

Press release 2006

Sligro Food Group announces 22% rise in net profit to €62 million and share split

Sligro Food Group's profit for 2006 came out at €62 million, compared with close to €51 million in 2005. As reported on 3 January, sales for the year rose by 7.5% to €1,661 million.

The gross profit increased by 15% to €359 million, with the gross margin rising from 20.2% to 21.6% of sales. This was primarily attributable to the change in the mix of the business activities, while pressure on margins also gradually decreased during the year.

The change in the mix of the business activities also had an impact on the composition and level of the group's operating expenses, which rose from 16.0% to 16.7% of sales. The measures taken in 2005 to integrate VEN more rapidly into the Sligro foodservice activities had a positive effect on operating expenses in 2006.

The net effect of the above was a 22% increase in the operating profit, which rose by €16 million to €90 million. This in turn meant that, as a percentage of sales, the operating profit increased from 4.8% to 5.4%, with both the foodservice and food retail activities contributing to this improvement.

Most of the increase in foodservice profit was attributable to the integration of VEN and the acquisition of Inversco. The food retail results include non-recurring income of €2 million, but also start-up costs of the new supermarkets.

Finance expense increased because of the new credit facilities arranged to fund the acquisition of Inversco and the participation in S&S Winkels.

The tax burden was lower than in 2005, owing to a reduction in the applicable corporation tax rate in 2006. As the tax rate will fall further in 2007, an amount of €2 million was also able to be released from the provision for deferred tax liabilities.

Net earnings per share rose by almost 21% to €2.93, compared with €2.43 in 2005.

It is proposed to distribute a dividend for 2006 of €1.15 per share (2005: €1.00). The dividend may be taken in cash or in stock at the shareholder's option, with the stock dividend being roughly equal to the cash alternative.



In order to improve the marketability of the shares and to bring their price more into line with the normal levels on the stock exchange, the shareholders' meeting on 14 March 2007 will be asked to approve a proposal to split the shares in the ratio of two new shares for each old one. This will be the group's fourth share split since it was first listed on the stock exchange in 1989, and it will mean that one original share, which cost €23.60 at the time, will then be represented by twenty shares.

Prospects

The market conditions improved slightly in 2006. Given the current economic situation and various other factors, we have no reason to expect conditions to worsen in 2007. Our own position in the food retail market will primarily be determined by the success of the Edah supermarkets to be converted during the year. It has now definitely been agreed that Sperwer Holding and Sligro Food Group will each take over around 80 Edah supermarkets from S&S Winkels. We expect our initial investment in S&S Winkels of €80 million to be sufficient to achieve this.

For us, this means that the number of EM-TÉ supermarkets will increase in 2007 by 43 to 73. Over 25 supermarkets will be converted from the Golff and MeerMarkt formats in 2007, with this transitional process largely expected to be completed by the end of the year. The twelve new EM-TÉ supermarkets opened in the fourth quarter of the year contributed over €14 million to sales.

This represents an increase of 40% on the average sales generated by the Edah format in the same period in 2005. We expect to be able to maintain the positive trend in sales.

We expect the positive development in Sligro's sales to continue in 2007, while the strong growth in Van Hoeckel and Inversco's sales achieved in 2006 is also expected to be boosted in 2007 by the increased cooperation between the two businesses.

We are consequently expecting to achieve a greater organic increase in sales than in 2006. Based on the planned conversion programme for the supermarkets and the inclusion of Inversco for a full year, we are forecasting sales for 2007 of around €2 billion. The market will remain extremely competitive, but we are not really accustomed to anything else in the food sector.

The improving economy is resulting in higher wage costs, while energy costs, particularly of electricity, are rising sharply. The expiry of a multi-year contract at the end of 2006 means our like-for-like electricity costs will be around €6 million higher in 2007.

The conversion of the supermarkets will also result in non-recurring expenses in 2007 and a squeeze on the margin of around €5 million.

At this stage we regard it as too early to give a reliable forecast of our profits for 2007. We will provide more information on developments in the first quarter of the year in our trading update on 19 April 2007. Our half-year figures will be published on 19 July.

Our figures for 2006 will be discussed at our press conference and in a meeting with analysts today. The presentation we will give can be found on www.sligrofoodgroup.com. Our 2006 Annual Report will be published on 6 February 2007.

A conference call will be hosted at 15.30 hours CET.

Veghel, 25 January 2007

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

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Encl.: pages 3 – 8.

