Annual Report 2018

Sligro Food Group

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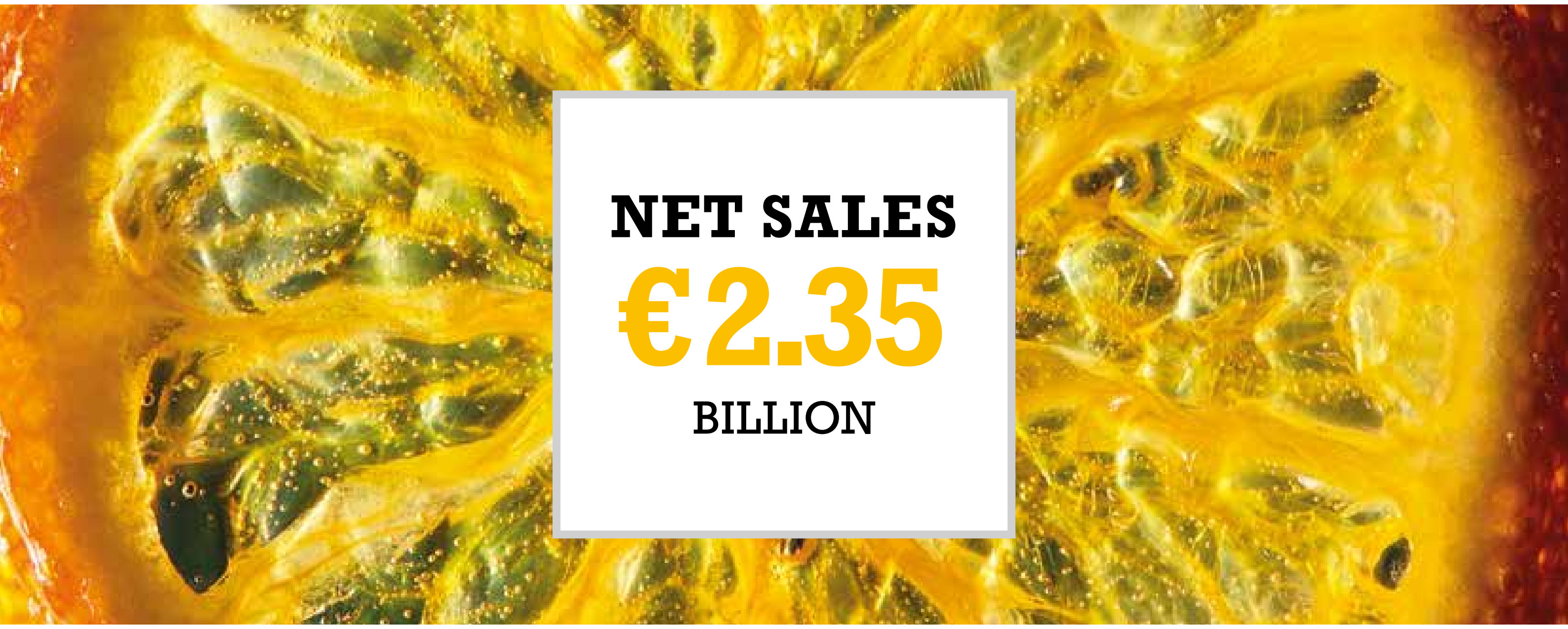
Sligro Food Group N.V.



NET SALES
€2.35
BILLION

NET
PROFIT
€276
MILLION

DIVIDEND
PER SHARE
€1.40

CONTENTS

The first Sligro-ISPC outlet in Belgium opened in Antwerp on 27 November 2018.

ANNUAL REVIEW 2018

Economy and market

Economic growth is continuing and this was reflected in growth in our markets over the year as a whole, although progress was erratic. A very slow start in the first quarter was followed by two good quarters, driven by the fine summer weather. The fourth quarter started weak but we saw a pick-up around Christmas. We expect a similar rate of economic growth for the full year in 2019.

Markets are in flux and for some years we have seen new players in retail or logistics services entering parts of the market alongside the traditional players. This development demands a recalibration of the market definition, which until recently was based mainly on traditional wholesaling. The Dutch Foodservice Institute (FSIN) announced it will present a new market definition in 2019 and until then will no longer formally publish the size of wholesale market. Based on data from FSIN available to us and publications by Statistics Netherlands, we estimate that the wholesale value of the market, using a similar definition to last year's, grew by some 2.5% to 3.0%. In Belgium, Foodservice Alliance estimated that the market grew 3.8%. With growth of almost 9% in the Netherlands and over 14% in Belgium, we have again gained market share in both countries.

Heineken

We can look back with satisfaction on the first year of our partnership with Heineken, which was marked by the start-up of the collaboration of our companies, each with different expertise and market approach and their two strong corporate cultures. We are pleased and proud to note that the teams have been getting to know each other during the course of this first year and are working together better, respecting our differences and with considerable attention for the elements that link us. This is all with a focus on serving our shared customers well and achieving a smooth transition. This shows there is more to come and gives us confidence for the next few years.

The main feature of the first half of the year was meeting a large group of customers new to Sligro and maintaining the service of the former Heineken wholesaler. In the second half of the year, it was preparing for the physical integration of the logistics operations of Sligro and the Heineken wholesaler. There has been considerable expansion and remodelling at a number of existing Sligro sites and new locations have been acquired to develop entirely new delivery-service sites. Once we have made the necessary IT changes in the second quarter of 2019, we can start to phase in the physical integration. From that time, we will gradually generate both logistics benefits and upsell opportunities as foreseen. Consequently, we are well on schedule to complete the integration within three to four years after the start of the partnership.

The first year with Heineken was deliberately about maximum satisfaction, and so retention, of customers. We specifically accepted the pressure that this has logically put on acquiring new customers and maximum focus in respect of the logistics costs.

Focus!

Foodservice market share in the Netherlands grows to 25%

Strategic partnership with Heineken starts

Belgium

In the past year, in consultation with our employees and the social partners, we have worked hard on a single Sligro Food Group Belgium. We now have an organisational structure designed to further support our growth plans and it is being developed further qualitatively, led by our Foodservice Management Team Belgium. After a long process, in November we were able to add the delivery and collection site in Antwerp to the existing Sligro-ISPC format network. Over the next few years, we will add the existing ISPC sites in Liège and Ghent to that format and integrate the logistics with the JAVA Foodservice delivery service.

It was an exceptional year for our outlet in Antwerp, with an unprecedented level of resistance from small local players led by Horeca Total Brugge (Bruges being some 90 km from Antwerp) but also surprisingly from large international parties, such as Metro, which compete with us. We particularly regret that the latter group have been tempted into a judicial tug-of-war rather than competing openly in the market. We are very pleased that, up to now, every form of objection has been rejected by the relevant authorities. We are very proud of the team of 60 colleagues in Antwerp who, despite the resistance, have set up an excellent site for food professionals in Belgium. During 2019, we will be looking for suitable sites in six to eight Belgian towns and regions and if we find them we will begin the planning permission process. That process has already started in Bruges.

IT2020

Preparations for our new IT landscape were a feature of 2018. We have selected and contracted all the partners and have also made the necessary preparations in our own organisation to start the project. In mid-January 2019 we started detailing the scope and design of the new landscape, and in the summer we will begin construction and testing of the first prototype. This will lead to an initial version of our new IT platform that we will roll out in Belgium in early 2020.

Sale of EMTÉ

Following a careful process which weighed up every option, during the year we said goodbye to EMTÉ and over 6,000 colleagues. We are very happy with the result of the deal, the way it was achieved and how the unwinding from Sligro Food Group was performed. The transfer of EMTÉ to the Jumbo and Coop consortium went well and there was good cooperation in the phase following completion of the transaction on 1 July 2018. The results of the transaction led to an exceptionally high profit for Sligro Food Group in 2018. The sale of EMTÉ generated a tax-free book profit of approximately €218 million while the sale of the related real estate led to a book profit of approximately €19 million that is taxable. In view of the Group's strong financial position, we decided to distribute the proceeds of the sale to our shareholders.

Organisational structure

Given our ambition to be a leading international Foodservice player and the departure of EMTÉ, 2018 was the right year to change the organisational structure. The disappearance of EMTÉ demanded a change in scale at head office to avoid cost pressure on Foodservice and international ambition requires different competencies and a boost to quality in several areas. On balance, we will be losing about 200 employees by the end of 2019, with great respect and thanks for their contribution in past years. With a combination of experienced employees steeped in the culture and new employees, we will also use this period to become an organisation ready to achieve our international Foodservice ambition.

Starting in 2019, we will be adapting our organisational and management structures to work towards a country-based organisation (instead of segmentation into Foodservice and Food Retail). The Group's strategy and policy decisions will be the same for all countries and set by the International Board, which consists of the two-member Executive Board (the CEO and the CFO) and four directors with cross-border responsibilities (Purchasing and Product Range, IT, Supply

IT2020 preparations started

Sale of EMTÉ supermarkets, focus on Foodservice

Sligro-ISPC Antwerp opened

Chain and Human Resources) and the country director for the Netherlands as the largest country. Each country will have a country management team, chaired by a country director with responsibility and authority within clearly defined limits for operations and rolling out policy in the country, in line with local customs and laws and regulations. Within that mandate, the Management team has responsibility for results.

CSR

While 2017 was marked by updating policy and preparing our new goals for 2030, in 2018 we concentrated on making them specific and implementing them. Examples are the roll-out of solar-energy, new projects to boost healthier food, various pilots with electric vehicles and the start of investing in sustainable deforestation-free palm oil and soy in our own brands.

We are pleased that our approach means that sustainability is no longer the exclusive responsibility of a select group of people but of our entire organisation. We welcome this and it is also necessary to achieve our ambitious goals for 2030. Goals that do not stand entirely in isolation but which should be considered in a much wider sustainability perspective, including international climate agreements, the United Nations' Sustainable Development Goals (SDGs) and coalition agreements in the Netherlands. Where possible, we try to be in line with these, for example, the National Prevention Agreement on health that was concluded at the end of 2018 and which we signed as part of the Dutch Food Retail Association (CBL).

Our integrated approach can also be seen in this annual report. Although we still report in a specific CSR section, more and more subjects are being addressed elsewhere in this report as they are a full part of our formats' operations and so cannot be considered in isolation.

Risk management

As part of our annual planning cycle, this year we again assessed the principal risks and discussed them with the Supervisory Board. As we are widening our focus to an international perspective, we see new opportunities and the associated risks. We see opportunities for further consolidation in a still strongly fragmented European Foodservice landscape. We realise that this requires changes to the organisation, processes and support systems and we are working hard on this. There is a risk that competitors will opt for the same strategy and accelerate the process. We aware that with our focus on Foodservice alone, we may become an attractive acquisition candidate but we are focusing our strategy on an autonomous long-term position in the European Foodservice market.

Results

The Group's net profit, including discontinued operations, was an all-time record at €276 million, strongly driven by the large book profits on the sale of EMTÉ. The sale also affected our continuing Foodservice operations. The Ebit reported for Foodservice was €53 million. Adjusted for non-recurring charges in Foodservice for unwinding EMTÉ and dis-synergy (total €12 million) and the costs of the organisational changes (total €17 million), Ebit was €82 million, a figure that properly reflects the underlying trend.

In our opinion, attention to major programmes such as EMTÉ, Heineken and the organisational changes in the Netherlands and Belgium put pressure on attention to day-to-day operations, and this in a year in which the scarcity of personnel in the distribution environment and shortage of transport in the historical perspective impinged hugely in our core activity. This exerted pressure on our results, especially in the summer months and afterwards.

Changes to organisational structure and management model

Start of urban distribution with electric vehicles

Reducing salt, sugar and fat in 180 own-brand items

Dividend

There was an unusual number of exceptional items of considerable size in 2018 as a result of the sale of EMTÉ, the impact of the unwinding, temporary dis-synergy and the costs associated with the organisational changes. Furthermore, a non-recurring special dividend of €7.57 per share was paid following completion of the EMTÉ transaction.

