directly or indirectly, with tasty food and beverages every day. We encourage this passion for food in many ways, one of which is our cookery club. Every quarter, a group of employees cook to a high level under the guidance of professional chefs. As well as encouraging pleasant informal gatherings, it is a good way to feed this passion. Our new and renovated cash-and-carry wholesale outlets are the visible expression of our 3.0 ideas, as is the renovated and entirely new-style EMTÉ opened in Dieren. It is natural to be proud of this. 'Passionate pride' in fact.
Investing in the right places and at the same time implementing a challenging Kicking Costs programme, is what we call 'Cost Awareness'. Being responsible for managing our resources carefully contributes to stable growth and investing in the future.

In a nutshell the Sligro culture is summarised in these five terms:

- Strength in unity
- Passionate pride
- Cost awareness
- Healthy belief in ourselves
- Consciously direct

People make the difference

Organisations are of course extremely dependent on smart ICT applications, a good and inspiring product range, a promotion policy tailored to customers' wishes and a surprising environment where they can shop. These elements are, however, relatively easy to copy and so by definition not permanently distinctive. In the end, there is one single moment when the difference is made and that is the genuine personal contact between our employees and customers. This is not a trick that you can teach people but is a natural outcome of our culture. Attention to employees leads to the employees' attention to the customers. It helps that many employees have a background in catering and, in particular, in the hospitality industry.

We deliberately pay a lot of attention to our employees, for example when we celebrate our long-serving staff at a party each year. In 2015, there were over 350 of them. Or when we took over the Efteling theme park one Sunday for our employees and their families to mark our 80th anniversary. Or sometimes a little gift for a personal milestone such as a marriage or the birth of a child.

If an employee has a personal issue where we can help out, we try to do that. In the Netherlands we have formalised many of these points as entitlement to emergency and care leave. We are pleased that in our case, with good relationships based on trust, this is a question of just going ahead and making good arrangements.

This year we started leadership courses for a number of groups. We expect this will translate our leadership principles into practice at all levels.

Our monthly staff magazine 'sliM' is keenly anticipated in the organisation. We have updated its form and content within the 3.0 idea and the layout and content have undergone a complete transformation without abandoning the principles. It is created entirely in-house and prepared in our own studio. We are proud of our magazine, which concentrates on the employees.

Labour market

It is very doubtful whether the stimulus measures intended to stimulate the employment market have actually had any effect. Companies do not create work where it is not necessary. Growth comes from working hard and intelligently and that creates more jobs.

The Work and Security Act (Wwz) brought much upheaval to the labour market. Reform of redundancy laws was long overdue but the new rules are still based on out-of-date assumptions. The ideal of a permanent contract of employment is outmoded and not realistic. We are convinced that facilitating flexibility and mobility is more in line with the wishes of today’s employees and employers.

The operation of the transition payment still has to be proven in practice. Paying a transition payment if someone becomes completely occupationally disabled is mystifying. The employer bears all the costs of continuing to pay the salary in the event of illness as well as the costs of assistance. To add a transition payment to the employer’s burden, which in these cases will not be used for a real transition, is, therefore, inexplicable.

It is noticeable that the labour market is picking up but we can still find the right employees. Starting in 2015 we now work with a new vacancies site. Each year, about 30,000 candidates apply for 3,000 vacancies. A proper support system is needed to keep this process manageable and to pay the right attention to the labour market. The way in which candidates approach the labour market is changing and so the way in which companies have to search is also changing. We are more often looking for specialists, preferably with some experience. Finding them is also increasingly a job for specialists. We are also making more use of digital methods such as chatting, video calls and online assessments to support the selection process. As well as being efficient, this also further rationalises the process.

Flexibility

We like to organise our labour force ourselves. We believe that our culture is a strong pillar of our success and so it is not appropriate to work with large numbers of temporary staff or flexible labour. We have a small number of flexible workers so that we can deal with seasonal peaks and to offer employees a job within the organisation when there is an acquisition. Almost all employees kept their jobs at their own site following the acquisition of Bouter as we are continuing this activity autonomously. We relocated one or two natural back-office activities to Veghel where they were included in the regular work.

We arrange part of our flexible labour force through the Hobij employment agency, which specialises in supplying workers from eastern Europe. In the past we worked with several parties but this did not deliver cost or quality benefits. Furthermore, we need to professionalise the partnership further. That needs investment and this can be done better with a single party. We believe it is important to deal with a reliable party aware of the social aspects of working in a different country, such as accommodation, healthcare and insurance. In this respect, Hobij delivers the quality we need.

We are using more students in our delivery operation. The amount of work goes up and down through the weeks and months and this addition to our regular workforce means the fluctuations can be properly handled. Working with more part-timers does, however, require more from supervisors. Staff turnover is greater and the degree of engagement is generally lower.

Organisational changes

There are always reasons to adapt the organisation and in fact this is an ongoing process. More is being demanded and just working harder is not the solution. You have to be smarter. We do this in part through automation and process innovation, but also by developing our employees and attracting the right talent.

In 2015, we cut 30 office staff from our delivery operations without compulsory redundancies. We also harmonised the employment contracts, positions and related employment terms and conditions at our production facilities.

We were able to fall back on the social plan agreed with the Works Council for both of these organisational changes. Naturally our starting point is handling the interests of the individual employees carefully. A social plan means this is transparent and verifiable. In the end, the way such processes are implemented determines the result.

Much disquiet is avoided by being clear and transparent and explaining the consequences of a decision quickly to employees. Furthermore, we do not take short-term measures on employment conditions and people have time to adapt slowly to the new situation.

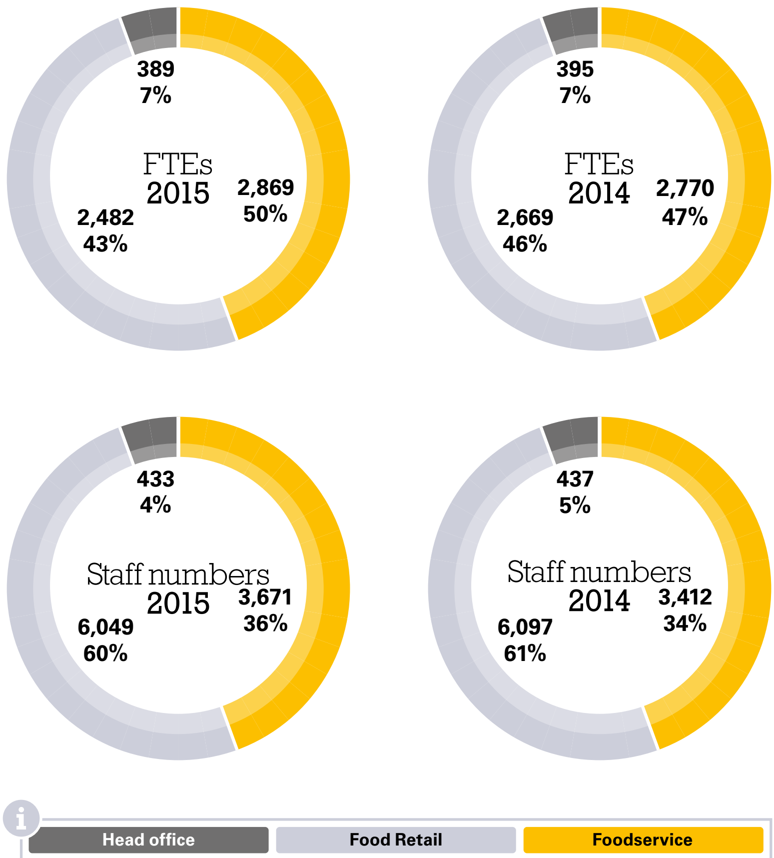
Absences

In the Netherlands, all the risk of absence is effectively borne by the employers. The tools for managing that risk are, however, very limited and technocratic regulations do not help. The UWV, the official body implementing employee insurance schemes, monitors compliance but entirely from its own ivory tower protected by a digital moat. Privacy legislation also brings a lack of clarity and incomplete information. Strictly speaking, an employer is not allowed to know that someone has broken a leg, even less that there is a more complex situation.

Financial problems, housing difficulties, complex upbringing situations are all reasons that may lead to absences. This means that as an employer you sometimes have to go further into a person's private life than you might wish. To support our employees we deploy social workers and psychological support but also offer personal and budget coaching. This is of course all done while respecting the employee's private domain.

We are certainly not satisfied with our absenteeism rate of 4.2% and medium-term absences in particular are not properly under control. The inflow into actual occupational disability is, however, low. In 2016 we will be reinforcing our approach further in part by a 'happy at work' campaign. Attention to well-being and prevention will play a major role in this. Supervisors will be given more training in maintaining interaction with sick employees.

WORKFORCE MAKE-UP
and diversity



We have divided our workforce into three categories:

We have analysed our employees by type of contract, gender and age.

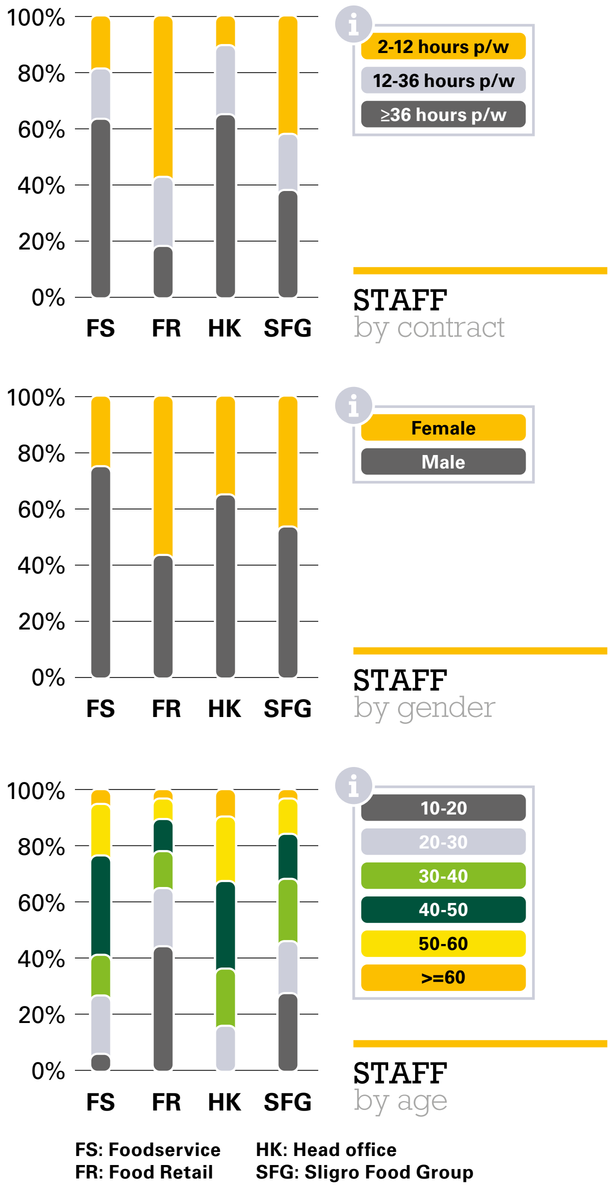
Our supermarket staff include many part-timers, including many women who combine this work with caring for the family. There are also many young people on part-time contracts.

Given the nature of the work, we mainly employ full-timers in Foodservice. Logistics work is usually performed by men and so we see a different composition of the workforce. In the supermarkets, the work is manual and service oriented. Our cash-and-carry outlets require more qualified staff to advise professional customers. This means we have put together a more extensive training package for Foodservice employees. These differences do not, however, say anything about the engagement or satisfaction of the employees. At most, in some cases it involves a different approach and different attention from supervisors.

It is clear that the number of support functions at the head office is declining and the number of highly qualified positions is increasing. Many administrative support functions are disappearing as a result of automation. The development and management of processes demands a higher level of training. The remaining clerical work is often too complex to automate. The type of work performed at head-office level is not really gender-specific but the nature of the industry we are in means that men are over-represented. This is also the case with us. We are pleased that over time the number of women in management positions has increased. Processes started in the past mean that two of the five new members of our core team are women.

The membership of the Executive Board is still three men as Rob van der Sluijs took over as CFO from Huub van Rozendaal. There was a deliberate decision to choose internal experience and this was built in to the succession seven years ago.

The Supervisory Board consists of four men and one woman. The terms of office of two of the supervisory directors, including the female one, are expiring. The proposed appointments maintain the composition.
Diversity is a matter for pragmatic and open discussion at our organisation. It is not an artificial process driven by targets. We attach much more importance to the right competences and culture match when selecting candidates. We subscribe fully to the general opinion on this subject and believe it is important to achieve this balance gradually. Intrinsic reasons work better here than quotas.



Participation Act

As expected, the introduction of the Participation Act has brought much uncertainty. Official bodies are confused, legislation is unclear, target groups are not well defined and responsibility for the 'label' that someone is given is not properly arranged. The law created a lot of work, but not for the intended target group. This has not prevented us from undertaking several initiatives in this area. We and other businesses in Veghel have tried to set up a local service centre for activities such as a laundry and ironing service or local transport. We have created the position of service employee in a number of supermarkets offering simple services to customers such as helping find items or packing the shopping. We are organising a logistics course in cooperation with a sheltered workshop.

These types of initiative are part of our tradition of deliberately taking local responsibility as an employer. Anyone who 'can' or 'wants to' can take part. Legislation and regulations should help but regularly only make things very complex. Better dialogue between policymakers and practitioners would help.

Safety

We have instituted a Health, Safety, Welfare and Environment steering group with representatives from all parts of the business. This is partly to emphasise its importance but also to take decisions appropriate to the nature of the business and the type of work we do. The work is not by nature unsafe and continuous attention will help keep it so.

We recorded 113 accidents at work (2014: 120). In 60 cases (2014: 43) treatment was required and in 5 cases (2014: 4) the injury was serious enough to result in hospital admission. Obviously we have procedures in place for immediate investigation and accidents are reported as necessary to the Inspectorate of the Ministry of Social Affairs and Employment. The training of company first-aiders was revised and is now partly offered digitally whereas in the past all these courses were organised in Veghel. With 1,273 first-aiders, this makes a huge difference to the burden on the organisation while still ensuring quality.

There were two robberies in 2015 and these were a horrible experience for the victims, in this case our employees. We immediately deployed professional help so that our people could talk through the situation and if necessary get follow-up help.

Learning and development

Many of our courses have been digitalised further: sometimes to make it easier to update the content and sometimes to offer e-learning. This is an excellent way for our supermarket staff to follow a quick, short course or to learn something. This way of learning is part of the everyday lives of our assistants, many of whom are school and college students. It is less of a burden for employees on part-time contracts to study at home at a time that suits them.

Increasingly, other courses are being offered in mixed form and the combination of digital and traditional learning enhances effectiveness.

This digital approach anticipates the purchase of our new employee portal which includes a 'learning' module. Courses will in future be offered more frequently and in smaller modules making them more accessible and less of a burden so that they fit in with life-long learning.

There is a familiarisation programme for everyone who starts with us. A new approach has been developed for managers and supervisors. These groups promote our culture and, as this is special and not optional, we believe more and specific attention to this is very important for these newcomers.

The Jan Hoenselaar Award, named after the former head of training at Sligro Food Group, was presented for the first time in 2015. The award is for a dissertation or work placement report by a child of an employee. The winner receives €5,000 to support their further education. Two young people won the award thanks to their original approach, creativity, specific applicability and powerful presentation. The awards were made at a special ceremony attended by a large number of guests from the education world.

Works council

We have only one works council on which all business units are represented. This is fully in line with our organisational structure: we are, after all, a single business with three different routes to the market and one integrated back-office. The works council has organised its work by subject, in the form of committees.
Representative consultations in the form of a works council make matters transparent and ensure accountability for decisions. We are required to have a Works Council by law but we see this 'necessity' as a blessing. This is partly because institutionalised negotiations offer a way to properly organise matters formally and partly because of the way the talks take place: critical, open and informed and so with understanding for all interests, working together on the quality and continuity of the organisation. The members of the Works Council are all involved in practical operations and that is a major benefit for the negotiations.

The Works Council met seven times. One meeting was used to evaluate its own functioning, one was an extra meeting in connection with the acquisition of Bouter and the other five were regular consultative meetings with management. The meetings are held with the CEO and the HR director.
The consultative meetings are used to exchange information, from management on the business situation and specific staff matters and from the members of the works council on the view from the workfloor in the different business units. This regularly provides subjects for discussion at later meetings. These exchanges are regarded by both sides as very special given their openness and spontaneity.

We want to highlight some notable subjects to illustrate the breadth of the consultations:

- The personnel scheme (referred to elsewhere as the Social Plan).
- Changes in redundancy law.
- Employment terms and conditions such as the kilometre allowance, pay negotiations, pension fund and profit sharing scheme.
- Appraisal interviews, progress following employees' satisfaction survey and the health and safety policy.
- Plans for Sligro Food Group in Belgium and their consequences for representative consultations.
- An extra meeting was held in connection with the proposed acquisition of Bouter to explain why this acquisition met the organisation's objectives, possible effects on the staff and how we would deal with them.

The Works Council is of course not responsible for decisions that are taken after being submitted for advice or agreement, but it does have a role in getting insight into the consequences for employees and has to base its advice or agreement on this. These are often complex matters and by discussing some of them in depth in committee, the various members develop a degree of specialisation. By holding open discussions respecting the other person's position, we always reach as suitable solution. Employee engagement expressed as membership of the works council deserves particular respect and we would like to thank the members for their constructive, critical and courteous attitude.

SLIGRO
Passion for the work

YOU HAVE TO HAVE PASSION IF YOU ARE DEALING, DIRECTLY OR INDIRECTLY, WITH TASTY FOOD AND BEVERAGES EVERY DAY.

Development of HRM in the organisation

Working with 10,000 employees brings many obligations. Some to keep matters manageable and some to perform the role of employer properly. This is a huge administrative task, certainly given these numbers including a large number of temporary assistants.

As a result, it was decided some years ago to go digital and major steps have been taken. Standard personnel processes are started up by managers who receive a request or who take the initiative and then processed largely automatically. In addition to this Management Self-Service, the system also supports the management duties. For example, formats for interviews help prepare for the discussion with an employee. In 2015 we selected the platform that we will use to introduce Employee Self-service from 2016. As well as allowing employees to arrange routine matters (changing address, civil status, expense claims) themselves, this platform is mainly intended to be a collaborative communications channel. As the platform is available on all devices and is location independent, we also have a solution for staying in contact with all employees. As a large majority of employees do not have a workplace computer or the ability to log in elsewhere to our systems, we still have to do a lot of traditional communication. Purchasing this system allows us to change that and adapt to today's world in which everyone is now used to easily-accessible digital information at anytime and anywhere so that they can arrange things at home or on the road.

Being able to arrange matters yourself is of course easy and up-to-date; the platform is mainly intended to be a communications channel for information on Sligro Food Group, your business unit, matters relevant to your work and everything we all can or want to be proud of and want to share. The platform is, therefore, certainly not just for HR but will change a lot in terms of cooperation, information, management and supervision and so people from several departments will be involved in its implementation.

HR matters for Belgium were identified during 2015. Many personnel matters are arranged differently in Belgium and processes will have to be adapted accordingly. As a newcomer to the Belgian labour market, we are not familiar with it. A recruitment and selection approach has been drawn up and a training and familiarisation programme prepared for a wide range of positions so that we newcomers will soon find our way in the culture, systems, working methods and conduct.

Employment terms and conditions

Our supermarket staff are covered by the Collective Labour Agreement for Large Food Retailers and almost all other Sligro Food Group employees are covered by the Collective Labour Agreement for the Food Wholesale Sector. In recent years, negotiations on both CLAs have been extremely difficult but agreement was eventually reached in 2015. The FNV trade union organisation withdrew from the negotiations on both CLAs. The fact that the CLAs were not in force for some time did not lead to concern among our employees. In line with a joint agreement in the industry, we awarded unilateral pay increases and of course we complied with the arrangements in the CLAs, even though they had expired.

The CLA for the Food Wholesale Sector runs to 1 June 2016 and covers over 4,000 employees (about 40% of the total workforce). The CLA for the Large Food Retailers runs to 1 April 2017 and covers over 6,000 employees (about 60% of the total workforce). The group of employees in the EMTÉ butchery department (less than 1% of the workforce) are covered by the butchery CLA.

Our approach is to minimise the number of CLAs we have to work with. The Bouter employees were covered by various regimes and were transferred to the CLA for the Food Wholesale Sector on 1 January 2016. Employment conditions we can set ourselves are the same for all employees.

Pensions and pension fund

Sligro Food Group has its own company pension fund that includes most of the employees covered by the wholesale sector CLA. The scheme we have offered our employees since 1 January 2015 is a collective defined contribution scheme. The employer's contributions paid by the Group are equal to the charge shown in the profit and loss account and the contribution rate is fixed for both employer and employee for five years. Our aim is that after a lifetime of work our employees should be able to support themselves in their retirement.

The pension landscape underwent considerable change in 2015 and while the impact was not so large for Sligro Food Group, it was all the greater for the company pension fund. The tax benefits for building up pensions were further restricted under the 2015 Witteveen framework and the new Financial Assessment Framework (nFTK) was introduced so that financial shocks could be better absorbed. There was a new Pension Communications Act and the regulator (DNB) spoke out frequently in the form of numerous themed reviews of pension funds.

Continuing low interest rates and volatile financial markets are putting pressure on the fund's investment results. The funding ratio at year-end 2015 was 117 and so the pension fund had a funding shortfall. A recovery plan will be drawn up and submitted to the Nederlandsche Bank within the permitted time limit.

Employee share ownership

We have been encouraging share ownership by employees ever since the flotation of our company in 1989. We believe in the added value it offers and are proud that we have a scheme for all employees. Over the years, this has led to almost 4% of the shares being owned by the employees. The original scheme, based on the employee savings scheme, was revised in line with new tax legislation but it eventually became too expensive. The costs to the organisation were becoming more and more skewed in proportion to the income for the employees. In 2015, we introduced a new scheme which is a combination of a grant of shares and 'Green Blood Certificates', which are a type of option.

This new scheme is also under pressure. Legislation in recent years has introduced various measures to end excessive enrichment from bonuses, options and shares. Unfortunately, this legislation has also hit our employee share ownership scheme at Sligro Food Group despite it being specifically designed for employees with a gross income up to €50,000 per year. The result of this is that the payments of a few hundred euros a year to these employees are taxed very heavily. This has made the cost of the scheme disproportionate when compared with the benefit to our employees. As we attach great significance to employee share ownership, we are continuing the scheme in 2016 and will hold talks with politicians in an attempt to reverse this side-effect of the law, which we regard as unjustified.

EMPLOYEE SHARE OWNERSHIP
Sligro Food Group

WE HAVE BEEN ENCOURAGING SHARE OWNERSHIP BY EMPLOYEES EVER SINCE THE FLOTATION OF OUR COMPANY IN 1989. WE BELIEVE IN THE ADDED VALUE IT OFFERS AND ARE PROUD THAT WE HAVE A SCHEME FOR ALL EMPLOYEES. OVER THE YEARS, THIS HAS LED TO ALMOST 4% OF THE SHARES BEING OWNED BY THE EMPLOYEES.

We measure the added value of Sligro Food Group by more than financial performance alone. As well as financial results, issues relating to safety (including food safety), energy, the environment and society also play an important role for us. Corporate social responsibility sits naturally in our integrated business vision, whereby we create value at the economic (Profit), environmental (Planet) and social (People) levels.

CORPORATE
Social Responsibility

Our vision of CSR; how we operate

At Sligro Food Group, corporate social responsibility and commercial returns go hand in hand. For us, corporate social responsibility is simply a key element of professional and sustainable business practice. That comes from the heart of our family business, with its stock market listing. As a family business you simply want to do the right thing by the people who work for you and for the wider world, now and with a view to the future. It is part of our 'Green Blood' as it were.

One business, one policy

As a centrally managed organisation we pursue a single sustainability policy for the Group. The core themes, ambitions and targets accordingly apply to the Group as a whole. In the scope and extent of our reporting, however, we do distinguish between our Foodservice and our Food Retail activities.

In foodservice, Sligro is market leader in the Netherlands (over 23% market share), demanding that:

- We encourage innovation
- We are open to experiment
- We assume the role of value chain orchestrator
- We seize upon sustainability initiatives as a matter of course.

In food retail, EMTÉ is a small player (2.7% market share). A somewhat more modest role is therefore appropriate:

- We tend to follow rather than initiate, except with respect to EMTÉ's trump card: fresh produce.

We have a presence in quite a few links of the food supply chain, as can be seen in the diagram below. Our production company SmitVis processes primary products; Culivers, Maison Niels de Veye and EMTÉ Vleescentrale all produce on behalf of the Group, both Sligro and EMTÉ have wholesale operations and, with our EMTÉ supermarkets, we serve the end consumer. That makes the scope of our sustainability activities both wide and complex, but no less fascinating for that.

Sligro Food Group
IN THE FOOD SUPPLY CHAIN

About this report

It is our practice to cover both our financial results and our sustainability performance together in our annual report. In this section we report on the results achieved and the most significant developments in the field of corporate social responsibility (CSR) in 2015. The figures concerning staff are as usual given in the 'Organisation and employees' section of this report. Specific sections are also devoted to information and key figures relating to the Group's organisation. A change compared with our reporting on previous years is that this time we have included topics explicitly relating to our Foodservice or Food Retail businesses in the relevant sections of the report. This makes more sense in an integrated report. The GRI table in this report contains references to the sections and pages concerned.

The report has been compiled in accordance with the Global Reporting Initiative (GRI) G4 Guidelines Core level. The GRI table can be found on page 160 of this report. In addition to a quantified presentation of the developments according to our core themes in relation to our 2020 targets we also provide a narrative report on current topics identified by the CSR Steering Group experts. The content of the report is also informed by current public concerns in general and questions, responses and feedback from stakeholders such as consumers, employees, NGOs and shareholders as well as developments in the sector, such as legislation and standards. The report's main target groups are our employees, customers, shareholders, suppliers and potential employees.

The report and the related GRI table can also be found on our corporate website. http://www.sligrofoodgroup.nl/mvo.htm. Please address any questions, comments or suggestions to: mvo@sligro.nl.

Implementation in the organisation

The Group makes use of a CSR Steering Group. The composition of this Steering Group has been matched to the CSR core themes which we have formulated for Sligro Food Group and for which the members bear ultimate responsibility for their respective areas within Sligro Food Group. The CSR Steering Group as a whole makes policy decisions and the individual members implement them at operational level within their respective areas. The CSR Steering Group is chaired by the chairman of Sligro Food Group's Executive Board. The CSR Steering Group met on six occasions in 2015. Progress towards our sustainability targets was a regular item on the agendas of the meetings of the Works Council, Executive Board and Supervisory Board in 2015 and regular presentations on that subject were given at those meetings.

Stakeholder dialogue

Helping our customers to choose sustainable products on ethical grounds is a responsibility that is not ours alone. Our stakeholders also have an important part to play in this regard. By creating a sense of involvement and by listening we are able to gain an insight into the expectations and needs of our stakeholders. Not only do our stakeholders help us to identify our material sustainability themes but they also play a big part in developing our strategy.

As in preceding years, we engaged with various stakeholders in 2015. It is noticeable that our transparent and clear-cut choices provide an incentive and an invitation to enter into dialogue. As far as many NGOs are concerned, the agenda remains relatively one-dimensional and of necessity focused on the issue which they are pursuing. Their particular concerns are the quality, the safety and the origin of the food we sell, along with animal welfare. Other stakeholders have a broader approach to sustainability and engage with us on ways of improving the balance between financial and social returns. This dialogue covers energy, alternative fuels for our vehicle fleet, new forms of distribution in our towns and cities and ethical attitudes to taxation. We are open to such dialogue and seek very much to engage in it.

Affiliations and administrative involvement

In addition to being a member of sector-specific organisations, as a major player in the food market, we also have a duty to help with administrative functions and to demonstrate an active involvement in these organisations. In 2015 we were a member of and actively involved in:

- CIV Superunie
- CBL (Centraal Bureau Levensmiddelenhandel)
- VGL (Vereniging Grootwinkelbedrijven Levensmiddelen)
- GIL (Groothandel in Levensmiddelen)
- BZW (Brabants Zeeuwse Werkgeversvereniging)
- CVO (Contactgroep Veghelse Ondernemingen)
- Werkbedrijf Noord Oost Brabant
- Locus
- NeVIR (Nederlandse Vereniging voor Investor Relations)
- VEUO (Vereniging Effecten Uitgevende Ondernemingen)
- FSIN (Foodservice Instituut Nederland)
- FSN (Foodservice Network)
- Foodpolicy NL
- Food Squad
- AgriFood Capital
- GrowCampus
- FoodserviceXS
- Green Deal Verduurzamen Voedselconsumptie
- BSCI (Business Social Compliance Initiative)
- Stuurgroep Duurzame Handel
- Stichting DoSocial
- Verwenzorg
- Dutch Cuisine
- VLM (Vereniging Logistiek Management)
- Stichting Versfust

CSR certification

Despite our reservations and previously expressed doubts as to the true added value of CSR certificates, we made a start, in November 2014, with preparations for FIRA certification. The stakeholder dialogue with our major foodservice customers had revealed a need for a qualification model. The process for obtaining our FIRA 'bronze registration' was completed in March 2015.

