

Sligro Food Group N.V., Half year figures 2011



Agenda

- Welcome Koen Slippens
- Half year figures 2011 Huub van Rozendaal
- Food retail and Foodservice Koen Slippens
- Outlook Koen Slippens





Profit and loss account

	2011	2010	Delta	2011	2010
	x €M	x €M	%	%	%
Revenue	1.185	1.115	6.2	100.0	100.0
Gross margin	272	252	7.8	22.9	22.6
Other operating income	2	2	(25.8)	0.2	0.2
Expenses	(202)	(191)	5.4	(17.0)	(17.1)
Ebitda	72	63	13.9	6.1	5.7
Depreciation/ amortisation	(26)	(26)	(1.2)	(2.2)	(2.4)
Ebit	46	37	24.9	3.9	3.3
Interest expense	(1)	0	-	(0.1)	0.0
Profit before tax	45	37	20.6	3.8	3.3
Tax	(11)	(9)	21.4	(1.0)	(0.8)
Profit after tax	34	28	20.3	2.8	2.5

Segmented analysis of results

x €M	Foodservice		Food retail	
	2011	2010	2011	2010
Revenue	779	759	406	356
Other operating income	1	0	1	2
Ebitda	54	48	18	15
Ebita	41	33	10	7
Ebit	40	32	6	5
Ebitda as % of revenue	6.9	6.3	4.5	4.4
Ebita as % of revenue	5.2	4.3	2.4	2.1
Ebit as % of revenue	5.1	4.2	1.5	1.3
Net capital expenditure ¹⁾	18	21	7	5
Depreciation/ amortisation	(14)	(16)	(12)	(10)

1) In tangible and intangible assets



Segmented analysis of results

Return on capital employed

In €M	Foodservice		Food retail		Total	
	2011	2010	2011	2010	2011	2010
CE (mid-year) ¹⁾	456	444	219	181	675	625
EBITDA (H1-H2)	116	118	38	34	154	152
EBIT (H1-H2)	85	88	15	11	100	99

AS % average CE

EBITDA	25.8	27.8	18.0	18.4	23.3	25.0
EBIT	19.0	20.7	6.9	6.2	15.1	16.4

¹⁾ Excluding financial assets, including Sanders (3 quarters)



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Cash flow statement (€M)

	2011	2010
From operations	48	48
Interest etc.	2	2
Corporate income tax paid	(20)	(21)
From operating activities	30	29
Acquisitions/ divestments	0	1
Net capital expenditure	(22)	(23)
From investing activities	(22)	(22)
Changes in debt	0	(14)
Dividend paid/ Re-purchase own shares	(34)	(48)
From financing activities	(34)	(62)
Movement in cash and short term bank borrowings	(26)	(55)
Balance at start of year	67	25
Balance mid-year	41	(30)



Balance sheet (before profit appropriation)

x €M	02/07 2011	03/07 2010		02/07 2011	03/07 2010
Fixed assets			Equity	500	464
Intangible assets	181	167	Provisions	36	30
Property, plant & equipment	310	286	Non current liabilities	166	126
Investment property	15	25	Current liabilities		
Financial assets	44	57	Banks	0	47
	550	534	Current portion long term debt	53	28
Current assets			Creditors	98	103
Inventories	188	176	Other	57	51
Debtors	123	119		208	229
Assets held for sale	8	3		910	849
Cash	41	17			
	360	315			
	910	849			



Summary H1-2011

Revenue (€M)

	<u>2011</u>	<u>2010</u>	<u>in %</u>
Food retail	406	356	14.2
Foodservice	779	759	2.5
Total	<u>1.185</u>	<u>1.115</u>	6.2
Organic growth ¹⁾	3.3%	4.7%	
Food retail	4.9%	4.2%	
Foodservice	2.5%	4.9%	

1) Non organic:

Food retail: stores sold, Sanders acquisition



Summary H1-2011

Gross Margin up from 22.6% to 22.9% of revenue

- Price squeeze in market due to rising purchase prices and competition
- More impact in FR than FS
- Altered product mix and better purchase terms and conditions
- FR franchise sales share down (from 23% to 17%)



Summary H1-2011

Other operating income (x €M)

	2011	2010
Rental income	1.7	1.6
Book profit	1.7	1.0
Fair value adjustment to property	(1.5)	-
	<u>1.9</u>	<u>2.6</u>
Foodservice	0.5	0.4
Food retail	1.4	2.2