When setting the proposed dividend for 2018, we intend to look, for once, at the total amount of the dividend and ignore the separate regular and variable elements. The dividend proposed for 2018 is €1.40 per share, which is the same as the full dividend for 2017. An interim dividend of €0.55 per share was paid on 1 October 2018 and so the final dividend will be €0.85.

2019

The economy is still in a growth stage. We expect that our markets in the Netherlands and Belgium will also grow in 2019, in line with the levels of the past two years and that inspires confidence. We will focus in 2019 on further integration of Heineken and expanding and optimising our delivery network in the Netherlands. The role of our cash-and-carry outlets will change over time and we will, therefore, work steadily in the coming year on shaping our cash-and-carry outlets of the future. We are also focusing on further growth in Belgium and preparing for further internationalisation in part through strict execution of our IT programme.

After a year in which we believe we correctly paid considerable attention to non-core activities, all attention will again be on operations and trade in 2019 encompassing excelling in a difficult transport market, again moving forward in delivery after a year of fighting off assaults, developing the cash-and-carry outlets of the future alongside the battle for licences and striving for customer appreciation in Belgium. Our theme this year is, therefore, 'Back to Business' and we are really enthusiastic about it!

Koen Slippens
CEO

Restructuring and expanding the delivery-service network started

Non-recurring special dividend of € 7.57 per share

B to B
Back to Business

The ZiN Inspiration Lab has developed well in its second year. Customers and supplier partners are more aware of it and appreciate it.

KEY FIGURES

x € million	2018	2017
Key figures for continuing operations		
Result		
Net sales	2,346	2,142
Ebitda	114	144
Ebita	73	110
Ebit	53	91
Profit for the year	46	76
Net cash flow from operating activities	45	172
Free cash flow [1)]	102	98
Proposed dividend	62	62
Equity and liabilities		
Shareholders' equity	537	651
Net interest-bearing debt	162	146
Total equity and liabilities	1,214	1,347
Employees		
Year average (full-time equivalents)	4,056	3,995
Salaries, social security charges and pensions	201	177
Ratios		
Year-on-year increase in sales %	9.5	7.9
Year-on-year increase in profit %	(39,6)	9,2
As percentage of sales:		
Gross margin	24.1	23.1
Ebitda	4.9	6.7
Ebita	3.1	5.1
Ebit	2.2	4.3
Profit for the year	2.0	3.5
Return as % of average shareholders' equity	7.7	12.1
Ebit as % of average net capital employed	7.2	12.6
Net interest-bearing debt/Ebitda as %	141.6	101.1
Shareholders' equity as % of total equity and liabilities	44.2	48.3
Figures per € 0.06 share		
Number of shares in issue at year-end (x 1,000)	44,144	43.965
x € 1		
Shareholders' equity	12.16	14.80
Profit from continuing operations	1.04	1.73
Proposed dividend	1.40	1.40
Year-end share price	34.65	39.85
Key figures for the Group		
Profit for the year	276	81
Earnings per share (x € 1)	6.25	1.83

1) Established in the same way as in previous years but in 2018 includes €74 million of working capital compensation from the EMTÉ transaction

PROFILE SLIGRO FOOD GROUP

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

We are market leader in the Netherlands, with a nationwide network of cash-and-carry outlets and delivery-service outlets serving large and small-scale hospitality establishments, leisure facilities, caterers, volume users, company caterers, forecourt retailers, small and medium-sized enterprises, small retail businesses and the institutional market. Under a long-term strategic partnership with Heineken, Sligro is exclusive distributor of Heineken draught beers 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 shared delivery network for operations.

Belgium

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

The first site of the new Sligro-ISPC wholesale format is in Antwerp. In the coming period, ISPC will open wholesale outlets in Ghent and Liège under the Sligro-ISPC name, focusing primarily on large-scale and other hospitality markets. Over time, we will use this approach to grow into a structure similar to that in the Netherlands, consisting of two formats, Sligro-ISPC and JAVA Foodservice, with their own commercial organisations, a common delivery structure and shared services.

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

Our customers have the choice of around 75,000 food and food-related non-food items. We also offer a wide range of services. The Group handles most of its own purchases of specific Foodservice products while some purchases are made through 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 business units in the different countries. Our aim is to increase our gross margins and to offer a unique and innovative product range through centralised purchasing, in combination with direct and detailed category and margin management.

Operating expenses are managed through an integrated supply chain and constant attention to 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 by continuing operations in 2018 totalled €2,346 million and the net profit was €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.

See the Sligro Food Group corporate film

IMPORTANT DATES

Agenda

Planned press releases will be published at 7.30 a.m.

2 January 2019	Final 2018 sales
24 January 2019	Final 2018 figures
24 January 2019	Press conference (11.00 a.m.)
24 January 2019	Analysts' meeting (1.30 p.m.)
5 February 2019	Publication of annual report
20 February 2019	Record date
20 March 2019	2018 Annual General Meeting at the company's offices (10.30 a.m.)
22 March 2019	Ex-dividend date final dividend 2018
25 March 2019	Record date final dividend 2018
3 April 2019	Final dividend 2018 available for payment
18 April 2019	Trading update
18 July 2019	2019 half-year figures
18 July 2019	Analysts' meeting (1.30 p.m.)
17 October 2019	Trading update
2 January 2020	Final 2019 sales
23 January 2020	Final 2019 figures
23 January 2020	Press conference (11.00 a.m.)
23 January 2020	Analysts' meeting (1.30 p.m.)
31 January 2020	Publication of annual report
18 March 2020	2019 Annual General Meeting at the company's offices (10.30 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
www.sligrofoodgroup.nl

Our 'Daendels' brand includes a wide range of nuts and dried fruits. The nuts are freshly roasted in our 3.0 outlets and presented appropriately in a separate department.

SLIGRO SHARES

Sligro Food Group N.V.'s shares are traded on the Euronext Amsterdam N.V. stock exchange and are included in the AMX Index.

There were 44,143,615 shares in issue at year-end 2018, an increase of 178,200 on year-end 2017. 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 130.

Sligro Food Group aims to pay a dividend of approximately 60% 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.
There was an unusual number of exceptional items of considerable size in 2018 as a result of the sale of EMTÉ, the impact of the unwinding, temporary dis-synergy and the costs associated with the organisational changes. Furthermore, a non-recurring special dividend of €7.57 per share was paid following completion of the EMTÉ transaction.

When setting the proposed dividend for 2018, we intend to look, for once, at the total amount of the dividend and ignore the separate regular and variable elements. The dividend proposed for 2018 is €1.40 per share, which is the same as the full dividend for 2017. An interim dividend of €0.55 per share was paid on 1 October 2018 and so the final dividend will be €0.85.

In cash terms, a dividend totalling €9.02 per share was paid in 2018, made up of the final dividend for 2017 of €0.90, the interim dividend for 2018 of €0.55 and a non-recurring special dividend of €7.57 following the sale of EMTÉ.

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.

Share of sales **eerlijk & heerlijk**	Share of sales **tabacco**	Share of sales **alcohol**	Share of sales **pork**
10% [1]	11%	7%	2%
Organic, sustainable, fair trade, local	All products containing tobacco	All products containing alcohol that are suitable for consumption	Fresh pork products from the butchery and processed meat departments

1) Figure based on the Netherlands

MOVEMENTS IN SHARES

x 1,000	2018	2017
Issued shares as at start of year	44,255	44,255
Shares repurchased (cumulative) [1]	(111)	(290)
Shares in issue as at year-end	**44,144**	**43,965**
Average shares in issue	44,099	43,944

1) Included in the average number of shares in issue as from the date concerned.

KEY FIGURES PER SHARE

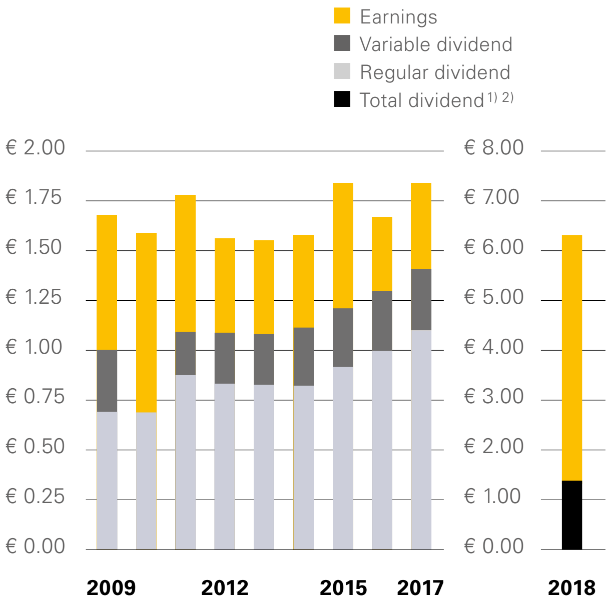
x € 1	2018	2017
High	45.95	41.70
Low	33.90	32.63
Year-end	34.65	39.85
Earnings per share	6.25	1.83
Earnings per share from continuing operations	1.04	1.73
Dividend	1.40	1.40
Market capitalisation as at year-end ultimo (x € million)	1,533	1,752

TRANSACTION INFORMATION

	2018	2017
Total value of shares traded (x € million)	492	248
Volume traded (x 1,000)	12,165	6,558
Number of transactions (single counting)	98,532	70,807

These figures are based on information provided by Euronext Amsterdam. The month with the highest number of traded shares in 2018 was July (1.6 million) and the month with the lowest number was December (0.4 million).

EARNINGS PER SHARE 2009-2018



1) Proposal to ignore the separate regular and variable dividend elements.
2) Excluding non-recurring special dividend of €7.57 per share

SHARE PRICE 2014-2018

DISCLOSURE OF MAJOR SHAREHOLDINGS

in %	2018
Stichting Administratiekantoor Slippens	33.95
APG Asset Management N.V.	10.03
NN Group N.V.	5.70
Teslin Participaties Coöperatief U.A.	5.44
B.V. Beleggingsfonds 'Hoogh Blarick'	5.43
Stichting Administratiekantoor Arkelhave B.V.	5.06
Boron Investments B.V.	5.03

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 actual number of free-float shares. Where possible, this double counting has been corrected in the table.

The holding of Stichting Werknemersaandelen Sligro Food Group fell below 3% (year end 2018: 2.8%) as a result of the sale of EMTÉ and the departure of staff working there. 131,382 shares in the holding of Stichting Werknemersaandelen Sligro Food Group are held by members of the Executive Board. These are itemised on page 115.

GRAPHICAL DISTRIBUTION OF SHARE CAPITAL

	Private investors		Institutions		Total	
in %	2018	2017	2018	2017	2018	2017
The Netherlands	53	55	23	23	76	78
UK			7	4	7	4
USA			5	4	5	4
Other countries			1	2	1	2
Total	**53**	**55**	**36**	**33**	**89**	**88**

Market information has been used to estimate the geographical distribution of share capital at year-end 2018.
This information covers 89% of the capital in 2018 (2017: 88%).