Transparency Benchmark

Our annual report is also measured against the Transparency Benchmark of the Ministry of Economic Affairs, Agriculture and Innovation. This is an annual survey of the content and quality of social reporting by Dutch companies. The benchmark gives us an idea of how our transparency in relation to sustainability compares with that of other companies. A total of 461 companies are officially included in the Transparency Benchmark but, in 2015, 216 companies did not appear in the rankings because of a 'zero score' or failing to publish information.

Last year we stated that we were not expecting any substantial improvement in 2015 as the new criteria for the Transparency Benchmark did not match our method of reporting. With a score of 112 points out of a possible 200 we finished in 112th place out of the 245 companies that were assessed. That puts us in the 'peloton' of the overall benchmark. If we zoom in on Food Retail, however, we rank in third place and, as regards Foodservice (wholesale), we rank second.

	2015	2014	2013	2012
Score:	112/200	120/200	138/200	99/200
Overall ranking:	112/245	100/244	97/500	124/500

Challenges

Food truths and food confidence

We are constantly bombarded with reports on studies of the food we eat, each asserting specific findings, whether with a sound scientific basis or otherwise, frequently highly subjective and coming to a not entirely disinterested conclusion. Often the messages are even contradictory. What today was perfectly healthy is bad for our health tomorrow and vice versa. No wonder consumers are confused. Who or what should they believe? Scientific researchers, consumer programmes on the TV, NGOs, connoisseur foodwatchers (including self-appointed experts), celebrities, politicians? Never before in our history has the quality and reliability of our food in the Netherlands been as high and confidence in the food chain so low.

ACM cartel rules frustrating corporate social responsibility

The Authority for Consumers & Markets (ACM) alleges in some cases that initiatives are tantamount to cartels, forcing us to scrap agreements on sustainability and the ethical conduct of our business. An example is the 'Kip van Morgen' ('Tomorrow's Chicken') Initiative. As far as we are concerned,

this puts a spoke in the wheel of an important sustainability initiative with which the sector was simply trying to address urgent social problems surrounding animal welfare and the environment. Improving minimum animal welfare standards, in this case, of chickens has nothing to do with the formation of cartels. Moreover, suggesting that it does puts a brake on future sustainability initiatives and causes uncertainty regarding many existing, successful initiatives such as those connected with sustainable palm oil, improving ingredients that go into products and the procurement of timber from sustainably managed forests.
As a consequence, businesses have become reluctant to act in a sustainable manner or pursue the principles of corporate social responsibility. The diktats of the ACM are a barrier, for example, to agreements on child labour and low wages in the production of clothing, or the further development of the circular economy. We would like to see the government remove the obstacles in European and national competition law and its implementation. After all, partnerships between one company and another and between the business community and civil society organisations to promote sustainability are vitally important in the transition to a sustainable economy. Although the ACM ruling does not detract in the slightest from our ambition to become a sustainable business, it is a serious impediment to ongoing processes.

Materiality analysis

There are three core themes to our CSR policy, covering the areas in which our major opportunities and challenges lie and for which we bear the greatest and most obvious responsibilities for reporting in the chain: people, the environment and our product range. These themes derive from a core theme project conducted by the CSR Steering Group in a process involving external consultants. Talks with our stakeholders formed part of this process. We have formulated qualitative and quantitative ambitions for each of these themes.

Our core themes

PEOPLE	THE ENVIRONMENT	PRODUCT RANGE
		
Our employees Our customers Our community	CO_2 Energy Packaging Waste	Sustainable Health Food waste

Ambitions, goals and management approach for each core theme

PEOPLE

Goal

We want to offer our employees and their families a challenging, inspiring and safe working environment. We want to play an active and responsible role in the community in which we are directly or indirectly involved.

Respect for all stakeholders is part of our CSR policy. One way in which this respect is expressed is in transparent communication with customers, about products and about resolving problems. Customer satisfaction for us is a measure of the extent to which customers perceive Sligro as treating its customers well. We have therefore set ourselves the goal of sustained improvement in our Net Promoter Score (NPS).

Our employees

Definition and delineation

Our employees and their families.

When considering our employees we obviously also appreciate that they have a private life as well. In day-to-day operations, for example, in the organisation of the work, we allow for a proper work-life balance, but we also take account of families in exceptional circumstances.

Importance

We are acutely aware that the way in which we organise the work determines the success of our enterprise. How we manage the business by setting KPIs instead of simply setting budgets and therefore the way in which our staff work are anchored in our 'Green Blood' culture. Our corporate culture is, we believe, the most robust and durable special success factor of our business.

Approach

Because of the importance and the reach of this aspect we devote a separate section of this report to 'organisation and employees'. Starting on page 47 you can read all about our approach and our results relating to:

- Employee share ownership / profit-sharing
- Investment in corporate culture /Green Blood
- Learning and development
- Shared celebrations (anniversaries, Sinterklaas, Christmas, New Year)
- Cultivation of long-term employment relationships
- Diversity
- Work experience and graduation prize
- Employee activities
- Reducing sickness absence
- Coaching for absentees
- Works Council
- Internal communication: 'bijSligro'

Evaluation

Working solely with target figures is not appropriate for our process-managed organisation. Naturally, however, we report by publishing personal key figures. We attach a great deal of importance to the three-yearly job satisfaction survey and each quarter the Executive Board receives a report on the latest figures for sickness absence and any industrial accidents. Once a year we evaluate the top 100 senior staff in our company and measure the number and the results of the performance interviews.

External and independent polling of employee satisfaction says something about your general image as an employer. Despite the fact that such surveys, like those conducted by Incompany for example, are limited in scope, the fact that they are independent is welcome, especially if your score improves each year.

The unique character of our company means that evaluating the results relating to 'employees and organisation' against a market benchmark and deducing target figures from this is quite tricky. We are at the same time a supermarket company and a provider of logistics services and a production company and a food wholesaler and a head office with a large group of highly educated staff. There is no comparable company in the Netherlands.

That is why we attach so much importance to a narrative report that is supported by figures.

Our customers

Definition, importance and evaluation

Excellent customer satisfaction lies at the heart of our marketing approach, in both food retail and foodservice. This is covered in detail in the sections dealing specifically with 'Food Retail' and 'Foodservice', commencing on page 27. To measure and evaluate customer satisfaction we use what is known as the Net Promoter Score (NPS). The NPS for Food Retail and Foodservice can be found on pages 30 and 42.

Our community

Definition and delineation

In the present context, our community comprises the people forming a particular social grouping who in that sense live, work, follow their leisure pursuits and reside in the towns and villages where Sligro Food Group is active.

Importance

Our presence in a local, regional or national community automatically means that we form part of that community and therefore not only have a functional role, for example as employer, but also bear a responsibility for the surroundings in which people live and the way in which activities can contribute to the quality of the community as a whole. Our supermarkets are not merely a distribution point for our daily bread but also fulfil an important social function.

Approach

We have made a conscious decision to lend our long-term support to a number of specific social/societal, people-orientated activities or good causes, in order to prevent the resources earmarked for this purpose from being diluted across a whole range and variety of projects. Those resources may take the form of money, goods, services or a combination of these things.

Sponsorship involves being deliberately selective. Our support comes with strings attached, and has to make a meaningful contribution to our business, marketing and sustainability strategies. In all our sponsorship projects, therefore, we seek close cooperation with the beneficiaries or the organisers of an event based on mutual equality. The projects we choose to support have national coverage as far as possible. Local customs and traditions can, however, be so strong that our presence or involvement is desirable. In such cases we make a conscious decision to depart from our national policy.

Our detailed sponsorship policy can be found on our corporate website.

Evaluation

We start by examining whether there is a logical link between what we are sponsoring and Sligro Food Group as a whole or a particular part of the business. Sponsorship must provide relevant added value for both parties on the principle of 'you scratch my back and I'll scratch yours'. Since the sponsorship takes a specific form in most cases, it is easy to measure in retrospect whether both sides of the agreement have been honoured. On top of that, 'society' has its own dynamics and that requires us to act as part of society when it comes to the policy we adopt and the choices we make.

We currently have a long-term partnership with Liliane Fonds, Nationaal Ouderenfonds, Villa Pardoes, Verwen- zorg, DoSocial and Voedselbank.

Sponsorship of

'EET met je hart'

'EET met je hart' organises social activities for vulnerable elderly people in collaboration with local people, the hospitality sector, the business community, welfare and other bodies, charities and service organisations in the locality in which 'EET met je hart' is active. The organisation focuses mainly on old people who, because of social impoverishment, are no longer able to get out of the house easily. Working in partnership with participating restaurants and it's 'guests', 'EET met je hart' aims to combat loneliness among old people. Eating out means enjoyment, pleasure, spending time with friends and family and sharing happy moments, all in a warm, social context. We believe that 'EET met je hart' has a marvellous way of sharing this feeling with the elderly who might otherwise go through life in loneliness and we are more than glad to support the organisation. On the occasion of the opening of our new outlet in Utrecht 'EET met je hart' was presented with a cheque for €10,000 to expand this project in the city.

Food bank

Sligro Food Group has been working with Voedselbank, the Dutch food bank initiative, for many years. In our logistics model, all products that cannot be sold from all outlets are returned to the central distribution centre in Veghel. Here they are sorted into 'usable' and 'no longer usable' and the products which can be used by the local food banks in Veghel-Uden and 's-Hertogenbosch are collected on a weekly basis. Although this means that all these products serve a particularly good purpose we feel that supplying only food banks in Veghel-Uden and 's-Hertogenbosch does not properly reflect our national coverage. In 2015 we entered into talks with the executive committee of Voedselbanken

Nederland, the nationwide food bank umbrella organisation, to explore ways of supplying other food banks across the country with products as well, without upsetting our logistics model.

Partnering KNVB

'Lekker Bezig!' ('Keeping Active!') is the name of the joint project launched in conjunction with the Royal Dutch Football Association (KNVB) in 2015. Despite the fact that there is a substantial sponsorship component to this project, it has been covered under the heading of 'health'. You can read more about our approach on page 69 of this report.

Sligro and Liliane Fonds in Sri Lanka

The charity Liliane Fonds has been supported by Sligro Food Group, by Sligro Food Group employees and by customers of Sligro for many years. Our contribution provides small-scale, personalised aid and we also adopted a major, long-term project. On completion of our project in Benin we started looking round for a new challenge that would allow us to help disabled children. In fact we set ourselves a greater challenge by seeing if we could involve one of our suppliers in a developing country in a project, and we have found just the project in Sri Lanka.

Sri Lanka is a country where both Sligro and Liliane Fonds are active. Amongst other products, our Alex Meijer tea comes from Sri Lanka and Liliane Fonds operates an extensive aid programme in the country. Initial talks took place with our tea supplier, Bogawantalawa, in 2013. The approach was aimed at seeking a partnership that, with aid from Sligro, would enable disabled young people to be trained for a job with Bogawantalawa.

It was found that there were more than a hundred children with disabilities on the plantations receiving hardly any attention at all. Many are left at home alone all day because their parents have to work at the plantation. Or they get no schooling because they have special needs because parents assume that education is pointless for their child. Some children do not receive the necessary medical support because parents do not know what help they need or how to go about getting it. Many disabled children are not involved in activities in and around the house by their parents simply because they don't know how. What we have, therefore, is a 'forgotten' group. Agreements have been reached with Liliane Fonds and Bogawantalawa on ways of helping these children. The plan which has been drawn up is aimed at the longer term, it is sustainable and the idea is that it should ultimately serve as a model for the entire plantation sector.

ENVIRONMENT

We aim to play a pioneering role, in which our respect for the environment drives us constantly to undertake bold but sensible innovation, keeping social and economic returns in balance while remaining aware of our stewardship responsibilities.

As a measure of the success of our efforts, we calculate our CO_2 emissions. To relate our CO_2 emissions to the growth of our business in the coming years, we express them as a percentage of sales.

GOAL

We aim to cut our CO_2 emissions per sales euro by 20% between 2010 and 2020, which is why we refer to it as our '20-20 target'

CO_2

Definition and delineation

The scope of our efforts concerns emissions of CO_2 from using gas and electricity and from the distance travelled in connection with movement of goods by road to and from all wholesale outlets, stores, corporate customers, distribution centres and production sites. The CO_2 emissions are related to the fixed conversion parameters with a 2010 baseline, enabling us to effectively monitor the annual reduction in CO_2 emissions that we achieve relative to 2010.

Importance

This is an important issue within the company because we have promised our stakeholders to do all we can to reduce our CO_2 emissions – our carbon footprint – by 20% per sales euro relative to 2010 by 2020.

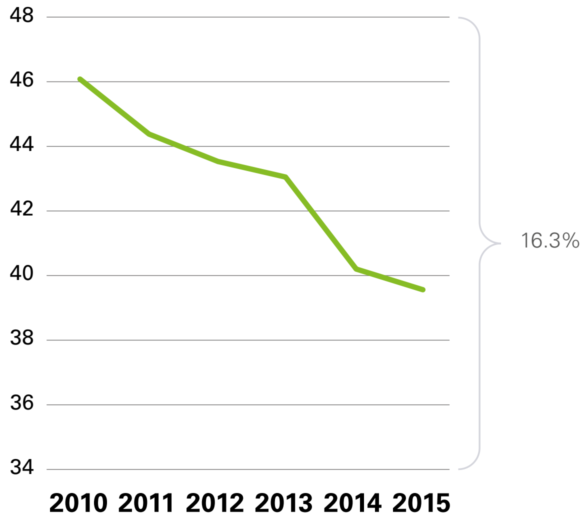
Approach

A CO_2 report is produced and discussed every six months. Wherever the results are not in line with the achievement of our 20-20 target, the matter is taken up with the relevant person responsible for electricity and gas consumption or transport usage. A check is performed to see whether the expected results have been achieved, depending on the actions mentioned under the heading 'Energy'. The same is done for the actions undertaken in relation to transport (logistics).

Evaluation

The six-monthly CO_2 emissions reports are evaluated by the person with responsibility for CO_2 emissions and are then discussed with the Executive Board. An annual progress report is published as part of the directors' report, including an explanation of the figures.

CO_2 EMISSIONS
Per €100 sales



The CO_2 graph shows the CO_2 emissions in relation to the total sales expressed as grams of CO_2 equivalent/net sales in euros.

The CO_2 emissions figure relative to sales in 2015 as compared with 2014 again showed a further decline. At the halfway stage between 2010 and 2020, an improvement of 16.3% relative to 2010 has been achieved, the target by 2020 being a reduction of 20%. The reduction in energy consumption in 2015 constitutes a significant element in the overall reduction.

Energy

Definition and delineation

Energy covers electricity, gas and fuel purchased by Sligro and used in connection with all its wholesale, retail, office, distribution and production activities as a vital part of current operations, including transport.

Importance

Use of energy is essential to operations at all our sites. Within Sligro, energy is an important topic, partly because it represents a substantial cost item each year and partly because energy consumption has a major impact on the environment.

Approach

All our new sites employ the latest energy installation solutions. Similar solutions are also adopted at existing sites wherever possible on an ongoing basis. Typical energy-related improvements are the use of LED lighting, CO_2-based refrigeration systems, optimised control systems, effective use of the heat produced by refrigeration systems for space heating (heat recovery), fitting of covers on chilled-food and frozen-food chests and shelf units, movement sensors to switch lighting on and off and heating systems employing heat pumps. A quarterly report is produced of total energy consumption. This report provides an insight into the results of the energy-saving actions which have been taken, showing whether the savings calculated in advance (in support of the business case) are being achieved. If the figures do not tally, a detailed review is carried out to establish the cause of the discrepancy, with remedial action taken wherever possible so that the promised savings are indeed achieved.

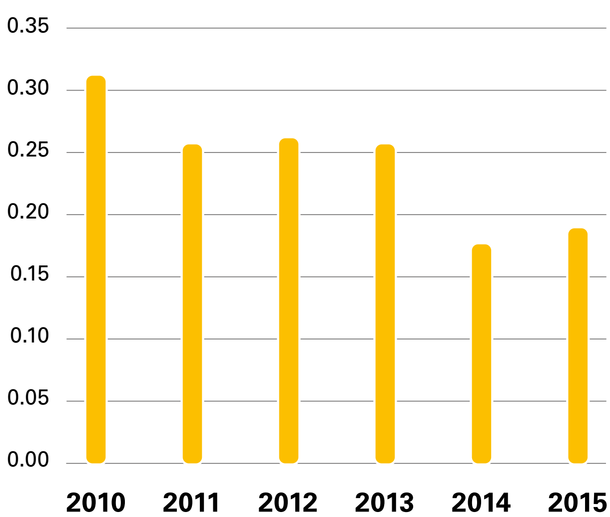
Evaluation

Energy consumption is measured at regular intervals in order to monitor whether we are staying within the bandwidth of our energy supply contracts. This information is also used for taking additional management action to reduce our electricity and gas consumption.

Gas

In 2015 we used 11% more gas than in 2014. The increase is entirely attributable to colder weather. The trend is for gas consumption in the future (adjusted for outdoor temperature) to continue to fall.
Our new cash-and-carry outlets in Utrecht and Almere are 'gasless' buildings. They are entirely heated by heat recovery from the refrigeration equipment, so they no longer need mains gas. Along with the refurbished cash-and-carry outlet in The Hague (Forepark site), this means another 35,000 m² of gasless floor area was added in 2015.

GAS
Consumption in m^3 per €100 sales



Electricity

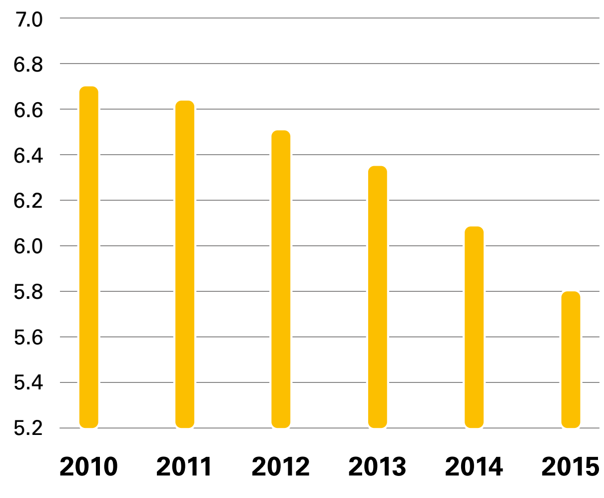
It was discovered in 2014 that an important electricity meter measuring our electricity usage was not working properly and was reading low. In the period under review, the amount by which it had been under-reading was reconstructed and agreed with all the suppliers concerned. It was found that the error had been present in the installation since 2011. The understated electricity consumption has been adjusted retroactively in the graph for the period 2011-2014.

Trend

There was another reduction in energy consumption compared with the preceding year. A substantial reduction was achieved by the conversion of our wholesale outlets in Eindhoven and The Hague (Forepark) to the new 3.0 format. At both sites, the latest energy-efficient refrigeration equipment has been installed, using sustainable, natural refrigerants. In addition to all the chilled-food and frozen-food islands, the refrigerated shelf units have now also been fitted with daytime closures. LED lighting has been used as well. Other factors contributing to the energy-saving have been the rollout of daytime closures on the refrigerated/freezer units at the wholesale sites and the conclusion of the supermarket energy covenant.

ELECTRICITY

Consumption in kWh per €100 sales

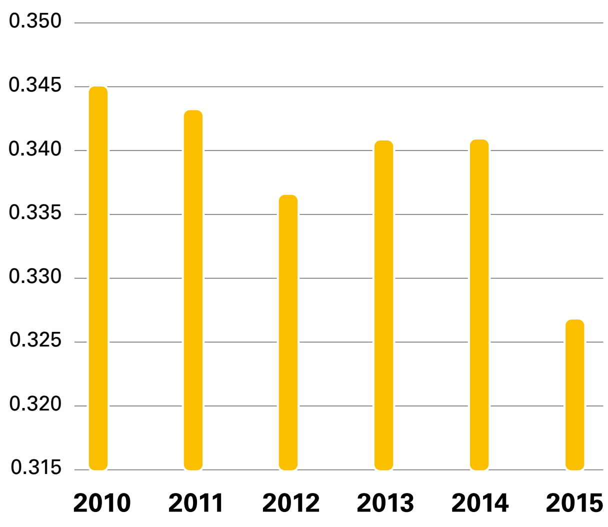


Logistics

Developments in the field of alternative fuels, modern engines and more efficient refrigeration units on trucks may be important but they make only a limited contribution to the reduction of CO_2 emissions. The lower fuel consumption per €100 of sales in 2015 was therefore brought about only partially by having a more modern vehicle fleet. The more significant factors were increased sales and reduced distance travelled, the latter resulting from, among other things, setting up the CBL depot, the increased density of the distribution network and making better utilisation of the transport volume. Greater use was also made of chartered transport so that journeys were only from A to B and not from A to B and back again to A. There is still considerable scope for improvement in our delivery service operations, by making larger drops and having fewer stops. This will make a huge contribution to fuel savings and reductions in CO_2 emissions. However, 'it takes two to tango' and so we want to engage with some of our customers to discuss launching a specific project aimed at reducing the number of deliveries. This will benefit the environment as well as help to cut costs.

FUEL

Consumption in litres per €100 sales



Sustainable distribution in urban areas

In an urban environment, a throbbing engine powering a refrigeration unit is polluting and is not pleasant for business owners, people living in the vicinity or passers-by. Sligro and Ploeger Logistics are the first in the Netherlands to use hybrid refrigeration units. The differences between a conventional truck refrigeration unit and the TRS TWIN-COOL unit used are enormous. Conventional refrigeration units are driven by a separate diesel engine whereas this hybrid unit is powered from the truck's own, fuel-efficient Euro 6 engine. Even when the truck is stopped, to unload for example, the refrigeration unit continues to operate on its integrated battery pack. This combination results in reduced noise nuisance and emissions that are a whopping 60 times less than those of a conventional refrigeration unit! The hybrid refrigeration unit is being used for delivering to bars, restaurants and hotels in downtown 's-Hertogenbosch.

QR-code: Hybrid refrigeration unit used in downtown 's-Hertogenbosch.

In Veere and Zoutelande, a different system is being tried. When our trucks stop, they are connected to mains power points provided by the municipal authority. Continued refrigeration of the truck interior is assured and there are zero emissions. Our transport partner 2W Logistiek, based in Kapelle, bought special new refrigeration units for this system that can also be electrically driven.

Packaging and waste

Definition and delineation

All waste streams within Sligro Food Group categorised as either cardboard, spoiled food, C3 waste, vegetable kitchen and food waste, glass, mixed waste paper and cardboard, film and waist deep-fryer oil.

Importance

Waste segregation and recycling is better for the environment: waste that does not have to go to incineration can in many cases be recycled as raw materials. This has benefits for CO_2 emissions. The second important point concerns the scarcity of raw materials. As the world population grows, demand for finite natural resources increases. That is why separating waste and recycling is so important. It enables waste to be turned into valuable raw materials. Sending residual waste to landfill or incineration does not do businesses, the environment or society any favours in the long term.

Approach

By reducing waste and separating waste streams for recycling we can minimise the environmental impact of our waste. The waste streams we nevertheless generate we endeavour to give a second life as far as possible by using them as raw material for something else or converting them into green energy. In that sense, waste is not a valueless residual product but rather a resource or product at the start of a new cycle. Waste can thus have a second life and be used for new raw materials or to generate green energy. The CO_2 emissions from our waste stream are entirely dependent on the way in which our waste is processed by third parties. We can control the volume of waste and oversee proper waste separation. Beyond that, waste processors determine what the CO_2 emissions from our waste will be, depending on what route they choose for processing it. For that reason, we publish the CO_2 reduction we achieve by offering our separated waste for processing instead of the figures for un-separated and residual waste.

- The entire stream of waste paper and cardboard, Styrofoam/EPS, glass and film for recycling is returned to the processing industry.
- All products beyond their sell-by date, from both wholesale and retail channels, go for anaerobic digestion.
- Outdated and waste food from our production kitchens also goes for anaerobic digestion.
- All fats and oils are collected for the biodiesel industry.
- All meat, fish, poultry and game waste and products beyond use-by date/BBD are always collected as Category 3 ABP waste so it can be used for the animal feeds industry.

Evaluation

The reduction in CO_2 emissions is calculated on the basis of the 2014 conversion factors for each waste stream as used by Van Gansewinkel. The CO2 factors used have been calculated under the responsibility of the TNO Research Institute, in accordance with ISO 14040/14044 procedures and guidelines. This approach is supported by the LCA (Life Cycle Assessment) platform of the European Commission and other organisations.
The stated CO_2 reduction is the reduction for the entire chain. This is because some materials can be reused after waste separation, which means a significant reduction in CO_2 emissions when they are made into new products. This is because recovering such secondary raw materials uses less energy than incinerating them and extracting and processing primary raw materials. This CO_2 saving in the chain is not part of our 2020 target for our 'in house' CO_2 emissions (transport plus gas and electricity consumption).

Our CO_2 reduction in the chain due to waste separation (in tonnes):

2015	2014	2013	2012	2011	2010
5,288	5,214	3,668	3,700	3,395	3,133

OUR PRODUCT RANGE

Our product range and where we source our products lie at the heart of our business. It is our responsibility to assist and motivate our customers to make sustainable and healthy choices. We accordingly believe it is important for us to be able to offer our customers quality products produced with due regard for people, the environment and healthy eating. The standards we set ourselves are contained in our Suppliers Handbook. This covers such things as product and food safety, BSCI certification, product traceability, packaging, the quality management system, incident management & recalls, audits and our ethical choice label eerlijk & heerlijk (honest & delicious). With our unique eerlijk & heerlijk concept we have been putting our sustainably sourced product range firmly on the map since 2010.

Goal

We aim to be achieving at least 10% of sales with our sustainable product range by 2020.

Sustainable

Definition and delineation

We believe in tasty, good and honest food that has been prepared with respect for nature, animals and people. We see it as our responsibility to help customers to make informed choices of their own. We do this by offering them a no-nonsense range of products with our eerlijk & heerlijk label and, by our participation in the Business Social Compliance Initiative (BSCI), we guarantee the improvement of working conditions in the countries of origin of our products.

Eerlijk & heerlijk

In order to enable customers to see the wood for the trees in the forest of labels that is out there, when we launched eerlijk & heerlijk in 2010, we identified four pillars that would form the basis of our sustainable product range:

- Organic
- Sustainable
- Fair trade
- Local

For each of these pillars, there is a whole palette of carefully selected quality labels providing assurances that the product concerned genuinely makes a sustainable contribution to the aspect described by that particular pillar. Since 2014, the Eerlijk & range has been extended to include sustainably produced non-food items, too. In the appendix at the end of this report there is a list of the certification marks qualifying for inclusion in the eerlijk & heerlijk range.

Importance

In 2015, the rapid pace at which the Dutch foodservice and food retail industry is evolving was maintained. In this world of continual change we are seeing a steadily increasing demand for sustainable products on the part of our customers. Inherent in our vision is for Sligro Food Group to strive to be a quality company achieving steady, controlled growth in all its activities and for all its stakeholders. As a family business we are determined to pursue this vision in a responsible manner.

On a global level, the world faces huge social and ecological problems, including climate change, the loss of biodiversity, poor working conditions and animal welfare. In this context, the food industry is still regularly seen as part of the problem instead of part of the solution. As a major player in the Dutch food industry with a highly complex network of around 1,750 suppliers, we are aware that our activity has an impact on the natural world, domestic animals and people. We therefore recognise that we have a duty to minimise any adverse effects and we see this as an opportunity to help our customers to make informed choices in favour of sustainable products.

Approach

Customers

For us, the customer comes first. We ask our customers what they think of our cash-and-carry outlets and supermarkets, the product range and the standard of service we provide. We specifically ask about what customers want in terms of sustainability. We receive relevant feedback from independent market research bureaus and consumer panels, as well as from direct customer contacts and online. Customer satisfaction for us is a measure of the extent to which customers perceive Sligro as treating its customers well and responding to their needs.

Employees

Having a committed workforce is the key to the success of eerlijk & heerlijk . Internal communication in the context of staff and management meetings and by giving presentations on the shop floor provides for the sharing of knowledge regarding eerlijk & heerlijk and engenders support among staff.

Suppliers

We depend on our suppliers to supply top-quality products satisfying our customer's requirements (including sustainability). We engage with suppliers, producers and farmers on matters such as food safety and sustainable packaging.

NGOs

The complex sustainability issues we encounter cannot be solved by us alone and demand a more holistic, often industry-wide approach. We accordingly engage in a dialogue with NGOs by taking part in NGO meetings or in one-to-one discussions.