Summary H1-2011

Total expenses¹⁾ down from 19.5% to 19.2% of revenue

- Cost-cutting programmes:
 - PLOP Project phase 2
 - Greater Amsterdam Project
- Incidental expenses connected with 'Greater Amsterdam' in H1 2010 of approximately €3 million, including write-downs of €2.5 million
- Costs of integrating Sanders

¹⁾ Including depreciation and amortisation



Summary H1-2011

EBIT up 24.9% at €46 M (from 3.3% to 3.9%)

Foodservice:

- Sales growth
- Gross margins maintained
- Cost savings

Food retail:

- Food Retail Masterplan implementation
- Strong like-for-like sales growth for EMTÉ
- Sanders integration costs
- Improvements in franchise terms



Summary H1-2011

Finance income and expense from +0.0% to -0.1%

	2011	2010
Net financing expense	(3.5)	(2.0)
Profits of associates	2.2	2.3

- Increased finance expense due to increased borrowings (Sanders) and higher rates (from floating to fixed on second US private placement)



Summary H1-2011

Profit after tax	€ 33.7 M (€28.0 M)	+ 20.3 %
Earnings per share	€ 0.76 (€0.63)	+ 20.6 %



Summary H1-2011

Cash flow from operating activities: €30 million (2010: €29 million)

- Advance corporation tax €10 million (2010: €12 million)
- Usual seasonal investment in working capital in first half

Cash flow from investing activities: €22 million (2010: €22 million)

- Includes costs of converting Sanders to EMTÉ
- Includes proceeds of €8 million from disposal of retail premises (assets held for sale)

- Dividend payout of €31 million plus €3 million for repurchase of shares in connection with option programme



Summary H1-2011

Net interest bearing debt x €M

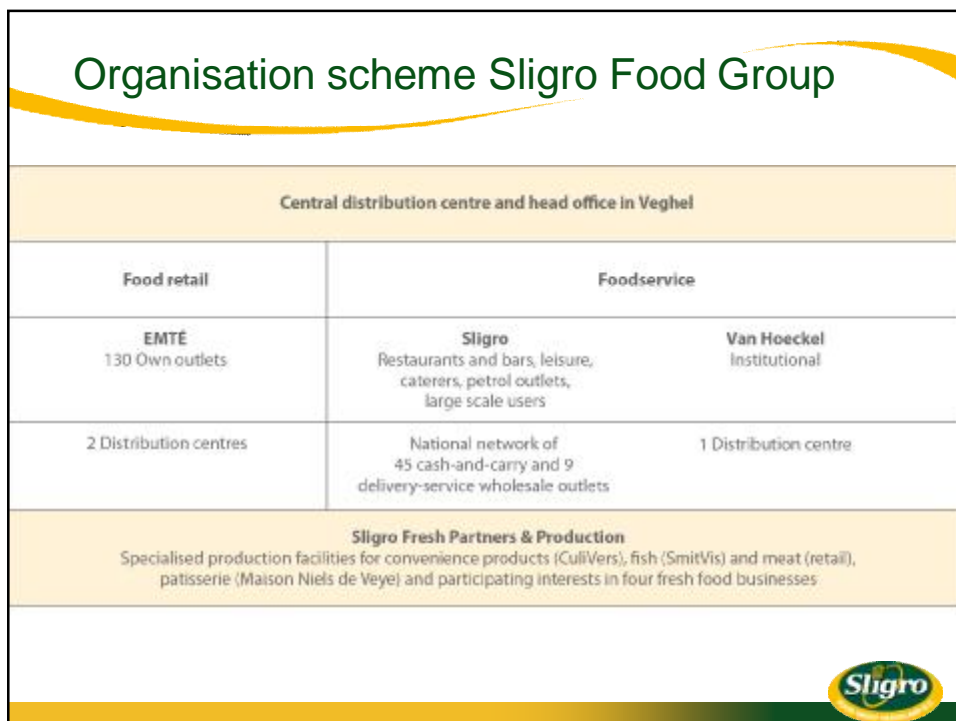
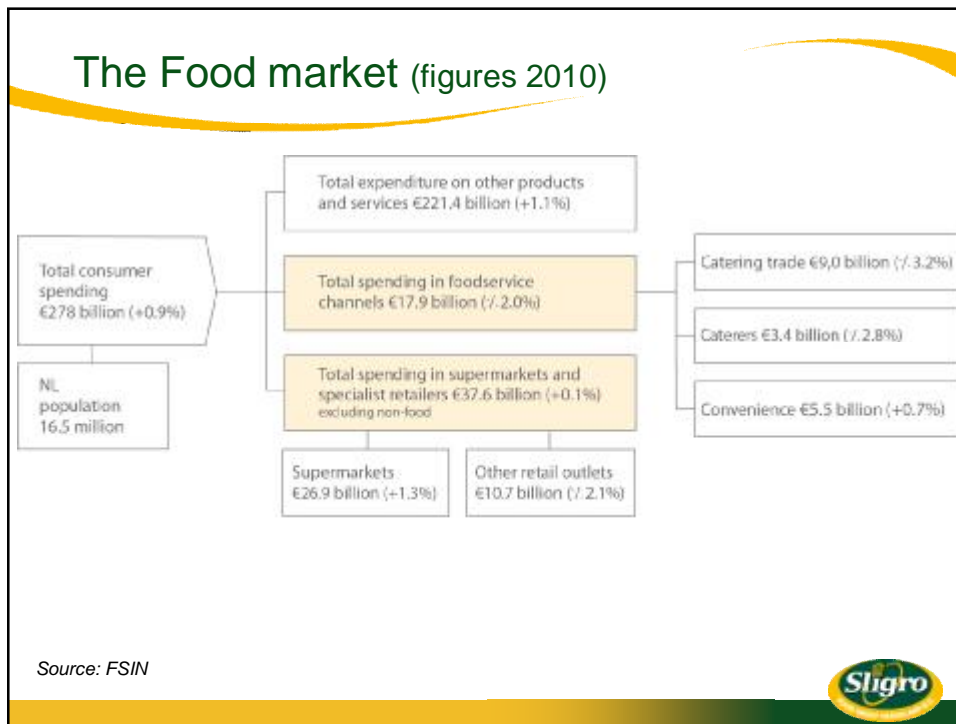
	02-07 2011	01-01 2011
Gross ¹⁾	217	223
Free Cash	(41)	(67)
Net	176	156