K.M. Slippens and R.W.A.J. van der Sluijs

DIRECTORS AND MANAGEMENT [1)]

Supervisory Board

F. Rijna, chairman (63)

J.H. Kamps (59)

B.E. Karis (60)

M.E.B. van Leeuwen (57)

G. van de Weerdhof (52)

Sligro Food Group Executive Board

K.M. Slippens, CEO (51)

R.W.A.J. van der Sluijs, CFO (42)

Company Secretary

G.J.C.M. van der Veeken (57)

Sligro Food Group International Board

Sligro Food Group Executive Board together with

A.E. Bögels, Director of Foodservice Netherlands (46)

J.G.M. de Bree, CHRO (61) [2)]

G. Buitenhuis, CSO (54)

M.M.P.H.L. van Veghel, CIO (46)

Vacancy, CB&MO [3)]

Netherlands Management Team

Sligro Food Group International Board together with

D.J. van Iperen, Delivery Director (44)

K. Kiestra, Cash-and-carry Director (50)

G.A. Bos, Finance Director (44)

N.C.E. van Sante, Human Resources Director (47)

G.L. Schneemann, Marketing Director (46)

Belgium Management Team

Sligro Food Group Executive Board together with

R. Petit-Jean, Director of Foodservice Belgium (52) [4)]

C. Teugels, Finance Director (52)

R. Petit-Jean, Sligro-ISPC Director (52) [4)]

Vacancy, JAVA Foodservice Director [3)]

P. Schapmans, Purchasing and Product Range Director (47)

B. Beerten, Human Resources Director (49)

B. Hallemeesch, Supply Chain Director (49)

1) As at 1 January 2019
2) To May 2019, succeeded from 1 March 2019 by Jacqueline Touw-Conradi (52)
3) Recruitment process under way
4) Combined positions

STRATEGY
IN OUTLINE

Sligro Food Group sells directly and indirectly to the entire food 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 an efficient, professional and fully-integrated back-office organisation in each country. The various operations work very closely together nationally but also between the Netherlands and Belgium and exchange of know-how is encouraged to maximise the benefits from internal synergy.

The organisation is driven by our reputable, results-focused and entrepreneurial 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 absorb the impact of cost increases by constantly improving the efficiency of our operations, for example by ensuring that our distribution, communications, data and information systems are as effective as possible.

As market leader, we handle much of our own Foodservice purchasing for both the Dutch and Belgian businesses. In addition, our membership of the Superunie purchasing cooperative allows us to enjoy economies of scale from joint purchases with the other members.

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 Foodservice market, we think it is likely that acquisitions can also be made in the coming years. As the benefits of an acquisition have to be weighed against the complexity of integration, we are looking mainly at relatively large players.

The Belgian Foodservice landscape is also very fragmented and the market is constantly changing. We are aiming for a combination of organic growth and acquisitions to achieve a leading position in this Foodservice market. For the time being, we will be focusing on these two countries. Once we have built a strong organisation with a physical and technical infrastructure in Belgium, we will explore opportunities in other countries, preferably in relatively smaller Western economies with a well-developed Foodservice market.

One of the ways in which we seek to be an attractive partner for our customers is by providing and facilitating excellent services and adding innovative concepts at competitive prices. Our international 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 regard complying with all external quality standards as a minimum performance level. In short, we want to be a company that people like to do business with.

We aim for profit growth that, on average, equals or outstrips our growth in sales. We can 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.

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

MEDIUM-TERM STRATEGIC GOALS
AND IMPLEMENTATION

Strategic goals

- Customers and suppliers see and experience Sligro Food Group as undisputed market leader and the reference point for Good Food.
- Adapt processes, systems and organisational structure of Sligro Food Group to support the two countries where we have operations and, in due course, to permit operations in another country.
- Increase Group organic sales by an average of 3% per year plus growth in sales through acquisitions that meet our criteria.
- Grow sales in the Netherlands to a market share of 30%.
- Grow sales in Belgium to a market share of 10%.
- Improve return through growth in sales, margin management and cost control.

Strategic implementation

- Renew operational performance by achieving break-through innovation in our processes and systems with external partners.
- Execute day-to-day operations, projects and programmes effectively and efficiently by setting up a clear organisational and responsibility structure and a results-based management model with simple comprehensible KPIs.
- Make people keen to do business with Sligro Food Group thanks to our on-going results-focused, reputable, entrepreneurial and customer-centric Green Blood culture in a growing organisation.
- Establish a more differentiated positioning for our customers by combining the professionalism that we can offer through our critical mass with the character of a local partner: ‘growth by staying small’.
- Continuously improve our existing formats, concepts and distribution channels in part by continually launching innovative Good Food concepts for our customers.
- Gain customers’ loyalty by supporting them in their day-to-day commercial and operational endeavours and offering or facilitating new and existing high-quality services (in-house or by facilitating third-party services).
- Attract national and regional customers using active marketing focused on target groups and lowering barriers to entry for new customers.

MARKET
AND MARKET APPROACH

The food market

Sligro Food Group focuses on the food and beverages market. In the Netherlands and Belgium, Sligro Food Group is active in all significant segments of the Foodservice market. From restaurants to fast food outlets, from hospitals to hotels, from caterers to convenience stores, from theme parks to sports clubs, from SMEs to multinationals, from cafés to cinemas, a market also known as the 'out of home' channel.

We are indirectly dependent on consumer spending on food. Economic indicators such as consumer confidence and unemployment figures are, therefore, significant predictors of developments in our markets.

An analysis of total consumer spending on food and beverages in the Netherlands is presented in the diagram on page 23. This has been taken from the 2018 Foodservice Beleidsmonitor report compiled on behalf of the Dutch Foodservice Institute (FSIN), which provides an overview of the Dutch Foodservice sector and developments in this market and also in relation to the food retail market.

The Foodservice market is a varied market served by wholesalers, fresh food and other specialists, logistics service providers and supermarkets. This wide variety of providers and movements between them mean the figures for the Foodservice market are 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. The fact that in addition to the hospitality sector, the overall Foodservice market includes the care segment, company catering, sports clubs and suchlike often serves to make comparisons difficult.

A recent Statistics Netherlands report indicates growth of some 5.0% (Q3: 0.4%) for the hospitality sector in the first three quarters of 2018 compared with 2017. Volume grew by 'only' 2.2% (Q3: reduction of 0.7%), indicating that much of the growth was a result of higher prices.

FSIN puts growth in consumer spending on Foodservice in the Netherlands in 2018 at 5.5% with 6.5% for 'classical hospitality'. FSIN finds that 'convenience', including fast-food, is growing at 5.9%. 'Catering', which includes health-care, grew by 1.6%.

Foodservice Alliance estimated growth in consumer spending in the Belgian Foodservice market at 4.3% and is assuming growth of 4.1% in 'hospitality'. It states that 'convenience' is growing by 5.6% and 'catering' by 1.7%.

Through their strategic partnership, Sligro and Heineken supply major festivals and concerts in the Netherlands.

NETHERLANDS FOOD MARKET
POPULATION 17.3 MILLION

SALES OF FOOD AND BEVERAGES
€ 61.4 billion
+3.3%

OUT-OF-HOME CHANNELS
€ 20,103 million
+5.5%

CLASSICAL HOSPITALITY	CATERING	CONVENIENCE
€ 10,316 million +6.5%	**€ 3,321 million** +1.6%	**€ 6,466 million** +5.9%

AT-HOME CHANNELS
€ 41,342 million
+2.2%

NEW RETAIL	SUPERMARKETS	SPECIALIST STORES
€ 3,171 million +12.7%	**€ 32,351 million** +1.7%	**€ 5,820 million** +0.3%

Source: FoodService Instituut Nederland

BELGIUM FOOD MARKET
POPULATION 11.4 MILLION

OUT-OF-HOME CHANNELS
€ 20.3 billion
+4.3%

CLASSICAL HOSPITALITY	CATERING	CONVENIENCE
€ 13,761 million +4.1%	**€ 1,558 million** +1.7%	**€ 5,009 million** +5.6%

Source: Foodservice Alliance

Market approach

The chart below shows which Group formats target the different segments of the Foodservice market. Although activities focusing primarily on customers are performed separately, and therefore with 100% focus, everything is closely managed 'behind the scenes' from the centre, wherever possible. We use this structure in both the Netherlands and Belgium, although in Belgium we are first going through a stage of technical integration before we can fully integrate the back end.

This synergy gives us a distinctiveness and learning capacity along with a high degree of efficiency. Only where a centralised approach is not possible or desirable do we use individual systems and processes. In this way we aim to maximise the synergistic benefits on the one hand and, on the other, to focus on the customer and the specific market in each individual business unit and country.

We are the Foodservice market leader in the Netherlands with a market share of 25.0% (source: FSIN). In Belgium, we have built a top-five position and a market share of 3.5% (estimate based in part on Foodservice Alliance data) through JAVA Foodservice, Sligo-ISPC and deliveries to Belgian Foodservice customers from the Netherlands.

CENTRALISED DECENTRALISED

Centralised where possible decentralised where necessary

Central distribution centre and head office in Veghel			
NETHERLANDS		BELGIUM	
Central Back-office Veghel		Central Back-office Rotselaar	
SLIGRO	VAN HOECKEL	SLIGRO-ISPC	JAVA FOODSERVICE
National network of 50 cash-and-carry outlets, 8 Sligro delivery-service outlets and 13 Heineken wholesale sites		2 cash-and-carry outlets, 1 delivery service and collection site, 1 delivery-service outlet and delivery from the Netherlands	
Sligro (Fresh)partners: specialised production facilities for convenience products (Culivers), fish (Smit Vis, Océan Marée), patisserie/home caterer (Maison Niels de Veye), professional kitchens (Bouter), Christmas gifts (Tintelingen) and four fresh-produce associates			

Analysis of sales

In the Netherlands, Foodservice customers have the option of cash-and-carry or delivery or a mix of the two. The cash-and-carry outlets are often used by smaller or secondary customers, possibly in response to promotions, but larger customers also regularly visit outlets to collect items, for inspiration and information or because they prefer to select their products themselves. These are often also Foodservice customers who receive regular supplies from a range of over 75,000 items held at our delivery-service locations. On average, 75% of delivery customers visit a cash-and-carry outlet twice per month.

Foodservice customers in Belgium are currently being served by the different formats. JAVA Foodservice customers are served from the distribution centre in Rotselaar. Sligro-ISPC customers can currently choose between cash-and-carry or delivery or a mix of the two from the outlets in Liège and Ghent, the new Sligro-ISPC site in Antwerp which opened in November 2018 and the specialist fish business, Océan Marée, in Brussels. Until our outlet in Antwerp opened, some Sligro-ISPC customers received deliveries from the Netherlands but from 2019 they will be served from the site in Antwerp. Sligro's Belgian cash-and-carry customers are frequent visitors to our Dutch cash-and-carry outlets close to the border.

In the next few years, we will apply the Dutch model when adapting and extending the technical and physical infrastructure in Belgium so that customers of our various formats can be served from all the Belgian outlets. We will then operate as two commercial formats: JAVA Foodservice, primarily for the institutional and catering market, and Sligro-ISPC (as an integrated format) for the other segments in the market. In this way, with back-office integration, we will be able to work more efficiently and also be of even better service to the customer.

Sales in the Netherlands and Belgium are shown in the chart. The growth in Foodservice in the Netherlands came entirely from delivery (organic and through acquisitions); sales in cash-and-carry are under light pressure. We also see this in the market where there has been a move from cash-and-carry towards delivery for some years. We expect that we will benefit most from the delivery market in the next few years, although we see plenty of opportunities to develop cash-and-carry as an integral part of our offer to customers.

In Belgium, we saw sales develop strongly as a result of a full year of ISPC (compared with eight months in 2017) and the recent opening of Antwerp. JAVA Foodservice and Sligro-ISPC have also delivered excellent like-for-like sales.

Synergy

Instead of operating as a group of businesses, Sligro Food Group is a single, integrated business with overlapping types of customers and distribution methods. Although there are many cultural and preference differences between the Foodservice markets of the Netherlands and Belgium, we nevertheless see many similarities and opportunities for synergy gains. We are already using our entire network to serve many customers in both countries. We can, therefore, make widespread use of the knowledge and skills of our Dutch and Belgian employees in the organisation and we are pleased to see that there is great willingness to exchange and deploy best practices in the two countries.