Evaluation

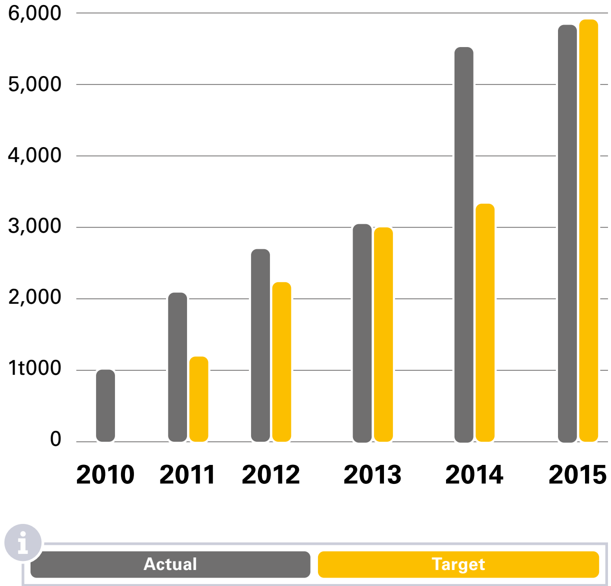
In recent years, an analysis has been conducted of the product range carried by Foodservice's Food and Fresh Produce Department. This has included such things as the number of eerlijk & heerlijk alternatives available in each product group and for each pillar of the ethical choice label. The analysis has also covered the sustainable product ranges of our competitors.

In order to be able to offer customers a wide range of sustainably produced products, a quantified focus on growing the range has been adopted in recent years. Over the period 2010–2014 we have easily achieved our target of a 10% expansion of the range year-on-year.

The sharp increase in 2014 leading to 5,350 products under the eerlijk & heerlijk banner automatically meant an ambitious target of at least 5,885 separate products in 2015. We have in fact grown the range by 7.7% so that we did not quite achieve this target. The range nevertheless now includes 5,795 products, marking yet another step towards an even more sustainable product range. Relative to the first year in 2010, growth in the number of sustainable products has been a huge 479%.

EERLIJK & HEERLIJK

No. of products



The setting of quantified targets for the number of eerlijk & heerlijk products ended in 2015. Looking at the way things have developed we have made extrapolations going forward to 2020. Now that we have an adequate basis in terms of number of products, we are able to set targets in terms of sales value. Our new target is to be achieving 10% of sales from the eerlijk & heerlijk range by 2020.

Eerlijk & heerlijk sales

Sales of eerlijk & heerlijk products developed excellently in 2015, coming in at €209 million, which equates to 7.8% of sales by value.

Natuurvlees

EMTÉ began life as a butcher and we project a profile and position ourselves as 'the tastiest supermarket in the Netherlands', focusing on the quality and taste of fresh produce. In this we have been successful, having now been voted six times as having the 'best butchery department in the Netherlands'! Even for customers who put animal welfare first we have plenty of choice. The very best quality meat is sold under the Natuurvlees label and comes from Dutch beef cattle that have enjoyed a very high degree of animal welfare, grazing in Dutch nature reserves. More information on Natuurvlees can be found on www. natuurvlees-nederland.nl.

We launched a pilot scheme with Natuurvlees in 20 EMTÉ stores at the end of 2014 and, in early 2015, Natuurvlees beef was included in the product range at all EMTÉ supermarkets. The label is now showing impressive growth, in both number of products and share of sales. Natuurvlees is something new and is leading the field in terms of animal welfare. The Dutch Society for the Protection of Animals does not yet have any set scheme for the certification of beef cattle grazing in nature reserves. As far as animal welfare is concerned, however, Natuurvlees is in our view the best Dutch beef that there is. The Natuurvlees cooperative is currently engaged in drawing up a scheme for animals put out to graze in nature reserves in conjunction with the Dutch Society for the Protection of Animals. As soon as we can we shall be adding the appropriate number of stars to the packaging (hopefully 3 stars).

A new existence for Dutch cock chickens

Every year, some 45 million male chicks are either gassed or macerated straight after hatching. Poultry farmer Ruud Zanders from Meijel in Limburg is bringing these 'unwanted little brothers' of laying hens back into the shed and putting them back on the menu. We think this is a fine initiative and capons produced in this way have been on sale at many EMTÉ supermarkets and Sligro outlets since mid-November. In the shed where they are kept, the birds have plenty to do.

There is ample litter on the floor so that they can scratch in search of grains to eat and take a dust bath. Perches are also provided for the birds to rest on and roost at night and there are also bales of straw or lupins. The birds are not debeaked and no antibiotics are used. The breed is slow-growing and the birds are fattened to at least the same age as organic chickens.

The food for these chicks is important for their health. It contains plenty of fresh maize, wheat and other grains. The wheat used in the feed comes exclusively from Limburg, minimising the food-miles involved. The other ingredients in the feed come from elsewhere in Europe. Soybeans are not used.

BSCI

We believe it is important to know where our products come from so that we can be sure that what we are selling has been produced in a safe manner without giving rise to harmful working conditions. As a major player in the Dutch food industry with around 1,750 suppliers and producers in the chain, both nationally and internationally, this is a complex task. Sligro Food Group has been a member of the Business Social Compliance Initiative (BSCI), an initiative of the Foreign Trade Association (FTA), since 2010. The BSCI is a business-driven platform which encourages members and their supply chain partners to make concerted efforts to improve working conditions.

Each of Sligro Food Group's suppliers, of both food and non-food products, has committed itself to adhere to BSCI standards. These standards have been made an explicit part of our suppliers' handbook and our terms of business for procurement. Audits of suppliers are also carried out in high-risk countries to ensure that acceptable working conditions are maintained.

In 2015, the BSCI introduced a revised approach: BSCI 2.0. which covers the entire supply chain and is based on two principles, namely due diligence (to flag up risks at an early stage and take preventive action) and the 'cascading effect' (to create support among supply chain partners extending from top to bottom of the chain).

The new approach and code of conduct requires a new commitment on the part of our suppliers. With effect from the beginning of 2016, we are asking all our suppliers to commit themselves to accepting the BSCI 2.0 guidelines. The progress made by suppliers is being measured on the basis of audits, audit reports and improvement plans. There will be working condition audits of suppliers in high-risk countries. For suppliers scoring well in these audits (A–C, where A = Outstanding, B = Good and C = Acceptable), the audit will be valid for two years. In the case of a poor score (D = Insufficient and E = Unacceptable) we will be asking the supplier to come up with an improvement plan based on the audit report within 60 days. A follow-up audit will be carried out within 12 months.

Health

Definition and delineation

Unfortunately there is no unequivocal and comprehensive definition of 'health'. There are various things which together make for good health but sometimes they also conflict with each other.

We do not see it as our duty to add a new interpretation or dimension with regard to health but focus instead on the food-related aspects of health and helping our customers to make healthy choices. On the other hand, we do have a duty, along with others, to display clear information on product properties and to offer real choice.

The various principles of healthy eating are generally underpinned by World Health Organisation (WHO) guidelines. These guidelines have a scientific basis and are free of interpretations. The WHO guidelines serve as a guide for compiling the product range for each customer segment.

WHO guidelines

- Energy intake versus energy consumption
- Limit fat intake:
  - o Less saturated fat, more unsaturated fat
  - o Less trans fats
- Limit intake of free sugars
- Limit salt intake

Importance

It is our responsibility to assist and motivate our customers to make sustainable and healthy choices.

Approach

To define our position on the subject of health we have made five promises:

1 Persuade customers to vary their diets
2 Give customers choice
3 Persuade customers to go for fresh, unprocessed and seasonal products more often
4 Encourage customers to choose in favour of the following product groups [1]:
   a. Fruit and vegetables
   b. Nuts and seeds
   c. Wholegrain cereals and pulses
   d. Fish
   e. Water
5 Our vision will influence suppliers to adapt their product mix.

1) WHO and Health Council of the Netherlands recommendations.

Evaluation

Our evaluation has not yet been completed.

Break Point; the healthy school canteen

We are supporting our customers with a scheme to encourage the sale of healthy products in schools. Using the tagline ‘Breakpoint, de gezonde schoolkantine’ ('Breakpoint; the healthy school canteen') we are helping schools and caterers to reverse the trend towards unhealthy lifestyles among young people and encouraging a healthy lifestyle instead. There are currently 52 school canteens in the Breakpoint initiative.

Sligro and KNVB working on healthy school canteens

Under the slogan 'Lekker Bezig' (‘Keeping Active’), an ongoing programme has been developed specifically for football associations and sportspeople. In conjunction with Sligro and the Royal Dutch Football Association (KNVB), associations are making an effort to do their bit to promote a healthy lifestyle for all footballers in the Netherlands. A healthy sporting environment should obviously also have a canteen offering healthy food, where those actively engaged in sports and visitors alike can choose from healthy snacks, fruit juices and sandwiches made with brown bread. Lekker Bezig provides inspiration and information throughout the season on various product groups and themes. At the start of the 2015–2016 football season for instance, various 'Lekker Bezig Inspirational Markets’ were held, with practical workshops and advice from experts. More information is available on www.samenlekkerbezig.nl

Food Consumption Sustainability Green Deal

Consumers are increasingly making informed choices with regard to healthy eating – choices which consider people, animals and the environment. A similar trend is visible in gastronomic circles. Leading chefs are busy producing tasty dishes that are suited to a healthy lifestyle, creatively and innovatively conceived, using sustainable ingredients. Fifteen food-chain players, including Sligro Food Group, have joined forces In Food Consumption Sustainability Green Deal. The partnership aims to remove barriers in order to accelerate the introduction of sustainability in food consumption.

Food wastage

Definition and delineation

Every year, a great deal of food is thrown away by the supermarkets because it can no longer be sold. This can be because of breakage (broken packaging), products that are no longer up to our quality standards (e.g. fruit and vegetables that do not look attractive) and products that are out of date (best before/use by dates).
All items entering the waste stream as unsold are recorded before they are collected. A comprehensive audit is made of each store once a year (more frequently in exceptional cases) to ensure that the stores are recording all wastage . This audit covers more than only the unsold goods connected with breakage and shelf life incidentally.

Importance

Apart from the associated costs, it is socially irresponsible to waste food. The item of 'spoilage', under which unsalable products which have to be written off are accounted for, is accordingly one of the more important KPIs used for management purposes.

Approach

Our aim is to have a totally closed supply chain, giving us complete control of the delivery and sales of our products. An important tool in this regard is our automated stock replenishment system, which calculates the timings and volumes of restocking orders, based on such things as rate of sales, existing stock levels and shelf life of the products.

Product range management is also matched as closely as possible to the sales potential of the individual outlets. This involves dividing the product range into specific modules so that the stores with the highest sales volumes get allocated the most extensive product range. Stores with lower sales volumes in a certain category therefore have fewer products available, the aim being to optimise stock rotation for each product and thus reduce spoilage (wastage).

Finally, awareness of wastage is an important management concern and, to increase the focus on this aspect, spoilage has been included as a KPI in the incentive performance bonus scheme for supermarket managers.

Evaluation

The recorded spoilage is reported on a weekly basis. A monthly report is also received from all supermarkets which have had a full spoilage audit. Spoilage targets are tightened up each year. The reporting system allows us to monitor progress towards the achievement of the target.

If it looks as if targets are not going to be met, action is taken at category level, varying from changes to product modules (allocation of stores to product modules or products included in modules), reducing the display space, discontinuing slow-selling lines, tightening up store processes and procedures and shortening the supply chain to changing the packaging (to increase shelf life).

Processing of bread returns

Our EMTÉ supermarkets sell freshly baked bread every day. In the Netherlands, fresh bread has a sell-by date of the day when it is baked. Despite the order systems that we have, it is difficult to get the expected sales volume right every time. The weather, seasonal sales and so on all effect buying patterns. There is generally bread remaining at the end of the day, sometimes a lot , sometimes a little.

The loaves and buns that are left over are collected for return by the supplier the next morning. This bread is ground up and pressed into small pellets for use as animal feed, given to EMTÉ's 'Better Life' pigs, for example. The processors of this waste stream have GMP+ certification. This is a requirement for the waste to be used as animal feed.

Recalls in 2015

There were 118 product recalls in 2015, analysed as follows:
49 concerning exclusive brands (own brand,
house brand, private label);
50 concerning 'A' brands
19 concerning Superunie brands.

Ik kies bewust

The 'Ik Kies Bewust' (IKB) (literally: 'I Make Informed Choices') approval label is widely accepted across the sector to indicate healthier products.

Our growth in the number of different IKB products is as follows:

2015	2014	2013	2012
1,291 [1]	1,103	885	813

1) 1,138 A-brands and 153 own brands.

Following the introduction of more stringent IKB criteria we are expecting a drop in the number of IKB products in the year ahead. The food industry has until 31 December 2016 to change products in order to continue qualifying or remove the distinctive 'Tick' mark from the packaging. Products which have their contents changed will be reassessed against the new criteria.


De moderne
softwarefabriek

RISK
And risk management

In note 25 to the financial statements on page 137, consideration is given to a number of specific risks to which the Group is exposed. Information is provided on, for example, the Group's credit, liquidity and market risks, together with a sensitivity analysis of these factors. It should be noted that we do not consider these risks to be exceptional in terms of either their nature or magnitude. In the notes we also discuss the effect that the economy and competition have on the Group's activities. Where relevant, the Group is insured against a number of the customary risks so that the financial consequences of calamities are covered as far as possible.
The process of identifying the risks affecting our operations was put on a more professional footing in 2015. In a structured process, the more significant risks with a potential impact on the achievement of our objectives are assessed at Executive Board level. We consider the following to be the most critical risks in our activities:

Acquisitions

Despite all precautions and due diligence, acquisitions usually involve greater risk than organic growth, as is borne out by the numerous mergers and acquisitions in the market that do not live up to expectations. Considerable value can be destroyed by cultural differences and by employees pursuing different agendas, but also by ICT integration exercises for example.

We see acquisitions as an essential part of our strategy, not least for growth. We mitigate the risks inherent in acquisitions as far as possible by always following a careful takeover process, including preliminary exploration, and devoting careful attention to the post-acquisition phase. Many risks along with their financial and other impacts can be reduced in this way.

Every acquisition is different but we always apply the same high standards to the takeover process. The aim of that process is to identify the risks and opportunities at an early stage. A due diligence investigation, in which we are supported by outside consultants, always forms part of the preliminary exploration in order to avoid the risk of unpleasant surprises later on. We will therefore then only proceed with acquisitions if we can fulfil the duty of care that we have set ourselves.

Rather than bringing in people from outside, Sligro Food Group has a policy of immediately setting up a multidisciplinary integration team comprising people from its own ranks and from the business that has been taken over. In this part of the process, consideration is given to all stakeholders. A key element of the integration is to inculcate into the acquired business the cultural values of Sligro Food Group. Basically, we transfer the back-office of the company we have taken over to the central organisation and back-office systems of the Group as far as possible.

ICT systems and data quality

Effective ICT systems combined with quality data are the lifeblood of our business. Managing the risks in these systems involves far more than simply safeguarding the continuity of data processing. It also means protecting the integrity of data and software and the associated decision-making process. The numbers of customers, products, sites and suppliers and the way in which they interrelate make this a complex system but it is systems of this kind which at the same time give us a clear competitive edge.

Systems failing to work or not operating well can threaten the continuity of the whole business within a relatively short period of time. We therefore take extensive measures to minimise the risk of such failures. Data and data quality are of major importance for smooth operations and for the information we exchange with our customers and suppliers.

On top of that, there are strict legal requirements relating to data and data privacy, so that data protection also receives a great deal of attention.

We invest considerable time and money every year in the further optimisation and security of the central, integrated ICT back-office, with the focus on continuity, stability and the ability flexibly to upscale operations. This applies to both standard applications that we use and customised applications developed in-house. Ongoing themes in this context are security from outside in and security from inside out in a world which is becoming increasingly digitalised. That provides our systems and data with reasonable protection against the many forms of cybercrime which manifest themselves. In the year under review we were working on a comprehensive security and authorisation programme which will continue to demand considerable effort in the year ahead as well.

In emergencies, either of our data centres can take over all the activities needed to guarantee continuity. We also test such scenarios on a regular basis by actually shutting down one of the data centres. We have a national firewall structure, providing a high standard of protection against external attack. We are working on the future enterprise architecture, which will combine ICT, data and business architecture and further refine the continuity of data processing and data security.

Authorities

Public authorities on occasion take drastic action, which can have a major impact on operations and results. Such actions can become a threat to a particular part of the business over a relatively short time horizon. Environmental measures and opportunistic spending cuts in particular can have a serious effect. Intervention by regulators can also have a serious impact on operating processes.

We have limited control over such developments and, although we try and obtain a picture of what new legislation and that in the pipeline will mean at an early stage, we generally have little option but to accept the implications. Political decisions are sometimes scarcely predictable, too.

The latest healthcare system changes are going to have a long-term effect on the care market which Foodservice supplies, changing what was a sector that was relatively unaffected by economic woes into a shrinking market.

Customers, partners and suppliers

Although the economy is recovering, it is evident that consumers and businesses have not yet got over the financial knocks of recent years. With access to credit still tight for many businesses, both customers and suppliers are still facing continuity risks.

These risks are inherent in our business activities. The preventative and repressive measures we take are aimed at avoiding the risks or at least identifying them early in order to minimise possible financial losses or other harm.

The risk of bad debts among our customers is increased to some extent by the threat of businesses going under. The considerable diversity within our customer portfolio, however, means that the risk remains manageable. Moreover, we watch the payment performance of our customers very closely in order to be in a position to address any departures from agreed terms of business at an early stage.

The combination of the state of the economy and the growing interdependence between us and business partners (including Fresh Partners) and suppliers are giving rise to increased continuity risks in this context, too. Incidentally, as from this year, along with our purchase combine Superunie, we are offering the possibility of optimising terms of business between supplier and customer by means of a Supply Chain Finance programme.

Food safety

Since the Group is primarily engaged in the food supply and processing chain, food safety is crucial. The food safety precautions we take are mainly aimed at preventing risks for our customers and our employees. We accordingly observe strict food safety practices as regards both food processing and the products themselves throughout the various links in the organisation. With a well-equipped quality assurance department we are rigorous in our quality checks. Our procurement department also insists on the same high quality standards and quality assurance procedures among our suppliers and we monitor compliance with these standards both directly and indirectly, through specialist institutions. Additionally, our staff training programme devotes considerable attention to food safety and proper handling of food.

Ageing workforce

The average age of our workforce is increasing and the retirement age for our staff is being steadily raised. This situation makes the ageing of our workforce an increasingly important consideration for us, especially against the background of the demanding physical work that goes on in large parts of our organisation.

We already invest in the fitness and health of our staff and in making the people who work for us more aware of the risks, but more targeted action will be needed to address all the implications of this ageing trend. In the years ahead, therefore, we shall be intensifying our efforts in this area by providing lots of programmes aimed at keeping the physical fitness and mental capacities of our staff in good shape so that we can carry on responsibly employing people who are capable of doing their jobs and pulling their weight for longer.

Risk management and control systems

We are convinced that risk management has to be part of the mindset and working methods of all the staff in our company on a day-to-day basis, not compulsorily but because it automatically seems to be the right approach. Actually being in control is therefore what matters to us and being in control on paper is not what it is all about. There are plenty of examples of companies where all the right measures were in place but which still lost control in practice.

In a growing organisation like ours, however, we recognise the need for a more formalised approach but that makes it even more important that we maintain the right balance between formalised systems and the informal entrepreneurial spirit that exists within the company.

RISK MANAGEMENT

WE ARE CONVINCED THAT RISK MANAGEMENT HAS TO BE PART OF THE MINDSET AND WORKING METHODS OF ALL THE STAFF IN OUR COMPANY ON A DAY-TO-DAY BASIS, NOT COMPULSORILY BUT BECAUSE IT AUTOMATICALLY SEEMS TO BE THE RIGHT APPROACH. ACTUALLY BEING IN CONTROL IS THEREFORE WHAT MATTERS TO US AND BEING IN CONTROL ON PAPER IS NOT WHAT IT IS ALL ABOUT.

After all, we want our people to continue thinking for themselves and not blindly following checklists and procedures; we want them to continue to see both risks and opportunities. Fortunately, that is an inherent part of our corporate culture and it is that culture that we accordingly view as our most important 'soft control', protecting us from within from numerous risks and forms of fraud. In a steadily expanding organisation with ambitions of international growth as well we accordingly devote a great deal of attention to preserving the culture of our organisation.

We began a programme of further formalisation of the risk identification and risk management process in 2015. On the one hand we are organising risk management increasingly at strategic level, with subsequent translation of the strategic requirements to processes, people and systems at operational level. On the other hand, we are documenting the existing, operational, risk management measures along structured lines, coupling them to the strategic risks and enhancing the controls where useful. During the year, with the assistance of external specialists, a workshop was held at Executive Board level in which we identified the main risks we face and our specific risk appetite, with an eye to our strategic goals. The outcomes of this exercise have been discussed in the Audit Committee and by the Supervisory Board and form the starting point for a reappraisal of our existing control measures. In the years ahead, we shall be making this process a permanent part of the regular planning cycle.

There has been substantial progress in recent years on documenting business processes in connection with efforts to improve them as part of the project named Regie op Processen ('Direction of Processes'). We are making similar progress with the documentation by the administrative organisation of essentially financial processes in the Finance Department, and also at the three main branches of the business, Food Retail, Foodservice Cash-and-Carry and Foodservice Delivery.
In 2015 we further formalised the process and designed the structure of an internal control framework suitable for our purposes, the details of which have already been completed for some of our activities. In the years ahead we shall be completing the picture for all activities, clearly establishing the relationship to the identified risks in each case.

We have a special department focusing solely on our administrative organisation and internal control, alongside the departments that remain responsible for these processes. 'To measure is to know' is a key principle of risk management. If you know what is happening, you can adjust your policies accordingly. Our central data warehouse, where practically all our operating and financial data are recorded, is of great benefit to us in this respect. Using advanced analysis tools, this department detects exceptional patterns or numbers/ trends. All our business units have been integrated into the Group's central information and control system.
As the Group operates at many different sites, we make intensive use of internal benchmarking. In this way our management information supports our internal controls and vice versa. Overall controls identify possible gaps in internal controls associated with the informal and entrepreneurial nature of the business culture that has contributed over the years to the Group’s commercial success.

We also took additional steps in 2015 connected with fraud risk management, bringing together the existing separate areas of attention of physical fraud (theft), cybercrime and misuse of personal information. A working group is looking at fraud on a broad front and addressing the management of fraud risks in a manner appropriate to our business. Also covered are changes in the law regarding data protection and data leaks.

We have in place a long-term general back-office plan, deliberately integrating the business and the back-office agendas in an effort to ensure that business plans are practicable in terms of processes, systems and staffing and that proper consideration is given to the related necessary controls. This plan is updated quarterly and discussed with the management team. This approach results in fewer weak links, better internal coordination and, ultimately, more efficient and effective processes with reduced risks. An ongoing challenge for us is to continue investing in the organisation and systems in addition to making bold choices in order to accommodate the ever-growing pace of change. The ability to respond appropriately to change is partly determined by having an accurate understanding of the business processes, data and applications. We are therefore working on a future enterprise architecture embodying ICT, data and business architecture combined in order to enhance our capacity to adapt.

As a result of the centralised approach and very close management and monitoring of business activities by the Executive Board and central staff departments, Sligro Food Group is rarely faced with accounting 'surprises' relating to its activities that use the central information systems. Regular reporting has been shown to provide reliable information on business performance. There is no need for any significant changes. We regard improving the reliability of our management information and, more importantly, ensuring that it becomes increasingly specific and targeted, as an ongoing process.
Since 2015, a clear distinction has been made within the Finance Department between financial control and business control. It has been found that our organisation requires greater business control backup to provide financial and other support for business decisions. As well as our own internal checks, the external auditors also examine parts of the accounting and internal control organisation in connection with their audit of the financial statements.

The Audit Committee, too, looks at both the figures and the administrative organisation and there is moreover closer contact with the external auditors. The findings contained in the management letter are discussed by the auditors with the Audit Committee and with the Supervisory Board (without the Executive Board present).

Based on the above summary, we believe that our internal risk management and control systems provide a reasonable degree of certainty that the financial statements do not contain any material misstatements and that these systems functioned properly during the year under review. We also refer to the directors' statement of responsibilities on page 93. We have no indications to suggest that these systems will not function properly during the current financial year.

CORPORATE
Governance

GIVING EQUAL WEIGHT TO ALL THE GROUP'S STAKEHOLDERS, AS REQUIRED BY THE LAWS OF THE NETHERLANDS AND BY THE DUTCH CORPORATE GOVERNANCE CODE, HAS ALWAYS FORMED AN IMPORTANT BASIS FOR OUR CORPORATE POLICY. SLIGRO FOOD GROUP EMBRACES THE ONE SHARE/ONE VOTE PRINCIPLE AND DOES NOT HAVE ANY ANTI-TAKEOVER MECHANISMS OR CHANGE OF CONTROL PROTECTIONS IN PLACE.

Although we subscribe to the Corporate Governance Code and the other rules relating to business, we note that the playing field on which we are competing is sometimes anything but level when compared with some family businesses or private-equity-owned companies. The problem is not primarily one of a lack of regulation, but rather one of compliance with existing regulations and the absence of effective sanctions in the event of non-compliance. This puts us at a competitive disadvantage, particularly when it comes to potential acquisitions.

There were no transactions with executive or supervisory directors in 2015 that involved a possible material conflict of interest, nor was any transaction conducted with shareholders owning more than 10% of the shares.

Main points of corporate governance structure

Sligro Food Group is a dual-board company, with an Executive Board and an independent Supervisory Board ('two-tier management structure'). The main points of the current structure are set out below.

Executive Board

The Executive Board is responsible for managing the company, for its strategy and for its use of human and other resources. The Executive Board keeps the Supervisory Board informed of progress, consults the Supervisory Board on all significant matters and submits important decisions to the Supervisory Board and/or the general meeting of shareholders for approval.
The Supervisory Board notifies the general meeting of proposed appointments to the Executive Board.

The Supervisory Board appoints the Executive Board and may suspend or dismiss an Executive Board member at any time. The remuneration and other terms and conditions of appointment of each Executive Board member are set by the Supervisory Board, based on the policy adopted by the general meeting. Decisions on material matters are always made jointly, and all members have shared responsibility.

Supervisory Board

The Supervisory Board supervises the policy of the Executive Board and the general affairs of the company. It supports the Executive Board with advice. In the performance of their duties, the Supervisory Board members are guided by the company's interests.
The Executive Board provides the Supervisory Board promptly with the information it needs to perform its duties.

The members of the Supervisory Board are appointed by the general meeting of shareholders, their candidature having been proposed by the Supervisory Board. Supervisory Board members retire at the latest at the close of the first general meeting following the day marking the fourth anniversary of their most recent appointment and may be reappointed once. The remuneration of each member of the Supervisory Board is set by the general meeting. The Supervisory Board appoints a chairman and a deputy chairman from its members. It also appoints a secretary who may, but need not, be one of its members.
The Supervisory Board has appointed an Audit Committee, made up of two Supervisory Board members. Audit Committee meetings are also attended by the CFO, the Accounting & Reporting Manager and the external auditors.
The Supervisory Board has appointed a Remuneration and Appointments Committee, made up of two Supervisory Board members.

General Meeting of Shareholders

The annual general meeting is held within four months of the end of each financial year. Extraordinary general meetings may be called as necessary by the Supervisory Board, the Executive Board or one or more shareholders jointly representing at least 10% of the issued share capital.
The agenda of the annual general meeting covers the items stipulated by the Articles of Association and other resolutions proposed by the Supervisory Board, the Executive Board or shareholders jointly representing at least 1% of the issued share capital.

The principal powers of the general meeting are the rights to:

- Appoint supervisory directors and determine their remuneration;
- Adopt the financial statements and ratify the actions of the Executive Board in respect of its management and the Supervisory Board in respect of its supervision during the previous year;
- Resolve to amend the company's Articles of Association or wind up the company;
- Issue shares and restrict or exclude shareholders' pre-emptive rights (with the approval of the Supervisory Board, the Executive Board has been granted powers until 18 September 2016 to issue shares as yet unissued);
- Repurchase and cancel shares (the Executive Board has been granted powers until 18 September 2016 to purchase fully paid shares either on the stock exchange or privately up to a maximum of 10% of the issued share capital, as stipulated in the Articles of Association, for a price no more than 10% above the market price at the time of the transaction);
- Approve decisions by the Executive Board on any substantial change to the identity or character of the company or the business.

Departures from the corporate governance code

The departures from the Dutch Corporate Governance Code were approved by the shareholders' meeting on 30 March 2005. Sligro Food Group consequently complies fully with the Code. Details of departures that are still relevant can be found on the website and relate to the following:

- The appointment of members of the Executive Board for unspecified periods rather than for periods of four years. The main reason for this departure is our aim to appoint people to executive positions from within the Group and to remunerate managers who are on the same level in the same manner.
- No agreements have been reached on the level of any severance pay. Legislation limiting severance pay to a maximum of one year's salary came into force on 1 July 2015.
- Sligro Food Group maintains contacts with investors by means of one-on-one meetings and group presentations. These one-on-one meetings are an important way for Sligro Food Group to attract and retain the attention of institutional investors and thus help to ensure its shares are priced correctly.