Increase largely due to dividend payment and share repurchase (€34 million), advance corporation tax payment (€10 million) and seasonal increase in working capital

¹⁾ Excluding fair value derivatives



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Food retail

- Market development
- Food retail and Sligro Food Group
- Sanders Supermarkten
- Food retail plans



Food retail market in H1-2011

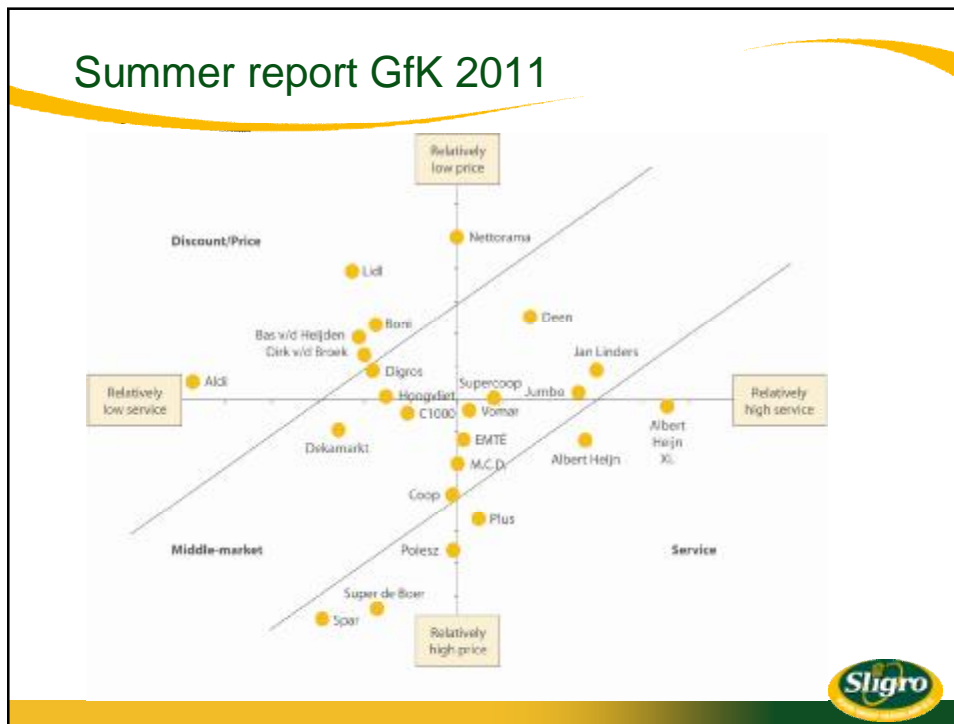
Figures from the various market research bureaus differ (again):

Figures:

IRI	2.5% (26 weeks)	} our estimate 2.5%
ACN	3.8% (26 weeks)	
GFK	2.0% (26 weeks)	

- Is ACN overestimating growth of hard discounters?