Our central distribution centre plays a key role in the efficiency and effectiveness of logistics in the Group and helps us convert the critical mass that we create with different routes to the market into cost benefits. Geographical proximity (it is about the same distance from Veghel to Amsterdam as from Veghel to Antwerp) means that the network can also be used for our Foodservice activities in Belgium. The same applies to the central structure and systems where the departments and processes are structured, where this makes sense, to operate for the Group as a whole. In addition, this means that the best use is made of shared knowledge and synergies.

As well as learning from each other, the sum of the various activities front of house is an interesting divisor for the overheads that running our business involves. Thanks precisely to these shared activities, we are able to make investments in people and systems where this can make a difference, such as purchasing and range management, management development, human resources, IT, data and supply chain.

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 in this over the next few years as we expect that leadership in data management will be a crucial competitive factor in the future.

We arrange purchasing and range management close to the customer in each country and where possible combine purchasing across borders. Our membership of Superunie also ensures that we can achieve significant benefits on the part of the Foodservice range that overlaps with the retail market. Combined with our own purchasing department at Sligro Food Group, we form a strong purchasing block in the market. We definitely view this as a strength and not as power since, after all, we prefer to create value and not to diminish or destroy it. We believe in working long-term with supply-side partners. The introduction of

SALES BY SEGMENT

x € million	**2018**	**2017**
The Netherlands	2,084	1,912
Belgium from the Netherlands [1)]	42	41
Belgium from Belgium	220	189
Total	**2,346**	**2,142**

1) Delivery sales from the delivery centres in the Netherlands to customers in Belgium as well as sales to Belgian customers from close to the border who buy supplies in the Dutch cash-and-carry outlets.

Sligro Insights (in conjunction with market research firm, IRI) allows us to offer our suppliers more insight into the development of our partnership with the aim of serving the market even better overall. As a result, with our own production facilities and Fresh Partners, we are able to offer distinctive products to all our customers. We will be focusing in the coming years on more and faster innovation so that we can continue to inspire our customers, including in our unique ZiN Inspiration Lab.

The strength of our unique corporate culture is a key distinction in the market. 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. This is no coincidence but a consistent cultural programme coming from leadership, management development and recruitment and selection. Our many listings as a popular employer confirm our belief that our authentic and sincere culture is not only appreciated by customers but also by our colleagues. In the Netherlands we call it our 'Green Blood' and in Belgium 'Our Salt & Pepper' but it is the underlying values that bind us. We know, however, that in the next few years we need to invest in developing cultural values and communicating them clearly and more often to instil in the younger generations what comes naturally to colleagues with more years under their belt.

Our first site, the Sligro cash-and-carry outlet in 's-Hertogenbosch, reopened following major remodelling to 3.0 on 27 August 2018


DIGI
Sligro
Groots in genieten

DEVELOPMENTS
2018

KEY FIGURES

x € million	2018	2017
Net sales	2,346	2,142
Ebitda	114	144
Ebita	73	110
Ebit	53	91
Free cash flow [1)]	102	98
Net capital employed [2)]	675	779
Ebitda as% of sales	4.9	6.7
Ebita as% of sales	3.1	5.1
Ebit as% of sales	2.2	4.3
Ebit as% of average NCE	7.2	12.6

1) Established in the same way as in previous years but in 2018 includes €74 million of working capital compensation from the EMTÉ transaction.
2) Excluding associates.

Dutch market €7.2 billion at wholesale prices

We use information from the Dutch Foodservice Institute (FSIN) on developments in the Foodservice market in the Netherlands. FSIN bases its market assessments on consumer spending and then expresses the market in terms of wholesale prices, which form our benchmark. The difference between consumer spending and wholesale prices represents VAT and the added value (including price rises) of the wholesale customers; in other words, our customers. The movements in consumer spending and wholesale value do not, therefore, by definition have to run exactly parallel as they are different concepts. The added value included in consumer spending differs strongly by segment (care institutions, restaurants, company catering, sports clubs) within the Foodservice market.

FSIN estimates that the Foodservice market at consumer prices rose by 5.5% in 2018 compared with the previous year, measured on a calendar year basis. The consumer spending market was, therefore, some €20.1 billion. This year, FSIN is not publishing formal market trends at wholesale prices (the definition relevant to Sligro Food Group). It has announced that it will be revising its market definition in 2019, re-evaluating both the market definition and the range offered on that market. For example, it is expected that tobacco will no longer be part of the market in the new definition, as it has been up to now.

To the extent they are available, FSIN has shared its insights with us and they indicate a market of some €7.2 billion. The 'Other' category is a noticeable part of that figure, in part because it has increased very sharply compared with earlier years. In our opinion, this increase is not purely from organic trends in that category but also from expanding the definition on the firm belief that the market definition is wider than merely wholesalers. Specialists and physical and online retailers are now also part of the B2B market as was the case historically. FSIN did not, however, apply this consistently in all years, and it has seriously distorted comparisons with previous years.

We estimate that when FSIN expands and revises its market definition to include specialists and physical and online retailers, which is something we fully support, the size of this category will be even greater than is currently shown here.

Using information on the consumer spending market from FSIN and figures from Statistics Netherlands, we estimate that the consumer spending market increased by some 5.0% to 5.5%. As was clear last year, growth in consumer spending came to a significant extent from consumer price rises. We think that this price effect could be between 2.5% and 3.0%. We deduce from this that the market at wholesale value grew between 2.5% and 3.0%.

Using input from FSIN, we have calculated the market shares in the same way as in earlier years. This again leads to adjustments to past years but also to a notable difference between the trend in the wholesalers and the 'Other' category. Overall, wholesalers saw sales increase by 2.7% compared with the previous year. The 'Other' category increased by over 50% compared with the previous year. This would appear to be more of a correction than real growth in a single year.

MARKET SHARES NETHERLANDS

Foodservice players[1] in %	2018	2017	2016
Sligro Food Group	25.0	24.2	24.0
Lekkerland	11.5	11.8	13.1
Bidfood	10.4	10.8	10.8
Hanos	8.1	7.8	7.6
Makro	4.8	5.5	5.9
Total other beverage wholesalers	11.1	13.1	13.3
Other Maxxam (VHC, Horesca, Topclass Groep)	5.9	6.1	6.1
Supertrade (Digross, Interkring, De Kweker, Huuskes)	4.6	4.7	4.7
Other wholesalers	11.5	11.3	10.4
Other	7.1	4.7	4.1
	100	**100**	**100**

1) Source: FSIN and Sligro assessments

We estimate that we underperformed the market organically in the first half of the year but grew faster than the market in the second half. The combination of organic growth and sales from acquisitions of 8.9% means that our market share grew once again.

Belgian market €7.4 billion at wholesale prices

In Belgium, we use information from Foodservice Alliance to monitor developments in the market. The figures are not updated as frequently as those for the Netherlands. Foodservice Alliance has, however, produced a growth figure for the Foodservice market using information available on the market and its own interpretations. The definition of the scope of the Foodservice market in Belgium is different from the Netherlands and so is not directly comparable.

Foodservice Alliance estimates that the Foodservice consumer spending market grew by 4.3% in 2018 compared with the previous year, measured on a calendar year basis, and so was some €20.3 billion. There was an increase of 3.8% in wholesale prices and so the total market was some €7.4 billion.

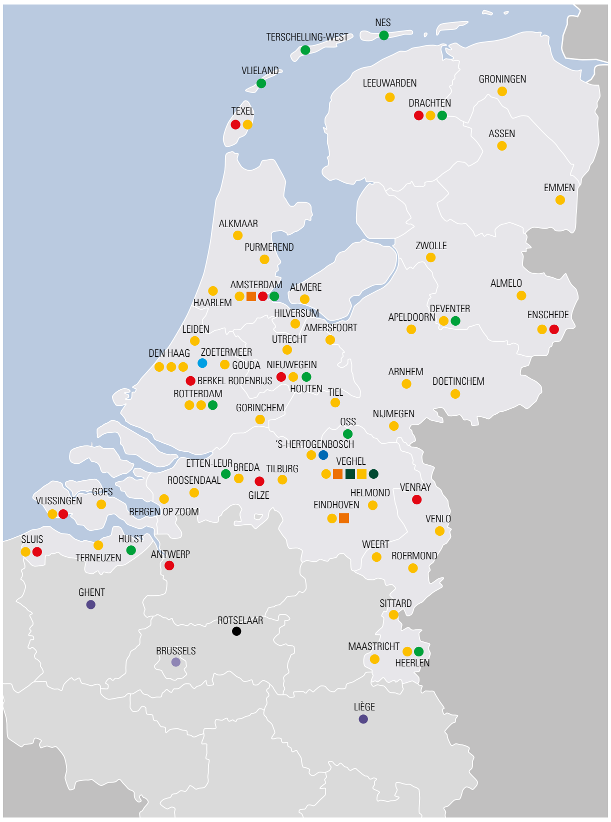
We estimate that we also outperformed the market in Belgium. The combination of organic growth and sales from acquisitions means that our market share increased.

Outlet network

At the end of 2018, we had a nationwide cash-and-carry network of 50 outlets in the Netherlands. These sites focus completely on the Dutch market although we receive Belgian customers from close to the border every day, partly because we do not yet have our own Belgian outlets in those areas. In addition, we have eight distribution centres for deliveries to Foodservice customers. Three of the 50 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 outlets once every two weeks on average for inspiration, advice and items they have forgotten. The cash-and-carry outlets are perfect showrooms and collection centres for smaller Foodservice customers who, as they grow, can, if they wish, transfer seamlessly to delivery services. Some relatively larger customers prefer to select their products themselves and exchange ideas with our specialists. And so, although we separate the operations with a view to the needs of our customers and efficiency, commercial cooperation is strongly embedded. That is reflected in an integrated pricing, bonus and management information structure for our customers so that purchasing goes well in both channels.

Under the strategic partnership, we have been using Heineken's distribution sites since 1 December 2017. We will leave these thirteen sites gradually over the coming two to three years as we integrate their activities into our own delivery network. To allow this, we will relocate four of our existing delivery locations to newly-built and logistically better sites suited to distribution to our and Heineken's existing customers in the country. We have found three of the four sites in Deventer, Breda and Maastricht and will start construction in the first half of 2019. We are still looking for a suitable site in

LOCATIONS



- Sligro cash-and-carry
- Sligro delivery service
- Production facility
- Van Hoeckel
- Bouter
- JAVA Foodservice
- ISPC
- Océan Marée
- ZiN Inspiration Lab
- Head office
- Central distribution centre
- Heineken distribution centre

the Utrecht region. These four new delivery sites will have a combined area of some 95,000 m². Three existing distribution sites and two Open Delivery Service sites will be expanded before we can handle the large beer and cider volumes in particular. In Amsterdam, we have leased neighbouring premises which we will make ready for our processes in 2019, increasing its area by some 50%. Modifications were made in Berkel en Rodenrijs, Drachten, Vlissingen and Sluis in 2018 for integrating the Heineken volume. Consequently, these five existing sites will increase in size by 25,000 m². Within three years, our delivery network will consist of eight state-of-the-art distribution centres and three Open Delivery Service sites.

In Belgium, we have set up our first distribution centre with JAVA Foodservice to serve Foodservice customers there. We also serve customers in Belgium from the Dutch distribution centres. After opening the first Sligro-ISPC outlet, which offers both delivery and collection services, in Antwerp in November 2018, we can now start relocating distribution sales to Belgium. We have two cash-and-carry outlets in the ISPC format which also offer deliveries. We will convert these sites to Sligro-ISPC style over the next two years. We want to create a network of cash-and-carry outlets and delivery sites in Belgium, in line with the Dutch model, to serve all Belgian customers. This will require further technical integration and we will introduce a new IT landscape for Belgium as part of our IT2020 project. Once that is in place, the network will be able to operate as a whole as we have done for years in the Netherlands.