1975

CAPITAL Expenditure

Goals

- Maintain the Group's average net capital expenditure at about 2.5% of sales.
- Increase the number of Sligro and EMTÉ outlets by one or two a year, excluding acquisitions.
- Invest continuously in developing our commercial formats over a roughly 7-year cycle.
- Invest continuously in automation and efficiency gains in order to maintain our position as a cost leader.

We have adjusted our average net capital expenditure target. In the past, we aimed for a level of 2.0% of group sales but we have now raised it to a long-term average of 2.5%. This increase is associated with our investment in the outlets in the Netherlands and Belgium in the next few years. The investment in the conversion to the following generations of our Sligro cash-and-carry wholesale outlets and EMTÉ supermarkets in the coming years will partly coincide, whereas in the past there was more of a spread across the different business units.

In 2015, we invested €60 million in intangible assets and property, plant and equipment including:

- €10 million in upgrading cash-and-carry outlets, including Forepark The Hague and Enschede, to Sligro 3.0.
- €20 million in two completely new Sligro 3.0 cash-and-carry wholesale outlets in Almere and Utrecht, including the land for both sites and the existing building in Almere.
- €12 million in ICT software and hardware, including our Sligro 3.0 Online programme.

The table below analyses net capital expenditure together with the related amortisation and depreciation.

(x € million)

	Foodservice		**Food Retail**		**Total**	
	2015	**2014**	**2015**	**2014**	**2015**	**2014**
Intangible assets (software)	7	5	0	0	7	5
Property, plant and equipment	45	51	6	7	51	58
Investment property			2		2	
Disposals of assets held for sale	(0)	(3)	(0)	(0)	(0)	(3)
Net capital expenditure	**52**	**53**	**8**	**7**	**60**	**60**
Depreciation and impairments	(28)	(29)	(10)	(14)	(38)	(43)
Amortisation of software	(5)	(4)	(0)	(0)	(5)	(4)
Subtotal	**(33)**	**(33)**	**(10)**	**(14)**	**(43)**	**(47)**
Net movement	**19**	**20**	**(2)**	**(7)**	**17**	**13**

Segmentation of net capital expenditure, amortisation and depreciation.

In 2016, we will be investing mainly in upgrading the cash-and-carry outlets to the Sligro 3.0 format and converting supermarkets to the new EMTÉ 3.0 format generation. In Veghel, in addition to the completely modernised Sligro cash-and-carry outlet, we will be investing in the inspiration lab (ZiN) for Foodservice customers and improving and expanding our central distribution centre.

Furthermore, in 2016 we will start construction of our first Open Delivery Service in Antwerp, which will offer a combination of delivery and cash-and-carry. The programme of ICT hardware and software investment will continue and involve a similar level of capital expenditure to previous years.

RESULTS

Goals

- Increase sales organically by 3% a year and take advantage of acquisition opportunities as they present themselves.
- Ensure that the increase in net profit matches or exceeds sales growth.
- Distribute about 50% of the year's profit as a regular dividend and pay a variable dividend on top of that, reflecting the financial position.

Financial policy

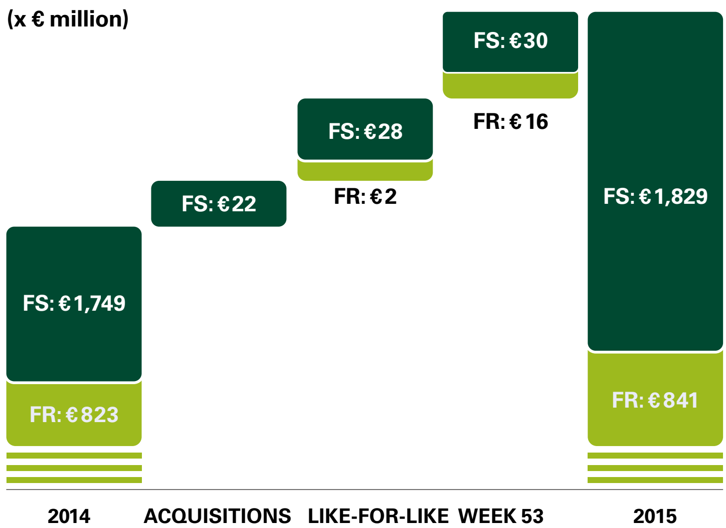
Sligro Food Group has a very high degree of back-office integration. We believe in the strength of the Group as a whole and in seeking to achieve group synergy. We consequently focus primarily on overall results rather than on the results of the underlying parts of the business. We encourage our employees to think on a group-wide basis and strive to ensure that we do not frustrate this by imposing complicated internal administrative procedures.

The Group Executive Board is actively involved in setting and implementing policies throughout the business. Our head office houses many management and administrative functions for the overall business activities. We have established a method of allocating their costs and revenues, but are aware that there will be a cost to be borne by the group results.

We do not operate a traditional budgeting cycle because there is no delegation of authority or spending powers in the conventional sense. Instead, we use a series of detailed management reports that show the actual developments and trends in our activities from various perspectives. These reports in turn serve as the basis for any adjustments and amendments needed in our forecasts. Most of this work is performed by central management support departments. Using management by results, the individual business units have a constant incentive to get the best out of the activities by reference to key performance indicators combined with internal benchmarking. Indirectly, therefore, everyone is working to optimise the overall group result. Once each year the correlation between the KPIs and the financial results is examined. This detailed management information provides us with the basis for investment decisions. We attach greater value to this information than we do to classical investment calculations. We believe that this approach is far more suited to our entrepreneurial business culture. As a family business with a stock-market listing we strive to maintain a balance between achieving results in the short term and achieving results in the medium to longer-term future. We regard pressure to achieve good results in the short term as useful and challenging but do not allow it to divert our attention from decisions where the value and benefits only become visible at a later stage.

NET SALES
Sligro Food Group

	SFG	FS	FR
Net sales	+ 3.8%	+ 4.5%	+ 2.3%
Like-for-like	+ 1.2%	+ 1.5%	+ 0.3%



The profit and loss account can be summarised as follows:

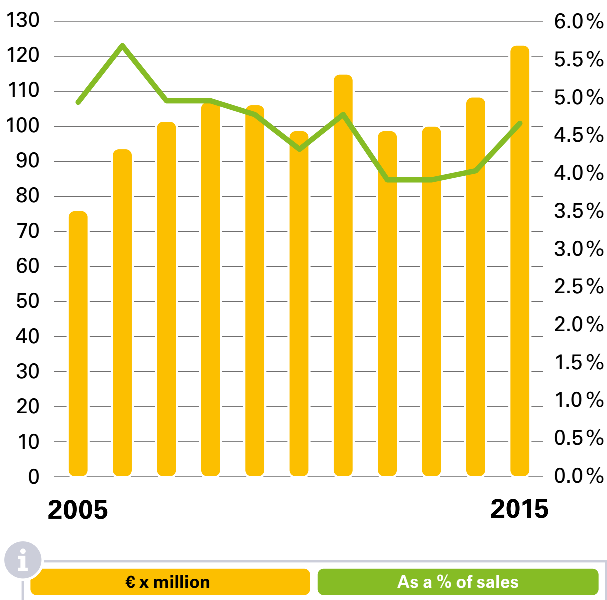
(x € million)			As % of sales	
	2015	**2014**	**2015**	**2014**
Net sales	2,670	2,572	100.0	100.0
Cost of sales	(2,050)	(1,976)	(76.8)	(76.8)
Gross margin	**620**	**596**	**23.2**	**23.2**
Other operating income	2	5	0.1	0.2
Total operating expenses excluding depreciation, amortisation and impairments	(462)	(453)	(17.3)	(17.6)
Gross operating profit (EBITDA)	**160**	**149**	**6.0**	**5.8**
Depreciation and impairments	(38)	(43)	(1.4)	(1.7)
Operating profit before amortisation (EBITA)	**122**	**106**	**4.6**	**4.1**
Amortisation of intangible assets	(19)	(17)	(0.8)	(0.6)
Operating profit (EBIT)	**103**	**89**	**3.8**	**3.5**
Net finance income and expense	2	(3)	0.1	(0.1)
Profit before tax	**105**	**86**	**3.9**	**3.4**
Income taxes	(24)	(17)	(0.9)	(0.7)
Profit for the year	**81**	**69**	**3.0**	**2.7**

In 2015, our financial year included a 53rd week which generated €46 million of additional sales for the Group. The Group's net sales also increased by €22 million as a result of acquisitions. In the first half of the year, this involved the full-year effect of the acquisitions of Horeca Totaal Sluis and Rooswinkel. In the second half, it involved Bouter's sales.

Like-for-like growth for the Group (excluding the effects of week 53 and acquisitions) was 1.2%. Foodservice growth was 1.6% and the figure for Food Retail was 0.2%. Like-for-like consumer sales at EMTÉ were up 0.2%. The gross margin as a proportion of sales was unchanged from the previous year at 23.2%.

Expenses (including depreciation and amortisation) as a proportion of sales fell by 0.4% to 19.5%. They were affected to some extent by week 53 but the main cause was the Kicking Costs programme.

EBITA



Gross operating profit (EBITDA) improved by €11 million to €160 million. We believe that the EBITA figure is the best indicator of the result (on operations) and the €16 million increase to €122 million represents an improvement of 0.4 of a percentage point to 4.6% of sales.

On balance, there was net financial income compared with a net expense last year. The main explanation is that the results of associates returned to a normal level in 2015. In 2014, the share in results of associates was depressed by the incidental expenses taken by Spar and the impairment we recognised on Superdirect. Interest expense was the same as in 2014.

The tax burden was higher than in 2014, mainly as a result of the prior-year charge. See 'Taxes' on page 88 for further details.

The overall effect of the above was that the net profit for 2015 was €81 million, an increase of €12 million or 17.4%. Earnings per share, calculated on the average number of shares outstanding, was €1.84 compared with €1.58 in 2014. Based on the result for 2015 and our continuing strong financial position, we propose increasing the dividend by €0.10 to €1.20 per share. In accordance with our dividend policy, this will be made up of a regular dividend of €0.90 (2014: €0.80) and a variable dividend of €0.30 (2014: €0.30). An amount of €0.40 has already been paid as interim dividend. The final dividend for 2015 therefore amounts to €0.80.

The segment analysis of results below shows that both Foodservice and Food Retail increased their operating profit before amortisation (EBITA) by €8 million.

(x € million)

	Foodservice		**Food Retail**		**Total**	
	2015	**2014**	**2015**	**2014**	**2015**	**2014**
Net sales	1,829	1,749	841	823	2,670	2,572
Other operating income	1	4	1	1	2	5
Gross operating profit (EBITDA)	129	121	31	28	160	149
Operating profit before amortisation (EBITA)	101	93	21	13	122	106
Operating profit (EBIT)	89	83	14	6	103	89
Net capital employed at year-end [1)]	486	458	127	145	613	603
EBITDA as % of sales	7.0	6.9	3.7	3.4	6.0	5.8
EBITA as % of sales	5.5	5.3	2.5	1.7	4.6	4.1
EBIT as % of sales	4.9	4.7	1.6	0.7	3.8	3.5
EBITA as % of average net capital employed	21.3	21.0	15.6	8.6	20.0	17.8
EBIT as % of average net capital employed	18.9	18.8	10.1	3.8	16.9	14.9

1) Excluding associates.

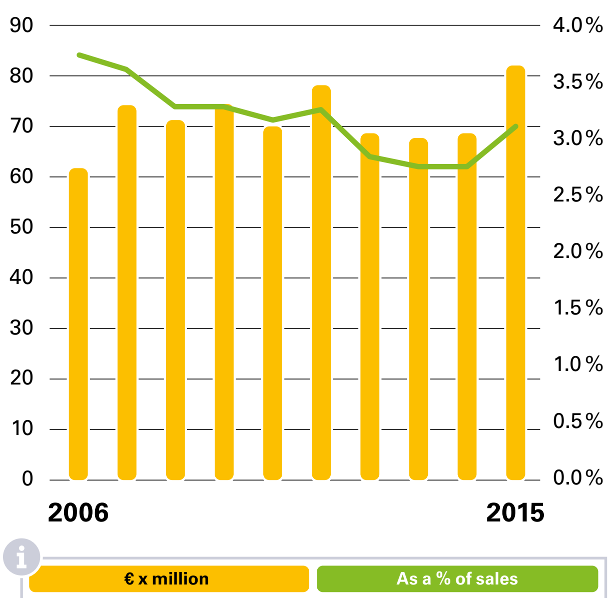
Incidental gains and losses played quite a significant part in the make-up of the segment information in 2014 when there was a net incidental gain of €3 million at EBITA level for the Group as a whole. There were almost no incidental gains or losses in 2015. To assist comparison, the table below summarises these effects.

(x € million)	Foodservice		Food Retail		Total	
	2015	**2014**	**2015**	**2014**	**2015**	**2014**
Book profits	0	4	0	(2)	0	2
Gains on pensions [1)]		4		0		4
Impairments		(2)	(0)	(1)	(0)	(3)
Net included in EBITA	**0**	**6**	**(0)**	**(3)**	**0**	**3**

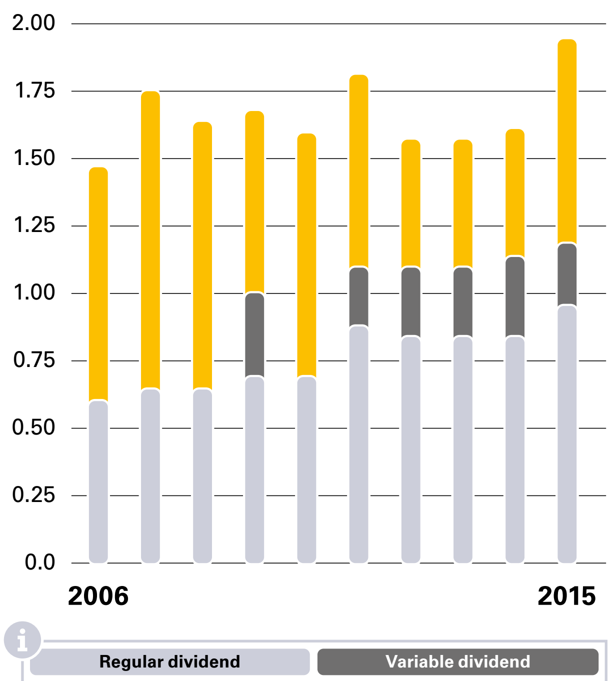
1) Difference between actual employer's contribution and benefit expense for accounting purposes. This gain appears as a negative amount in the statement of recognised income and expense.

The table shows that the underlying improvement in Foodservice was greater than the reported €8 million as there had been incidental gains of €6 million in 2014. There was the opposite effect at Food Retail where €3 million of the total improvement can be attributed to the incidental charge recognised in 2014. Adjusted for these effects, the underlying improvements were €14 million at Foodservice and €5 million at Food Retail.

NET EARNINGS
2006-2015



EARNINGS PER SHARE
2006-2015



FINANCING
In outline

Goals

- Ensure that sufficient finance is available under credit facilities and that the company comfortably meets the stipulated ratios.
- Limit working capital to 10 days' sales.
- Issue shares only for major acquisitions that immediately contribute to earnings per share.

We prefer to call on the capital markets rather than the banking market for our financing. Consequently, we investigate the different types of financing that the market can offer us. Currently, our long-term financing is through US private placements. The two tranches had a value of €138 million on the reporting date and a swap value of €18 million is recognised against this in other financial fixed assets. These loans have maturities of two and five years. We do not expect any problems attracting financing if the opportunity of an acquisition should arise.

At year-end 2015, we had short-term financing in the form of overdraft facilities of €113 million, of which €43 million is committed. We are not currently drawing on these facilities.

The Group continues to have a strong free cash flow, as shown in the abridged statement below. The 2015 financial year had 53 weeks and ran to Saturday, 2 January, leading to certain effects that give the appearance of increased working capital. During a 53-week financial year, we remit payroll taxes and excise duties of some €10 million thirteen times rather than twelve. The net amount of other working-capital items is also about €10 million higher as a result of payment dates after Christmas which, in particular, reduce liabilities to suppliers.

As well as the effects of the 53rd week, in 2015 we also faced an effect on working capital that was the opposite of what we saw at year-end 2014 when the timing of Christmas in the financial year appeared to reduce working capital by €20 million.

Together, these effects give the appearance of an increase in working capital of €40 million in 2015.

Nevertheless, total working capital decreased and a clear underlying improvement was achieved in 2015. The programmes for structurally improving the working capital position are, therefore, succeeding. We expect to achieve a further reduction in working capital during the next few years with the introduction of our Supply Chain Finance programme in November 2015. As explained on page 81 the level of capital expenditure is increasing with the ongoing roll-out of Sligro 3.0, conversion to the new format generation at EMTÉ and our move into Belgium. We invested €62 million or 2.3% of sales during the past year.

ABRIDGED
cash flow statement

(x € million)

	2015	2014	2013	2012	2011
Net cash flow from operating activities	140	147	133	129	124
Net cash flow from investing activities excluding the net effect of acquisitions and the investment in Superunie	(62)	(69)	(32)	(33)	(48)
Free cash flow	**78**	**78**	**101**	**96**	**76**
For comparison purposes: net profit	81	69	68	69	78
Cash conversion in %	96	113	148	140	98
The free cash flow was used to fund:					
Net acquisitions/Superunie	(11)	(22)	(19)	(1)	0
Payment of dividend and repurchase of own shares	(47)	(64)	(49)	(50)	(34)
Net change in debt and cash	(20)	8	(33)	(45)	(42)
	(78)	**(78)**	**(101)**	**(96)**	**(76)**

EVOLUTION OF
working capital

(x € million)

	2015	2014	2013	2012	2011
Current assets, excluding cash and cash equivalents	377	376	345	335	324
Current liabilities, excluding interest-bearing items	(298)	(287)	(231)	(204)	(178)
	79	**89**	**114**	**131**	**146**
In days' sales revenue	11	13	17	19	22

TAXES

WE BELIEVE THAT PAYING OUR WAY IN SOCIETY IN THE FORM OF TAXES ACCORDING TO THE AGREED RULES IS IMPORTANT AND PART OF DOING BUSINESS FAIRLY.

Nearly all our activities are carried on within the Netherlands and this means that we pay Dutch corporation tax on the entire taxable profit in the Netherlands. We take advantage of tax facilities and allowances but without attempting to test the limits. Where appropriate, we approach the relevant authorities proactively and for some years we have formalised this on the basis of a tax agreement, referred to as Horizontal Supervision, with the Tax and Customs Administration. This 'covenant' involves reciprocal agreements on the way in which the company and the tax authorities deal with each other in a transparent manner. Unfortunately, our expectations that formalising our discussions under Horizontal Supervision would lead to even better coordination and assurance have not been met.

Although the Horizontal Supervision concept does not exist in Belgium, we are currently seeking negotiations with the appropriate authorities there with the aim of avoiding possible tax exposures before we start our operations. We also hope to built a similar relationship with the tax authorities that is analogous with the situation in the Netherlands.

Despite the discussions and transparency in our returns, we had to pay an additional €2.5 million in tax for earlier years. Legislation in recent years has included various measures to prevent excessive enrichment from bonuses, options and shares. Neither we nor the tax authorities realised that this legislation would also affect the Sligro Food Group's employee share ownership scheme despite it being specifically designed for employees with a gross income up to €50,000 per year. The result of this is that the payments of a few hundred euros a year to these employees are taxed very heavily. This has made the cost of the scheme disproportionately high compared with the benefit to our employees. As we attach great significance to employee share ownership, we are continuing the scheme in 2016 and will hold talks with politicians in an attempt to reverse this side-effect of the law, which we regard as unjustified.

As we have almost no debt, we pay substantial amounts of Dutch corporation tax. We do not use constructions involving low-tax jurisdictions. In addition to corporate income tax, Sligro Food Group pays large amounts of payroll tax and social security contributions, VAT and excise duties. The table below shows how much tax we have paid in recent years.

(x € million)

	2015	2014	2013
Corporate income tax	22	23	22
VAT and excise duties	90	78	76
Payroll tax and social security contributions	84	77	76

SLIGRO Spice market

THE SLIGRO SPICE MARKET HAS THE RIGHT HERBS AND SPCICES FOR EVERY CUISINE: ASIAN, FRENCH, MEXICAN: THE SEASONINGS ARE READY FOR USE. OVER 125 DIFFERENT TYPES. SLIGRO SPICE MARKET, EXCLUSIVE TO SLIGRO.

The table below shows the facilities and environmental allowances that Sligro Food Group uses and how they affect the reported corporate income tax.

(x € million)	2015	2014	2013
Reported profit before tax	105	86	87
Corporate income tax at 25%	26	21	22
Innovation box	(3)	(2)	(1)
Energy capital allowance (etc.)	(1)	(1)	(1)
Net other deductions and disallowed items	0	0	0
Settlement prior years	2	(1)	(1)
Reported corporate income tax	**24**	**17**	**19**
As % of reported profit before tax	*23%*	*20%*	*22%*

Innovation box

Since 2010 we have been using the innovation box for the paperless ordering system we have developed. It has been agreed that we can use this facility for this innovation until 2016.

OUTLOOK

The Dutch economy is expected to recover gradually, leading to an improvement in consumer confidence and employment and eventually to an increase in consumer spending. Against this background, we expect that the overall food service market will grow again at the rate we saw in the past year but still with large differences between the various segments. We also expect growth in the food retail market in line with the past year.

We expect Foodservice once again to outperform the market, as has been the case for many years now. The acquisition of Bouter in 2015 will add sales of some €10 million in the first half of the year but we will not have the 53rd week, which added €30 million at Foodservice in 2015. The market is competitive and price is still a key criterion. As market leader, we determine this to some extent within Foodservice and keen prices are part of our offer to customers. The continuing roll-out of our successful Sligro 3.0 approach, Belgium and Online will be key areas for attention for 2016.

In Food Retail, we want to close the gap between us and the market as a whole in the next few years and then grow faster than the market. The conversion of sites to the new format generation will encourage growth but, except for the pilot stores, this will not happen until the second half of the year. The effect on sales for the full year 2016 will be modest especially since the stores will be closed for a few weeks while they are being converted. The conversion is part of the regular upgrade programme and we will take the opportunity to apply the full new EMTE 3.0 format immediately. At Food Retail, too, we will not have the 53rd week, which added €16 million in 2015. Promotions and campaigns remain important to consumers. In the past year, however, we did not see further price pressure increase significantly. It is not clear how this will develop in Food Retail during the coming year and as a price-follower we have to move with the trends in the market.

We made great progress in our Kicking Costs programme in the past year and this was largely reflected in the 2015 results. We will continue the programme during 2016. Also in 2016 we will be making preparations for the opening of our first outlet in Antwerp in early 2017. The start-up costs for those preparations will affect the result for 2016 while the gains will not be seen until the following year.

We are positive about our prospects for 2016 and expect the gradual recovery we have seen in recent years to continue. We will be 'building the future' by steady progress on converting Sligro 3.0 cash-and-carry outlets, construction of the first outlet in Belgium and conversion of EMTÉ stores as 'Simply the tastiest supermarket' in the Netherlands. We will also be building our organisation, processes, systems and data so that in future we will still be able to respond quickly and flexibly to the wishes of our customers. The launch of our new Sligro Online 3.0 programme in 2016 is a good example of this.

We have a solid financial and commercial base for building the future. That and a clear vision and a wide range of interesting opportunities for investment are what make our industry and our company so great!

As usual we refrain from making any definite forecasts.

DIRECTORS' Statement of responsibilities

As required by the relevant statutory provisions, the directors state that, to the best of their knowledge:

1. The financial statements, as shown on pages 104-150 of this report, give a true and fair view of the assets, liabilities, financial position and profit for the financial year of Sligro Food Group N.V. and the enterprises included in the consolidated financial statements.

2. The directors' report, as shown on pages 19-91 of this report, gives a true and fair view of the position of Sligro Food Group N.V. and its consolidated enterprises on the reporting date and of the course of their affairs during the financial year. The directors' report describes the material risks to which Sligro Food Group N.V. is exposed.

Veghel, 29 January 2016

K.M. Slippens, CEO
R.W.A.J. van der Sluijs, CFO
W.J.P. Strijbosch, Foodservice director

CORPORATE GOVERNANCE Statement

This statement is included pursuant to Section 2a of the Decree on Additional Requirements for Annual Reports (Vaststellingsbesluit nadere voorschriften inhoud jaarverslag) of 20 March 2009 (the 'Decree') and is also publicly available in digital form in the corporate governance section of www.sligrofoodgroup.nl. The information that is to be included in this statement pursuant to Sections 3, 3a and 3b of the Decree can be found in the following sections of the 2015 annual report and is deemed to be included and repeated here:

- information on compliance with the principles and best-practice provisions of the Code (page 78 'Corporate Governance');
- information on the principal features of the management and control system in connection with the Group's financial reporting process (page 73 'Risk management and control systems');
- information on the functioning of the annual general meeting of shareholders and its principal powers, and on the rights of shareholders and how these can be exercised (page 79 'General meeting of shareholders');
- information on the composition and functioning of the Executive Board (page 16 'Directors and management', page 78 'Executive Board' and page 98 'Executive Board conditions of employment');
- information on the composition and functioning of the Supervisory Board (page 16 'Directors and management' and page 79 'Report of the Supervisory Board');
- information on the rules for appointing and replacing members of the Executive Board and Supervisory Board (page 78 'Executive Board' and page 79 'Supervisory Board');
- information on the rules for amending the company's Articles of Association (page 79 'General meeting of shareholders');
- information on the powers of the Executive Board to issue and repurchase shares (page 79 'General meeting of shareholders');
- Information on the 'change of control' provisions in important contracts: a 'change of control' provision applies in the case of the US dollar loans referred to on page 136;
- information on transactions with related parties (page 78 'Corporate governance' and page 144 'Related-party disclosures').


Groente & fruit
EMTE

REPORT OF THE Supervisory Board

The economic recovery in the Netherlands continued in 2015 albeit at a gradual rate. This is expected to continue in both our markets in the coming year although it is unlikely that it will speed up.

The recovery was most obvious in the food retail market. The foodservice market also recovered and started to grow again but there are clearly major differences between its different segments.

Sligro Food Group outpaced the market once again with its Foodservice activities and accordingly market share increased by 0.5% to 23.1%. The Sligro 3.0 programme is clearly bearing fruit and contributing to this and will be continued online in the coming year. Market share remained at 2.7%, partly thanks to the opening of three new EMTÉ stores. The new EMTÉ 3.0 format generation is being built up and the first store in the new format opened in November 2015.

The plan to enter the Belgian foodservice market was finalised during the year. The decision to implement this plan was taken in May and work is progressing well. It is expected that the first Sligro outlet will open in Antwerp in early 2017.

The Group's net profit grew by €12 million in 2015 to €81 million partly thanks to an increase in sales and this was boosted by the 53rd week. Progress on the Kicking Costs programme made a substantial contribution to the improvement in results. At group level there were almost no net incidental items in 2015 or 2014, although this was not the case at business unit level in 2014. Please see the analysis in the Results section for further information. The net profit figure of €80 million was passed for the first time in the year when Sligro Food Group marked 80 years of existence. The result was better than expected and free cash flow was also strong at €78 million.

These figures are presented in the 2015 financial statements prepared by the Executive Board, with which we are in agreement. For 2015, it is proposed to pay a regular dividend of €0.90 per share (2014: €0.80), representing a pay-out ratio of 49%. In addition, it is proposed to pay a variable dividend of €0.30 per share (2014: €0.30), making the total dividend for the year €1.20 (2014: €1.10).

Supervision

In 2015, the Supervisory Board met in formal session on five occasions. The Audit Committee held four formal meetings in 2015. The Remuneration and Appointments Committee also held four meetings, largely devoted to setting up and implementing the process for recruiting two new supervisory directors. Mr Kamps joined the Supervisory Board and Audit Committee on his appointment during the General Meeting of Shareholders on 18 March 2015 and so participated in four meetings of the Supervisory Board and three meetings of the Audit Committee.

First meeting

The first meeting of the year examined and discussed at length the 2014 results, annual report, proposed dividend and results press release. The auditor also reported on the audit findings at this meeting and we were pleased to note that there were no material audit misstatements to report or any other comments of an important nature requiring immediate follow-up on the part of the Executive Board and/ or Supervisory Board.

The chairman of the Audit Committee then reported on its first meeting. The Audit Committee had examined and discussed the 2014 results and report, mainly looking at technical matters. The draft auditors' report and long-form report were also examined and discussed.

The meeting also fixed the amount of the variable remuneration for the Executive Board members, based on the criteria and approved remuneration policy adopted a year earlier. Also on the agenda were the preparations for the general meeting of shareholders. Finally, the chairman addressed Mr van Rozendaal as this would be the last meeting of the Supervisory Board he would attend. On behalf of all the supervisory directors, the chairman expressed appreciation of Mr van Rozendaal's work and excellent cooperation.

Second meeting

The director of Sligro cash-and-carry presented the initial results of Sligro 3.0 during the second meeting of the year. These gave confidence for the further roll-out of the programme. In addition, as part of the strategy update, the country director for Belgium set out the business case for Belgium with an extensive evaluation. There is a very thorough plan and broad support for proceeding with the execution stage. The theme of investor relations was also on the agenda and there was feedback from the financial markets. Finally, the meeting discussed and adopted the rules of procedure of the Supervisory Board, Audit Committee and Remuneration and Appointments Committee.