Appendix 1

Consolidated profit and loss account for 2006

(x € 1,000)

	2006	2005	2004
Revenue	1,661,175	1,545,506	1,443,911
Cost of sales	(1,301,883)	(1,233,262)	(1,159,483)
Gross margin	359,292	312,244	284,428
Other operating income	7,956	8,768	13,869
Staff costs	(143,641)	(126,458)	(110,567)
Premises costs	(31,383)	(25,980)	(18,853)
Selling costs	(15,153)	(15,375)	(15,912)
Logistics costs	(48,097)	(38,280)	(33,228)
General administrative expenses	(10,038)	(9,955)	(8,388)
Impairment losses	0	(4,591)	(906)
Depreciation of property, plant & equipment	(25,740)	(24,319)	(20,289)
Amortisation of intangible assets	(2,843)	(1,988)	(1,943)
Total operating expenses	(276,895)	(246,946)	(210,086)
Operating profit	90,353	74,066	88,211
Finance income	636	1,126	650
Finance expense	(7,422)	(5,080)	(3,184)
Share in profits of associates	868	564	792
Profit on disposal of investment in an associate	0	459	0
Profit before tax	84,435	71,135	86,469
Tax	(22,356)	(20,260)	(27,870)
Profit for the year	62,079	50,875	58,599
Attributable to shareholders of the company	62,079	50,875	58,599

Figures per share

	€	€	€
Basic earnings per share	2.93	2.43	2.84
Diluted earnings per share	2.93	2.42	2.83
Proposed dividend	1.15	1.00	1.00

Appendix 2

Consolidated cash flow statement for 2006

(x € 1,000)

	2006	2005	2004
Receipts from customers	1,806,851	1,683,640	1,580,528
Other operating income	3,819	4,453	12,847
	1,810,670	1,688,093	1,593,375
Payments to suppliers	(1,517,337)	(1,438,953)	(1,338,110)
Payments to employees	(76,330)	(69,568)	(60,289)
Payments to the government	(108,946)	(105,496)	(94,849)
	(1,702,613)	(1,614,017)	(1,493,248)
Net cash generated from operations	108,057	74,076	100,127
Interest received	636	1,126	650
Dividend received from associates	446	326	180
Interest paid	(7,550)	(4,860)	(5,740)
Corporation tax paid	(23,084)	(22,356)	(27,378)
Net cash flow from operating activities	78,505	48,312	67,839
Acquisitions	(171,752)	(2,942)	(59,595)
Sale of associates/group companies	2,760	3,079	
Capital expenditure on property, plant and equipment/investment property	(43,787)	(42,498)	(32,676)
Receipts from disposal of property, plant and equipment/investment property	16,136	4,875	2,189
Capital expenditure on intangible assets	(725)	(692)	(805)
Loans to associates	(50)	(1,420)	
Repayments by associates	468	468	500
Receipts from disposal of investment in an associate	61		419
Net cash flow from investing activities	(196,889)	(39,130)	(89,968)
Share issue	2,516	1,250	1,586
Long-term borrowing	125,000		106,027
Repayment of long-term debt	(13,440)	(16,516)	(33,098)
Received from associates	10,000		
Dividend paid	(18,091)	(8,076)	(7,424)
Net cash flow from financing activities	105,985	(23,342)	67,091
Movement in cash, cash equivalents and short-term bank borrowings	(12,399)	(14,160)	44,962
Balance at start of year	13,898	28,058	(16,904)
Balance at end of year	1,499	13,898	28,058

Appendix 3

Consolidated balance sheet as at 31 December 2006 before profit appropriation

(x € 1,000)

ASSETS	30-12-2006	31-12-2005	1-1-2005
Goodwill	134,131	65,502	65,532
Other intangible assets	20,004	5,929	5,625
Property, plant & equipment	214,959	185,274	176,796
Investment property	30,804	29,845	29,087
Investments in associates	4,726	2,725	1,759
Other financial assets	2,688	11,160	3,433
Total non-current assets	407,312	300,435	282,232
Inventories	150,379	143,856	139,924
Trade and other receivables	82,940	61,962	59,867
Corporation tax	0	1,099	1,786
Other current assets	58,584	3,136	4,521
Assets held for sale	6,705	10,144	3,440
Cash and cash equivalents	13,346	13,898	42,426
Total current assets	311,954	234,095	251,964
TOTAL ASSETS	719,266	534,530	534,196
EQUITY AND LIABILITIES	30-12-2006	31-12-2005	1-1-2005
Shareholders' equity			
Paid-up and called capital	2,545	2,520	2,474
Reserves attributable to shareholders of the company	310,291	262,978	220,818
	312,837	265,498	223,292
Liabilities			
Deferred tax liabilities	12,473	14,485	16,342
Employee benefits	5,899	7,949	12,844
Other provisions	1,159	799	1,424
Bank borrowings	212,141	134,411	130,173
Total long-term liabilities	231,672	157,644	160,783
Current portion of long-term debt	28,714	4,925	15,741
Short-term bank borrowings	11,847		14,368
Trade and other payables	81,048	65,308	73,638
Corporation tax	3,505	883	2,531
Other taxes and social security contributions	14,146	13,246	13,366
Short-term provisions	2,238	2,091	1,252
Other liabilities, accruals and deferred income	33,259	24,935	29,225
Total current liabilities	174,757	111,388	150,121
TOTAL EQUITY AND LIABILITIES	719,266	534,530	534,196

Appendix 4

Consolidated statement of movements in shareholders' equity for 2006 before profit appropriation

(x € 1,000)