External rating

Sligro wants to position itself as the partner for food professionals. We do this every time we come into contact with our customers. We place 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 not only examine our own performance but also benchmark the result against our competitors.

We believe it is important to know all the time how our customers rate our service and so we measure it frequently ourselves. For some years, we have carried out a customer value survey with the aim of gaining insight into customers' loyalty and 'customer value'. It also looks at those aspects that particularly affect loyalty and where Sligro's priorities should be to raise customer loyalty and value.

Sligro's survey uses a customer value model that not only shows how satisfied customers are but also how loyal they are and the value this offers to Sligro. The model delivers specific management information. We believe the NPS score is the most important variable in the model that determines customer value.

Our NPS score for cash-and-carry has risen to +34, a figure in line with the strong scores in recent years. Our customers see us as a reliable partner, and the knowledge of our staff is regarded very positively. Our ZiN Inspiration Lab and the concepts we present to our customers there and in our outlets, contribute further to their positive view.

NET PROMOTER SCORE
SLIGRO CASH-AND-CARRY

2018 **+34**

3% Detractors **60%** Passive **37%** Promoters

2017 +33

4% Detractors **59%** Passive **37%** Promoters

2016 +29

5% Detractors **61%** Passive **34%** Promoters

NET PROMOTER SCORE
SLIGRO DELIVERY-SERVICE

2018 **+14**

13% Detractors **60%** Passive **27%** Promoters

2017 +27

10% Detractors **53%** Passive **37%** Promoters

2016 +18

12% Detractors **58%** Passive **30%** Promoters

We saw a sharp decline in the NPS for deliveries to +14. The quality of the delivery process and our drivers were decisive to the rating. Scarcity in the transport market and staff levels in our distribution centres put pressure on delivery reliability in the summer and autumn of 2018. The extremely poor delivery performance of our suppliers (a phenomenon throughout the market) contributed to this. Complete deliveries made on time are essential and although there is still much appreciation of our range and supplementary services, this cannot make up for poor delivery reliability. It is little comfort that this impact was felt widely across the sector and, therefore, at our competitors. Despite our weak performance during this period, customer confidence (retention) actually increased a little.

As a result of mitigation measures, we have had better control of our performance in these areas since the autumn of 2018 and so we expect to be able to regain the confidence of our customers.

Last year we saw that our customers were very critical of our ordering process and our new platform. During the past year, we worked hard on improving its stability and speed. We are pleased that our customers' ratings are showing an upward trend but realise that we have to keep improving to continue meeting the wishes of our customers.

SLIGRO 3.0

Sligro 3.0 is not a static concept but a format generation that is under continuous development in large and small steps. Various components of the format are being optimised with the preparations for the implementation of the Sligro-ISPC format in Belgium but also as part of a continuous improvement approach. Where possible for Belgium and the Netherlands together but in some cases local tastes require individual arrangements.

In 2018, we began developing the cash-and-carry of the future, starting by making them even more attractive to customers while at the same time adapting the cost structure, given the market-wide shift in sales from cash-and-carry to delivery. We are looking at both the number and size of sites and construction and fitting out costs. New technology can assist us in both.

The cash-and-carry of the future is not so much about its look, since the 3.0 generation which has now been implemented in 21 outlets has been well received by our customers, as shown in part by the NPS survey. This programme involves critically examining all the components of the format and making large or small changes in various areas, such as new types of customer-loyalty programmes, but also digital solutions in cash-and-carry to reduce stock levels and costs, range management, promotions policy and more personalised promotions and communications. In 2019, we will build further on the cash-and-carry of the future, gradually introducing improvements and new initiatives to our 3.0 concept. We believe continuous attention to the market approach is necessary to remain closely in line with customers' requirements. As an ambitious market leader this is, therefore, absolutely right for us.

Tastier, more personal, cheaper and more inspirational were and remain the four pillars supporting Sligro 3.0 or, as we call them, the 'four sides' of Sligro. Our customers work long hours in an intensive industry and there is not always much time for inspiration and reflection. As market leader in Foodservice, we believe it is our business not only to deliver properly to customers but also generally to play a role in saving them work, remembering their profitability and innovation. This is fine work that also, of course, gives us a great picture of current thinking in the market and among our customers.

Our ZiN Inspiration Lab has developed well in its second year. Customers and supplier partners are more aware of it and together we can achieve more than any individual. A good example of a great suppliers' event was the launch of Callebaut's Pink Chocolate. An event at which world-famous 'presentation artist' Yann Bernard Lejard demonstrated his Art of Plating to a large group of catering professionals and at a session for young talent in intermediate catering schools in the region was a ZiN-worthy moment.

ZiN is visited by both regional customers and national accounts for individual training courses but it is also a highly regarded venue for customer events. Our approach with a subscription system and the ZiN Business Academy 'Boost', which started at the end of 2018, has been welcomed. Needless to say, ZiN responds all the time to market trends. Subjects like health and staff shortages in the catering industry meant that the need for convenience and system solutions are high on the agenda. We are happy with the first years of ZiN and believe it contributes to our customers' appreciation.

ZiN FACTS & FIGURES 2018

Professional visitors	**12,500**
Social impressions	**500,000**
Training courses	**155**
People trained	**1,650**
Stakeholder visits	**200**
Events with partners in business	**12**
Increase in brand awareness	**25%**
Renowned ZiN trainers	**38**

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 Foodservice 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 for customers, guests or employees. The professionals can then concentrate on what they are good at: satisfying their guests.

Our strengths and opportunities
Sligro is a powerful leader in the Dutch Foodservice market and has grown faster than the market for many years. As market leader, we are excellently positioned to

benefit from the recovery in the Foodservice market in the Netherlands. The strategic partnership with Heineken in the Netherlands has considerably increased the number of customers served by Sligro and the two market leaders, each strong in its own segment, complement each other excellently. 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 in the Netherlands and in Belgium.

With our national network of cash-and-carry outlets and fully online-driven delivery locations which work intensively with each other, we are close to our customers and can offer a reliable, high-quality service. We believe that this structure, in which over 60% of total net sales in the Netherlands now take place online, forms a sound basis for the omni-channel route we envisage. These developments demand serious investment and the scale to make it profitable; we believe our size in the Benelux is an advantage.

We still see some scope for further optimisation of our cash-and-carry network in the Netherlands and using the significant volume growth from the Heineken partnership, we will significantly expand our delivery network over the next four years, setting it up in accordance with the latest insights. In Belgium, we are on the eve of the roll-out of a cash-and-carry and delivery structure on the same basis as in the Netherlands. This process will take some years of gradual sales growth and protracted planning permission procedures. The further optimisation of our networks in Belgium and the Netherlands and increased economies of scale offer us the possibility of providing improved service to our customers and better efficiency and profitability for the Group.

Our culture, our Green Blood, is a real part of the DNA of our staff. Historically in the Netherlands but, gradually, more and more in Belgium. Our entrepreneurial approach, with passion and willingness to help the customer, makes the difference from top to bottom. Growth by staying small. Authentic and with a lot of sound food knowledge on board. Customers can feel and taste this. The culture plus a powerful back office and a treasure trove of fine products in the range, fresh food partners and exclusive brands make Sligro what it is, a real pleasure!

The next few years will demand a lot of change including in our markets: sustainability, labour shortages, health, digitalisation, fitness, chain management, platform thinking, data driven. We, of course, do not have all the answers right now but we are looking forward to the next step and embrace change.

Our weaknesses and challenges

Market conditions have improved slowly but steadily in recent years, but we are seeing the market around us changing. There are new physical and online players (and players from the retail sector) who want to address niches in the Foodservice market. Larger customers are always looking for the best possible structure for purchasing and logistics and are challenging us to think and move with them.

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 continue responding to this better in future years. This will increasingly not be through the traditional supply chain but will use platforms. We, as a portal, want to give our customers peace of mind as far as possible across a much wider palette than we already do.

Ever faster innovation also demands systems and a back office that offer greater pace of change and flexibility while maintaining stability (‘always operational’). Our IT2020 route, which will completely renew our IT landscape, is designed for this.

Logistics and staff deployment will also change considerably over the next few years. A single uniform approach to logistics is no longer appropriate given the major differences between urban distribution and deliveries to areas outside the large cities. Environmental charges and safety will, of course, have a major role in this. The available capacity and fitness of labour in combination with later retirement are themes that require specific attention in our industry.

Cash-and-carry

Our network of cash-and-carry outlets consists of 50 sites in the Netherlands and two in Belgium. In the Netherlands, we have seen for years that the trend in the market has been increasingly towards delivery and this continued in 2018. At Sligro we are also seeing that, as customers grow, they often move from cash-and-carry to delivery. That is a logical consequence of our business model in which we can attract customers to our cash-and-carry environment and show them what products, concepts and services we have available in order to then offer the convenience of delivery. Against this there are new customers but on balance we are experiencing slight pressure on cash-and-carry sales as a result of a general shift in the trend in the market.

We see a similar trend in Belgium with the delivery market growing faster than cash-and-carry, including in our ISPC sites. We are allowing for this trend in our growth ambitions in Belgium and in due course we expect the number of outlets to be relatively smaller than in the Netherlands. Where the Dutch cash-and-carry market is divided over a number of large players, in Belgium it is more open and so Sligro-ISPC has considerably greater scope to grow there than in the Netherlands.

CASH-AND-CARRY OUTLETS

	Outlets at year-end		x 1.000m² floor space* at year-end	
	2018	2017	2018	2017
2.0 style	29	33	181	214
3.0 style	21	17	169	141
Total cash-and-carry NL	**50**	**50**	**350**	**355**
Total cash-and-carry BE	**2**	**2**	**16**	**16**

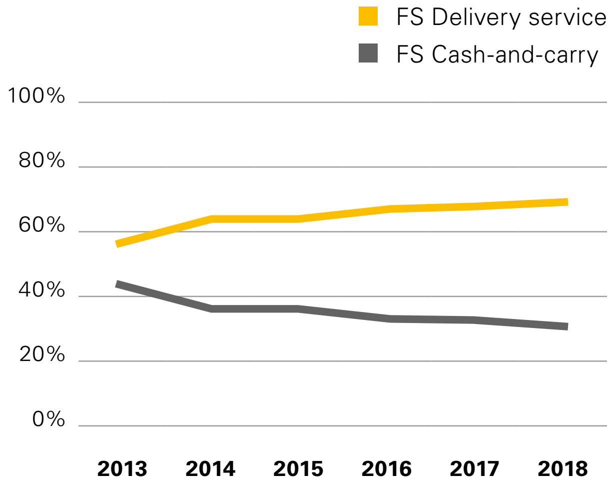
** Net sales area*

We are currently working on the planning permission procedure in Bruges for a third cash-and-carry outlet in Belgium. Remembering our experience in Antwerp, we expect a relatively long battle with some competitors who want to delay us by judicial means. Both local competitors and some international players clearly have so little faith in their own strength that they think this type of delay is their best approach. We are not discouraged by this and are focusing on a strong position in the market in the medium term. They will delay us but they will not prevent us from achieving our ambition.

Delivery

Our network of delivery outlets in the Netherlands consists of eight Sligro delivery centres and thirteen former Heineken wholesale delivery sites. In Belgium we have one JAVA Foodservice delivery service site in Rotselaar, one delivery and collection site for Sligro-ISPC in Antwerp and we still make some deliveries to Sligro-ISPC customers in Belgium from the Netherlands. Both ISPC outlets in Liège and Ghent are cash-and-carry and delivery sites.

NET SALES FOODSERVICE



Growth in the market in the Netherlands and Belgium came entirely from the delivery channel. That growth is also attracting new entrants with a logistics or retail background to claim part of the market. For the time being, this is happening in relatively niche segments of the market where we are less active but that is no reason to ignore or underestimate this development. Although we have no ambitions to enter logistics services, these providers are a spur to watching our cost levels. In a market which has faced considerable increases in transport costs in the past year, it is important to be the most efficient, not only because of the cost that inefficiency brings but also, in times of scarcity in transport, to keep the service to our customers up to the mark. Innovations in transport, more intensive coordination with our transport partners, more intensive use of transport through growth at new and existing customers and optimising the delivery service network will contribute to this in the coming years.

