Sligro Food Group N.V.

HALF-YEAR REPORT
Sligro Food Group 2019

SLIGRO FOOD GROUP NET PROFIT €13 MILLION

Sales in the first half of 2019 were €1,135 million, up 0.4% on the corresponding period in 2018. Operating profit from continuing operations fell €13 million to €18 million. Net profit from continuing operations declined by €12 million to €13 million in the first six months of the year.

Koen Slippens, CEO:

"The economic climate in the Netherlands and Belgium cooled considerably in the first half of the year. The decline in consumer confidence in both countries once again looks to be a predictor of market trends. In the Netherlands, we witnessed a slight upturn in the market, which is primarily price-driven. In Belgium, the market is contracting. There was a substantial rise in logistics, energy and staff costs.

All in all, these are challenging conditions for us and our competitors and so it is important that we make progress for the future, but at the same time steer the business through the current market.

In the Netherlands, sales increased in line with the market and we were able to absorb price increases in the operation to a reasonable extent. In addition to our day-to-day operations, we are working on a number of large projects such as our SAP implementation and the integration of Heineken. The carve-out of retail was also completed at the end of June. The combination of these activities has meant, however, that we have not yet reduced the costs of our central organisation to the extent we feel is necessary to absorb the loss of cover from retail.

Key figures [1)]

x € million	2019	2018[2)]	Change in %
Net sales	1,135	1,131	0.4
Organic sales growth in %	0.4	(0.1)	
Gross operating profit (Ebitda)	56	62	(8.9)
Operating profit before amortisation (Ebita)	28	43	(34.9)
Operating profit (Ebit)	18	31	(43.3)
Profit before tax	16	31	(49.3)
Net profit	13	25	(48.7)
Net profit from discontinued operations		4	
Free cash flow of the Group	(13)	(1)	
Earnings per share (x € 1)	0.29	0.55	(48.4)
Earnings per share from discontinued operations (x € 1)		0.10	

x € million	30-06-2019	29-12-2018[3)]	Change in %
Shareholders' equity	502	525	(4.2)
Net interest-bearing debt	453	341	32.7

1) Figures based on continuing operations unless stated otherwise.
2) The 2018 comparative figures have not been restated for IFRS 16.
3) The opening balance sheet at 29 December 2018 has been restated in accordance with IFRS 16 Leases.

In Belgium, we significantly outperformed the market, partly thanks to the good progress we have made with our new outlet in Antwerp in the course of the first six months of the year. We know that sales in Antwerp need to grow further to achieve break-even operations. In addition, we are building on our infrastructure and a single head office organisation for Sligro Food Group Belgium. In Belgium, too, we need to make investments so that we can reap the benefits later."

General

The implementation of IFRS 16 at the start of the current financial year has led to significant shifts in the profit and loss account and they have had an impact on Ebitda, Ebita and Ebit. The commentary on the figures therefore focuses on net sales, margin, costs and profit before tax as a barometer for profitability.

The acquisition of Wheere and its subsidiaries was finalised on 17 June 2019. The opening balance sheet was incorporated in the consolidated balance sheet figures at 30 June 2019. This is explained below in this report. The results will be consolidated in the Group's figures from July 2019.

Results in the Netherlands

Sales fell by 0.1% compared with last year. Adjusted for the impact of IFRS 15 on how signing fees are presented, sales rose by 0.2%, which meant that the sales trend was in line with the market. Most pressure was on the drinks and catering sectors, as reflected in the market. The period leading up to the integration of the Heineken premises is putting pressure on costs and sales and so we are looking forward to the integration, which will start from the fourth quarter of this year.

Gross margin as a percentage of sales fell by 0.2% compared with last year to 24.2%. Adjusted for the impact of IFRS 15 on how signing fees are presented, gross margin rose 0.1% compared with the previous year. There is still a positive trend in the margin as a result of better promotional margins and value creation of data. We believe that there is no remaining dis-synergy in 2019 on purchases as a result of the loss of retail.