Food retail and Sligro Food Group

	growth %		
	Q1	Q2	H1
<u>Like-for-like (week 1 to 26)</u>			
EMTÉ	4.5	6.4	5.5
SFG Food retail	3.7	6.1	4.9

- Easter: negative in Q1 and positive in Q2
- Football World Cup in 2010
- Estimated market growth of approximately 2.5%
- Food Retail clearly outperforming the market

Food retail and Sligro Food Group (1)

- Focus on three areas in H1 2011
- Company operated EMTÉ stores
 - 'reFresh' (verVersen) programme in full swing
 - good like-for-like sales growth
 - some market pressures on margins
 - 2 new stores: Putte and Borculo
- Franchise operated EMTÉ / Golf stores
 - 8 more converted to EMTÉ, 10 still to go in H2 2011
 - excellent sales growth
 - market pressures on margins plus effect of improved franchise terms
 - 2 stores disposed of in H1 2011 (in connection with new store in Putte)
- Sanders Supermarkten à



Food retail and Sligro Food Group (2)

Sanders Supermarkten

- Complete integration of 20 of the 22 Sanders stores into EMTÉ
- Staff training in EMTÉ ethos ('Ons Huis EMTÉ' programme)
- Distribution centre staff seconded to Retail DC Putten à BS Enschede
- DC Sanders expanded (3,500 m² à 10,000 m²) to create BS Enschede (Foodservice deliveries)
- 18 of 28 head office staff have found jobs within SFG
- Integration costs (excluding conversion) estimated at €1–2 million.
- Foundations laid (stores converted, old stocks now sold, staff trained)
- Now to build sales and optimise operations



Food retail and Sligro Food Group

Stores	year-end 2010	mid 2011
EMTÉ	78	99
Sanders	21	-
Company operated	99	99
EMTÉ franchise	12	20
Golff	20	10
Franchise operated	32	30
Total	131	129

- 2 new EMTÉ stores, in Putte and Borculo, 2 former Sanders stores disposed of
- All other Sanders stores converted to EMTÉ
- 2 Golff stores disposed of in H1 2011, remainder converted to EMTÉ in H2 2011
- 85 stores under 'reFreshed' format



Food retail plans 2011

- Practically all 130 of the group's supermarkets under the 'reFreshed' EMTÉ format, with the emphasis on freshness and good old-fashioned quality and service, by the end of 2011
- Continuation of successful marketing strategy (sales promotion involving mix of price and loyalty campaigns)
- Building on the 'reFreshed' format: '..... enjoying life'
- Intensification of 'Ons Huis EMTÉ' training programme and embedding of EMTÉ ethos in the organisation
- Further optimisation of backoffice



Foodservice

- Market developments
- Foodservice and Sligro Food Group
- Foodservice plans



How do we view the market?

Market figures:

Hospitality sector, according to CBS Q1 ¹⁾ :	+ 6.2 %
Foodservice, according to FSIN Q1 ²⁾ :	+1.0 %

Our information:

Survey of 300 customers in H1 2011: + 0–1 %

Suppliers (Friesland, CocaCola, Unilever Foodsolutions)
on foodservice sales volume in H1 2011: index approx.100

1) Press release, Thursday, 26 May 2011, www.cbs.nl

2) Press release, Monday, 6 June 2011, www.fsin.nl



Foodservice and Sligro Food Group

- Like-for-like sales growth of 2.5% (Q2: 4.4%), outperforming the market
 - Easter: negative in Q1 and positive in Q2
 - Football World Cup (different impact on different market segments)
 - Continuing effect of losing several customers due to problems surrounding integration as part of Greater Amsterdam Project in H2 2010
- Deliveries growing fastest, partly due to several large accounts
- Successful start for Paresto contract, Texaco starts in November 2011
- ZB Tilburg (cash-and-carry) revamp completed



Greater Amsterdam Project status (1)

- Consolidation of Amsterdam delivery activities almost completed
 - Suppliers and partners integrated
 - Alkmaar Deliveries integrated
 - Migration of customer orders from Inversco to Sligro Slimis system completed
 - Standard of service back up to the mark
 - Phase 1 of cost savings achieved



Entire process handled using Sligro (ERP) method in the Delivery Service infrastructure



Greater Amsterdam Project status (2)