The new retail entrants challenge us in respect of the barriers that our delivery model involves. In logistics and transport, we focus strongly on relatively large orders, while these providers can break even with smaller drop quantities. We will develop new lower-cost logistics concepts to make use of opportunities for growth in markets such as small-scale healthcare and child-care centres. Our 'To the table' concept, developed by Van Hoeckel, is a good example of this, but different routes to make small-scale drops profitable are giving promising results. Pilots with different types of small-scale electric vehicles show that service to customers, cost efficiency and reduction of CO2 emissions can go hand in hand. We will develop these further in 2019 to scale them up in the future.

As well as the scarcity in transport, we also saw the availability of staff in the distribution centres fall further during the past year. The average time that temporary staff stay is falling strongly despite programmes offering them opportunities for development and so staff turnover, and costs, are increasing. As well as these developments, the increasing age of our workforce has for some years been putting pressure on the availability of staff in the physically demanding distribution environment. To date we have been able to deal with this well with fairly simple automation of auxiliary equipment but we think that the current trend will continue for the next few years and that a solution will eventually be found in extensive mechanisation if sufficient staff are no longer available. We will develop specific plans in 2019.

Sligro online ordering platform

In recent years, we have invested heavily in improving our online ordering platform, which is now 30% faster despite a 90% increase in the data-load (from increased use by customers). This has borne fruit and we have reached a turning point with our customers in terms of confidence in the quality and speed of our ordering platform.
In 2018 we paid considerable attention in the partnership with Heineken to ease of ordering and we are gradually migrating customers from traditional telephone ordering to online. Just over 60% (2017: 40%) of former Heineken wholesale customers now order online and we will continue to give full attention to raising that percentage in 2019. The figure for 'original' Sligro customers is above 95%.

Heineken partnership

We can look back with a feeling of satisfaction on the first year of our partnership with Heineken. After sealing the partnership in December 2017, we and our partner started an intensive process to implement the partnership in practice, with full attention for our shared customers. We also took key steps towards integrating the two parties' physical networks.

The first half of 2018 was marked mainly by the controlled takeover of operations at the former Heineken delivery wholesale sites and maintaining the relationship with our customers. We believe we succeeded well, certainly given the huge size of this deal. This, sometimes renewed, relationship with 18,000 customers required considerable effort from our field staff, who as a result were deliberately less focused on acquisition of completely new customers in this period.

The takeover of the logistics operation mostly went well, although there were some problems during the summer. We had installed our technology at all thirteen Heineken sites within a few months so that the internal order collection and stock management processes were largely under our control. The strong seasonality of the drinks sector proved to be a challenge. Although we knew there were peaks during the year, we were unable to avoid falling short of the service we wanted to provide to every customer around the King's Birthday holiday. We took action and since then have had things properly under control. In recent customer surveys, we have been rated at between 8 and 9.5 for our service to Heineken customers.

Despite the relatively fast conversion to the internal logistics IT infrastructure, up to now the interaction with both customers and suppliers is still through the Heineken systems. This is undesirable in the longer term and hinders further integration and the associated benefits to our customers (one order, one drop, one invoice for combined deliveries by Sligro and Heineken). We expect to deliver the vital technical changes in the second quarter of 2019, after which we can gradually dismantle the Heineken wholesale sites and transfer activities to the Sligro distribution centres. The physical modifications to existing Sligro distribution centres and the purchase and construction of the new Sligro distribution centres, which are also vital for further integration, are on schedule.

The final step, which we will prepare in 2019 and expect to roll out in early 2020, is combining Sligro and Heineken invoices into a single invoice for the customer and offering the ability to place orders for beer and cider and other food and drink categories in one go on the Sligro online ordering platform.

It was hard work in 2018. Maximum attention to retaining customers with the associated costs and slightly less focus on acquisition of new customers was deliberately accepted. In retrospect, we believe we made the right decisions and implemented them well. We had initially estimated we could complete the integration within three to four years after the start of the partnership. Despite the delays in some technical areas in this first year, we expect to succeed within that period and are confident that the resultant cost synergies and sales potential will be achieved.

Acquisitions

In addition to organic growth, we also want 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. We are being increasingly critical when setting added value (sales and returns) against the complexity of integration. As a result, we are focusing mainly on relatively large players or specialists.

The integration of the acquisitions and our own activities in Belgium, and the process of integrating the partnership with Heineken in the Netherlands will require a lot of attention from our organisation in the coming year. An organisation which furthermore is en route to preparations for future international expansion with all the preconditions that entails. This demands well-considered decisions on acquisitions in the markets where we already operate and the discipline not to move too quickly into the next country. We are currently focusing on Benelux and acquisition candidates must 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;
- particular size or specialisation;
- strengthening our presence at a regional or national level;
- acceptable in terms of market position and competition.

We and Heineken started an intensive process in 2018 to implement the partnership in practice, maintaining focus on the needs of both partners' customers.

The cheese department in the cash-and-carry outlets is the stage for a distinctive range of cheeses and the specialist knowledge of our sales staff.

ORGANISATION
AND EMPLOYEES

Goals

- Embed our culture right across our organisation using structured programmes so that we can retain our distinct identity as an organisation which is constantly growing, changing and, while operating in two countries, maintaining our enterprise and employee engagement.
- To adapt and further develop our organisation and management model with a leadership style that is consistent with the culture and growth ambitions of the Group.
- Safeguard the balance between putting processes and systems on a more professional footing and formalising them on the one hand and an informal organisation on the other in which short lines of communication contribute to rapid, dynamic, yet considered decisions.
- Create a modern, safe and inspiring working environment in which employees from different backgrounds and orientation can all feel at home.
- Maintain our position on the labour market as a reputable, enterprising, reliable employer that employees would like to work for and with.
- Encourage relatively long-term employment contracts in our core activities to maximise the payback from investments in training, corporate culture and commitment by consistently striving to improve employees' performance by providing structured and challenging opportunities for training and management development.
- Facilitate the sustainable employability of our employees taking account of what are still relatively intensive and physical labour processes with an ageing working population in the Netherlands and Belgium.
- Anticipate the challenges in the marketplace and our ambitions for the future through a group-wide quality drive in the organisation and forge links with schools and universities to exchange knowledge and experiences, so promoting access to innovative ideas and talented people.
- Uphold employees' pride in Sligro Food Group through intensive communication and by sharing success right across the organisation.
- Maintain and promote customer-oriented and customer-friendly practices as the norm for all our employees.

Corporate culture

Our distinctive culture with its embedded standards and values is a key pillar of how we do business. Holding on to important cultural features in a changing organisation is challenging. To embed this in our culture, we have included our selection, introduction, management development and training programme in a cultural programme called ‘Green Blood’. However, many of our relatively new colleagues are still finding it difficult to understand, fathom and embrace our culture. This finding emerged from the culture scan we carried out at the end of 2017. By contrast, those with more Sligro Food Group miles on the clock have fully embraced it. Because we believe that success in our personal and professional lives, including for our new employees, depends on how much we feel at home with and how we fit in with the culture, we will need to step up the intensity and focus on this theme. We can and must do this by further strengthening our wider communications, but also by offering targeted coaching and support.

We view it as a great challenge to retain our culture as a distinctive factor in an international context, too. Cultural differences in each country are a fact, but the underlying values and standards that characterise our culture are more universal in nature and can certainly also be deployed in the Belgian context. This therefore has to come from the country itself and from the conviction of local staff. Our Belgian colleagues wholeheartedly embraced this in 2018 by launching a culture programme called 'Our Salt & Pepper'. Although the programme name is different, the underlying fundamental cultural features of the programme in Belgium are exactly the same as those in the Netherlands, where it is about Strength in unity, Healthy belief in ourselves, Consciously direct, Cost awareness and Passionate pride.

Our culture and enterprise is underpinned by social responsibility, which to us is self-evident. We are anchored in society and are therefore happy to be accountable to all stakeholders in the way we do business. As a listed family business, this is perfectly natural to us and we do not see it as an obligation. In fact, we are happy to explain what we do and how we do it and we are proud of that.

Organisation structure and management model

As a wholesaler with a large logistics and outlet operation, it is important that we continue to grow and that we translate economies of scale into increasing efficiency. This calls for the extensive standardisation of processes and reducing complexity where possible.

We are convinced that an organisation structure with a high level of centralisation is the best match for us.
The Executive Board determines the strategy centrally, we manage the complexity in centrally-operated departments, so saving our distribution centres work in a host of areas. As an Executive Board, we attach great value to obtaining and retaining a great deal of knowledge about our operations. After all, good strategic decision-making calls for a thorough knowledge of what we do. A small, tactical layer of operational managers is the bridge between the central and the local operation in terms of the supply of information and control.

In the logistics and outlet operation, we manage our people based on comprehensible, simple KPIs that they can directly influence. The parameters within which employees can operate locally are centrally defined and relatively narrow, but within these parameters we give people the freedom to do business locally.

This is how we create a maximum focus locally on the day-to-day operations and the interaction of our colleagues with our customers.
Continuous focus is required to clearly explain this model to new colleagues. There is, however, still a tendency to transfer work to our local colleagues (too low in the organisation) that really should be carried out centrally, or to want to manage based on financials rather than simple KPIs. In addition, we recognise the risk that the distance between our head office and the operations is too great, which means that the supportive role is not taken up adequately. We believe that our theme of the year 'Back to Business' is an excellent match for this.

Based on this philosophy, we have shaped our organisation structure so that it fits our international ambition. This will be implemented from 1 January 2019:

- In countries where we operate, we basically want to work using the model outlined above 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.
- Each country will have a country management team, chaired by a country director with responsibility and authority within clearly-defined limits for operations and rolling out policy in the country, in line with local customs and laws and regulations. Within that mandate, the management team has responsibility for results.
- The Group's strategy and policy decisions will be the same for all countries and set by the International Board, which consists of the two-member Executive Board (the CEO and the CFO) and four directors with cross-border responsibilities (Purchasing and Product Range, IT, Supply Chain and Human Resources) and the country director for the Netherlands as the largest country.

Given the current size of our organisation and our international presence, which is still modest, most of the positions on the International Board will be filled by management team members who also have a seat on the country management team for the Netherlands.

The International Board is supported by a limited number of corporate staff departments and roles that also have cross-border responsibility, such as the company secretary, legal affairs, corporate control, internal audit and programme and process management.

Employer perspective

Sligro Food Group wants to position itself on the labour market as an attractive and reliable employer. It is important to make a distinction between the different types of work we offer and the target groups we want to reach.

These target groups call for a unique approach across HRM, different recruitment, different training and development, different induction processes, different management and a different remuneration perspective. It is important to make this distinction in policy and implementation.

For our logistics operations, we are increasingly using flexible staff and temporary staff, usually from Eastern European countries. To safeguard the quality of work and living conditions for these colleagues, we work very closely with two international recruitment agencies. Both our Eastern European colleagues and Dutch temporary staff working in this type of physically demanding job are often with us for a relatively short time. We are therefore focussing a lot on accelerating the induction process, good operational management, a good day-to-day working environment and training in ultra-short e-learning modules. We also offer opportunities for permanent employment contracts and further career growth specifically targeted at our colleagues from Eastern Europe, to make it attractive to enter into a longer commitment to Sligro Food Group with all the opportunities that entails.

In 2018, we noticed again that there is an increasing shortage in this employee category. In the longer term, we can tackle this only by investing in more automation and mechanisation of the work.