Costs as a percentage of sales rose by 1.4% compared with the previous year to 22.7%. Compared with last year, we lost almost €7 million in cover from retail on the costs of our central organisation and the central distribution centre. We are working to align the central organisation more closely to our ambitions in terms of quality and quantity and this is gradually leading to savings. By contrast, we are also currently investing in large programmes such as the integration of Heineken and the implementation of SAP. We are not reducing costs as quickly as we had expected and this is something we are particularly focusing on. In addition, the consultancy fees for the acquisition of Wheere and its subsidiaries were accounted for in the first half of the year. The profit before tax fell by €9 million to a profit of €23 million.

Results in Belgium

Sales increased by 5.6% compared with last year, which means that we clearly outperformed the Belgian market. This is partly because of growth in Antwerp, which we have seen increase week on week since the opening in November 2018.

The gross margin as a percentage of sales fell by 1.7% compared with last year to reach 22.2%. This is due in part to the shift in the mix but primarily to relatively high shrinkage losses in Antwerp, where sales are still in a growth phase.

Costs as a percentage of sales increased by 3.5% to 28.5%. In Belgium, we are investing in physical infrastructure for delivery and cash-and-carry and in a central Sligro Food Group Belgium team at the head office. Both are targeted at growth so that in this phase in which the number of locations is still limited, costs are not yet in proportion to sales. This is a consequence of the start-up phase in which we still find ourselves. The profit before tax fell by €6 million to a loss of €7 million.

Dividend

Based on the half-year figures for 2019 and the Group's strong financial position, in accordance with our dividend policy, it has been decided to pay an interim dividend. The interim dividend is €0.55 per share and will be made payable on Monday, 30 September 2019. The ex-dividend date will be Friday, 20 September 2019 and the record date is Monday, 23 September 2019.

Outlook

The trend in consumer confidence points to continuous pressure on market development. We are assuming a relatively flat market, with inflation of between 1.5% and 2.0% and therefore a volume decrease. This is a harsh climate in which we will continue to push for sales growth combined with cost management so that we can absorb cost inflation and volume pressure. We will also continue to focus on strategic programmes for the future.

We expect to be able to complete the first integration of Heineken premises in the Netherlands after the summer so that we can then finalise all integrations by the end of 2020 on schedule. In Amsterdam, we will also complete the integration of Wheere in 2020 following the Heineken integration. We expect to achieve our SAP implementation in Belgium on time and on budget in 2020. In Antwerp, sales growth is the key to improving the return and a basis for further expanding the outlet network.

The combination of today's challenging market conditions and the efforts put into important programmes for the future are putting pressure on our performance in the short term. We believe in the course we have chosen for the medium term and will continue working towards this. We will not provide any concrete predictions on the full-year results.

We described the most important risks and uncertainties in our 2018 annual report. There have been no material changes in this regard.

A presentation of the half-year figures will be given in a meeting for analysts today. The presentation can be found on our corporate website: **www.sligrofoodgroup.nl.** The trading update on the third quarter is due to be published on 17 October 2019.

Veghel, 18 July 2019

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

Koen Slippens
Rob van der Sluijs
Telephone: +31 413 34 35 00
www.sligrofoodgroup.nl

CONTENTS

DIRECTORS' STATEMENT OF RESPONSIBILITIES

In accordance with statutory provisions, the directors state that, to the best of their knowledge:

1. The interim financial statements, as shown on pages 6-15 of this report, provide a true and fair view of the assets, liabilities, financial position and result for the first half-year of Sligro Food Group N.V. and its subsidiaries included in the consolidated statements.

2. The interim report, as shown on pages 1-3 of this report, provides a true and fair view of the position at the reporting date and the business conducted during the first half of the financial year of Sligro Food Group N.V. and its subsidiaries, details of which are contained in the interim financial statements. The interim report also provides a true and fair view of the expected course of business, the investments and the circumstances affecting sales and results.

