



half-year results 2005



## Sligro Food Group half-year results



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As forecast at the time of the trading update published on 21 April 2005, Sligro Food Group N.V. saw its result after tax fall by almost 8% to € 18.8 million<sup>1)</sup> in the first half of 2005. Turnover, however, was up by more than 16%, at € 754 million. On an organic basis, the increase in turnover for the group was 1.7%.

Turnover on the food retail activities was down by 2.9% at € 212.9 million. The drop in turnover is partly due to the intense price war among the supermarkets but is also accounted for by the disposal of the Milo activities in the second quarter of 2005. On an organic basis, excluding this transaction, food retail sales were down by 1.6%. The operating result was accordingly also down, although the fall was limited by cost savings.



Turnover on the food service activities increased by 25.8% to € 541.3 million. On an organic basis, sales in this segment were up by 3.3%, the remainder of the increase being accounted for by the acquisition with effect from 1 October 2004 of wholesalers VEN Groothandelcentrum. The organic growth is due to the successful Sligro format and expansion of the branch network. The operating result of the food service activities has decreased by the mentioned unexpected loss of a large customer reported on a previous occasion coupled with the costs of the accelerated integration of VEN Groothandelcentrum. Considerable progress was made on this last front during the first half of 2005 and the process is expected to be completed in the second half of the year. This will yield substantial cost savings and also creates the opportunity, given a strong and efficient back office, of strengthening our commercial position with renewed vigour, commencing in 2006, leading to sharply improved results.

<sup>1)</sup> All the figures in this press release have been calculated applying IFRS except where otherwise stated.

With VEN Groothandelcentrum included in the consolidation, there was an increase in the gross margin of the group as a percentage of turnover but selling and administrative costs also increased disproportionately.

The net effect was a decrease of 9.4% in the operating result to € 28.7 million. As a percentage of turnover, this represents a decrease from 4.9% in the first half of 2004 to 3.8% this year. Earnings per share, calculated on the average number of shares in issue, work out at € 0.90 compared with € 0.99 for the corresponding period of 2004, a drop of 9.1%.

### Prospects

As in the first half we expect the general market situation to be characterised by a price squeeze and some loss of volume. This applies to both the food retail as the food service markets. We nevertheless expect Sligro Food Group once again to post organic sales growth in the second half, leading to increased market share. It should be noted that VEN Groothandelcentrum has been included in the consolidation since the fourth quarter of 2004, which will have the effect of reducing the overall increase in sales compared with the first half of this year.

The second six months will be dominated by the completion of the VEN integration process. The associated capital expenditure programme will run into 2006.

As far as results are concerned we expect a similar picture to that for the first half of 2005. This excludes the effect of the non-recurring income of € 5.9 million after tax in the second half of 2004. There are unlikely to be any substantial windfalls in the second half of 2005. Under IFRS, the result after tax achieved in 2004 amounts to € 52.7 million, before the non-recurring income, and € 58.6 million including that income.

We shall be publishing a more specific forecast of developments in the second half of the year on 20 October 2005.

Veghel, 21 July 2005

On behalf of the Executive Board of  
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## abridged consolidated profit and loss account for the first half of 2005

(x € 1,000)

	2005	2004	Change %
<b>Turnover</b>	754,199	649,425	16.1
Cost of sales	(605,792)	(525,822)	15.2
<b>Gross margin</b>	148,407	123,603	20.1
Selling and administrative expenses	(122,267)	(94,066)	30.0
Other operating income	3,494	3,043	14.8
<b>Operating profit before amortisation of intangible fixed assets (Ebita)</b>	29,634	32,580	(9.0)
Amortisation of intangible fixed assets	(965)	(949)	1.7
<b>Operating profit after amortisation of intangible fixed assets (Ebit)</b>	28,669	31,631	(9.4)
Financial income and charges	(1,204)	(645)	86.7
<b>Profit before tax</b>	27,465	30,986	(11.4)
Taxation	(8,651)	(10,582)	(18.2)
<b>Profit after tax</b>	18,814	20,404	(7.8)
Earnings per share (x € 1) <sup>1)</sup>	0.90	0.99	(9.1)

<sup>1)</sup> Calculated on the average number of shares in issue for the first half-year 20,975,268 (2004: 20,583,170)

## segmented analysis of results for the first half of 2005

(x € 1,000)

	Turnover		Operating profit (Ebit)	
	2005	2004	2005	2004
Food service	541,256	430,232	17,073	20,521
Food retail	212,943	219,193	8,117	9,420
Retail premises	0	0	3,479	1,690
<b>Total</b>	<b>754,199</b>	<b>649,425</b>	<b>28,669</b>	<b>31,631</b>

## abridged cash flow statement for the first half of 2005

(x € 1,000)