Employees with a trade are important in the distinctive position of our formats. Their specialist knowledge, combined with our customer-oriented culture, is garnering a lot of appreciation among our customers, particularly in the cash-and-carry environment. We have a lot of experience with the wishes and preferences of this professional group and adopt a unique approach to target them. The different types of collaboration with vocational and other training institutes helps with this. For this group of employees, we have a wide range of education and training courses available, most of which we have developed in-house. The jobs we are able to offer these colleagues, with a great deal of enterprise, customer contact and love of the job, makes us an attractive employer for this target group.

KEY FIGURES 2018

	Netherlands	Belgium	Total
Joined	1,521	148	1,669
Left	1,468	148	1,616
Vacancies	1,858	118	1,976
Applicants	9,741	2,501	12,242

The growth of the organisation has rapidly increased the need for a number of positions for highly qualified employees. Often, however, the number of positions for each functional area at this level is still limited, but each functional area and the labour population available for it requires a different approach. To fill these positions, we now usually use specialist recruitment and selection organisations that support us in this process. We use the services offered by various training institutes to develop and train these employees.

In addition to filling available vacancies, in 2018, we also launched a trainee programme for school leavers and young professionals educated to higher professional education/university level. We believe in training our own talent and in our own succession planning. Tapping into talent at an early stage is an important element of this. In spite of the fact that we launched this programme for the first time this year, we received almost 300 applications for the selection process. From this population, in a number of rounds and an impressive final assessment day at the ZiN Inspiration Lab, we ultimately selected four new colleagues who will start the trainee programme.

Health and safety

It is important that employees feel happy in a safe and healthy working environment. This means that we invest sustainably in tangible measures and resources to enhance safety as well as in training and consciousness-raising to bring safety to the attention of our employees and to keep it there.

A large part of our work is physically demanding. This is a challenge given an ageing workforce, as a result of having to work longer owing to the rise in the state pension age. In addition to focussing on physical work and making plans for older employees, it also requires us to focus on how we structure the work and the use of good resources.

Sector-wide agreements are being reached and initiatives developed in the field of physical work in Belgium and the

Netherlands. We participate actively in this and believe that it is a good thing that this responsibility is shared widely by employees and employers alike.

Absenteeism is a barometer of the health of employees and a healthy working environment, but it is also a barometer of engagement and the responsibility arising from it. From this perspective, in our responsibility as an employer, we go further than is strictly necessary. Nevertheless, in the Netherlands, there is a slight increase in the absenteeism rate, which calls for line management to consistently focus on this and for HRM to provide good support.

ABSENTEEISM

	2018	2017
Netherlands[1)]	4.6%	4.6%
Belgium[2)]	10.3%	11.4%

1) ***Absenteeism in NL***
Absenteeism compared with availability. Availability expressed in contract hours, for auxiliary staff, are the actual hours (excluding temporary staff). Based on a 12-month moving average.

2) ***Absenteeism in BE***
The number of hours of absence owing to illness against the number of theoretical/contract hours to perform. Based on a 12-month average.

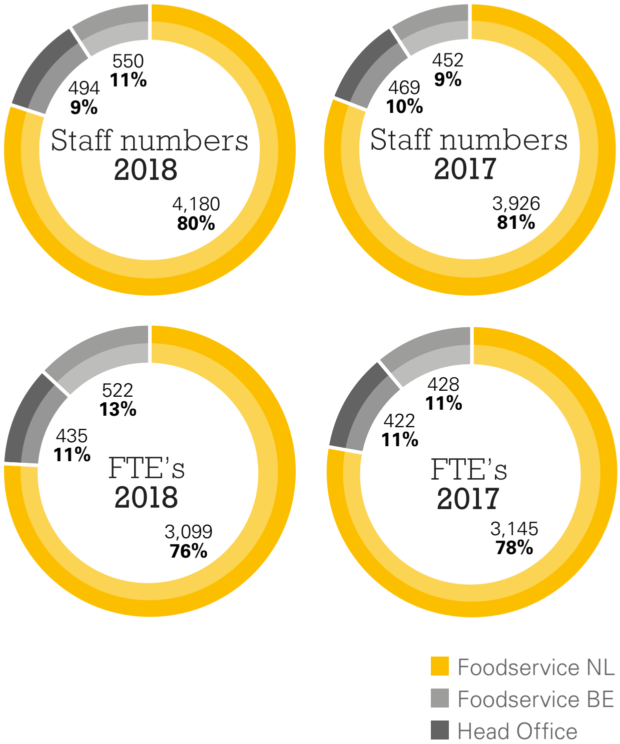
Workforce and diversity

Sligro Food Group is a relatively large employer in the Netherlands, and we are also seeing a gradual increase in our workforce in Belgium. The analyses below show various sections of our workforce according to country, type of contract, age and gender. These analyses exclude the employees who were working at EMTÉ in the first half of the year.

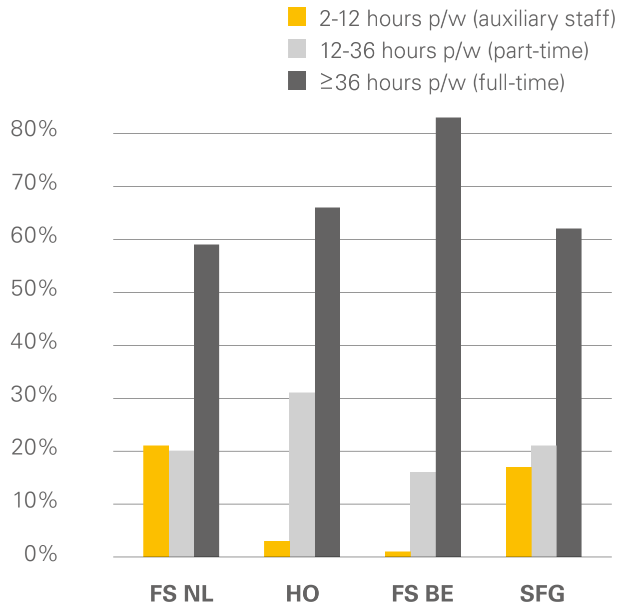
The Executive Board is made up of two men. Because we like to work with long-term employment at board level, there will not be many opportunities to change this in the short term. The Supervisory Board consists of four men and one woman.

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.

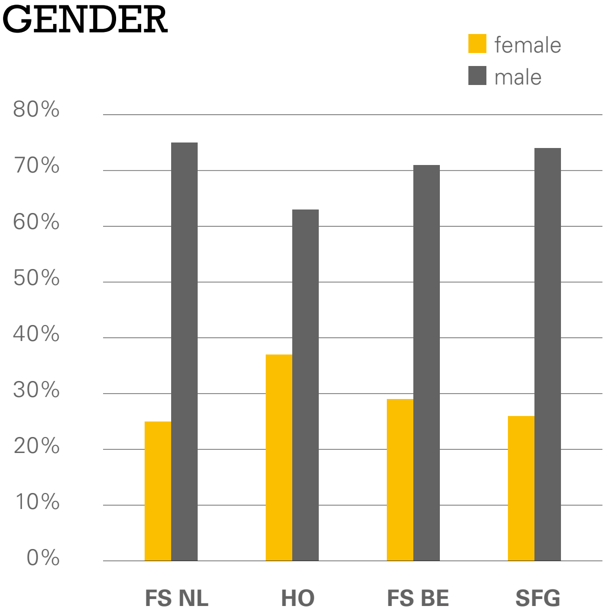
WORKFORCE



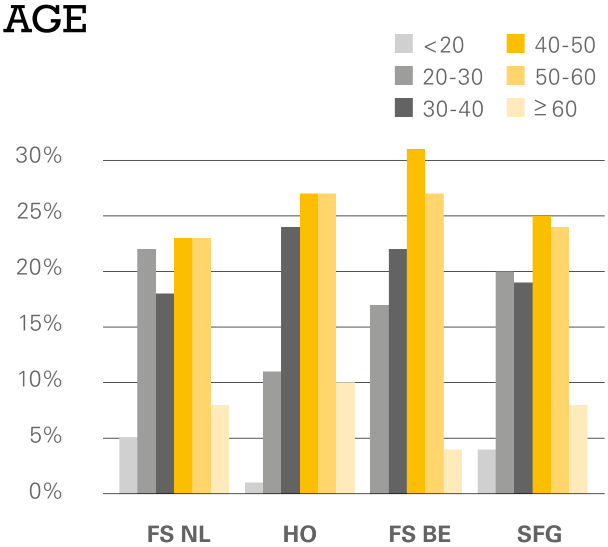
STAFF BY CONTRACT



GENDER



AGE



FS NL = Foodservice Netherlands
HO = Head Office
FS BE = Foodservice Belgium
SFG = Sligro Food Group

Learning and development

Continuing development is very important to all Sligro Food Group employees. The changes inside and outside the organisation ensure that activities and jobs need to be constantly adapted. Anybody not willing to change with the organisation and to consistently challenge themselves cannot have a long-term future with the business.

We therefore have learning programmes for all levels in our organisation that are both subject-specific and competence-based. In addition to management training courses, which are the same in the Netherlands and in Belgium, we have developed three leadership programmes. One at secondary vocational level (Jong Oranje), one at higher vocational level (Sligro's Ondernemers Programma, SOP) and one at graduate level (Sligro's Jonge Intelligente Denktank, SJID).

We have also launched a programme (Jonge Helden) for new, highly skilled employees. The staff are coached by specially trained senior employees who have been at Sligro Food Group for some time. A focus on a transfer of culture is very important. Each course focuses on challenging the participants to develop through a challenging offering.

We offer all these courses in the Netherlands via the online employee platform called bijSligro, where we also offer a comprehensive range of personal e-learning courses that support employees in the work they do, but also in their personal lives. There is an enthusiastic take-up.

In addition to the training courses that we have developed ourselves, we make use of an external range of courses offered by training institutes for specific functional areas or competency-based training.

We believe that it is important and our role to contribute to the training and development of new talent. In cooperation with a number of training institutes, we offer internships to students from a range of educational backgrounds. The great thing about this is that we can often help and support these students to develop, but, conversely, they can help us as an organisation with fresh new insights.

To underline how important learning and development is to us, we regularly organise events during which we express our appreciation to the people who have invested time and energy in a study or training course. For example, last year we again organised the 'Leerheldendag' in which we shone the spotlight on a large group of employees who had taken part in a course. In addition, for several years, we have awarded the 'Jan Hoenselaarsprijs' for the best internship report or graduation research of an employee or a family member of one of our employees. We award this at secondary vocational level and higher vocational/graduate level and the winners receive a training voucher worth €5,000.

TRAINING COURSES

	Number of courses	Employees trained
Basic training	31	1.692
Safety training	7	1.617
E-learning	149	3.934
Leadership programmes	4	208

INTERNSHIPS

	Secondary vocational level	Higher vocational/ graduate level
Netherlands	268	60
	Secondary education	**Bachelor degree**
Belgium	4	3

Works Council

We attach great importance to a good relationship and consultation structure with our employees. We do this both directly and in the form of consultation with the Works Councils. This consultation is of course guaranteed by law, but aside from that, we are convinced of the added value that open and transparent consultation with the Works Councils offers. It is of course important that all those around the consultation table act professionally, and that is also our experience. We therefore choose to explicitly involve our Works Councils in policy considerations and implementation and we do not limit ourselves to the statutory minimum. We consider the input we receive from the Works Councils in these areas as well as feedback from employees to be very valuable and we therefore cherish the good relationship that we have built up.

This vision is universal even though we have to implement it in different ways in different countries in some areas. Other regulations and implementation, as well as the tradition of the consultation is different in the Netherlands and Belgium and the relationships between employer and employee are perceived differently in both countries. We take this into account.

Sligro Food Group seeks to profile itself in the labour market as an attractive and trusted employer for people with higher education.