- Optimisation and conclusion (Phase 2)
 - Review of customer terms and conditions
 - Optimisation of product range (duplicates, suppliers etc.)
 - Reallocation of customers to other Delivery Service centres and vice versa
 - Ongoing focus on logistics and productivity
 - Final project completion expected in Q2 2012 (most progress in 2011)



Foodservice and Sligro Food Group

Gross Margin

- Margin well under control despite customer mix and stiff competition
- Sligro Foodservice purchase position strong
- Improvement in product mix (including own label share)
- Customers increasingly looking for structure, quality and efficiency
- Price remains important, however

Costs

- Good cost control
- Efficiency gains continue to be rolled out as a result of projects of recent years (including PLOP and Greater Amsterdam)
- Main emphasis on operational excellence
- Efficiency and further improvements in customer satisfaction go hand-in-hand



Foodservice and Sligro Food Group

Van Hoeckel

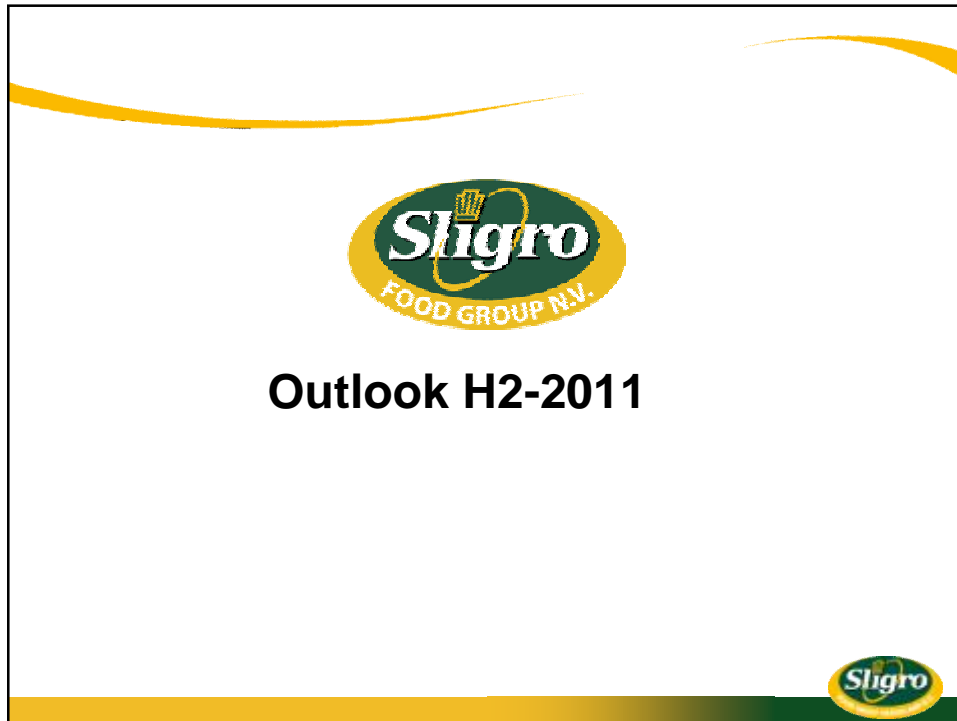
- Market demand in care sector undergoing major change
- Big changes in approach to institutional market under direction of new management
- With a strong grocery basis, emphasis on fresh produce and convenience foods (own brand)
- Revised positioning to be rolled out in H2 2011 and 2012
- On operational front, further integration with Sligro Delivery Service structure (on finely meshed level, using DC Den Bosch as base - big drops, slow movers, headquarters)



Foodservice plans 2011 / 2012

- Continued optimisation of delivery activities in Amsterdam region
 - Productivity
 - Optimisation of logistics
 - Sales growth / new business acquisition
- BS Enschede start-up (former Sanders distribution centre), creating 10th Delivery Service outlet, in September
- Upgrading of cash-and-carry outlets
 - Leiden, Amersfoort, Tiel, The Hague Forepark, Zwolle, Alkmaar
 - Exploration of regional opportunities in Zaandam / Purmerend
- Project: Delivery drops in Belgium from the Netherlands
- Initial e-commerce project steps 'live'
- Further efficiency gains / operational excellence





Outlook H2-2011

- Consumers remain cautious in both segments
- No further downward trend expected but also no major growth
- A lot of downside noises from the government, political circles, banks, Europe
- But also plenty of opportunities in tough markets for well-organised businesses!
- No firm profit forecasts for 2011 as a whole