	2005	2004
Cash flow from trading activities	20,530	26,551
Interest received	547	352
Dividend received from participating interests	306	281
Interest paid	(2,421)	(2,907)
Corporation tax paid	(21,193)	(10,124)
<b>Cash flow from operating activities</b>	<b>(2,231)</b>	<b>14,153</b>
Acquisitions	(1,634)	(1,959)
Sale of activities	2,005	0
Sale of participating interests	674	0
Capital expenditure on fixed assets	(21,548)	(15,258)
Sales of fixed assets	4,193	907
<b>Cash flow from investing activities</b>	<b>(16,310)</b>	<b>(16,310)</b>
Proceeds from share issues	809	1,585
Granted to participating interest	(1,170)	0
Repayments by participating interests	234	250
Repayment of long-term debt	(13,031)	(12,044)
New short-term bank borrowings	21,022	19,212
Dividend paid	(8,076)	(7,424)
<b>Cash flow from financing activities</b>	<b>(212)</b>	<b>1,579</b>
<b>Movement in cash and cash equivalents</b>	<b>(18,753)</b>	<b>(578)</b>

## abridged consolidated balance sheet for the first half of 2005

(x € 1,000)

	02-07-2005	01-01-2005	26-06-2004
<b>Fixed assets</b>			
Intangible fixed assets	71,059	71,157	43,579
Tangible fixed assets	219,891	209,322	191,220
Financial fixed assets	4,832	5,192	6,285
	295,782	285,671	241,084
<b>Current assets</b>			
Stocks	139,571	139,349	111,284
Debtors, prepayments and accrued income	84,294	66,173	45,258
Cash	9,305	28,058	7,017
	233,170	233,580	163,559
Balance sheet total	528,952	519,251	404,643
<b>Shareholders' equity</b>	237,683	227,078	190,641
<b>Provisions</b>			
Deferred taxation	17,678	18,083	15,852
Other	8,614	9,419	9,409
	26,292	27,502	25,261
<b>Long term liabilities</b>	133,658	125,271	41,859
<b>Current liabilities</b>			
Creditors	73,176	73,638	57,893
Repayment commitments	8,851	15,741	12,052
Amounts owed to credit institutions	21,022	0	43,710
Tax and social security contributions	9,758	15,897	15,873
Other liabilities, accruals and deferred income	18,512	34,124	17,354
	131,319	139,400	146,882
Balance sheet total	528,952	519,251	404,643
Solvency in %	45	44	47

## abridged consolidated statement of movements in shareholders' equity for the first half of 2005

(x € 1,000)

	Issued and paid-up capital	Share premium	Other reserves	Hedging reserve	Total
Balance as at year-end 2004 <sup>1)</sup>	2,474	25,744	192,184		220,402
IFRS differences			7,083	(407)	6,676
Balance as at 01-01-2005	2,474	25,744	199,267	(407)	227,078
Exercise of share options	6	803			809
Stock dividend	38	(38)			0
Dividend paid			(8,076)		(8,076)
Movement				(943)	(943)
Profit after tax			18,814		18,814
Balance as at 02-07-2005	<u>2,518</u>	<u>26,509</u>	<u>210,005</u>	<u>(1,350)</u>	<u>237,682</u>

<sup>1)</sup> According Annual Accounts 2004

(x € 1,000)

	2005	2004
<b>Other information</b>		
Depreciation on tangible fixed assets	11,754	9,572
Net investments in fixed assets <sup>2)</sup>	22,623	12,480

<sup>2)</sup> In tangible fixed assets, excluding acquisitions

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## reconciliation profit and loss account in accordance with IFRS and Dutch GAAP for the first half of 2004

(x € 1,000)

	IFRS	Dutch GAAP	Change
<b>Turnover</b>	649,425	650,827	(1,402)
Cost of sales	(525,822)	(530,340)	4,518
<b>Gross margin</b>	123,603	120,487	3,116
Selling and administrative expenses	(94,066)	(91,346)	(2,720)
Other operating income	3,043	2,764	279
<b>Operating profit before amortisation of intangible fixed assets (Ebita)</b>	32,580	31,905	675
Amortisation of intangible fixed assets	(949)	(2,051)	1,102
<b>Operating profit after amortisation of intangible fixed assets (Ebit)</b>	31,631	29,854	1,777
Financial income and charges	(645)	(645)	0
<b>Profit before tax</b>	30,986	29,209	1,777
Taxation	(10,582)	(10,349)	(233)
<b>Profit after tax</b>	20,404	18,860	1,544
Earnings per share (x € 1) <sup>1)</sup>	0.99	0.92	0.07
<b>Other information</b>			
Depreciation on tangible fixed assets	9,572	9,810	(238)
Net investments in fixed assets <sup>2)</sup>	12,480	12,480	0

<sup>1)</sup> Calculated on the average number of shares in issue for the first half-year of 2004: 20,583,170

<sup>2)</sup> In tangible fixed assets, excluding acquisitions

## reconciliation balance sheet in accordance with IFRS and Dutch GAAP for the first half of 2004

(x € 1,000)