K.M. Slippens, CEO
R.W.A.J. van der Sluijs, CFO

CONSOLIDATED
PROFIT AND LOSS ACCOUNT
for the first half of the year

x € million	2019	2018[1]	2017[1]
CONTINUING OPERATIONS			
Net sales	**1,135**	**1,131**	**1,019**
Cost of sales	(863)	(855)	(789)
Gross margin	**272**	**276**	**230**
Other operating income	**9**	**0**	**0**
Staff costs	(130)	(124)	(103)
Premises costs	(14)	(20)	(17)
Selling costs	(9)	(8)	(6)
Logistics costs	(55)	(51)	(35)
General and administrative expenses	(17)	(11)	(11)
Impairments	(0)		(0)
Depreciation of property, plant and equipment	(28)	(19)	(17)
Amortisation of intangible fixed assets	(10)	(12)	(8)
Total operating expenses	**(263)**	**(245)**	**(197)**
Operating profit	**18**	**31**	**33**
Finance income and expense	(3)	(2)	(2)
Share in result of associates	1	2	3
Profit before tax	**16**	**31**	**34**
Income taxes	(3)	(6)	(8)
Profit from continuing operations	**13**	**25**	**26**
DISCONTINUED OPERATIONS			
Profit from discontinued operations, after tax		4	2
Profit for the first half year	**13**	**29**	**28**
Attributable to shareholders of the company	**13**	**29**	**28**

Figures per share	**€**	**€**	**€**
Basic earnings per share	0.29	0.65	0.63
Diluted earnings per share	0.29	0.65	0.63
Basic earnings per share from continuing operations	0.29	0.55	0.60
Diluted earnings per share from continuing operations		0.10	0.03

1) This concerns the comparative figures as included the 2018 half-year report.

CONSOLIDATED STATEMENT OF **RECOGNISED INCOME AND EXPENSE**
for the first half of the year

x € million	2019	2018[1)]	2017[1)]
Profit for the first half year	13	29	28
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	1	0	0
Income and expense recognised directly in shareholders' equity	1	0	0
Recognised income and expense for the first half year	**14**	**29**	**28**
Attributable to shareholders of the company	**14**	**29**	**28**
Recognised income and expense attributable to:			
Continuing operations	14	25	26
Discontinued operations		4	2
Recognised income and expense for the first half year	**14**	**29**	**28**

1) This concerns the comparative figures as included the 2018 half-year report.

ABRIDGED CONSOLIDATED **CASH FLOW STATEMENT**
for the first half of the year

x € million	2019	2018[1)]	2017[1)]
Net cash generated from operations	48	67	78
Interest received and paid	(2)	(2)	(2)
Dividend received from associates	5	4	3
Corporate income tax paid	(7)	(24)	(24)
Net cash flow from operating activities	**44**	**45**	**55**
Acquisitions/investments	(55)	0	(38)
Operations disposed of	1		
Capital expenditure on property, plant and equipment/investment property/assets held for sale	(58)	(37)	(40)
Receipts from disposal of property, plant and equipment/investment property/assets held for sale	6	0	9
Capital expenditure on intangible assets	(5)	(9)	(8)
Investments in/loans to associates	0	0	0
Repayments by associates	0	0	0
Net cash flow from investing activities	**(111)**	**(46)**	**(77)**
Proceeds from long-term borrowings	50	0	0
Repayment of long-term borrowings	(8)	0	(1)
Change in own shares	1	7	3
Lease liabilities paid	(9)		
Dividend paid	(37)	(40)	(37)
Net cash flow from financing activities	**(3)**	**(33)**	**(35)**
Movement in cash, cash equivalents and short-term bank borrowings	**(70)**	**(34)**	**(57)**
Opening balance	33	60	92
Closing balance	**(37)**	**26**	**35**

1) This concerns the comparative figures as included the 2018 half-year report.