Third meeting

The third meeting was devoted to the 2015 half-year results and the associated press release. The proposal for the interim dividend was also discussed and adopted. The chairman of the Audit Committee then reported on its second meeting which had seen and discussed the half-year results. Progress on the follow-up to the action points in the 2014 management letter was presented. A specific point was the action plan to formalise risk management further at Sligro Food Group. The auditors had also explained the audit plan for 2015. Other themes discussed were investor relations and pensions.

The HR director then addressed the regular evaluation of the Sligro Food Group management teams. This established that there was a healthy balance of stable staffing and new talent that could be developed. An update was given on the EMTÉ Fijnproevers programme and the development and further planning for EMTÉ 3.0 by the Food Retail commercial and operational directors. Finally the structure and approach of the Remuneration and Appointment Committee was explained.

The members of the Board continued the meeting alone to discuss the approach to the succession to Ms Burmanje and Mr Latenstein, since they would reach the end of their period of office in 2016.

Fourth meeting

Sligro's director of Marketing, director of ICT and programme manager for Sligro Online 3.0 gave progress reports on Sligro Online 3.0 during the fourth meeting. The ambition for the Online strategy is attractive and a phased approach was selected.

The chairman of the Audit Committee then reported on its third meeting, which had received and discussed the audit plan, giving specific attention to the ICT components. This meeting also discussed and considered progress on formalising Risk Management and the structure of an Internal Control Framework.

The CFO also commented on the capital expenditure programme for the next few years, confirming its higher level in connection with the roll-out in Belgium. The secretary of the CSR committee reported on progress on the CSR programme.

Fifth meeting

The board started its fifth and final meeting of the year alone to assess the functioning of the Executive Board and its own functioning using evaluation forms. We concluded that there was a good working relationship both within the Executive Board and the Supervisory Board and between the two bodies. There were no indications of inadequate performance, structural disagreement or conflicts of interest.

Also in the absence of the Executive Board, the auditors explained the management letter to the Board and referred in particular to the on-going improvement of the ICT environment, which also has the permanent attention of the Executive Board. The auditors also commented on the complexity of the price and contractual condition systems and possible additional control measures that could be applied. ICT security and management of authorisations were other themes requiring attention.

The meeting continued with the Executive Board in attendance. The first report was feedback from the risk workshop held by the Executive Board and the fraud risk workshop and related fraud report. We support the initiatives to further formalise and manage these matters at Sligro Food Group and the specific search for a proper balance between retaining our culture and formality.

The chairman of the Audit Committee then reported on its fourth and final meeting, which had briefly discussed the forecast and budget, in particular the technical aspects and the preparation process. The 2015 management letter had also been discussed along with an evaluation of the follow up of the 2014 points. It was concluded that significant progress had been made on all points. The Group's tax position, the financing facilities and Supply Chain Finance and, finally, the impact of legislation on data security which will come into force in 2016 were discussed.

The chairman of the Remuneration and Appointment Committee then reported on progress on recruiting two new supervisory directors.

The 2016 budget was explained at length to the Board which then approved it. Finally, we discussed and approved the new whistleblower's scheme and the new regulations on ownership and transactions in Sligro Food Group shares.

First meeting in 2016

The first meeting of 2016 examined and discussed the 2015 results. The chairman of the Audit Committee then reported on its first meeting, which was also about the 2015 results.

The auditors again reported that there were no material audit issues relating the 2015 financial year requiring follow-up on the part of the Executive Board and/or Supervisory Board. We concur with the conclusions of the Executive Board on risk management and control systems as set out on page 76.

The chairman of the Remuneration and Appointment Committee reported on its first meeting, which had discussed the appointment of Ms van Leeuwen and Mr Rijna as new supervisory directors and the reappointment of Mr Karis. The same meeting also fixed the amount of the variable remuneration for the Executive Board members, based on the criteria and approved remuneration policy adopted a year earlier. The remuneration policy and proposed changes to it were discussed.

The preparations for the general meeting of shareholders were also on the agenda.

In addition to the scheduled meetings, the chairman of the Supervisory Board holds regular talks with the Executive Board and/or Supervisory Directors. In addition to the five meetings mentioned above, the Supervisory Board met alone on three occasions. The Supervisory Directors also held individual meetings in consultation with the Executive Board with key company staff.

In 2015, a member of the Supervisory Board was present as observer at a consultative meeting with the Works Council. As usual in the case of the Group, we are pleased to report that the Executive Board and Works Council conduct their meetings in a frank and constructive atmosphere.

Executive Board conditions of employment

The policy on Executive Board remuneration is published on the company's website. There were no changes in this policy during the year. The Executive Board's remuneration is set out each year in the financial statements.

Its main points are that:

- the remuneration policy is drawn up by the Supervisory Board and adopted by the general meeting of shareholders;
- the policy must make it possible to attract qualified people as members of the Executive Board;
- the remuneration policy is performance-related, but must also be reasonably in line with that applying to other managers.

The remuneration package consists of:

- a fixed annual salary;
- a short-term bonus plan;
- a long-term bonus plan, which has to be converted into shares;
- a long-term share-option plan, which also has to be partly converted into shares;
- defined-contribution pension scheme;
- various other fringe benefits.

Once every three years, the remuneration package is benchmarked against a reference group comprising around 20 companies.

Both the short-term and long-term bonus plans pay out amounts equal to 30% of fixed salary if targets are met. In 2015, achievement of the forecast profit counted 50% towards the bonus, the remaining 50% depending on implementation of the 2015 Kicking Costs programme, the introduction of Supply Chain Finance, the next phase of CSR and the introduction van the EMTÉ new format generation.

The ratio of total bonus to fixed salary represents an appropriate level of incentive. The remuneration policy is based on the principle that the variable component of an individual's salary should not be disproportionate to the fixed component or the total remuneration. As bonuses under the long-term bonus plan and the option plan have to be taken in shares that are subject to transfer restrictions, the variable element of the remuneration package also focuses on the creation of long-term value.

In 2015, the variable remuneration was 110% (2014: 38%) of the 'at target' level. The main reason that the 'at target' level was exceeded was the achievement of the profit and meeting the targets for the Kicking Costs programme for 2015. The Supply Chain Finance programme was introduced during the autumn of 2015 and the first pilot store in the new EMTÉ format opened in Dieren in November 2015. The agreed progress was made on the CSR agenda. Details of Executive Board remuneration are contained in note 6 of the financial statements on page 123.

Departures from the corporate governance code

The members of Sligro Food Group's Executive Board have contracts for indefinite periods of time, in contravention of the Dutch Corporate Governance Code. This departure from the Code, which has been approved by the general meeting of shareholders, is consistent with our aim of offering comparable members of management similar remuneration packages and, wherever possible, facilitating recruitment from within the organisation. The period of notice which Executive Board members are required to give is three months. By law, the minimum notice which the company can give is six months. The conditions of employment for Executive Board members do not contain any severance pay clauses. This has to do with the longer period of notice for the company. A change in the law has limited termination payments to a maximum of one year's salary with effect from 1 July 2015. The general meeting of shareholders has also approved this departure from the Code.

Board changes

Ms Burmanje and Mr Latenstein van Voorst will be retiring from the company's Supervisory Board at the General Meeting of Shareholders, having served the maximum term of office of eight years pursuant to the Articles of Association. We owe them an enormous debt of gratitude for the contributions they have made to the further development of Sligro Food Group over the past eight years.

In view of the retirement of Ms Burmanje and Mr Latenstein van Voorst, it is proposed to appoint Ms Marianne Van Leeuwen and Mr Freek Rijna to our Supervisory Board.

Ms Van Leeuwen was CEO at Reed Business Nederland until 2011. She currently chairs the Supervisory Board of AEB Amsterdam and is a member of the Supervisory Board of Sonepar Nederland and of ANP Holding.

Mr Rijna worked for FrieslandCampina from 1994 to 2015, latterly as member of the Executive Board. Mr Rijna currently sits on the Supervisory Board at Frisian Flag Indonesia and at FrieslandCampina Vietnam.

Ms Van Leeuwen and Mr Rijna both have a track record that makes them good successors to the departing members of our Board. More comprehensive CVs will be appended to the agenda for the General Meeting of Shareholders, which is due to be published on 10 February.

It is also proposed to reappoint Mr Karis as member of the Supervisory Board for a second and final term of office. During his first term of office, Mr Karis drew on his background in retail and showed an expert appreciation of the corporate policy and the management of the business.

Financial statements

The 2015 financial statements have been prepared by the Executive Board. The financial statements were discussed at a meeting attended by the auditors, who provided further information on them. The financial statements have been audited by Deloitte, whose unqualified audit report can be found in 'Other Information' on page 152.

We invite you to:

- adopt the 2015 financial statements;
- adopt the proposed profit distribution;
- ratify the Executive Board's conduct of the company's affairs;
- ratify the supervision exercised by our Board.

In 2015, the Executive Board 'upped the game'. The CSR, Kicking Costs and Supply Chain Finance targets were all achieved and major progress was made in rolling our Sligro 3.0 and Sligro Online 3.0, the start of the new format generation at EMTÉ and the development of Sligro Belgium. This has set the foundations for Building the Future in 2016. We are indebted to the Executive Board and the workforce for the huge effort that was required for this in the past year.

Veghel, 29 January 2016

A. Nühn, chairman
Th.A.J. Burmanje
B.E. Karis
R.R. Latenstein van Voorst
J.H. Kamps

SUPERVISORY BOARD

A. Nühn (62)
Supervisory Director, Dutch nationality (m). Appointed in 2009 until 2013, reappointed to 2017 and not eligible for reappointment thereafter. Supervisory Director of HG International, Anglovaal Industries, Cloetta, Plukon Food Group (Chairman) and Kuoni AG and member of the Board of Trustees of WWF-Netherlands (World Wide Fund for Nature) and the CBR (agency for driving proficiency).

Th.A.J. Burmanje (61)
Supervisory Director, Dutch nationality (f). Appointed in 2008, reappointed in 2012 until 2016 and not eligible for reappointment thereafter. Chair of the Dutch Land Registry Board. Member of the Supervisory Board of Deltares and of the Netherlands School of Public Administration, member of the Supervisory Board of ARN B.V. and Zeeman textielSupers and Supervisory Board chairman of Canisius Wilhelmina Ziekenhuis.

B.E. Karis (57)
Supervisory Director, Dutch nationality (m). Appointed in 2012 and eligible for reappointment. Chairman of the Executive Board of Zeeman textielSupers.

R.R. Latenstein van Voorst (51)
Supervisory Director, Dutch nationality (m). Appointed in 2008, reappointed in 2012 until 2016 and not eligible for reappointment thereafter. COO of Dasym and senior advisor at Roland Berger.

J.H. Kamps (56)
Supervisory director, Dutch nationality (m). Appointed in 2015 and eligible for reappointment. CFO of Boskalis.

The composition of the Supervisory Board is consistent with the required profile.

All the members of the Supervisory Board are independent in accordance with the best-practice provisions of article III.2.2 of the Dutch Corporate Governance Code.

From left to right: B.E. Karis, Th.A.J. Burmanje, J.H. Kamps, A. Nühn, R.R. Latenstein van Voorst.

Onze kleine
smaakmakers
Cherry pruim oranje
Cherry geel
Cherry rood
Avocado
0.99

Komkommer
2.69

FINANCIAL STATEMENTS

2015

Sligro Food Group N.V.

Consolidated PROFIT AND LOSS ACCOUNT for 2015

(x € million)

	Note	2015	2014	2013[1)]
Net sales	**2, 3**	**2,670**	**2,572**	**2,498**
Cost of sales		(2,050)	(1,976)	(1,920)
Gross margin		**620**	**596**	**578**
Other operating income	**4**	**2**	**5**	**5**
Staff costs	5	(281)	(271)	(265)
Premises costs		(59)	(62)	(63)
Selling costs		(23)	(24)	(22)
Logistics costs		(79)	(77)	(72)
General and administrative expenses		(20)	(18)	(18)
Impairments		(0)	(3)	(2)
Depreciation of property, plant and equipment	11	(38)	(40)	(41)
Amortisation of intangible assets	10	(19)	(17)	(12)
Total operating expenses		**(519)**	**(512)**	**(495)**
Operating profit	**2**	**103**	**89**	**88**
Finance income and expense	8	(4)	(4)	(4)
Share in results of associates	13	6	1	3
Profit before tax		**105**	**86**	**87**
Income taxes	9	(24)	(17)	(19)
Profit for the year		**81**	**69**	**68**
Attributable to shareholders of the company		**81**	**69**	**68**

Figures per share		**€**	**€**	**€**
Basic earnings per share	20	1.84	1.58	1.55
Diluted earnings per share	20	1.84	1.58	1.55
Proposed dividend	19	1.20	1.10	1.05

1)) This concerns the comparative figures for the year taken from the 2014 financial statements.

Consolidated statement
OF RECOGNISED INCOME AND EXPENSE
for 2015

(x € million)

	2015	2014	2013[1)]
Profit for the year	81	69	68
Items never recognised in the profit and loss account:			
Actuarial gains and losses on defined-benefit plans, net of tax		(3)	(2)
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	(2)	(1)
Reclassified to consolidated profit and loss account		0	0
	2	(2)	(1)
Income and expense recognised directly in shareholders' equity	2	(5)	(3)
Recognised income and expense for the year	**83**	**64**	**65**
Attributable to shareholders of the company	**83**	**64**	**65**

1) This concerns the comparative figures for the year taken from the 2014 financial statements.

Consolidated
CASH FLOW STATEMENT
for 2015

(x € million)

	Note	2015	2014[2]	2013[1) 2)]
Receipts from customers		2,953	2,845	2,710
Other operating income		2	1	3
		2,955	2,846	2,713
Payments to suppliers		(2,439)	(2,344)	(2,231)
Payments to employees		(157)	(148)	(143)
Payments to the government		(196)	(184)	(185)
		(2,792)	(2,676)	(2,559)
Net cash generated from operations	30	163	170	154
Interest received and paid		(4)	(4)	(4)
Dividend received from associates	13	3	4	5
Corporate income tax paid		(22)	(23)	(22)
Net cash flow from operating activities		**140**	**147**	**133**
Acquisitions/investments	1	(11)	(17)	(19)
Capital expenditure on property, plant and equipment/ investment property/assets held for sale	11	(51)	(60)	(35)
Receipts from disposal of property, plant and equipment/ investment property/assets held for sale		0	7	6
Capital expenditure on intangible assets	10	(11)	(16)	(4)
Investments in/loans to associates	13	(0)	(5)	(1)
Repayments by associates	13	0	0	2
Net cash flow from investing activities		**(73)**	**(91)**	**(51)**
Repayment of long-term borrowings	22		(53)	
Change in own shares		1	(1)	(3)
Dividend paid		(48)	(63)	(46)
Net cash flow from financing activities		**(47)**	**(117)**	**(49)**
Movement in cash, cash equivalents and short-term bank borrowings		**20**	**(61)**	**33**
Opening balance		74	135	102
Closing balance		**94**	**74**	**135**

1) This concerns the comparative figures for the year taken from the 2014 financial statements.
2) Restated for comparison purposes.

Consolidated
BALANCE SHEET
as at 2 January 2016 before profit appropriation

(x € million)

ASSETS	**Note**	**02-01-2016**	**27-12-2014**	**28-12-2013[1)]**
Goodwill	10	126	126	126
Other intangible assets	10	67	72	53
Property, plant and equipment	11	315	295	286
Investment property	12	19	15	13
Investments in associates	13	48	45	43
Other financial assets	13	25	9	5
Total non-current assets		**600**	**562**	**526**
Inventories	14	220	213	192
Trade and other receivables	15	144	146	140
Other current assets	16	9	9	7
Assets held for sale	17	4	8	6
Cash and cash equivalents	18	94	74	135
Total current assets		**471**	**450**	**480**
Total assets		**1,071**	**1,012**	**1,006**

EQUITY AND LIABILITIES	**Note**	**02-01-2016**	**27-12-2014**	**28-12-2013**
Paid-up and called capital		3	3	3
Reserves		603	567	568
Total shareholders' equity attributable to shareholders of the company	19	**606**	**570**	**571**
Deferred tax liabilities	9	25	27	28
Employee benefits	5	4	4	4
Other provisions	21	0	0	0
Bank borrowings	22	138	124	119
Total non-current liabilities		**167**	**155**	**151**
Current portion of long-term borrowings	22			53
Bank borrowings	22	0	0	0
Trade and other payables	31	207	200	148
Corporate income tax	9	6	0	4
Other taxes and social security contributions	23	26	33	33
Other liabilities, accruals and deferred income	24	59	54	46
Total current liabilities		**298**	**287**	**284**
Total equity and liabilities		**1,071**	**1,012**	**1,006**

1) This concerns the comparative figures for the year taken from the 2014 financial statements.

Consolidated statement of **CHANGES IN EQUITY** for 2015 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 28-12-2013	**3**	**31**	**551**	**3**	**(4)**	**(13)**	**571**
Transactions with owners							
Share-based payments			(1)				(1)
Dividend paid			(63)				(63)
Change in 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**
Transactions with owners							
Share-based payments			0				0
Dividend paid			(48)				(48)
Change in own shares						1	1
	0	0	(48)	0	0	1	(47)
Total realised and unrealised results							
Profit for the year			81				81
Investment property			(0)	0			
Cash flow hedge					2		2
	0	0	81	0	2	0	83
Balance as at 02-01-2016	**3**	**31**	**585**	**4**	**(4)**	**(13)**	**606**

NOTES
to the consolidated financial statements

A. General

Sligro Food Group N.V. is based in Veghel, the Netherlands. The consolidated financial statements comprise the financial information of the company itself and that of its subsidiaries (together referred to as the Group).

B. Financial year

Under the Articles of Association, the financial year coincides with the calendar year. The year is actually closed on the last Saturday of the financial year in accordance with the international system of week numbering and thus on 2 January 2016 in the year under review. The 2015 financial year has 53 weeks. The comparative figures for the 2014 and 2013 financial years relate to 52 weeks. The 2016 financial year will consist of 52 weeks.

C. Compliance with IFRS

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union (EU-IFRS). The financial statements were authorised for issue by the Executive Board on 29 January 2016.

D. Accounting policies used in the preparation of the consolidated financial statements

The financial statements are presented in millions of euros, except where otherwise indicated. The euro is the functional currency. The percentages are calculated on the underlying figures in thousands. The historical cost convention has been applied except for investment property and derivative instruments, which are stated at fair value. Assets held for sale are recognised at the lower of their existing carrying amount and fair value, less costs to sell.

The preparation of the financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Estimates and associated assumptions are based on historical experience and other factors that are believed to be reasonable in the circumstances. Their outcome forms the basis for the judgement on the carrying amounts of assets and liabilities which cannot easily be determined from other sources. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised if the revision only affects that period, or in the revision period and any future periods affected if the revision affects the current and future periods.

The carrying amounts of qualifying assets are tested for indications of impairment. If there are any such indications, the recoverable amount of the asset is estimated on the basis of the present value of the expected future cash flows or the fair value less costs to sell. An impairment loss is recognised if the carrying amount is higher than the recoverable amount. The accounting policies set forth below have been consistently applied relative to 2014.

E. New standards and interpretations

The Group has elected not to apply the new standards IFRS 9 Financial Instruments, IFRS 15 Revenue from Contracts with Customers and IFRS 16 Leases ahead of time. These standards are not expected to have any material impact on the Group's financial statements.

F. Specific choices under IFRS

In some instances, IFRS permits various options in the application of accounting principles. The most important choices are explained below:

MEASUREMENT OF FAIR VALUE

A number of accounting policies and disclosures require the measurement of fair value.

The Group periodically reviews the significant changes in value. Where fair value measurement is based on external information, the Group assesses the documentary evidence of fair value obtained from the third parties concerned to verify that the amounts arrived at satisfy IFRS requirements, including the hierarchical level of the fair values into which such measured amounts are classified. More information on the assumptions underlying the measurement of fair value is contained in the following notes:

	Accounting policy
Investment property	F
Other financial assets, fair value hedge	H_2
Assets held for sale	H_{13}
Bank borrowings	H_2

PROPERTY, PLANT AND EQUIPMENT

IFRS allows the option of measuring property, plant and equipment (or individual assets) at either cost or fair value. Sligro Food Group opted for cost-based treatment since this involves a more straightforward calculation in our specific business.

INVESTMENT PROPERTY

IFRS allows the option of measuring investment property at either cost or fair value. The investment property comprises supermarket premises leased to Group franchisees. In contrast to the other property included in property, plant and equipment, the fair value is unequivocal. Moreover, the Group may not be the owner of these premises but may be subletting them. This property accordingly has the nature of a financial investment and the fair value provides a more accurate view of the economic performance. The existence of a transparent property market for supermarket premises means that the fair value can be calculated by applying a typical market capitalisation factor to the rental income.

CASH FLOW STATEMENT

IFRS allows the cash flow statement to be prepared using either the direct method or the indirect method, albeit with a preference for the direct method, and this is the method adopted by the Group as it provides the most accurate view of the actual cash flows. A reconciliation with the indirect method is included in note 30.

G. Accounting policies of a more critical nature

G_1 NET SALES

This is the proceeds from the sale of goods and services to third parties, net of value added tax, volume, other discounts and the value of loyalty programmes. Sales made in partnership with suppliers of fresh produce are also included. Some product lines are supplied directly to the stores of supermarket franchisees. However, since the contract terms, commercial management and financial settlement are arranged by the Group, the amounts concerned are included in the Group's revenue. Sales are recognised when the significant risks and rewards of ownership have been transferred to the purchaser or the service has been performed.

G_2 COST OF SALES

This is made up of the cost of purchasing the goods supplied. Bonuses, promotional payments and payment discounts received from suppliers are deducted from the purchase cost. Various types of compensation are received from suppliers, the two main ones being:

i Temporary price reductions, usually relating to special offers to customers with the aim of increasing direct sales volumes. In most cases, the supplier actually charges the lower purchase price for the agreed period but sometimes the normal price is charged and the discount is invoiced separately by the Group, based on the quantities sold. The benefit of temporarily lower purchase prices is reflected directly in the cost of sales and therefore at least partially offsets the lower selling prices charged to customers.

ii Bonuses, usually based on annual agreements. Sometimes the bonus is a fixed or graduated percentage of the purchase value of total purchases (or an increase therein). Usually, advance payments on the bonus are received. As well as bonuses, the annual agreements frequently contain arrangements on promotional payments, usually subject to various forms of commercial collaboration. Promotional payments may be either absolute amounts or fixed or graduated percentages of the purchase value. Where receipt of a bonus can be expected with reasonable certainty, it is reflected in the carrying amount of inventories. Promotional payments are not deducted from inventories because they are intended to cover the selling costs.

G_3 GOODWILL AND OTHER INTANGIBLE ASSETS

All acquisitions are accounted for using the purchase method. With effect from 2010, goodwill is recognised in respect of the difference between the fair value of the purchase price payable and the initially recognised amount (generally the fair value) of the identifiable assets and liabilities acquired.

In the case of acquisitions prior to 28 December 2003, goodwill is the amount calculated according to the previously applicable accounting standards. Goodwill is carried at cost less any cumulative impairment losses. Goodwill is allocated to cash-generating units. Goodwill is not amortised but tested for impairment annually, or when there is an indication of impairment. In the case of associates, the goodwill is reflected in the carrying amount of the investment. All other intangible assets are carried at cost less straight-line amortisation over the estimated useful life of the assets concerned which, in the case of supermarket stores, is estimated at ten years and, in the case of customer bases in Foodservice, also ten years. Where long-term customer accounts stem from specific sign-up fees with customers, the life of the asset is the same as the period of the contract. Impairment tests are performed when there are indications that they are required. The cost of internally generated goodwill and trademarks is expensed. Software developed by third parties is capitalised at cost, provided its technical feasibility has been demonstrated. Internally developed software, provided it satisfies a number of criteria including technical feasibility, is similarly capitalised. Software maintenance costs are expensed. Capitalised software is amortised over three years using the straight-line method.

G_4 PROPERTY, PLANT AND EQUIPMENT

Items of property, plant and equipment are carried at cost less straight-line depreciation based on the estimated useful life of the assets concerned. Cost includes directly attributable finance costs where the effect is material as regards amount or term to maturity. Where assets are made up of parts with different useful lives, each part is treated as a separate item (component approach). The maximum depreciation period for alterations to rented premises is the remaining term of the lease. Where necessary, impairment losses are recognised.

The applicable depreciation percentages are:

Land	Nil
Buildings/alterations	3 to 12½
Retail premises	3⅓
Plant and equipment	12½ to 33⅓
Other	20 to 33⅓

H. Other accounting policies

H_1 FOREIGN CURRENCY

Transactions denominated in foreign currencies are translated at the spot rate on the transaction dates. Receivables and payables are translated at the exchange rate on the balance sheet date, with exchange differences recognised in the profit and loss account. As all the Group's subsidiaries, associates and joint ventures are Dutch or Belgian companies there is no translation risk. The treatment of financial derivatives is described below.

H_2 FINANCIAL INSTRUMENTS

Non-derivative financial instruments

Non-derivative financial instruments comprise other financial assets, trade and other receivables, other current assets, cash and cash equivalents, bank borrowings, trade and other payables and other liabilities and accruals.

Derivative financial instruments

The Group makes use of financial derivatives to hedge the exchange rate and interest rate risks associated with its operating and financing activities. In accordance with its treasury policy, the Group neither holds nor issues derivatives for trading purposes. However, derivatives which do not meet the criteria for hedge accounting are treated as trading instruments. Derivative financial instruments are recognised at fair value. The gain or loss on revaluation to fair value is recognised immediately in the profit and loss account. If derivatives do, however, meet the criteria for hedge accounting, recognition of any resulting gain or loss depends on the nature of the item that is hedged, as explained below.

The fair value of forward interest rate and exchange rate contracts is the estimated amount that the Group would have to pay or would receive if the instruments were cancelled on the balance sheet date. This information is provided by statements obtained from reputable financial institutions which act as the counterparties. A positive fair value of derivatives is recognised as other financial assets and a negative fair value is included in long-term debt.

Hedging

Cash flow hedge

When a derivative financial instrument is designated as a hedge associated with the variability of the cash flows (due to interest rates and exchange rates) from a recognised liability, the effective portion of a gain or loss on the derivative financial instrument is recognised in equity (via the statement of recognised income and expense). This item is transferred to the profit and loss account in the same period or periods in which the underlying liability affects the result. The ineffective portion of any gains or losses is recognised immediately.

Hedging monetary assets and liabilities

Where a derivative financial instrument is used to hedge the currency risk on a recognised monetary liability, hedge accounting is in principle not used, meaning that the gain or loss on exchange is recognised in the profit and loss account.

H_3 OTHER OPERATING INCOME

This item includes rental income from investment and other property. It also includes any gains and losses in the fair value of investment property and book profits or losses on the sale of such property and on the disposal of assets included in property, plant and equipment, together with similar income.

H_4 EXPENSES - GENERAL

The presentation of expenses is based on classification by nature. The same classification is used for internal reporting purposes. Expenses are recognised in the year to which they relate. Rents and operating lease instalments are charged to the profit and loss account on a straight-line basis over the periods of the contracts concerned.

H_5 EMPLOYEE BENEFITS

i Defined-contribution plans

Pension scheme contribution liabilities under defined-contribution plans are recognised as an expense in the profit and loss account when the contributions fall due. This is the case for almost all of the Group's schemes providing privately insured benefits to top up state benefits including the schemes provided by EMTÉ Supermarkten and for certain groups of employees, such as fruit and vegetable and meat department staff, which are covered by industry pension funds. These arrangements are classed as a defined-contribution plan because the Group is only under obligation to pay the agreed level of contributions and does not bear any additional actuarial or other risks in respect of the accrued length of service.

ii Defined-benefit plans

The new pension scheme provided by Stichting Pensioenfonds Sligro Food Group replaced the old defined-benefit pension arrangements, with effect from 1 June 2014, and qualifies under IAS 19 as a collective money purchase arrangement, i.e. defined-contribution plan. The old scheme was terminated at the end of May 2014, resulting in a non-recurring accounting (i.e. non-cash) gain on pensions of €4 million before tax in 2014. The new scheme has minimal impact on the cost of the actual pension contributions borne by the Group.

iii Other long-term employee benefits

The Group's net obligation in respect of long-service benefits is the amount of the future benefits attributable to employee service in the reporting period and prior periods. The obligation is measured using the projected unit credit method and calculated at present value.

iv Option rights

The share option plan in force until 2014 gave a broad group of employees the option of acquiring Sligro Food Group N.V shares. The fair value of the share options is accounted for as staff costs, with a corresponding addition to shareholders' equity and liabilities. Since the options are granted unconditionally, the fair value of the options is expensed in the year in which the options are granted. The options are payable half in shares and the other half in either shares or cash. The first 50% is therefore treated as being 'equity settled', with the cost expensed and a corresponding addition to shareholders' equity, with no further adjustments. The second 50% is treated as being 'cash settled', with the cost expensed and a corresponding increase in the liabilities, this latter item being adjusted each year through profit or loss, depending on the movements in the fair value of the position.