	IFRS	Dutch GAAP	Change
<b>Fixed assets</b>			
Intangible fixed assets	43,579	42,568	1,011
Tangible fixed assets	191,220	186,311	4,909
Financial fixed assets	6,285	6,193	92
	241,084	235,072	6,012
<b>Current assets</b>			
Stocks	111,284	110,474	810
Debtors, prepayments and accrued income	45,258	45,100	158
Cash	7,017	7,017	0
	163,559	162,591	968
Balance sheet total	404,643	397,663	6,980
<b>Shareholders' equity</b>			
	190,641	185,689	4,952
<b>Provisions</b>			
Deferred taxation	15,852	13,824	2,028
Other	9,409	9,409	0
	25,261	23,233	2,028
<b>Long-term liabilities</b>			
	41,859	41,859	0
<b>Current liabilities</b>			
Creditors	57,893	57,893	0
Repayment commitments	12,052	12,052	0
Amounts owed to credit institutions	43,710	43,710	0
Tax and social security contributions	15,873	15,873	0
Other liabilities, accruals and deferred income	17,354	17,354	0
	146,882	146,882	0
Balance sheet total	404,643	397,663	6,980
Solvency in %	47	47	

## notes on the IFRS adjustments

The abridged consolidated figures contained in Annexes 1–4 to this press release have been prepared applying IFRS. Annexes 5 and 6 contain reconciliations of the profit and loss accounts and balance sheets for the first half of 2004 drawn up under Dutch GAAP and under IFRS. The cash flow statement is unaffected. For a reconciliation of shareholders' equity in the opening and closing balance sheets for 2004 and of the result after tax for 2004, reference is made to the 2004 annual report. The annual report also contains detailed notes on the individual items affected by the transition, which are included in all the reconciliation statements.

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It is a mandatory requirement for Sligro Food Group to prepare its financial statements for 2005 under IFRS, to the extent that the IASB's recommendations have been accepted by the EU. The half-year results have been prepared according to those International Financial Reporting Standards that have been approved as at 21 July 2005 and will be effective at year-end 2005, the first date on which Sligro Food Group is required to prepare its financial statements in accordance with IFRS. It should be noted that the IFRS themselves and the interpretation thereof are still subject to change, so that there is no certainty regarding the effect of adopting IFRS. This means that the accounting policies for 2005 will not be finalised until the 2005 financial statements are actually in preparation. IAS 34, Interim Financial Reporting, has not been applied.



Sligro Food Group N.V. encompasses food service and food retail companies selling directly and indirectly to the entire Dutch food and beverages market. The group pursues a multi-channel strategy, covering various forms of sales and distribution (cash-and-carry and delivery) using several different distribution channels.

#### Food retail

- Prisma Food Retail B.V. supplies some two hundred and eighty independent food retailers operating under three separate retail formats covering different store sizes and market approaches (Golff, MeerMarkt, Attent). This multi-format strategy means that outlets can be closely matched to local market requirements.
- EM-TÉ Supermarkten B.V. operates 17 large supermarket/off-licence stores, most of which are located in central Brabant where its goal is regional market leadership.

#### Food service

- Sligro B.V. and VEN Groothandelcentrum B.V. supply restaurants and bars, volume users, company caterers, small and medium-sized enterprises, business service providers and smaller retailers, offering both cash-and-carry and delivery service from 43 large cash-and-carry stores and 11 distribution centres.
- Van Hoeckel B.V., partner in food care, addresses the institutional market nationwide, supplying non-profit establishments including hospitals, nursing and care homes and residential homes for the elderly.

- Rosenberg Import B.V. supplies the top end of the confectionary market via a number of exclusive agencies.

We endeavour to keep over 50,000 lines - dry goods, perishables and food-related non-food items - in stock at all times, assuring our customers of prompt service. We also provide commercial and business management support, ranging from complete franchise packages to insurance and training services. Food buying in consumer packages on behalf of Sligro Food Group is handled by CIV Superunie B.A., which has a market share of almost 27% in the Dutch supermarket sector.

Sligro Food Group companies seek actively to share expertise and utilise the substantial economies of scale. Joint purchasing and joint use of exclusive brands, combined with direct and detailed margin management, generate higher gross margins. Operating expenses are kept in check by ongoing tight cost control and a joint logistics and distribution strategy.

Group synergy is further enhanced by the expansion of joint IT systems, joint property management and group management development. Staff are encouraged to make the most of their talents and develop their full potential. Innovation, training and personal development are the key concepts in this context.

Sligro Food Group aims to be a dependable, high-quality company achieving managed growth in all its activities and for all its stakeholders.

Its turnover in 2004 under IFRS was € 1,444 million and net profit was more than € 58 million. The average number of employees on a full-time-equivalent basis was almost 3,000.