CONSOLIDATED
BALANCE SHEET
before profit appropriation

x € million	30-06-2019	29-12-2018[1)]	30-06-2018[2)]
ASSETS			
Goodwill	161	155	154
Other intangible fixed assets	164	137	138
Property, plant and equipment	360	313	318
Lease assets	161	166	
Investments in associates	50	53	51
Other financial assets	14	14	10
Total non-current assets	**910**	**838**	**671**
Inventories	226	217	207
Trade and other receivables	202	236	187
Other current assets	40	33	31
Corporate income tax	18	16	16
Cash and cash equivalents	23	33	24
	509	**535**	**465**
Assets held for sale	8	9	220
Total current assets	**517**	**544**	**685**
Total assets	**1,427**	**1,382**	**1,356**
EQUITY AND LIABILITIES			
Paid-up and called capital	3	3	3
Reserves	499	522	644
Total shareholders' equity attributable to shareholders of the company	**502**	**525**	**647**
Deferred tax liabilities	28	27	25
Employee benefits	2	2	3
Bank borrowings	236	186	195
Lease liabilities	159	164	
Total non-current liabilities	**425**	**379**	**223**
Current portion of long-term borrowings	10	14	14
Bank borrowings	60	0	0
Lease liabilities	17	16	
Trade and other payables	320	339	280
Other taxes and social security contributions	21	19	16
Provisions	9	16	
Other liabilities, accruals and deferred income	63	74	59
	500	**478**	**369**
Liabilities directly related to assets held for sale			117
Total current liabilities	**500**	**478**	**486**
Total equity and liabilities	**1,427**	**1,382**	**1,356**

1) The opening balance sheet at 29 December 2018 has been restated in accordance with IFRS 16 Leases.
2) This concerns the comparative figures as included the 2018 half-year report.

CONSOLIDATED STATEMENT OF **CHANGES IN EQUITY**

before profit appropriation

x € million	Paid-up and called capital	Share premium	Other reserves	Revaluation reserve	Hedging-reserve	Reserve for own shares	Total
Balance at 30 December 2017	**3**	**31**	**628**	**4**	**(3)**	**(12)**	**651**
Transactions with owners							
Share-based payments			0				0
Dividend paid			(397)				(397)
Change in treasury shares						6	6
	0	0	(397)	0	0	6	(391)
Total realised and unrealised results							
Profit for the year			276				276
Investment property			4	(4)			
Cash flow hedge					1		1
	0	0	280	(4)	1	0	277
Balance at 29 December 2018	**3**	**31**	**511**	**0**	**(2)**	**(6)**	**537**
Change in accounting policy for IFRS 16			(12)				(12)
Restated balance at 29 December 2018	**3**	**31**	**499**	**0**	**(2)**	**(6)**	**525**
Transactions with owners							
Share-based payments			0				0
Dividend paid			(38)				(38)
Change in treasury shares						1	1
	0	0	(38)	0	0	1	(37)
Total realised and unrealised results							
Profit for the first half year			13				13
Cash flow hedge					1		1
	0	0	13	0	1	0	14
Balance at 30 June 2019	**3**	**31**	**474**	**0**	**(1)**	**(5)**	**502**

NOTES
to the interim financial statements 2019

General
Sligro Food Group N.V. is established in Veghel, Netherlands. The interim financial statements include the parent company and its subsidiaries (also referred to as the 'Group'). The interim financial statements cover the first 26 weeks of 2019, from 30 December 2018 to 30 June 2019 inclusive. The comparative figures cover the same period in 2018.

Statement of compliance
This half-year report has been prepared in accordance with the International Financial Reporting Standards as adopted the European Union (EU-IFRS) and IAS 34 Interim Financial Reporting. It does not contain all the information required for full financial statements and should be read in conjunction with the 2018 consolidated financial statements.

Audit status
This half-year report is unaudited.

Accounting policies for the preparation of the half-year financial statements
The accounting policies applied by the Group in this half-year report are the same as those for the consolidated financial statements 2018 except for the new standard IFRS 16 Leases, which has been applied from the start of this year.

Seasonal influences
There is a seasonal pattern. Sales in the second half of the year are normally higher than those in the first half. This is mainly due to relatively high expenditure in the foodservice channel in the Christmas period, followed by relatively low expenditure at the start of the new year. Because this variation in sales is also accompanied by a shift in the sales mix, profitability in the second half is generally higher than in the first half.

Segment information
Since 1 January 2019, we have been aligning our organisational structure with our international ambition. To start with, we are working with a management team and local operation and sites in the Netherlands and Belgium along with a supportive central structure handling complexity and shared services. Attention at local operations and sites must be on day-to-day operations and customers. Management is based on KPIs that are to a large degree based on international definitions.