A change has been made to the share option plan with effect from 2015, award of the options (Groen Bloed Certificaten- 'Green Blood Depositary Receipts') becoming conditional on continued service from 2015 onwards. The fair value of the options is amortised on a straight-line basis over the vesting period of the option rights. Profit-sharing granted with effect from 2015 is payable entirely in shares. These shares are then frozen for one year for staff and for four years in the case of management. These options are treated as 'equity settled' in their entirety.

H_6 FINANCE INCOME AND EXPENSE

These items are interest and similar costs payable to third parties and interest receivable from customers in respect of loans granted and/or deferred payments. The calculation is made using the effective interest method.

H_7 SHARE IN RESULTS OF ASSOCIATES

This concerns the Group's share in results of associates.

H_8 INCOME TAXES

The tax charge shown in the profit and loss account comprises the corporate income tax payable for the year together with any movements in deferred tax except where such liabilities relate to items that are accounted for directly in equity. The corporate income tax payable for the year is the expected amount of tax payable on the taxable profit, taking account of any adjustments in respect of the tax liability in preceding years. The tax burden is affected by tax facilities and costs which are not deductible or only partially deductible for tax purposes.

The provision for deferred tax liabilities results from temporary differences between accounting policies used for tax purposes and for reporting purposes. No provisions have been formed in respect of goodwill that is not tax-deductible and in respect of investments in associates qualifying for the substantial-holding exemption. The amount of the provision is calculated at the tax rate applicable on the balance sheet date or the rate (substantively) enacted at the balance sheet date.

H_9 INVESTMENT PROPERTY

Investment property is carried at fair value, which is based on the market value, as derived from a capitalisation factor applied to the rental income, and also depending on the expected long-term continuity as supermarket premises. The capitalisation factor applied is generally between 10.5 and 13 times the rental income but, in the case of some less viable premises, a lower valuation may be applied. The internally determined capitalisation factor is regularly reviewed by reference to external market data, such as professional appraisals. As already disclosed under H_3, rental income and any fair value gains and losses are included in other operating income.

H_{10} FINANCIAL ASSETS

Investments in associates are accounted for using the equity method and, at initial recognition, are stated at cost, including goodwill, but excluding associated transaction costs, with a carrying amount of not less than nil, unless the Group is under an obligation to absorb losses either partially or entirely. Unrealised intragroup results are eliminated. Other financial assets mainly comprise interest-bearing loans to customers and loans to associates. The loans are carried at amortised cost less any impairment losses.

H_{11} INVENTORIES

Inventories are carried at the lower of cost, using the FIFO method, or market value, which is taken as being the estimated sales value in normal circumstances, less selling costs. The carrying amount includes allowances for internal distribution, whereas bonus discounts are deducted.

H_{12} TRADE AND OTHER RECEIVABLES AND OTHER CURRENT ASSETS

Trade receivables are initially carried at fair value and subsequently at amortised cost less any impairment losses.

H_{13} ASSETS HELD FOR SALE

Assets held for sale are recognised at the lower of carrying amount or fair value, less costs to sell. On classifying assets as being held for sale, any impairment losses are taken to the profit and loss account. If necessary, valuation is based on external appraisals.

H_{14} CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise cash balances and credit balances at banks and are carried at face value. Overdrafts forming an integral part of the Group's cash management and payable on demand are included in the cash flow statement in the movement in cash, cash equivalents and short-term bank borrowings.

H_{15} PROVISIONS

The provision for deferred tax liabilities is included at face value calculated at the prevailing or, if known, future tax rate and has already been explained in H_8.

The provision for employee benefits is explained in H5. The other provisions relate to existing obligations connected to risks relating to franchises and guarantees carried at the amounts estimated as probably being payable in the future. Where the effect is material, the carrying amount of the future obligation is discounted.

H_{16} INTEREST-BEARING DEBT

Interest-bearing debt is initially recognised at fair value less related transaction costs. The liabilities are subsequently carried at amortised cost determined using the effective interest method.

H_{17} OTHER LIABILITIES, ACCRUALS AND DEFERRED INCOME

These are carried at amortised cost.

I. Basis of consolidation

Subsidiaries are those entities over which Sligro Food Group N.V has control. Subsidiaries are fully consolidated. They are the wholly-owned companies Sligro Food Group Nederland B.V., Veghel, and Sligro Food Group International B.V., Veghel. Sligro Food Group International B.V. is the holding company of the 100% interest in Sligro België N.V., Antwerp. Sligro Food Group Nederland B.V. is the holding company for the following wholly-owned subsidiaries:

Foodservice

- Sligro B.V., Veghel.
- De Dis B.V., Ter Apel (86%).
- Van Hoeckel B.V., 's-Hertogenbosch.
- Horeca Totaal Sluis B.V., Sluis.
- Bouter B.V., Zoetermeer.

Food retail

- EMTÉ Franchise B.V., Veghel.
- EMTÉ Supermarkten B.V., Veghel.
  - EMTÉ Vleescentrale B.V., Veghel.
- EMTÉ Vastgoed B.V., Veghel.

The effectiveness of the Group's legal structure is appraised each year with a view to simplification where appropriate.

Associates are those entities in which the Group has significant influence, but not control, over the financial and operating policies. The consolidated financial statements include the share in the results of associates measured using the equity method. Subsidiaries and associates are included in the consolidation from the date on which control or significant influence is obtained to the date on which it ceases.

Intercompany items and any unrealised gains and losses on such transactions are eliminated in the preparation of the consolidated financial statements.

J. Segment information

Sligro Food Group reports its results according to the main segments of foodservice and food retail. This segmentation matches that of internal management information precisely.

In attributing the results to the main segments, a distinction is made between directly attributable income and expenses and assets and liabilities and those which are not directly attributable, the latter mainly concerning the Group's integrated back-office activities, which are attributed to the main segments using reasonable and consistently applied allocation methods.

K. Earnings per share

The Group reports both basic and diluted earnings per share (EPS). The net result per ordinary share is calculated on the basis of the profit attributable to the shareholders of the Group divided by the weighted average number of ordinary shares in issue during the year. In calculating the diluted earnings per share, the profit attributable to the shareholders of the Group and the weighted average number of ordinary shares in issue during the year are adjusted for the potential dilutive effect on the number of ordinary shares of share options awarded to staff.

NOTES
to the consolidated financial statements

1. Acquisitions, investments and disposals

One acquisition was made in 2015, namely that of the shares of CaterTech B.V., Zoetermeer. CaterTech is a specialist advisory, design and supply company for professional kitchens, catering equipment and refrigeration systems and also provides related installation and maintenance services. With its specialised range of own brands and licensed products (some on an exclusive basis) CaterTech focuses mainly on hotels, company restaurants, healthcare institutions, educational establishments and ships' galleys. CaterTech achieved sales of €22 million in 2014. The company has around 106 full-time equivalent employees. The takeover was completed on 6 July 2015 and the figures for CaterTech have been included in the consolidation as from July. With effect from 1 January 2016, CaterTech and all its subsidiaries have been merged into a single legal entity named Bouter B.V.
This acquisition added approximately €16 million to consolidated net sales in 2015. If this acquisition had formed part of the Group for the entire year, the sales figure would have been approximately €11 million higher.

Final financial settlement of the acquisition of the wholesale business of Rooswinkel Horeca Groothandel B.V. made in 2014 also took place in 2015. The purchase price depended on the achievement of certain criteria and the final payment was made accordingly, completing the acquisition.

An analysis of the acquired assets and equity and liabilities is as follows:

(x € million)

	2015	**2014**
Intangible assets	4	16
Property, plant and equipment	4	1
Inventories	4	2
Trade and other receivables	5	2
Cash and cash equivalents	0	3
Deferred tax liabilities	(1)	(3)
Employee benefits	(0)	(0)
Trade and other payables	(5)	(1)
Total identifiable net assets	11	20
Less: cash and cash equivalents	(0)	(3)
Debt-free purchase price [1)]	**11**	**17**

1) Included in the transaction with CaterTech were bank borrowings of €5 million, which have been deducted in arriving at the purchase price for the shares.

2. Segment information

The results and net capital employed can be analysed by segment as follows:

(x € million)

	Foodservice		Food Retail		Total	
	2015	**2014**	**2015**	**2014**	**2015**	**2014**
Net sales[1]	**1,829**	**1,749**	**841**	**823**	**2,670**	**2,572**
Other operating income	1	4	1	1	2	5
Total income	**1,830**	**1,753**	**842**	**824**	**2,672**	**2,577**
Operating profit	**89**	**83**	**14**	**6**	**103**	**89**
Finance income and expense					(4)	(4)
Share in results of associates	2	1	4	0	6	1
Income taxes					(24)	(17)
Profit for the year					**81**	**69**
Segment assets	698	660	213	230	911	890
Associates	13	13	35	32	48	45
Unallocated assets					112	77
Total assets	**711**	**673**	**248**	**262**	**1,071**	**1,012**
Segment liabilities	213	202	86	85	299	287
Unallocated equity and liabilities					772	725
Total equity and liabilities	**213**	**202**	**86**	**85**	**1,071**	**1,012**
Net capital employed[2]	486	458	127	145	613	603
Net interest-bearing debt[3], provisions and associates					(7)	(33)
Group equity					**606**	**570**
Staff costs	180	170	101	101	281	271
Number of employees[4]	3,258	3,165	2,482	2,669	5,740	5,834
Capital expenditure[5]	52	56	8	7	60	63
Disposals[5]	(0)	(3)	(0)	(0)	(0)	(3)
Investment in customer bases	3	11	1	0	4	11
Depreciation[6] and amortisation software	33	33	10	14	43	47
Other amortisation	7	6	7	7	14	13

1) There are no transactions between the segments. 2) Excluding associates. 3) Interest-bearing debt less freely available cash and cash equivalents and the fair value of derivatives. 4) Certain head office staff who perform activities on behalf of the Group as a whole have been included in the Foodservice activities. 5) Involving property, plant and equipment, investment property, assets held for sale and software (at transaction level) 6) Including impairments.

3. Net sales

This is very largely made up of domestic sales of food and food-related non-food articles to consumers and retail traders (Food Retail), institutional customers, the hospitality sector, company restaurants and other large-scale caterers (Foodservice).

The analysis of revenue by activity is as follows:

(x € million)

	2015	2014
Foodservice	1,829	1,749
Food Retail	841	823
	2,670	**2,572**
Goods/services		
Goods supplied	2,648	2,551
Services rendered	22	21
	2,670	**2,572**

4. Other operating income

(x € million)

	Note	2015	2014
Investment property rental income	12	2	2
Fair value adjustments on investment property	12	(0)	0
Other rental income		1	1
Book profit (loss) on sale of property, plant and equipment and other incidental gains and losses	11	(1)	2
		2	**5**

5. Employee-related items

5.A. STAFF COSTS

Staff costs are made up as follows:

(x € million)

	Note	2015	2014
Salaries		204	194
Social security contributions		32	31
Net benefit expense on defined-benefit plans	5.c		0
Defined-contribution plan contributions		17	13
Share-based payments	5.e	0	1
Contract/temporary staff		12	17
Other staff costs		16	15
		281	**271**

5.B. EMPLOYEE BENEFITS PROVISION

This provision can be analysed as follows:

(x € million)

	Note	2015	2014
Post-employment benefits	5c		
Long-service benefits	5d	4	4
		4	**4**

5.C. PENSIONS AND PENSION FUNDS

Within the Group there are basically two pension schemes, connected with the two principal collective labour agreements covering the Group's activities.

There were changes to all the pension schemes mentioned below in 2015, in line with the new statutory rules, to bring the contribution rates within the band between permitted minimum and maximum pension base percentages.

Food Retail Chains CLA

The staff of EMTÉ Supermarkten come under this CLA. The pension scheme is administered by the Food Industry Pension Fund. It is an indexed average pay scheme, with indexation conditional on satisfactory funding. This arrangement is classed as a defined-contribution plan because the Group is only under obligation to pay the agreed level of contributions and does not bear any additional actuarial or other risks in respect of the accrued length of service. The industry pension fund has a reserve deficit. EMTÉ Supermarkten does not have any obligation beyond the payment of contributions. The level of contributions is linked to the pension base and is calculated in the same manner for all companies affiliated to the Pension Fund.

Other CLAs/industry-wide pension funds

A small proportion of the Group's employees is covered by other industry pension funds. The schemes are conditional indexed average pay schemes and the related pension funds also have reserve deficits. These arrangements, too, are classed as a defined-contribution plans because the Group is only under obligation to pay the agreed level of contributions and does not bear any additional actuarial or other risks in respect of the accrued length of service.

Food Wholesale Sector CLA

The other staff within the Group come under this CLA. The pension scheme for these employees is administered by Stichting Pensioenfonds Sligro Food Group. In 2014, agreement was reached on a new pension scheme for these employees. The treatment as a defined-benefit plan was discontinued at the end of May 2014 and has been treated as a defined-contribution plan since that date. The new scheme came into operation on 1 January 2015, with the contribution rate fixed for five years. The Group does not have any obligation beyond the payment of the agreed level of contributions.

The discontinuation of the old scheme at the beginning of June 2014 resulted in a non-recurring accounting (i.e. non-cash) gain on pensions of €4 million in 2014. From 1 June 2014 onwards, the net expense has been the same as the amount of the employer's contributions payable.

5.D. LONG-SERVICE BENEFITS

(x € million)

	2015	2014
Opening balance	4	4
Benefits paid	(0)	(0)
Benefit expense for the year	0	0
Actuarial result (also expensed) for the year	0	0
Closing balance	**4**	**4**

5.E. SHARE-BASED PAYMENTS (SHARE OPTION SCHEME)

The target group for the share option scheme in force until 2014 comprised approximately 40 individuals, awarded unconditional share options which vest immediately and can be exercised after 4 years. With effect from 2015, the award of share options for this group of individuals becomes conditional on continued service. The exercise price is the first ex-dividend price after the grant date. Under the share option scheme rules, at least 50% of any net gain (after tax) must be used to buy Sligro Food Group shares, which in turn will be locked up for four years. The number of share options awarded to Sligro Food Group N.V Executive Board members will be based on a fraction of their average base salary and the award ratio multiplied by a factor depending on the development in the total shareholders' return relative to a peer group, varying between 0% and 150%. The composition of the peer group forms part of the scheme, as approved by the General Meeting of Shareholders and published on the website. The peer group benchmarking in 2015 gives a factor of 75% (2014: 75%). The other members of the target group will receive, depending on category, 50% or 25% of the award made to the Executive Board members.

A change has been made to the share option plan with effect from 2015, award of the options (Groen Bloed Certificaten – 'Green Blood Depositary Receipts') becoming conditional on continued service from 2015 onwards. The fair value of the options is amortised on a straight-line basis over the period for which the option rights are valid. Profit-sharing granted with effect from 2015 is payable entirely in shares. These shares are then frozen for one year for staff and for four years in the case of management. These options are treated as 'equity settled' in their entirety.

Additionally, the target group for these options has been increased as from 2015. For many years, Sligro Food Group has had a share ownership plan for all its employees. Depending on the profit as a percentage of Group sales, staff receive a profit share as a percentage of their gross pay up to a maximum gross salary of €50,000, payable in the form of shares (50% of the profit share) and share options (50% of the profit share). Profit-sharing granted with effect from 2015 is payable entirely in shares. These shares are then frozen for one year for staff.

Prior to year-end 2014, shares were repurchased to match all options in issue as at the date of award, the shares concerned then being held by the foundation managing employee shares. In 2015, this will be done on the basis of expectations arrived at by applying the Black & Scholes formula explained below.

Movements in the number of options in issue were as follows:

	Number
Opening balance	570,000
Exercised	(147,000)
Awarded	419,885
Closing balance	**842,885**

The exercise price for the options exercised in 2015 was €23.62. The actual share price at the time of exercise was €36.79.

The analysis of the share options in issue as at year-end 2015 is as follows:

	Maturity	**Exercise price**	**Number**
23 March 2012	1 april 2016	24.13	137,200
22 March 2013	1 april 2017	24.64	122,000
21 March 2014	1 april 2018	28.63	163,800
20 March 2015	1 april 2019	38.41	419,885

For disclosures relating to the number of options awarded to the individual members of the Executive Board, reference is made to note 6.

The costs connected with this scheme have been calculated by independent experts, using the Black & Scholes Model and, for the award made in March 2015, amount to €1.8 million (2014: €0.4 million) over the entire vesting period of 4 years. The allocation for 2015 amounts to €0.3 million.

The calculations are based on the following assumptions:

- Risk-free interest rate: 0.17% (2014: 0.65%).
- Volatility: 19%, based on a 4-year historical average (2014: 18%).
- Dividend yield: 2.9% (2014: 4.0%).
- Vesting period: 4 years (2014: no change).

6. Remuneration of Executive Board and Supervisory Board

The remuneration charged to the profit and loss account for the company's Executive Directors in 2015 amounted to €2,366 thousands (2014: €1,892). The remuneration can be analysed as follows:

(x € 1,000)

	K.M. Slippens		R.W.A.J. van der Sluijs 1)	H.L. van Rozendaal 2)		W.J.P Strijbosch		Total	
	2015	**2014**	**2015**	**2015**	**2014**	**2015**	**2014**	**2015**	**2014**
Fixed salary	438	434	257	117	377	380	377	1,192	1,188
Short-term bonus	145	50	85	-	44	126	44	356	138
Long-term bonus	145	50	85	-	44	126	44	356	138
Pension contribution and compensation	103	98	45	38	118	89	85	275	301
Value of options	33	24	33	33	24	33	24	132	72
Voluntary social security contributions	11	10	4	1	9	9	9	25	28
Statutory social security contributions	9	9	9	3	9	9	9	30	27
Total	**884**	**675**	**518**	**192**	**625**	**772**	**592**	**2,366**	**1,892**

1) Refers to the whole of 2015.
2) Refers to the period January-April 2015.

The short-term and long-term bonuses are based on performance in the year in question and are paid in the following year. These bonuses are 50% (2014: 50%) determined by the extent to which the budgeted profit target is achieved. If less than 90% of the target is reached, the bonus is nil, whereas achieving the target will lead to a short-term bonus of 15% of the fixed salary (2014: 15%). If the target is exceeded, the bonus is increased in line with the percentage outperformance. For 2015, the other 50% depends on the achievement of the next phase of the CSR agenda, the introduction of Supply Chain Finance, the rollout of EMTÉ 3.0 'The Tastiest Supermarket' and the achievement of the 'Kicken op Kosten' cost-saving targets. The long-term bonus is equal to the short-term bonus but has to be used to purchase Sligro Food Group shares that then have to be held for at least four years. The 2015 bonuses were calculated at 110% of the target level (2014: 38%).

The value of the options concerns the number of options awarded in the year multiplied by the value of each option based on the formula stated in note 5.e. In relation to share and share option transactions, the acquirers are bound by insider trading rules. Additionally, transactions in shares are only allowed in the two weeks following publication of the results for the year, the interim results and the shareholders' meeting and on condition that there is no suggestion of inside information.

Voluntary social security contributions includes incapacity benefit plan insurance premiums. The members of the Executive Board are also able to claim expenses and a mileage allowance for using their own cars in connection with the business. Since these benefits serve to cover actual costs incurred and are not considered to form part of the remuneration as such, they have not been included in the above totals.

The annual remuneration for the chairman of the Supervisory Board, A. Nühn, was €48 thousands (2014: €40) and that of the other members of the Supervisory Board €34 thousands (2014: €32). The remuneration for the newly appointed Supervisory Board member in 2015 was €26 thousands. Members of the Supervisory Board also received attendance fees totalling €35 thousands (2014: nil). The remuneration is not performance-related. The total remuneration amounted to €211 thousands (2014: €136). No options have been awarded to the Supervisory Board, nor have any loans, advances or guarantees been granted to either the Executive Board or the Supervisory Board.

Movements in share and option ownership were as follows:

Equities	**Exercise price**	**K.M. Slippens**	**R.W.A.J. van der Sluijs**	**W.J.P Strijbosch**
Opening balance		92,708	1,484	5,304
Purchase		3,374	927	1,307
Sale				
Closing balance		**96,082**	**2,411**	**6,611**
Options				
Opening balance		38,000	14,100	28,200
Exercised	23,62	(9,800)	(2,450)	
Awarded	38,41	7,700	7,700	7,700
Closing balance		**35,900**	**19,350**	**35,900**

The actual share price at the time of exercise in 2015 was €36.79.

The number of options in issue as at year-end can be analysed as follows:

maturing on 1 April 2016	24.13	9,800	2,450	9,800
maturing on 1 April 2017	24.64	8,000	4,000	8,000
maturing on 1 April 2018	28.63	10,400	5,200	10,400
maturing on 1 April 2019	38.41	7,700	7,700	7,700
Closing balance		**35,900**	**19,350**	**35,900**

None of the members of the Supervisory Board owns any shares in the company or options to acquire the company's shares (2014: no change).

7. Audit fees

The fee for auditing the financial statements has been included in the general administrative expenses and in 2015 amounted to €280 thousands (2014: €220). The 2015 fees include an amount of €30 thousands in respect of additional costs relating to the audit of the preceding financial year. Other activities performed by the external auditors mainly concern other audit activities, including scrutiny of customer-related contracts, for which fees charged in 2015 by the auditors amounted to €45 thousands (2014: €33). The auditors are not engaged to perform consultancy work.

8. Finance income and expense

(x € million)

	2015	2014
Finance income from loans granted to customers and late payment credit charges received from customers, plus interest on tax paid in advance	0	1
Finance expense for finance-related obligations	(4)	(5)
	(4)	**(4)**

9. Income taxes

9.A.1. TAX (CORPORATE INCOME TAX)

A 'Horizontal Monitoring Covenant' was signed with the Dutch Tax and Customs Administration in 2014. A covenant of this kind lays down agreements reached between the tax authorities and the company and reduces the chance of 'surprises'. The Dutch tax system recognises a difference between the reported profit and taxable profit arising from differences between the carrying amount and tax base of intangible assets, property, inventories, receivables and provisions.

The tax charge in the profit and loss account can be analysed as follows:

(x € million)

	2015	2014
Tax for the year	25	20
Prior-year adjustments	2	(1)
Tax liability for the year	**27**	**19**
Taxes accounted for directly in recognised income		
Movement in cash flow hedge of long-term loan	(0)	0
Actuarial gains and losses on defined-benefit plans		1
	(0)	1
Movement in deferred tax liabilities	(3)	(3)
Tax shown in the profit and loss account	**24**	**17**

9.A.2. EFFECTIVE TAX BURDEN

The effective tax burden can be analysed as follows:

(x € million)

	2015	2014
Profit before tax	**105**	**86**
Tax burden at the standard rate of 25.0%	26	21
Prior-year adjustments	2	(1)
Other, including tax facilities and tax-exempt income, including tax-free results of associates, capital expenditure allowances and innovation allowances	(4)	(3)
Effective tax burden 22.8% (2014: 20.2%)	**24**	**17**

9.B. CURRENT TAX ASSETS AND LIABILITIES

The following current tax items were included as at year end:

(x € million)

	2015	2014
Assets		**0**
Liabilities	**6**	

As at year-end 2015, all wholly owned subsidiaries, with the exception of EMTÉ Vastgoed B.V., were included in the tax group for corporate income tax purposes. Tax is levied on the tax group as if it were one company. Implicit in this is that all the companies making up the tax group bear joint and several liability for the tax liabilities of the Group. The year-end position relates to the financial year concerned.

9.C. DEFERRED TAX LIABILITIES

These can be analysed as follows:

(x € million)

	2015	2014
Intangible assets	5	7
Property, plant and equipment	19	19
Inventories	1	1
Net liability	**25**	**27**

The deferred tax liabilities mainly relate to the recognition of intangible assets from acquisitions and to different carrying amounts for property, to which special tax rules apply. In addition, in past years, tax facilities allowing accelerated depreciation of capital expenditure as part of the measures to address the financial crisis were utilised. Investments of more than 5% in the share capital of other companies qualify for the substantial-holding privilege, under which profits and/or dividends are not taxed (and losses are also not deductible). The difference in the carrying amounts of such investments is therefore not taken into account in the calculation of the deferred tax liabilities.

Movements during the year were as follows:

(x € million)

	2015	2014
Opening balance	27	28
Acquisitions	1	2
Movements during the year	(3)	(3)
Movements in previous years		(0)
Closing balance	**25**	**27**

There are no deferred tax liabilities or assets that have not been recognised in the balance sheet.

10. Goodwill and other intangible assets

Movements in this item were as follows:

(x € million)

	Goodwill	Other intangible assets		
		Store locations and customer bases	Software	Total
At cost	130	103	20	123
Accumulated amortisation	(4)	(55)	(15)	(70)
Balance as at 28 December 2013	**126**	**48**	**5**	**53**
Reclassification		4		4
Capital expenditure		11	5	16
Acquisitions		16	0	16
Amortisation		(13)	(4)	(17)
Total movements	0	18	1	19
At cost	130	137	25	162
Accumulated amortisation	(4)	(71)	(19)	(90)
Balance as at 27 December 2014	**126**	**66**	**6**	**72**
Capital expenditure		4	7	11
Disposals				
Acquisitions		3	0	3
Amortisation		(14)	(5)	(19)
Total movements	0	(7)	2	(5)
At cost	130	144	33	177
Accumulated amortisation	(4)	(85)	(25)	(110)
Balance as at 2 January 2016	**126**	**59**	**8**	**67**

ALLOCATION OF GOODWILL TO CASH-GENERATING UNITS

Goodwill is allocated to cash-generating units as follows:

(x € million)

	2015	2014
Food Retail	30	30
Foodservice	96	96
	126	**126**

The cash-generating units are identified using the classification the Group applies to its operating segments.

The recoverable amounts of the Foodservice and Food Retail cash-generating units are based on a calculation of the value in use arrived at by taking the net present value of the estimated future cash flows that will be generated by the continued use of these cash- generating units. Based on this calculation, it has been concluded that the recoverable amount of both the Foodservice and the Food Retail cash-generating units is considerably higher than the carrying amount and that therefore no impairment loss needs to be recognised (2014: no change).

IMPORTANT ASSUMPTIONS USED IN THE ESTIMATES OF THE NET PRESENT VALUE OF THE CASH FLOWS

The basis is the average operating profit before amortisation (EBITA) in the preceding year and the budget for the current year, the reasonableness of the assumption being tested against the operating profits in earlier years. The main assumptions used in calculating the recoverable amount are the discount rate, the terminal growth rate and the rate of growth in EBITA, which are as follows:

DISCOUNT RATE (9%)

The discount rate before tax used for the Foodservice and Food Retail activities has been derived from the weighted average cost of capital (WACC) as used by financial analysts, adjusted to reflect a normalised capital structure.

TERMINAL GROWTH RATE (1%)

For the Foodservice and Food Retail activities, the net present value model is based on estimated cash flows over a period of five years. The terminal growth rate is derived from the nominal GDP growth rate in the Netherlands.

ESTIMATED EBITA GROWTH RATE (1%)

The estimated growth in EBITA is given by the compound annual growth over the first five years of the plans used for impairment testing and also takes account of past experience.

SENSITIVITY ANALYSIS

A sensitivity analysis has been performed on the assumptions used to estimate the net present value of the cash flows. If the discount rate is increased by 2%-points or the terminal growth rate is reduced by 2%-points, there is still ample room between the net present value and the carrying amount.

11. Property, plant and equipment

Movements in this item were as follows:

(x € million)

	Land and buildings	Plant and equipment	Other assets	Assets under construction	Total
At cost	380	66	236	11	693
Accumulated depreciation	(149)	(52)	(206)		(407)
Balance as at 28 December 2013	**231**	**14**	**30**	**11**	**286**
Capital expenditure	44	8	16	(10)	58
Disposals	(0)	(0)	(0)		(0)
Acquisitions		0	0		0
Transfer[1)]	(6)				(6)
Depreciation	(16)	(6)	(18)		(40)
Impairments	(3)	0	0		(3)
Total movements	19	2	(2)	(10)	9
At cost	408	71	247	1	727
Accumulated depreciation	(158)	(55)	(219)		(432)
Balance as at 27 December 2014	**250**	**16**	**28**	**1**	**295**
Capital expenditure	21	8	18	4	51
Disposals	(0)	(0)	(0)		(0)
Acquisitions	4		0		4
Transfer[1)]	3				3
Depreciation	(16)	(6)	(16)		(38)
Total movements	12	2	2	4	20
At cost	436	79	264	5	784
Accumulated depreciation	(174)	(61)	(234)		(469)
Balance as at 2 January 2016	**262**	**18**	**30**	**5**	**315**

1) Transferred from and to investment property and assets held for sale.

LEASED ASSETS

It is Group policy not to enter into finance lease contracts and there are in fact no such contracts.

ASSETS UNDER CONSTRUCTION

The Group is constantly acquiring, expanding and upgrading stores and distribution centres. On completion of a project, assets under construction are transferred to the relevant category of property, plant and equipment.