	Paid-up and called capital	Shared premium	Other reserves	Revalua- -tion reserve	Hedging reserve	Profit before appro- piation	Total
Balance as at 01-01-2005	2,474	25,744	133,243	3,640	(408)	58,599	223,292
Profit appropriation			58,599			(58,599)	0
Exercise of share options	8	1,242					1,250
Stock dividend	38	(38)					0
Dividend paid			(8,076)				(8,076)
Property investments			(1,013)	1,013			
Profit after tax			(532)		(1,311)	50,875	49,032
Balance as at 31-12-2005	2,520	26,948	182,221	4,653	(1,719)	50,875	265,498
Profit appropriation			50,875			(50,875)	0
Exercise of share options	15	2,501					2,516
Stock dividend	10	(10)					0
Dividend paid			(18,091)				(18,091)
Property investments			(623)	623			0
Profit after tax			(698)		1,533	62,079	62,914
Balance as at 30-12-2006	2,545	29,439	213,684	5,276	(186)	62,079	312,837

Consolidated statement of recognised income and expense for 2006

(x € 1,000)

	2006	2005
Movement in cash-flow hedge of long-term loan	1,533	(1,311)
Actuarial results of defined-benefit plans	(698)	(532)
Income and expense recognised directly in shareholders' equity	835	(1,843)
Profit for the year	62,079	50,875
Total recognised income and expense for the year	62,914	49,032
Attributable to shareholders of the company	62,914	49,032

Appendix 5

Segmentation of results for 2006

(x € million)

	Foodservice		Food retail		Retail property		Total	
	2006	2005	2006	2005	2006	2005	2006	2005
Net sales	1,210.3	1,109.0	450.9	436.5			1,661.2	1,545.5
Other operating income	2.5	2.1	2.2		3.3	6.7	8.0	8.8
Operating profit	63.9	47.4	23.4	20.2	3.1	6.5	90.4	74.1
Net capital employed	372.6	280.4	181.1	104.0	30.8	29.8	584.5	414.2
Operating profit as percentage of sales	5.3	4.3	5.2	4.6			5.4	4.8
Operating profit as percentage of average net capital employed	19.6	16.9	16.4	19.4	10.2	21.8	18.1	17.9

Supermarket information

	Number of stores at year-end		Retail space at year-end (x 1,000 m ²)		Consumer sales ¹⁾ (x € million)		Like-for-like sales index	
	2006	2005	2006	2005	2006	2005	2006	2005
EM-TÉ	18	18	20	20	143	145	97	98
EM-TÉ new	12		16		16			
Golff	57	57	46	45	239	241	101	99
MeerMarkt	70	70	29	28	119	116	104	101
Attent	54	56	12	12	41	40	101	99
Total	211	201	123	105	558	542	100	99

¹⁾Including VAT

Other operating income

(x € 1.000)

	2006	2005
Investment property rental income	2,762	2,684
Book profit on investment property disposal		2,006
Book profit on sales of assets	1,172	
Investment property fair value adjustments	531	1,991
Other rental income	1,057	712
Book profit on property, plant and equipment disposal	2,434	318
Non-recurring income ¹⁾		1,057
	7,956	8,768

¹⁾Fire insurance payout in 2005

Profile

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

Food retail

- Prisma Food Retail B.V. supplies some 300 independent food retailers operating under three separate retail formats and with different store sizes and market approaches (Golff, MeerMarkt and Attent). This multi-format strategy means that outlets can be closely matched to local market requirements.
- EM-TÉ Supermarkten B.V. operates 30 large supermarkets in the south of the Netherlands and seeks to attain regional market leadership.

Foodservice

- Sligro B.V. supplies restaurants and bars, volume users, company caterers, small and medium-sized enterprises and smaller retailers by offering both cash-and-carry and delivery services from 42 large cash-and-carry stores and 11 distribution centres.
- Inversco B.V. specialises in large foodservice accounts, such as institutional customers, national chains and large hospitality sector customers, and supplies mainly short-life and long-life perishables and convenience products. It has its own meat-processing business, a centre for vegetables and three production facilities for convenience foods.
- Van Hoeckel B.V., partner in food care, serves the institutional market nationwide by supplying non-profit establishments such as hospitals, nursing and care homes and residential homes for the elderly.

We endeavour to keep around 60,000 lines – dry goods, perishables and food-related non-food items – in stock at all times so that our customers can be assured of prompt service. We also provide commercial and business management support, ranging from complete

franchise packages to advice on store layouts and training services.

CIV Superunie B.A., which has a market share of around 27% of the Dutch supermarket sector, handles Sligro's food retail purchases. In view of its size, the Group handles its own purchases of foodservice products.

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

Group synergy is further enhanced by joint IT systems, joint management of property and group management development.

Staff are encouraged to make the most of their talents and develop their full potential, with inspiration, training and personal development being the key concepts in this respect. Sligro Food Group strives to be a dependable, high-quality company achieving managed growth in all its activities and for all its stakeholders.

Sales in 2006 totalled €1,661 million, with a net profit of €62 million. The average number of employees on a full-time-equivalent basis was almost 3,700.