Segment information
for the first half year

	Netherlands		Belgium		Group	
x € million	**2019**	**2018**	**2019**	**2018**	**2019**	**2018**
Net sales[2]	1,022	1,023	113	108	1,135	1,131
Gross margin as a % of sales	24.2	24.4	22.1	23.9	24.0	24.4
Gross operating profit (Ebitda)[1]	59	60	(3)	2	56	62
Operating profit before amortisation (Ebita)[1]	34	43	(6)	0	28	43
Operating profit (Ebit)[1]	25	32	(7)	(1)	18	31
Profit before tax	23	32	(7)	(1)	16	31
Ebitda as % of sales[1]	5.8	5.9	(1.8)	1.5	5.0	5.5
Ebita as % of sales[1]	3.3	4.2	(4.8)	0.2	2.5	3.8
Ebit as % of sales[1]	2.4	3.1	(6.2)	(1.1)	1.5	2.7
Free cash flow	(14)	1	1	(2)	(13)	(1)
Net capital expenditure	53	36	4	10	57	46

1) The first half year 2018 comparative figures have not been restated for IFRS 16.
2) Net sales for the Netherlands includes sales to Belgium from the Netherlands.

Acquisition of the parent company of De Kweker

The transaction of the acquisition of Wheere, the parent company of De Kweker amongst others, announced on 7 May 2019 was finalised in Amsterdam in June 2019. The assets and liabilities acquired were as follows:

x € million	2019
Goodwill	7
Intangible assets	27
Property, plant and equipment	21
Financial assets	1
Inventories	10
Trade and other receivables	14
Cash and cash equivalents	7
Current liabilities	(4)
Non-current liabilities	(0)
Deferred tax liabilities	(2)
Employee benefits	(2)
Trade and other payables	(24)
Total identifiable net assets	55
Less: net debt/cash	(3)
Debt-free purchase price	**52**

The fair values are provisional, owing to the short space of time between closing and finalisation. There is a possibility of movements between other intangible assets and goodwill. De Kweker measures its assets and liabilities based on Dutch GAAP and we still need to complete our analysis of potential differences with the IFRS standards adopted by the Group.

New IFRS standard

The Group has applied the modified retrospective method for the transition to IFRS 16. The Group has opted to use the assessment already performed under IAS 17 and IFRIC 4 on whether a contract contains a lease and to apply the practical expedients that the standard permits. The lease portfolio consists primarily of property. At the start of this financial year, leased assets valued at €166 million, financial assets in the form of sub-leases of €2 million and lease liabilities of €180 million were recognised on the balance sheet, resulting in a reduction of shareholders' equity of €12 million. The introduction has no material impact on net profit but the shift of operating lease costs to depreciation charges and finance expense did result in a €10 million increase in Ebitda and a €2 million increase in Ebita in the first half of 2019 compared with the application of IAS 17 to the first half of the year. The tables on pages 13 to 15 show the impact on the balance sheet, profit and loss account and the cash flow statement.

Impact IFRS 16

Consolidated balance sheet

x € million	Without change in accounting policy 29-12-2018	Changes	With change in accounting policy 29-12-2018
ASSETS			
Lease assets	0	166	166
Financial assets	12	2	14
Other non-current assets	658	0	658
Total non-current assets	**670**	**168**	**838**
Total current assets	**544**	**0**	**544**
Total assets	**1,214**	**168**	**1,382**
EQUITY AND LIABILITIES			
Paid-up and called capital	3	0	3
Reserves	534	(12)	522
Total shareholders' equity attributable to shareholders of the company	**537**	**(12)**	**525**
Lease liabilities	0	164	164
Other non-current liabilities	215	0	215
Total non-current liabilities	**215**	**164**	**379**
Lease liabilities	0	16	16
Other current liabilities	462	0	462
Total current liabilities	**462**	**16**	**478**
Total equity and liabilities	**1,214**	**168**	**1,382**