WHOLESALE OUTLETS, RETAIL STORES AND DISTRIBUTION CENTRES

Land and buildings can be analysed as follows:

(x € million)

	2015	2014
Land	75	68
Supermarket store premises	23	22
Buildings	107	102
Subtotal of properties owned	**205**	**192**
Land occupied by leased premises	3	3
Leasehold improvements	54	55
	262	**250**

The area of land totals 855,000 m^2 (2014: 823,000 m^2), of which 285,000 m2 (2014: 285,000 m^2) is accounted for by the central complex.

Company-owned premises can be specified as follows:

	Number		x 1,000 m^2		x € million	
	2015	2014	2015	2014	2015	2014
Cash-and-carry wholesale outlets	26	24	169	154	83	71
Customer distribution centres	5	5	82	81	34	35
Production companies	3	3	15	17	10	11
Central complex	1	1	136	136	42	45
Supermarkets operated by the Group	20	18	35	25	32	30
Other	4	-	10	-	4	-
	59	**51**	**447**	**413**	**205**	**192**

12. Investment property

(x € million)

	2015	2014
Opening balance	15	13
Capital expenditure	2	
Transferred from property, plant and equipment	2	2
Fair value adjustments	(0)	0
Closing balance	**19**	**15**

The investment property includes 8 (2014: 7) supermarket premises leased to franchisees on operating leases. The gross floor area amounted to 11,869 m^2 (2014: 9,510 m^2). The rental income is disclosed in note 4. The future minimum lease payments under non-cancellable leases are disclosed in note 26. The direct costs associated with the investment property amounted to €13 thousands (2014: €28). The leases are on normal terms. External appraisals were conducted in 2015 for validation purposes.

13. Investments in associates and other financial assets

(x € million)

	Note	2015	2014
Associates		**48**	**45**
Other financial assets			
Loans to associates			0
Loans to customers		7	7
Fair value of derivatives	22	18	2
		25	**9**

ASSOCIATES

The investments in associates are as follows:

(in %)

	2015	2014
Foodservice		
O. Smeding & Zn. B.V., Sint Annaparochie	49	49
M. Ruig & Zn. B.V., Oostzaan	25	25
G. Verhoeven Bakkerij B.V., Veldhoven	25	25
Slagerij Kaldenberg B.V., Herwijnen	33	33
Vemaro B.V., Venlo	40	40
Coöperatieve Inkoopvereniging Superunie B.A., Beesd		
Food Retail		
Spar Holding B.V., Waalwijk	45	45
Super Direct Retail B.V.[1], Zaltbommel	37	37

1) In insolvency.

The carrying amounts of the investments in associates derive from the most recently published figures. All the investments, with the exception of that in Super Direct Retail B.V., are of a strategic nature. Voting rights are equal to the percentage interest in each case.

Movements in investments in associates were as follows:

(x € million)

	2015	2014
Opening balance	45	43
Investments and disposals	(0)	5
Share in results	6	1
Dividend	(3)	(4)
Closing balance	**48**	**45**

The summarised financial information for the associates, on the basis of a 100% interest as shown by their most recent financial statements (i.e. 2014 or 2013) , is as follows:

(x € million)	Spar Holding B.V.		Other associates	
	2015	**2014**	**2015**	**2014**
Assets	77	75	68	65
Liabilities	49	40	55	57
Shareholders' equity	28	35	13	8
Net sales	439	454	924	827
Net earnings	1	6	5	0

OTHER FINANCIAL ASSETS

The loans to customers have maturities averaging several years and are usually at market interest rates, although some are interest-free.

14. Inventories

Inventories were made up as follows:

(x € million)

	2015	**2014**
Central distribution centre	64	64
Stores and regional distribution centres	146	139
Packaging deposits	8	8
Stock in transit	2	2
	220	**213**

In the carrying amount of inventories a provision for obsolescence is included for an amount of €6 million (2014: €7).

15. Trade and other receivables

(x € million)

	2015	**2014**
Trade receivables	88	89
Suppliers	56	57
	144	**146**

Receivables from suppliers represent bonuses, promotional allowances and credit notes not yet settled. The carrying amount of the trade receivables has been written down to fair value by an amount of €4 million (2014: €4).

The movements in this item were as follows:

(x € million)

	2015	**2014**
Opening balance	4	3
Accounts written off	(1)	(1)
Charged to the result	1	2
Closing balance	**4**	**4**

16. Other current assets

(x € million)

	2015	2014
Other amounts receivable and prepaid expenses	**9**	**9**

The other amounts receivable and prepaid expenses include staff loans and receivables in respect of investment projects.

17. Assets held for sale

(x € million)

	2015	2014
Property	**4**	**8**

This concerns 7 (2014: 10) real estate projects, mainly in the food retail segment. The premises concerned are for sale with immediate possession. Also recognised as assets held for sale are premises which have been on the market for longer than one year. Despite this, the intention is still to sell these premises in the short term. Three properties were transferred to property, plant and equipment during the year.

(x € million)

	2015	2014
Opening balance	8	6
Transfer	(4)	5
Impairments	(0)	(0)
Disposals		(3)
Closing balance	**4**	**8**

18. Cash and cash equivalents

(x € million)

	2015	2014
Cash balances and cash in transfer	17	18
Freely available bank balances	72	51
Time deposits	5	5
	94	**74**

The maturity of the time deposit is 30 September 2016 and is associated with guarantees provided by a financial institution.

19. Shareholders' equity

PAID-UP AND CALLED CAPITAL

The authorised capital amounts to €12,000,000 divided into 200,000,000 shares with a nominal value of 6 euro cents each. The issued and paid-up capital as at 2 January 2016 amounted to €2,655,300.90 (27 December 2014: €2,655,300.90).

Movements in the number of shares in issue were as follows:

(x 1,000)

	2015	**2014**
Opening balance	44,255	44,255
Movements	0	0
Closing balance	**44,255**	**44,255**
Repurchased	(465)	(570)

All shareholders are entitled to dividends as declared from time to time and have the right to cast one vote per share in shareholders' meetings. The overall changes in equity are analysed in greater detail on page 108.

SHARE PREMIUM

This includes amounts paid in on the shares over and above the nominal value.

OTHER RESERVES

An amount of €8 million of the other reserves (2014: €5) is not freely distributable.

REVALUATION RESERVE

Where recognition of investment property at fair value leads to a positive adjustment of the carrying amount, a revaluation reserve is formed of the same amount, after allowing for deferred tax liabilities. This reserve is not freely distributable.

HEDGING RESERVE

This comprises the effective part of the cumulative net movement in the fair value of cash flow hedges of long-term loans. This reserve is not freely distributable.

TREASURY SHARES RESERVE

This represents the purchase price of the 465,000 of the company's own shares repurchased in connection with the share option programme.

UNAPPROPRIATED PROFITS/DIVIDEND

Since the balance sheet date, the Executive Board, with the approval of the Supervisory Board, has proposed the following profit appropriation:

(x € million)

	2015	2014
Addition to other reserves	29	21
Interim dividend paid (2015: €0.40 per share; 2014: €0.40)	17	17
Available for regular (final) dividend (2015: €0.50 per share; 2014: €0.40)	22	18
Available for variable dividend (2015: €0.30 per share; 2014: €0.30)	13	13
	81	**69**

This proposed profit appropriation, except for the interim dividend, has not been reflected in the balance sheet and does not affect the corporate income tax on profits.

20. Earnings per share

Weighted average number of outstanding shares during the year:

(x 1,000)

	2015	2014
Opening balance	43,685	43,700
Effect of repurchase of own shares	182	(11)
	43,867	**43,689**

(x € 1)

	2015	2014
Basic earnings per share	1.84	1.58
Diluted earnings per share	1.84	1.58

The staff share options awarded, the exercise price of which is below the average share price for the year, have been included in the calculation of the diluted earnings per share.

21. Other provisions

The other provisions mainly relate to franchise risks and are connected with guarantees and repurchase commitments given to financial institutions on behalf of franchisees.

22. Long-term and short-term borrowings

LONG-TERM LIABILITIES

(x € million)

	Remaining term (years)	2015	2014
3.55% USD 75 million loan (bullet loan)	2	69	62
4.15% USD 75 million loan (bullet loan)	5	69	62
Fair value of derivatives			0
		138	**124**
Amounts falling due within one year			
Amounts falling due after more than one year		**138**	**124**
Amounts falling due after more than five years			**57**

The Group uses cross-currency interest rate swaps to manage interest rate and foreign currency risks of the USD loans in accordance with its treasury policy. This means that the result on exchange on the USD loans, amounting to €14 million negative (2014: €16 negative), and that on the swaps, amounting to €14 million positive (2014: €16 positive), cancel each other out completely. The term of the swaps is the same as that of the loans. The hedging of the outstanding USD loans has been treated as a cash flow hedge.

The 3.55% USD loan and the 4.15% USD loan have been effectively converted by means of cross-currency interest rate swaps into euro loans at 3.46% and 3.96%, respectively. The amortised cost of these loans is translated at the dollar exchange rate ruling on the balance sheet date. The fair value of the swap relating to the 4.15% USD loan is €8 million positive (2014: nil), which has been included in other financial assets. The fair value of the swap relating to the 3.55% USD loan is €10 million positive (2014: €2 positive), which has likewise been included in other financial assets.

BANK BORROWINGS

Security

As at year-end 2015, the Group had overdraft facilities totalling €113 million, which had not been drawn on. An amount of €43 million of the facility is committed. The bank borrowings are unsecured. Sligro Food Group was, however, required to satisfy the following ratio as at year-end 2015 in respect of both the long-term debt and the overdraft facilities.

	Required	Actual
Net interest-bearing debt/operating profit before depreciation and amortisation	< 3.0	0.2

The set requirement was therefore comfortably met.
In the event of failure to satisfy the agreed ratio, the lenders have the right to impose further requirements.

23. Other taxes and social security contributions

(x € million)

	2015	2014
VAT, excise duty and waste management contribution	19	21
Payroll tax and social security contributions	7	12
Pension contributions	0	0
	26	**33**

24. Other liabilities, accruals and deferred income

(x € million)

	2015	2014
Employees	27	23
Customer bonuses	9	11
Packaging deposits	6	5
Loyalty scheme liabilities	6	4
Other	11	11
	59	**54**

The employees item includes liabilities in respect of profit-sharing, accrued paid annual leave plus holiday allowances.

25. Risk management

The Group is exposed to credit, liquidity and market risks (interest rate, exchange rate and other risks) in its ordinary operations. There have been no changes in the Group's risk policy or in the management of these risks compared with the preceding year.

CREDIT RISK

The Group is exposed to a variety of credit risks connected with its operations. In the case of the food retail activities, the supermarkets sell exclusively for cash or using guaranteed payment methods and so there is essentially no credit risk. The largest credit risk for the Group is concentrated among supermarket franchisees in that, for some of the Group's customers, in addition to the usual suppliers' credit terms, there is a credit risk associated with the financing of independent store operators. This can take the form of direct loans, included in financial assets, or guarantees/repurchase commitments for credit lines provided by financial institutions. The risks are minimised by assessing the profitability of individual stores and their independent operators. A store's assets also provide security. Each project is carefully considered in 'store network consultation' project meetings and the outstanding receivables are monitored daily. Periodic assessments of the viability of stores are also performed. As at year-end 2015, the receivables from food retail customers included in other financial assets totalled approximately €3 million (2014: €4) and in trade receivables totalled approximately €8 million (2014: €9).

The aging of these trade receivables is as follows:

(x € million)

	< 1 month	1-3 months	3-12 months	> 12 months	Total
2015	8	0	0	0	8
2014	9	0	0	0	9

In the case of the foodservice activities, some supplies are made without guaranteed advance payment. However, payment for goods and services is largely by direct debit (Dutch payment product name: Bedrijven Euro-incasso) and customers only initiate payments to a limited extent. Although direct debit does not guarantee payment, should a customer have insufficient funds, experience has shown that, owing to the diversification provided by a large customer base and the short payment period allowed, the credit risk in relation to the volume of foodservice supplies made on credit is fairly minor. Despite the financial difficulties of some of our Foodservice customers, the risks and the losses remained relatively small although there has been an increase. As at year-end 2015, the receivables from food retail customers included in other financial assets totalled approximately €4 million (2014: €3) and in trade receivables totalled approximately €80 million (2014: €80).

The aging of these trade receivables is as follows:

(x € million)

	< 1 month	1-3 months	3-12 months	> 12 months	Total
2015	80	0	0		80
2014	80	0	0		80

As at year-end 2015, the Group had receivables from suppliers totalling €56 million (2014: €57 million), mainly relating to agreed annual purchase volumes, which are paid after the end of the year. If a supplier should default on these payments, the Group would generally be able to recover the amount receivable by setting it against accounts payable to the supplier concerned.

LIQUIDITY RISK

The Group aims to hold sufficient liquid funds (including in the form of commitments by financial institutions) to meet its financial liabilities at any time. This is achieved in part by financing operations to a relatively large extent by medium and long-term credit lines with different repayment schedules. Moreover (partly in view of the changes in credit market conditions), the availability of €43 million of the short-term facilities is legally enforceable.

Given below is an analysis of the financial liabilities, including estimated interest payments.

(x € million)

	Carrying amount	Contractual cash flows	< 1 year	1 - 5 years	> 5 years
Non-current liabilities [1]	138	130	4	126	
Current liabilities	298	298	298		
	436	428	302	126	

1) Contractual cash flows are included at the swap rate on the maturity date of the liabilities.

MARKET RISK (INTEREST RATE, EXCHANGE RATE AND OTHER MARKET RISKS)

The risk of volatility in exchange rates and interest rates is partly hedged by means of derivatives.

Interest rate risk

Note 22 provides an analysis of the long-term financing and associated interest rate terms.

Currency risk

The Group is exposed to an exchange rate risk on loans and on goods purchases. This mainly concerns the US dollar. As mentioned in the accounting policies under heading H2, the exchange risk on the loans is entirely hedged. The Group also hedges a proportion of its dollar purchase obligations by means of forward currency contracts. The policy is to hedge transactions where settlement will be more than two months ahead and not to hedge transactions due for earlier settlement. The annual dollar purchase volume is approximately USD 26 million, with an average term of approximately two months. Hedge accounting is not applied to forward currency contracts for purchase obligations. The effect of exchange rate movements is included in the cost of sales.

SENSITIVITY ANALYSES

Interest rates

Changes in the interest rate have hardly any impact on the Group's results.

Exchange rates

The effect of the US dollar exchange rate vis-à-vis the euro is relatively minor since movements in the value of the euro can be reflected fairly simply and rapidly in the selling prices.

Labour costs/energy

Directly attributable labour costs account for more than 50% of total costs. The effect of a general increase of half a percentage point in labour costs is estimated to reduce the result before tax by approximately €1 million. Approximately 6% of the cost base is directly or indirectly dependent on energy prices. The effect of a general increase in energy prices by 5% is also approximately €1 million.

Capital management

The Group attempts to make maximum use of its available credit lines for funding purposes, provided the stipulated ratio can be comfortably met. The Group does not have a specific target return on capital employed. The aim is to achieve average growth in net profit which at least keeps pace with the target average rate of revenue growth. In 2015, estimates of future growth potential were revised downwards.

Fair value

The carrying amount of financial instruments is almost the same as the fair value. Financial instruments carried at fair value are included in the category 'level 2', which means that the valuation is based on amounts provided by a financial institution, which are derived from market data and other sources. The property investments are also measured at fair value and are included in 'level 3' (own valuation method based on knowledge available within the Group, as disclosed under F in the accounting policies).

OTHER RISKS

General

Like any other business, the Group faces the usual risks associated with its commercial activities. Those risks which affect the Group more particularly are considered in greater detail below and comprehensive risk disclosures can be found on pages 73 et seq.

The business cycle and competition

Since the Group's activities are primarily concerned with the basic human need for food, it is food products which account for the bulk of the sales and demand for them is not particularly cyclical, although there can be shifts of emphasis between the Group's two business lines of Foodservice and Food retail. Moreover, in our markets we are seeing the growth of online initiatives, new entrants to the market and non-food retailers attempting to take a slice of the food market. Although this puts pressure on certain segments of our markets (niche markets), it also offers opportunities.
A process of consolidation is taking place in the markets in which the Group sells and among the suppliers to those markets, with direct customers, wholesale distributors and supermarket chains supplied by the Group all becoming bigger. There is evidence of the same trend among suppliers to the Group. These and other factors mean that the Group operates in highly competitive markets and is not always able to pass on its cost increases to its customers in full. Cost increases therefore largely have to be absorbed by efficiency improvements in order to maintain profitability, let alone lift profits.

In the food retail business in particular, periods of intensified competition occur on a regular basis, generally known in the industry as price wars. The effects are also felt in the foodservice market, albeit usually to a lesser extent.

Acquisitions

The Group's plans for expansion include growth through acquisitions as well as organic growth. In recent years, the Group has aimed to make a relatively large acquisition every one or two years. In 2015, CaterTech was acquired, adding 1% to the Group's annual sales. Although we have a great deal of experience with takeovers and the various associated financial, integration and other risks, there is still, despite all the proper due diligence procedures beforehand, a greater level of risk associated with growth through acquisitions than is the case with organic growth. In principle we try to include newly acquired companies in the information system operated by the Group as quickly as possible to bring them rapidly under central management and control. As at year-end 2015, this was true for all activities.

Information systems

The Group is highly dependent on its internally developed IT systems, which are maintained and upgraded by a team of experienced specialists. Comprehensive measures are in place to safeguard the continuity of data processing. Further progress on this front was recorded in 2015. The high level of integration of the Group's activities means that a systems failure would bring a large part of the business to a standstill within a few days.

Food safety

Since the Group is primarily engaged in the food supply and processing chain, food safety is crucial. The Group observes strict food safety practices as regards both food processing and the products themselves throughout the various links in the organisation.

Compliance with external quality standards is a given. We have detailed procedures in place to minimise the consequences in case of threats to public health. Failure to abide by these principles could have serious implications for the Group's market position.

Authorities

Public authorities on occasion take drastic actions, which can have a major impact on operations. Such official measures can be unpredictable, unjustified or both.

26. Operating lease and rental obligations

Contracts under which the Group is lessee:

(x € million)

	2015	**2014**
Operating lease obligations		
< 1 year	0	0
1-5 years	0	0
> 5 years		
Expense in the year	1	0
Rental obligations for premises occupied by the Group		
< 1 year	34	33
1-5 years	106	100
6-10 years	72	62
> 10 years	18	21
Expense in the year	34	34
Present value	215	205
Rental obligations on behalf of customers		
< 1 year	4	4
1-5 years	8	9
> 5 years	3	3
Present value	13	15

The operating lease obligations relate mainly to ICT systems. The rental obligations for premises occupied by the Group concern 111 premises (2014: 109) The rental obligations on behalf of customers are matched by leases entered into by the customers for almost exactly the same amounts. There is a broad variety as regards rental obligations, frequently including the option for the tenant to renew the lease. The present value stated above is the face value of the rents concerned plus expected annual increases calculated using a discount rate of two percentage points above the risk-free interest rate. During 2015 the risk-free rate decreased, which resulted in an increase of the present value.

Contracts under which the Group is lessor:

(x € million)

	2015	**2014**
Investment property		
< 1 year	2	1
1-5 years	3	1
> 5 years	2	1
Other property		
< 1 year	1	2
1-5 years	3	4
> 5 years		

The investment property relates to property owned by the Group that is leased to franchisees of the Group. Other property includes items relating to the partial subletting of property used by the Group. This may relate to property owned by the Group and property which the Group rents.

27. Investment obligations

As at year-end 2015, there were investment obligations totalling approximately €15 million (2014: €12).

28. Contingent liabilities

Repurchase commitments

Repurchase commitments have been given to financial institutions in respect of credit lines granted to retail customers involving a total exposure of €3 million (2014: €2). Store alterations, inventories and shop fittings funded by the loans and advances have been furnished as security for these repurchase commitments and so they will not normally give rise to any material financial losses. Where the need nevertheless arises, provisions are made to cover possible losses.

Claims

Claims have been filed against Sligro Food Group and/or Group companies. These claims are being contested, despite none of them being of material significance.

29. Management estimates and assessments

Goodwill

Note 10 contains information about the measurement of goodwill and the impairment tests that are performed.

Credit, liquidity and other market risks

Note 25 contains information on these risks, together with a sensitivity analysis.

Receivables from suppliers

This concerns an estimate of the payments expected from suppliers as disclosed in note 15.

Property, plant and equipment, investment property and assets held for sale

The Group owns a relatively large amount of property used by the Group itself, investment property which it leases to customers and assets held for sale. As at year-end 2015, these items, excluding capital expenditure on leased premises, totalled approximately €228 million (2014: €215).
An assumption has been made of continuing use for the existing purpose unless the assets concerned have been classified as held for sale. Any changes in this assumption, for example as a result of relocations, can lead to an adjustment of the carrying amount down to a lower fair value less costs to sell. It may also be found that the fair value less costs to sell is higher than the carrying amount.

30. Cash flow statement

The cash flow statement has been prepared using the direct method. The cash flow statement includes receipts and payments rather than income and expenses. Acquisitions are accounted for in the cash flow statement at the purchase price net of cash and cash equivalents. The debt-free amount and the purchase price of acquisitions and investments are disclosed in note 1. Receipts from customers are sales including VAT and the movement in receivables from customers. Payments to the government include both those for VAT and excise duties as well as payments of payroll deductions, social security contributions and pension contributions. The corporate income tax paid is shown separately.

The following table shows the reconciliation of the cash generated from operations and the operating profit:

(x € million)

	2015	**2014**
EBIT	103	89
Depreciation and amortisation	57	57
Impairments	(0)	3
EBITDA	**160**	**149**
Other operating income included in cash flow from investing activities	1	(4)
	161	145
Changes in working capital and other movements:		
Inventories	(3)	(20)
Trade and other receivables and other current assets	4	(7)
Current liabilities	(1)	57
Provisions	0	0
Shareholders' equity	2	(5)
	2	**25**
Net cash generated from operations	**163**	**170**

The item cash, cash equivalents and short-term bank borrowings can be reconciled with the balance sheet as follows:

(x € million)

	2015	**2014**
Cash and cash equivalents	94	74
Bank borrowings	0	0
	94	**74**

31. Related-party disclosures

In the field of short-life perishables, the company operates in partnership with and has investments in the fresh produce suppliers listed in note 13. In 2015, this business represented a combined purchase volume at market prices of €214 million (2014: €194). As at year-end 2015, the amount owed to these companies in connection with trading was €14 million (2014: €15). In view of the nature of the liabilities, they have been treated as ordinary trade payables.

For tobacco products, the Group has an alliance with a partner in the form of its 40% stake in Vemaro B.V. Vemaro B.V. also has a loan facility from the Group under which borrowing amounted to nil (2014: €0). This loan is included in the other financial assets. The Group also guarantees certain of Vemaro's receivables from certain customers. As at year-end 2015, the amount owed to Vemaro in connection with trading was €6 million (2014: €8). In view of the nature of the account, it has been included in trade payables.

The Group is a member of the Superunie purchase cooperative, which looks after the procurement of the food retail products. The purchase volume in 2015 amounted to €954 million (2014: €945). As at year-end 2015, the amount owed in connection with trading was €75 million (2014: €77). In view of the nature of the liabilities, they have been treated as trade payables.

The transactions and relations with Stichting Pensioenfonds Sligro Food Group and the Executive and Supervisory Boards are explained in notes 5 and 6.

In 2015, 105,000 Sligro Food Group shares were sold (2014: 15,000 purchased) at market price in transactions with Stichting Werknemersaandelen Sligro Food Group.

In 2015, a Supply Chain Finance programme was established and was rolled out in the closing quarter of the year. This programme enables participating suppliers to discount their invoices with a participating bank at an interest rate of 0.9% points above 1-month Euribor. The trade payables item as at year-end 2015 includes an amount of €7 million relating to the participating suppliers. The method of preparation of the cash flow statement remains unchanged compared with preceding years. Sligro Food Group receives a (small) compensation from this programme that is recognised in other operating income.

Company
PROFIT AND LOSS ACCOUNT
for 2015

(x € million)

	2015	2014	2013
Share in profits of subsidiaries	81	69	68
Other gains and losses	0	0	0
Profit for the year	**81**	**69**	**68**

Company
BALANCE SHEET
as at 2 January 2016 before profit appropriation

(x € million)

ASSETS	02-01-2016	27-12-2014	28-12-2013
Intangible assets	8	8	8
Financial assets	603	562	558
Total non-current assets	**611**	**570**	**566**
Receivables from group companies			5
Total current assets			**5**
Total assets	**611**	**570**	**571**

EQUITY AND LIABILITIES	02-01-2016	27-12-2014	28-12-2013
Shareholders' equity			
Paid-up and called capital	3	3	3
Share premium	31	31	31
Other reserves	479	459	458
Legal reserves	12	8	11
Unappropriated profit	81	69	68
	606	**570**	**571**
Payables to group companies	5	0	
Total current liabilities	5	0	
Total equity and liabilities	**611**	**570**	**571**

NOTES
to the company financial statements
(amounts in millions of euros unless stated otherwise)

General

The company financial statements have been prepared in accordance with Part 9, Book 2, of the Netherlands Civil Code, applying the accounting policies defined in section D of the accounting policies for the consolidated financial statements, with carrying amounts of investments in companies where the company has significant influence measured using the net asset value and applying the accounting policies of the consolidated financial statements. In preparing the company profit and loss account, the company has availed itself of the exemption pursuant to Section 402, Book 2, of the Netherlands Civil Code.

Assets

INTANGIBLE ASSETS

Goodwill

(x € million)

	2015	**2014**
Opening balance		
Acquisition cost	10	10
Accumulated amortisation	(2)	(2)
	8	8
Disposals		
Closing balance	**8**	**8**
Acquisition cost	10	10
Accumulated amortisation	(2)	(2)

Financial assets

(x € million)

	2015	**2014**
Investments	574	537
Receivables from group companies	29	25
	603	**562**

INVESTMENTS

This relates to the wholly-owned subsidiaries Sligro Food Group Nederland B.V. and Sligro Food Group International B.V. Movements were as follows:

(x € million)

	2015	**2014**
Opening balance	537	533
Result	81	69
Investments	1	
Share-based payments	0	(1)
Income and expense recognised directly in equity	2	(5)
Change in own shares	1	(1)
Dividend	(48)	(58)
Closing balance	**574**	**537**

RECEIVABLES FROM GROUP COMPANIES

This item includes two loans for a combined amount of €29 million (2014: €25). One loan is for €25 million (2014: €25), maturing on 1 January 2023 and the other is for €4 million (2014: nil), maturing on 1 January 2021. These loans are redeemable in full on maturity. Both loans bear interest at a rate of 1% per annum.

Equity and liabilities

SHAREHOLDERS' EQUITY

Changes in equity are presented in greater detail on page 108 and further information on shareholders' equity is given in note 19 to the consolidated financial statements.

Reconciliation of the reserves in the company financial statements with those in the consolidated financial statements is as follows:

(x € million)

	2015	**2014**
Consolidated		
Other reserves	585	552
Hedging reserve	(4)	(6)
Treasury shares reserve	(13)	(14)
Revaluation reserve	4	4
	572	**536**
Company		
Other reserves	479	459
Unappropriated profit	81	69
Legal reserves	12	8
	572	**536**

LEGAL RESERVES

This item comprises the legal reserve for investments in subsidiaries/associates and the revaluation reserve.

Movements were as follows:

(x € million)

	2015	**2014**
Opening balance	8	11
Movement during the year	4	(3)
Closing balance	**12**	**8**

Of the legal reserves of €12 million (2014: €8), an amount of €8 million (2014: €5) relates to the difference between the retained profits calculated on the basis of the parent company's accounting policies plus the movements accounted for directly in the equity of the companies invested in (resulting from revaluations] and the part thereof that is distributable to the parent. The legal reserves are calculated on an individual basis.

Contingent liabilities

As part of the Sligro Food Group N.V. tax group, the company is liable for the tax payable by the tax group as a whole.

The company has assumed joint and several liability for debts arising from the legal acts of its direct and indirect subsidiaries, pursuant to Section 403, Book 2, of the Netherlands Civil Code, as stated on page 115.

Duly signed for publication,

Veghel, 29 January 2016

Supervisory Board:
A. Nühn, chairman
Th.A.J. Burmanje
J.H. Kamps
B.E. Karis
R.R. Latenstein van Voorst

Executive Board:
K.M. Slippens, chairman
R.W.A.J. van der Sluijs
W.J.P. Strijbosch

OTHER INFORMATION

Independent auditor's report

To the General Meeting of Shareholders of Sligro Food Group N.V.

Report on the audit of the financial statements 2015

Our opinion

We have audited the financial statements 2015 of Sligro Food Group N.V. (the Company), based in Veghel. The financial statements include the consolidated financial statements and the company financial statements.

In our opinion:

- The consolidated financial statements give a true and fair view of the financial position of Sligro Food Group N.V. as at 2 January 2016, and of its result and its cash flows for 2015 in accordance with International Financial Reporting Standards as adopted by the European Union (EU-IFRS) and with Part 9 of Book 2 of the Dutch Civil Code.
- The company financial statements give a true and fair view of the financial position of Sligro Food Group N.V. as at 2 January 2016, and of its result for 2015 in accordance with Part 9 of Book 2 of the Dutch Civil Code.