Impact IFRS 16

Abridged profit and loss account for continuing operations for the first half year

x € million	Without change in accounting policy 2019	Changes	With change in accounting policy 2019
Net sales	1,135		1,135
Cost of sales	(863)		(863)
Gross margin	**272**	**0**	**272**
Other operating income	9		9
Total operating expenses excluding depreciation, amortisation and impairments	(235)	10	(225)
Gross operating profit (Ebitda)	**46**	**10**	**56**
Depreciation and impairments	(20)	(8)	(28)
Operating profit before amortisation (Ebita)	**26**	**2**	**28**
Amortisation of intangible assets	(10)		(10)
Operating profit (Ebit)	**16**	**2**	**18**
Finance income and expense	0	(2)	(2)
Profit before tax	**16**	**0**	**16**
Income taxes	(3)		(3)
Profit for the first half year	**13**	**0**	**13**

Impact IFRS 16

Abridged consolidated cash flow statement for the first half of the year

x € million	Without change in accounting policy 2019	Changes	With change in accounting policy 2019
Net cash generated from operations	40	8	48
Interest received and paid	(3)	1	(2)
Other cash flow from operating activities	(2)		(2)
Net cash flow from operating activities	**35**	**9**	**44**
Net cash flow from investing activities	**(111)**	**0**	**(111)**
Lease liabilities paid		(9)	(9)
Other cash flow from financing activities	6		6
Net cash flow from financing activities	**6**	**(9)**	**(3)**
Movement in cash, cash equivalents and short-term bank borrowings	**(70)**		**(70)**
Opening balance	33		33
Closing balance	**(37)**		**(37)**

PROFILE

Sligro Food Group encompasses foodservice businesses in the Netherlands and Belgium, offering a full range of food and food-related non-food products and services in the food and beverages wholesale market.

Netherlands

In the Netherlands, we are market leader with a national network of Sligro cash-and-carry wholesale outlets and delivery service centres servicing large and small-scale hospitality establishments, leisure facilities, company and other caterers, volume users, forecourt retailers, small and medium-sized enterprises, small retail businesses and the institutional market. In the Amsterdam region, we are also doing this using the 'De Kweker' wholesale format.

In a long-term strategic partnership with Heineken, Sligro is responsible for the exclusive distribution of Heineken draught beer in the Netherlands. We trade under the Van Hoeckel name in the institutional market and under the Sligro name in other market segments. Sligro and Van Hoeckel each have a dedicated commercial organisation focusing on their specific markets, but use a joint delivery network for operations.

Belgium

In Belgium, JAVA Foodservice concentrates on the institutional, company catering and hotel chain market segments. ISPC specialises in the catering sector and supplies high-quality, innovative food and non-food products to the professionals in gastronomy. ISPC has combined cash-and-carry and delivery outlets in Ghent and Liege.

The first site for the Sligro-ISPC cash-and-carry format is in Antwerp. In the coming period, ISPC will open cash-and-carry outlets in Ghent and Liège under the Sligro-ISPC name, focusing primarily on large-scale and other hospitality markets. Gradually, we will develop our operations so that our structure is similar to the one operating in the Netherlands. This consists of two formats, Sligro-ISPC and JAVA Foodservice, with their own commercial organisation and a joint delivery structure and shared services.

Sligro Food Group operates its own in-house production facilities for specialist convenience products and fresh fish. We also have participating interests in Fresh Partners for meat, game and poultry, fruit and vegetables, bread and bakery products and these serve both the Dutch and Belgian markets.

Our customers have the choice of around 75,000 food and food-related non-food products. We also offer a range of related services. The Group handles most of its own purchases of specific foodservice products. In addition, some of the purchasing is carried out by CIV Superunie B.A.

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 various country and business units. We aim to increase our gross margins through centralised purchasing in combination with direct and detailed category and margin management and to offer a unique and innovative range. Operating expenses are managed through an integrated supply chain and a permanent focus on cost control. Group synergy is further enhanced by centralised management of our IT landscape, centralised design and control of master data management and centralised talent and management development.

Sligro Food Group strives to be a high-quality company achieving steady, managed growth for all its stakeholders. Sales in 2018 totalled €2,346 million, generating a net profit of €46 million. The average number of employees on a full-time basis was 4,056. Sligro Food Group shares are listed on Euronext Amsterdam. The Group's head office is in Veghel, the Netherlands.

190791