What we have audited

The consolidated financial statements comprise:

1. The consolidated balance sheet as at 2 January 2016.
2. The following statements for 2015: the consolidated profit and loss account, the consolidated statement of recognised income and expense, consolidated statement of changes in equity and consolidated cash flow statement.
3. The notes comprising a summary of the significant accounting policies and other explanatory information.

The company financial statements comprise:

1. The company balance sheet as at 2 January 2016.
2. The company profit and loss account for 2015.
3. The notes comprising a summary of the significant accounting policies and other explanatory information.

The basis for our opinion

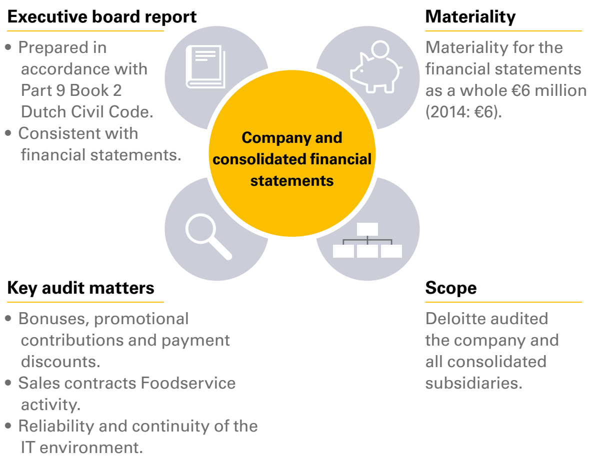
We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. Our responsibilities under those standards are further described in the "Our responsibilities for the audit of the financial statements" section of our report.

We are independent of Sligro Food Group N.V. in accordance with the "Verordening inzake de onafhankelijkheid van accountants bij assurance-opdrachten (ViO)" and other relevant independence regulations in the Netherlands. Furthermore we have complied with the "Verordening gedrags- en beroepsregels accountants (VGBA)".

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our audit approach

As part of our audit we have determined materiality and used it to assess the risks of material misstatement. We have specifically assessed accounts where subjectivity is high because of estimates regarding uncertain future developments. We have likewise specifically focused on the risk related to management override of controls and the risk of material misstatement due to fraud. In addition, our audit expressly included the continuity and reliability of the automated information systems.



Materiality

Misstatements may arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. Materiality affects the nature, timing and extent of our audit procedures and the evaluation of the effect of identified misstatements on our opinion.

Based on our professional judgement we determined the materiality for the financial statements as a whole at €6 million. The materiality is based on 6% of profit before tax. We have also taken into account misstatements and/or possible misstatements that in our opinion are material for the users of the consolidated financial statements for qualitative reasons.

Materiality overview	**2015**	**2014**
Basis for group materiality	6% of profit before tax €105 million	7% of profit before tax €86 million
Group materiality level	€6 million	€6 million

We agreed with the Supervisory Board that misstatements, which are identified during the audit, would be reported to them, as well as smaller findings and observations, and smaller misstatements that in our view must be reported on qualitative grounds.

Scope of the group audit

Considering we are ultimately responsible for the opinion, we are also responsible for directing, supervising and performing the group audit. In this respect we have determined the nature and extent of the audit procedures to be carried out for group entities. Most important were size and/or risk profile of the group entities or operations.

For Sligro Food Group N.V., our group audit focused on all entities within the consolidation. We have performed audit procedures at all group entities ourselves and we have not used the work of other auditors as part of our audit. The investments in associates reported in the financial statements are (minority share) investments that select their own external auditor. We are not the external auditor of these associates, but where deemed necessary, we have performed certain procedures ourselves, or used the work performed by the statutory auditor of an associate. At the time the financial statements of Sligro Food Group N.V. are being prepared, the statutory audits of the financial statements of the associates most of the time have not yet been completed. Therefore we have, for example in respect of the investment in Spar Holding B.V. (carrying amounts in the financial statements of Sligro Food Group N.V. €35 million), performed procedures in addition to the work of the statutory auditor of Spar Holding B.V.

By performing the procedures mentioned above, we have been able to obtain sufficient and appropriate audit evidence about the group's financial information to provide an opinion about the consolidated financial statements.

Our key audit matters

In the key audit matters we describe those matters that, in our professional judgement, were of most significance in our audit of the financial statements. We have communicated the key audit matters to the supervisory board. The key audit matters are not a comprehensive reflection of all matters discussed.

These matters were addressed in the context of our audit of the financial statements as a whole and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How the key audit matter was addressed in the audit
Bonuses, promotional contributions and payment discounts Supplier's bonuses and promotional contributions are regular business practices in the sector. The share of supplier's bonuses and promotional contributions to Sligro Food Group N.V.'s profit before tax is very substantial. Final agreements with the suppliers on these contributions are most often concluded in the year following the year of reporting. This leads to an element of estimation in the financial statements. The Company discloses the relevant accounting policies in Note G2 to the consolidated financial statements. In summary: Sligro Food Group N.V. receives various forms of compensation from suppliers, which can be divided into two main types: i. Temporary price reductions ("promotions"), usually associated with promotional offers to customers, are aimed at increasing direct sales volumes. In most cases, the lower purchase price is charged by the supplier for the agreed period. The benefit of temporarily lower purchase prices is reflected directly in the cost of sales. ii. Bonuses are usually based on annual agreements ("bonuses"). Reasonably foreseeable bonuses are included in the valuation of inventory. This does not apply to promotional allowances as these are intended to cover sales efforts.	Our audit focused on both testing the design and implementation of internal control measures on behalf of the executive board (including the basis for the estimates, segregation of duties, contract management and authorizations) as well as on a number of substantive tests (auditing the outcome of the estimates of last year, reviewing the support of the estimates based on the contracts with the suppliers and confirmation of the agreed conditions with the suppliers). Based on historical figures, test of details and analytical procedures we have audited the impact on the inventory valuation of classifying contributions as promotions or bonuses. Management has refined the method of estimating the supplier's bonuses and promotional contributions to be received at the end of the reporting year and will also invest in a further improvement of the way conditions can be structured, managed and processed in an electronic way in the coming period.
Sales contracts Foodservice activity Sligro Food Group N.V. serves a large number of customers operating in different segments of the hospitality and service market. Depending on the nature and size of the activities of its customers Sligro Food Group N.V. segments the customers in a number of different groups. It is possible that segments have different conditions for certain products. Applying the right contracts and conditions for the various customer groups is important and as a consequence a key audit matter for us.	We have evaluated internal controls governing the classification of new customers in the relevant and appropriate groups as part of our audit procedures. We have performed substantive audit procedures to determine whether the different customer groups are charged based on approved prices. In case cost prices are important to determine the relevant selling prices we have performed specific (substantive) analytical procedures in order to verify the proper application of contractual conditions.
Reliability and continuity of the IT environment Sligro Food Group N.V. is highly dependent on the reliability and continuity of the IT environment to support automated data processing in its operations. This dependency results in high attention to the IT environment by both the executive board and to us as external auditor. Sligro Food Group N.V. uses, in addition to a number of standard applications, a large number of (partially internally) custom-made applications. Contrasting to standard applications that are commonly used worldwide by many users, custom-made applications lead to a number of specific challenges to the reliability and continuity of data processing. In connection with our audit work, we have evaluated the data centers, the general controls surrounding the IT (General IT Controls), a number of programmed controls and systems relevant to the financial statements and internal reports.	In 2015 we have not relied on automated data processing for certain processes. Alternatively we gained the required level of assurance from additional activities including data analytics and verification and analyses of relations between movements in cash and goods. IT audit specialists have been deployed to assist us in making various data analysis. During 2015 the executive board has given high priority to a program aiming for further improvement in a number of processes in the area of reducing and better monitoring of access to and maintenance of the systems of automated data processing.

Responsibilities of the Executive Board and the supervisory board for the financial statements

The Executive Board is responsible for the preparation and fair presentation of the financial statements in accordance with EU-IFRS and Part 9 of Book 2 of the Dutch Civil Code, and for the preparation of the Executive Board report in accordance with Part 9 of Book 2 of the Dutch Civil Code. Furthermore, the Executive Board is responsible for such internal control as the Executive Board determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

As part of the preparation of the financial statements, the Executive Board is responsible for assessing the Company's ability to continue as a going concern. Based on the financial reporting frameworks mentioned, the Executive Board should prepare the financial statements using the going concern basis of accounting unless Executive Board either intends to liquidate the company or to cease operations, or has no realistic alternative but to do so.

The Executive Board should disclose events and circumstances that may cast significant doubt on the company's ability to continue as a going concern in the financial statements.

The supervisory board is responsible for overseeing the company's financial reporting process.

Our responsibilities for the audit of the financial statements

Our objective is to plan and perform the audit assignment in a manner that allows us to obtain sufficient and appropriate audit evidence for our opinion.

Our audit has been performed with a high, but not absolute, level of assurance, which means we may not have detected all errors and fraud.

For our responsibilities we refer to the appendix.

We communicate with the Supervisory Board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant findings in internal control that we identify during our audit.

We provide the Supervisory Board with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Supervisory Board, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or, in extremely rare circumstances, when non-mentioning is in the public interest.

Report on other legal and regulatory requirements

Report on the Executive Board report and the other information

Pursuant to legal requirements of Part 9 of Book 2 of the Dutch Civil Code (concerning our obligation to report about the management board report and other information):

- We have no deficiencies to report as a result of our examination whether the executive board report, to the extent we can assess, has been prepared in accordance with Part 9 of Book 2 of the Dutch Civil Code, and whether the information as required by Part 9 of Book 2 of the Dutch Civil Code has been annexed.
- We report that the executive board report, to the extent we can assess, is consistent with the financial statements.

Engagement

We were engaged by the General Meeting of Shareholders as auditor of Sligro Food Group N.V. on 19 March 2014 as of the audit for year 2014 and have operated as statutory auditor ever since that date.

Eindhoven, 29 January 2016

Deloitte Accountants B.V.
J. Hendriks

Appendix to the independent auditor's report

Our responsibilities for the audit of the financial statements

We have exercised professional judgment and have maintained professional skepticism throughout the audit, in accordance with Dutch Standards on Auditing, ethical requirements and independence requirements. Our audit included e.g.:

- Identifying and assessing the risks of material misstatement of the financial statements, whether due to fraud or error, designing and performing audit procedures responsive to those risks, and obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtaining an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Concluding on the appropriateness of management's use of the going concern basis of accounting, and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company ceasing to continue as a going concern.
- Evaluating the overall presentation, structure and content of the financial statements, including the disclosures.
- Evaluating whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Proposed profit appropriation

As stated in note 19, the Executive Board, with the approval of the Supervisory Board, has proposed the following profit appropriation since the balance sheet date:

(x € million)	
Addition to other reserves	29
Payment of interim dividend (€0.40 per share)	17
Available for regular (final) dividend (€0.50 per share)	22
Available for distribution as variable dividend (€0.30 per share)	13
	81

Article 46 of the Articles of Association contains the following provisions with regard to distributions and reserves:

1) The company may make distributions to shareholders and other parties entitled to the distributable profit only insofar as its shareholders' equity is greater than the paid-up and called capital plus the reserves required to be held by law or the Articles of Association.
2) Subject to the approval of the Supervisory Board, the Executive Board is authorised to add all or part of the profit to the reserves. Such an addition to the reserves may be reversed by a resolution supported by a majority of two- thirds of the votes cast at a general meeting at which more than half the issued capital is represented.
3) Any profit remaining after the addition to the reserves as referred to in the previous paragraph of this article shall be at the disposal of the general meeting.
4) Insofar as the general meeting does not resolve to distribute profit for any specific year, such profit shall be added to the reserves.
5) Subject to the approval of the Supervisory Board, the Executive Board may make interim distributions provided the requirement of paragraph 1 of this article has been met and is evidenced by an interim statement of assets and liabilities as referred to in Section 105(4), Book 2, of the Netherlands Civil Code. The company shall file the statement of assets and liabilities at the office of the Commercial Register within eight days of the date on which the resolution to make the distribution is published. The second sentence of paragraph 9 of this article is applicable mutatis mutandis to interim distributions.
6) On a proposal of the Executive Board which has been approved by the Supervisory Board, the general meeting may resolve to appropriate profit to a distributable reserve.
7) On a proposal of the Executive Board which has been approved by the Supervisory Board, the general meeting may, without prejudice to the provisions the Articles of Association relating to the issue of shares, resolve to distribute profit in the form of shares in the company or depositary receipts therefor
8) Profit distributions shall be made at a place and time to be determined by the general meeting but no later than one month after adoption of the relevant resolution by the general meeting.
9) Profit distributions not claimed within five years of the date on which they became payable shall revert to the company.
10) A loss may be charged to the reserves required to be held by law only insofar as permitted by law.

TEN-YEAR REVIEW

(x € million)[9)]

	2015	2014	2013	2012	2011
Results					
Net sales	2,670	2,572	2,498	2,468	2,420
EBITDA	160	149	143	142	159
EBITA	122	106	100	99	115
EBIT	103	89	88	89	105
Profit for the year	81	69	68	69	78
Net cash flow from operating activities	140	147	133	129	124
Free cash flow	78	78	101	96	76
Proposed dividend	52	48	46	46	46
Equity and liabilities					
Shareholders' equity[1)]	606	570	571	555	541
Net capital employed[2)]	660	651	640	659	692
Total assets	1,071	1,012	1,006	968	931
Employees					
Year average (full-time equivalents)	5,740	5,834	5,829	5,848	5,880
Staff costs[5)]	253	239	234	227	217
Capital expenditure					
Net capital expenditure[4)]	60	60	36	33	46
Depreciation[5)]	38	40	41	43	44
Ratios					
Increase in sales (%)	3.8	2.9	1.3	1.9	5.9
Increase in profit (%)	17.4	1.5	(0.9)	(12.3)	11.4
Gross margin as % of sales	23.2	23.2	23.1	22.6	23.2
EBITDA as % of sales	6.0	5.8	5.7	5.8	6.6
EBITA as % of sales	4.6	4.1	4.0	4.0	4.7
EBIT as % of sales	3.8	3.5	3.5	3.6	4.3
Profit after tax as % of sales	3.0	2.7	2.7	2.8	3.2
Return on average Shareholders' equity[6)]	13.7	12.0	12.1	12.5	15.0
EBIT as % of average net capital employed	15.7	13.8	13.6	13.1	15.2
Shareholders' equity as % of total assets	56.6	56.3	56.8	57.3	58.1
Sales per employee (x €1,000)	465	441	429	422	412
Staff costs per employee (x €1,000)	44	41	40	39	37
Figures per share of €0.06[7)] nominal value (in euros)					
Shares in issue (millions)	43.8	43.7	43.7	43.8	44.0
Shareholders' equity	13.84	13.05	13.07	12.65	12.30
Net earnings	1.84	1.58	1.55	1.56	1.78
Proposed dividend, as form 2014 including interim dividend	1.20	1.10	1.05	1.05	1.05
of which variable dividend[8)]	0.30	0.30	0.25	0.25	0.20

1) Before profit appropriation. 2) Total assets less cash and cash equivalents and swaps, less short-term liabilities excluding interest-bearing portion. 3) Salaries, social security charges and net benefit expense. 4) See note 2, footnote 5. 5) Excluding impairments. 6) Calculated on profit for the year. 7) Prior-year figures restated for the share split in 2007. 8) 2009: Jubilee bonus. 9) Changes in accounting policies are only reflected in restatement of the figures for the preceding year which also appear in the main financial statements.

2010	2009	2008	2007	2006
2,286	2,258	2,168	2,066	1,661
146	149	147	135	119
99	106	107	101	93
91	98	99	96	90
70	74	71	74	62
107	123	103	83	78
66	73	74	8	51
31	44	28	28	24
500	482	426	375	313
689	645	644	645	571
937	852	875	858	719
5,513	5,552	5,600	5,083	3,662
203	197	191	171	127
41	47	36	82	32
47	42	40	34	26
1.3	4.2	4.9	24.4	7.5
(5.5)	4.2	(3.9)	19.5	22.0
23.1	23.3	23.8	22.9	21.6
6.4	6.6	6.8	6.5	7.2
4.3	4.7	4.9	4.9	5.6
4.0	4.3	4.5	4.6	5.4
3.1	3.3	3.3	3.6	3.7
14.3	16.4	17.8	21.6	21.5
13.6	15.2	15.3	15.8	18.3
53.3	56.6	48.7	43.7	43.5
415	407	387	406	454
37	36	34	34	35
44.1	44.3	43.7	43.1	42.4
11.34	10.90	9.75	8.69	7.37
1.59	1.68	1.63	1.72	1.46
0.70	1.00	0.65	0.65	0.57
	0.30			

GLOBAL REPORTING INITIATIVE (GRI) TABLE

General Standard Disclosures	Description	Whereabouts in report
G4-1	Directors' statement of responsibilities	Foreword
G4-3	Name of the reporting organisation	Sligro Food Group N.V.
G4-4	Main brands, products and/or services	Profile
G4-5	Head office location	Corridor 11, 5466 RB Veghel
G4-6	Number of countries in which the organisation is active	Profile
G4-7	Ownership structure and legal form	Profile/Sligro shares
G4-8	Sales markets	Profile
G4-9	Size of reporting organisation	Key figures
G4-10	Total number of employees by employment contract and gender	Heading 'Workforce make-up and diversity' in section Organisation and employees
G4-11	Percentage of employees covered by a Collective Labour Agreement	Heading 'Employment terms and conditions' in section Organisation and employees
G4-12	Description of the organisation's supply chain	Heading 'One business, one policy' in CSR section
G4-13	Significant changes during reporting period regarding the organisation's size, structure, ownership or supply chain	None
G4-14	Report on whether and how the precautionary approach or principle is addressed by the organisation	Heading 'Corporate culture' in section Organisation and employees
G4-15	Externally developed economic, environmental and social charters, principles or other initiatives to which the organisation subscribes or which it endorses	Heading 'Affiliations and administrative involvement' in the CSR section
G4-16	Membership of associations (such as industry associations) and/or national/international advocacy organisations	Heading 'Affiliations and administrative involvement' in the CSR section
G4-17	All entities included in the organisation's financial statements or equivalent documents	Financial statements
G4-18	Process for determining contents of report	CSR section - About this report
G4-19	List of all material aspects identified in the process for defining report content	Heading 'Our core themes' in the CSR section
G4-20	Set the aspect boundary within the organisation	CSR section
G4-21	Set the aspect boundary outside the organisation	CSR section
G4-22	Report the effect of any restatements of information provided in previous reports, and the reasons for such restatements	Heading 'CO2' in section Our Core themes 'The environment'
G4-23	Significant changes compared with previous reporting periods	None
G4-24	List of groups of interested parties involved by the organisation	Heading 'Stakeholder dialogue' in the CSR section
G4-25	Basis for identification and selection of interested parties to be involved	Heading 'Stakeholder dialogue' in the CSR section
G4-26	Report on the organisation's approach to stakeholder engagement, including frequency of engagement by type and by stakeholder group	Heading 'Stakeholder dialogue' in the CSR section
G4-27	Report on key topics and concerns that have been raised through stakeholder engagement, and how the organisation has responded to those key topics and concerns through its reporting	Heading 'Stakeholder dialogue' in the CSR section
G4-28	Reporting period	2015
G4-29	Date of most recent report	29 January 2016
G4-30	Reporting cycle	Annual
G4-31	Contact point for questions about report or contents	mvo@sligro.nl CSR section - About this report
G4-32	Report on the 'in accordance' option the organisation has chosen and the GRI Content Index for the chosen option and reference to the External Assurance Report	Heading 'About this report' in the CSR section
G4-33	Report on the organisation's policy and current practice with regard to seeking external assurance for the report	Auditor's report
G4-34	Management structure of the organisation, including committees reporting to the senior management body and responsible for specific tasks, such as determining strategy or providing an overview of the organisation.	Directors and management
G4-56	Description of the organisation's values, principles, standards and norms of behaviour, such as codes of conduct and codes of ethics.	Heading 'BSCI' in section Our core themes 'Our product range' / Corporate Governance

Specific Standard Disclosures		
PEOPLE		
Our employees DMA	**Description of the management approach**	**Heading 'Our employees' in section Our Core themes 'People' and section Organisation and employees**
G4-LA6	Injuries, occupational diseases, sickness absence and work-related deaths by region and gender	Heading 'Safety' in section Organisation and employees
G4-LA10	Programmes for competency management and lifelong learning aimed at guaranteeing the ongoing employability of staff and to help them at the end of their career	Heading 'Learning and development' in section Organisation and employees
Our community DMA	**Description of the management approach**	**Heading 'Sustainable' in section Our core themes 'Our product range'**
G4-HR1	Percentage and total number of substantial investment agreements including clauses on human rights or subject to verification of compliance with human rights	Sustainable under 'Our product range'
G4-HR4	Activities in respect of which it has been determined that there could be substantial risk to the right of free association and the right to negotiate collective labour agreements and measures taken to uphold those rights	Sustainable under 'Our product range'
G4-HR5	Activities in respect of which it has been determined that there could be a substantial risk of child labour and measures taken to prevent child labour	Sustainable under 'Our product range'
G4-HR6	Activities in respect of which it has been determined that there could be a substantial risk of cases of forced or compulsory labour and measures taken to prevent forced or compulsory labour	Sustainable under 'Our product range'
Our customers DMA	**Description of the management approach**	**Heading 'Energy' in section Our core themes 'The environment'**
G4-PR5	Results of customer satisfaction surveys	Heading 'Ratings' in section Trends in Food Retail and the heading 'Ratings' in the section Trends in FoodService.
THE ENVIRONMENT		
Energy DMA	**Description of the management approach**	**Heading 'Energy' in section Our core themes 'The environment'**
G4-EN3	Energy consumption within the organisation	Heading 'Energy' in section Our core themes 'The environment'
G4-EN4	Energy consumption outside of the organisation	Heading 'Energy' in section Our core themes 'The environment'
G4-EN6	Reduction of energy consumption	Heading 'Energy' in section Our core themes 'The environment'
G4-EN7	Reductions in energy requirements of products and services	Heading Sustainable distribution in urban areas' in section Our core themes 'The environment'
CO_2 DMA	**Description of the management approach**	**Heading 'CO_2' in section Our core themes 'The environment'**
G4-EN15	Direct greenhouse gas (GHG) emissions (scope 1)	Heading 'CO_2' in section Our core themes 'The environment'
G4-EN16	Energy indirect greenhouse gas (GHG) emissions (scope 2)	Heading 'CO_2' in section Our core themes 'The environment'
G4-EN17	Other indirect greenhouse gas (GHG) emissions (scope 3)	Heading 'CO_2' in section Our core themes 'The environment'
G4-EN19	Reduction of greenhouse gas (GHG) emissions	Heading 'CO_2' in section Our core themes 'The environment'
Packaging and waste DMA	**Description of the management approach**	**Heading 'Waste' in section Our core themes 'The environment'**
THE PRODUCT RANGE		
Sustainable DMA	**Description of the management approach**	**Heading 'Sustainable' in section Our core themes 'Our product range'**
Indicator	Number of items as part of eerlijk & heerlijk (honest & delicious) concept	Heading 'Sustainable' in section Our core themes 'Our product range'
Health DMA	**Description of the management approach**	**Heading 'Health' in section Our core themes 'Our product range'**
Indicator	Number of IKB products	CSR section
Indicator	Undertaking to introduce a healthier product range?	Heading 'Health' in section Our core themes 'Our product range'
Food waste DMA	**Description of the management approach**	**Heading 'Food waste' in section Our core themes 'Our product range'**

EERLIJK & HEERLIJK CERTIFICATION MARKS

Food

ORGANIC

- European organic logo EKO
- Demeter
- Bio Equitable
- EcoSocial
- Biogarantie
- Agriculture Biologique
- Bio Siegel
- Bio Suisse
- IBD Organico
- Argencert
- USDA Organic
- Ø-Merket
- Australian Certified Organic

FAIR TRADE

- Fairtrade / Max Havelaar
- UTZ Certified
- Fair for Life
- For Life
- Fairtrade Cocoa Program
- Fairtrade Sugar Program
- Bio Equitable

SUSTAINABILITY

- MSC
- ASC
- Naturland Wildfish
- VISwijzer groen
- VISwijzer oranje
- Milieukeur
- Rainforest Alliance
- Beter Leven label 1 star
- Beter Leven label 2 stars
- Beter Leven label 3 stars
- Keten Duurzaam Varkensvlees
- Label Rouge
- France Limousin
- CPE Vrije Uitloop
- BAP

Non-Food

ORGANIC

- EKO
- Demeter

FAIR TRADE

- Fairtrade / Max Havelaar

SUSTAINABILITY

- EU Ecolabel
- Nordic Ecolabel
- Der Blaue Engel
- Milieukeur
- PEFC
- FSC
- Kiemplantlogo
- OK Compost
- Ecover
- Terra Vitis
- Keten Duurzaam Varkensvlees
- Sustainable Cleaning
- OK compost HOME
- Natuurvlees Coöperatie Nederland

MANAGERS AND OFFICERS

Key staff

A. Aalders	*head of purchase planning department, Sligro Food Group*
S. van Acht	*head of HR - Foodservice, Sligro Food Group*
R. Barten	*assistant manager, support management department, Sligro Delivery Service*
J. van den Berg	*logistics manager, Sligro Food Group*
P. van Berkel	*production company manager, Sligro Food Group, general manager of Van Hoeckel*
M. Bogaers	*head of studio, Sligro Food Group*
D. Bögels	*purchasing and product range manager, Sligro Food Group*
G. Bos	*manager accounting & reporting Sligro Food Group*
J. de Bree	*HR manager, Sligro Food Group*
J. Dekker	*assistant manager, production company operations, Sligro Food Group*
M. van Dinther	*account manager, Sligro Delivery Service*
D. Gruppen	*site manager, Sligro Eindhoven*
R. de Haas	*assistant sales manager, Van Hoeckel*
J. van Heerebeek	*marketing and sales manager, Food Retail*
J. van Heereveld	*head of accounting, Sligro Food Group*
F. Hofstra	*regional manager, Sligro Delivery Service - Amsterdam*
I. Huntjens	*head of quality department, Sligro Food Group*
D. van Iperen	*manager, Foodservice Delivery Service*
W. Jansen	*head of internal and external communication, Sligro Food Group*
H. Jaspers	*Information and software architect, Sligro Food Group*
K. Kiestra	*operations manager, Food Retail*
M. Kivits	*head of purchasing and product range management - food, Sligro Food Group*
A. Lambrechts	*manager - Belgium*
P. Lampert	*regional manager, Sligro Vlissingen*
P. van den Langenberg	*head of HRM, Food Retail*
M. de Man	*assistant operations manager, Sligro Delivery Service*
C. Mulders	*manager, Foodservice Cash-and-Carry*
F. Punte	*head of property management, Sligro Food Group*
M. Rijnsburger	*purchase officer, non-resale goods, Sligro Food Group*
A. de Rooij	*head of purchasing and product range management - fresh produce, Sligro Food Group*
R. van Ruiten	*site manager, Retail DC Kapelle*
L. Rutten	*operations manager, Sligro Delivery Service*
N. van Sante	*assistant HR manager, Sligro Food Group*
G. Schneemann	*marketing and sales manager*
K. Slippens	*CEO, Sligro Food Group*
R. van der Sluijs	*CFO, Sligro Food Group*
B. Stapel	*national account manager, Sligro Delivery Service*
J. Storm	*manager of Bouter*
W.J. Strijbosch	*Foodservice director, Sligro Food Group*
G. van der Veeken	*company secretary, Sligro Food Group*
M. van Veghel	*ICT manager, Sligro Food Group*
H. Verberk	*transport operations manager, Sligro Food Group*
A. Verlouw	*head of building works, Sligro Food Group*
S. van Vijfeijken	*head of GID/WID, Sligro Food Group*
J. te Voert	*programme manager, purchase and product range management, Sligro Food Group*
W. van Wijk	*regional manager, Sligro - The Hague Forepark*
J. van der Wijst	*head of purchasing and product range management - non-food, Sligro Food Group*
E. Wildeman	*supply chain project coordinator, Sligro Food Group*
P. Wille	*head of franchise operations, Food Retail*

Acknowledgements

This report was produced entirely in-house with the cooperation of the following persons and departments.

Coordination and design

Wilco Jansen
Mieke van der Valk
Studio Sligro Food Group
Executive Board

Photography

Hagemeier fotografie
New Brand Activators

Paper

This report is printed on FSC®-certified paper

Printing

Bek 1op1 publiceren | www.bek.nl | advies@bek.nl | Veghel

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Disclaimer

The 2015 annual report of Sligro Food Group N.V. is available in Dutch and English. The original financial statements were drafted in Dutch. In case of any discrepancies between the English and the Dutch text, the latter will prevail. Copies of the annual report in Dutch and English are available on request from Public Relations Department, Sligro Food Group N.V., Veghel, Netherlands.

Sligro Food Group N.V.
Corridor 11
5466 RB Veghel
Netherlands

1055232

Sligro Food Group N.V.

ANNUAL REPORT 2015