CONSULTATION STRUCTURES

Netherlands	Frequency of consultation
Works Council (WC)	
WC regular meeting	Five times & ad hoc
WC special meetings (in relation to EMTÉ and organisational changes)	Twice

Belgium	Frequency of consultation
Works Council (WC)	
WC in Rotselaar for the technical business unit (TBE) SFG BE/JAVA/Freshtrans	Monthly & ad hoc
WC in Ghent for the TBE Sligro-ISPC Gent	Monthly & ad hoc
Committee for Prevention and Protection at Work (CPBW)	
CPBW in Rotselaar for the TBE SFG BE / JAVA / Frshtrans	Monthly
CPBW in Ghent for the TBE Sligro-ISPC Ghent	Monthly
CPBW in Lièges for the TBE Sligro-ISPC Lièges	Monthly
Syndicated delegation (SD)	
SD manual workers and SD office workers in Rotselaar	Twice a year (wage negotiation) & ad hoc
SD manual workers and SD office workers in Ghent	Twice a year (wage negotiation) & ad hoc
SD manual workers and SD office workers in Lièges	Twice a year (wage negotiation) & ad hoc

The Works Council in the Netherlands has opted not to set up an International Works Council. That is not consistent with the tradition of employee participation being close to operations in a single Council.

Both in the Netherlands and Belgium, tough issues were discussed during the past year, such as the sale of EMTÉ and the organisational changes at head office, new work regulations and working conditions harmonisation in Belgium. We consider ourselves fortunate that consultation on this matter has been constructive in both countries. Some subjects were very complex or had far-reaching consequences for employees. In some cases, decision-making also affected the members of the Works Council itself.
In addition to their role as appraisers and advisers, the members of the Works Council are often the first point of contact for employees who are affected by decision-making. This means that they have to deal with the accompanying emotions that sometimes arise.

We realise that being an employee representative brings a special responsibility and we are fortunate that we are able to find people to take this on. This commitment deserves great respect.

Employment terms and conditions

We act in accordance with the remuneration structures of the various sectors in terms of general employment terms and conditions. In the Netherlands, we are covered by the Collective Labour Agreement (CLA) for Food Wholesalers, and in Belgium, we are part of the joint committees 119 and 200.

We aim to make the employment terms and conditions we set for ourselves the same for all employees. There may be differences depending on what is possible and customary in a country. How specific terms of employment are viewed can also differ by country. We take this into account in implementation.

In Belgium, we have harmonised a large number of employment terms and conditions in the past year. The various businesses we acquired had their own policy, which is not what the Group wants.

Our remuneration policy for most of our employees is determined by the CLA of the sector in question. Where we are not bound by a CLA, we offer salaries that are on average on market terms.

We have a bonus system for certain, mainly commercial, positions. The bonus is "nice to have but not essential" and so does not create perverse incentives. Furthermore, in many situations, the targets are group targets.
In the Netherlands, Sligro Food Group has its own company pension fund that includes the employees covered by the wholesale sector CLA in the Netherlands. More information about the fund is available by visiting www.sligropensioenfonds.nl.

Important changes in 2018

The year 2018 was characterised by a number of significant changes that had a major impact on the organisation and the workforce.

Of course, the sale of EMTÉ was one of the most important. The sale meant having to say goodbye to more than 6,000 colleagues who had spent years working at EMTÉ with pride and passion. We greatly appreciate the way in which our colleagues continued to work for EMTÉ in the difficult and uncertain phase of the sale process.

In view of the departure of EMTÉ and the international ambitions of the Group, in October, we told our employees about a programme we plan to introduce to align the central organisation more with this slimmed-down organisation structure and to provide the necessary competencies in an international context. The organisation needs to be slim enough to absorb the outflow of EMTÉ sales, but it also needs to be reinforced in terms of quality in connection with our international ambition. We need a strong team with sufficient experience and Green Blood from the current team combined with sufficient fresh vision and knowledge provided by new colleagues. This programme, which we have called FiT, involves almost four hundred employees, mainly at head office, and will lead to a net reduction of approximately two hundred FTEs. In a period of one week, virtually simultaneously, almost all employees affected were identified in the programme so that everybody knew where they stood. We have been able to limit the disquiet and to carry out the process in a respectful way. The programme will be completed in 2019.

In our cash-and-carry outlets, we have adjusted a number of aspects of workforce planning and staffing. This has led to a reduction of approximately 125 FTEs. This was largely achieved by not renewing temporary employment contracts and saving on flexible staff.

In Belgium, we are steadily moving towards one Sligro Food Group Belgium, with one central back office and two commercial formats(JAVA Foodservice and Sligro ISPC) in terms of organisational structure and manning levels. In 2018, major steps were taken in this regard.

At the end of November, we opened the doors of our first Sligro-ISPC outlet in Antwerp. Months earlier we started to recruit and train the employees for their role in this new location. We have succeeded in building a team of highly motivated and well-qualified employees.

In our central distribution centre in Veghel, we use modern technology for order picking. This makes it an ideal learning environment for young people to be trained as distribution professionals.

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 stems from the roots 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 the wider world, now and with a view to the future. It is part of our 'Green Blood' as it were.

We measure the added value of Sligro Food Group by more than financial performance alone. As well as our financial results, issues relating to food (food safety, health, availability), 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. With this in mind, we view the OECD guidelines as a natural reference framework for our corporate social responsibility policy.

One business, one policy

As a centrally managed organisation, we pursue a single sustainability policy for the Group. Our core themes, ambitions and goals accordingly apply to our activities in the Netherlands and Belgium. There may be differences in the direction and method we use to achieve this in each country.

We have a presence in quite a few links of the food supply chain. Our production companies Smit Vis and Océan Marée process primary fish products; Culivers and Maison Niels de Veye produce on behalf of the Group. Sligro, Van Hoeckel JAVA Foodservice, ISPC and Sligro-ISPC have wholesale operations. That makes the scope of our sustainability activities both wide and complex.

About this report

It is our practice to cover our financial and sustainability performances together in our annual report. This is the best match for our CSR vision, avoids duplications and makes the report easy to read. In this section, we report on the results achieved and the most significant developments in 2018 in relation to our core themes and the associated goals. Food Retail (EMTÉ) is included in the CSR results until 30 June 2018.

Our 'people issues' are described 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.

The report has been compiled in accordance with the Global Reporting Initiative (GRI) G4 'Core level'. The GRI table can be found on our website sligrofoodgroup.com/csr.
Please address any questions, comments or suggestions to: mvo@sligro.nl.

SLIGRO FOOD GROUP IN THE FOOD SUPPLY CHAIN

How we work and 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 seven occasions in 2018. Progress towards our sustainability goals was a regular item on the agendas of the meetings of the Executive Board and Supervisory Board in 2018 and regular presentations on that subject were given at those meetings.

Core themes

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. We also determine our scope within these core themes.

Goals

Five themes have been established under these core themes. They have a major social relevance for Sligro Food Group. We have also added an 'other' category:

- Health
- Food waste
- Sustainable product range
- More efficient chains
- Energy
- Other

This CSR matrix includes a large number of specific activities, which each make their own contribution to achieving our CSR goals for 2030.

CORE THEMES

People	The Environment	The product range
		
Our employees	Energy	The product range
Our customers	Packaging	Health
Our suppliers	Waste	Food waste
Our community		
Goals for 2030		
Improving: Customer satisfaction; Employee satisfaction; Supplier satisfaction	Reduce CO_2 emissions as percentage of sales by 50% compared with 2010	The share of sales of our sustainable range is 15%

SUSTAINABLE DEVELOPMENT GOALS

Sustainable Development Goals (SDG's)

In 2016, the United Nations signed off a package of seventeen Sustainable Development Goals (SDGs) up to 2030. Each government is responsible for translating the global SDGs into national SDGs. The seven SGSs below most closely match our sustainability policy.

Our SDG's

SDG 2 End hunger, achieve food security and improved nutrition and promote sustainable agriculture.

SDG 8 Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all.

SDG 12 Ensure sustainable consumption and production patterns.

SDG 13 Take urgent action to combat climate change and its impacts.

SDG 14 Conserve and sustainably use the oceans, seas and marine resources for sustainable development.

SDG 15 Protect, restore and promote sustainable use of terrestrial ecosystems, sustainably manage forests, combat desertification, and halt and reverse land degradation and halt biodiversity loss.

SDG 17 Strengthen the means of implementation and revitalise the Global Partnership for Sustainable Development.

These SDGs are linked to the specific action items that help us achieve our goals for 2030. This safeguards the SDGs in our sustainability approach.

SDG 3 was one of the SDGs that we cited in 2017 as being relevant to us. However, it later emerged that 'health' under this SDG is largely in a medical context, whereas health is an important theme for us in relation to nutrition. This is already safeguarded in SDG 2. This means that we have removed SDG 3.

Affiliations and administrative involvement

In addition to being a member of sector-specific organisations, as a major player in the B2B market, we also have a duty to help with administrative functions and to demonstrate an active involvement in these organisations. Details of our memberships can be found on our corporate website.

MATERIALITY ANALYSIS

Ambitions, goals and management approach for each core theme

Core theme 'People'

Employees, customers and suppliers

Goal

We want to offer our employees 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. This respect manifests itself in transparent communication with employees, customers and suppliers. To monitor how we are doing, we measure satisfaction among employees, customers and suppliers and aim to achieve higher satisfaction scores.

Definition and delineation

Our employees and their families, our customers and our suppliers.

Importance

The level of satisfaction among our employees, customers and suppliers is an important indicator. We are acutely aware that how we organise the work, and how we manage how our employees work is embedded in our 'Green Blood' culture. Our corporate culture, is we believe, the most robust and durable special success factor of our business.

Superlative customer satisfaction is key to our market approach when it comes to our customers. We attach great importance to a sustainable relationship with them. This is why in 2018 we added our suppliers as a specific group to measure how satisfied they are with us.

Approach

Because of the importance and the reach of the subject of 'our employees', we devote a separate section of this report to 'Organisation and employees'. Starting on page 41 you can read all about our approach and our results. This also applies to our customers. We describe this in detail in the section 'Developments in 2018' from page 29.

Evaluation

We set great store by a three-yearly employee engagement survey. However carefully it is conducted, a survey like this can only capture a moment in time. This is why we launched 'Stakeholder watch' in 2018, an investigation method that acts as a continuous 'thermometer' in the organisation and that enables us to identify trends more quickly and therefore to respond to them more rapidly.

We measure and evaluate customer satisfaction using the so-called Net promoter Score (NPS). You can find out about the NPS on page 31. Just as we have done with our employees, we also launched continuous monitoring of our customers in 2018 via Stakeholder watch.

In 2018, we cited our suppliers as a specific group to measure how satisfied they are with us. We now use Stakeholder watch as a method and technique to achieve this.

Our community

Definition and delineation

Our society is made up of groups of people who form a social unit and who live, work, play and stay in the villages and towns and cities in the Netherlands and Belgium where Sligro Food Group operates.

Importance

Our presence in a local, regional or national community automatically means that we 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.

Approach

We have decided to lend our long-term support to a number of specific civil society, 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. Sponsoring is about making choices, deliberate choices, because it should make a real contribution to our business, marketing and sustainability goals. This is why in all our sponsorship projects, we aim to forge a close relationship with the beneficiary or the organisation of an event based on mutual equivalence.

Evaluation

Since 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.

In 2018, we worked with the Voedselbank, the Liliane Fonds, CliniClowns, Villa Pardoes, Verwenzorg and DoSocial in a structured way. We will evaluate our sponsorship policy in 2019 and make adjustments if necessary.

Core theme 'The 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.

Sligro is conducting a pilot study involving electrical distribution in the centre of 's-Hertogenbosch. Along with other partners, we are testing the most suitable form of green city distribution.

We calculate our CO_2 emissions to measure the success of our efforts. To relate our CO_2 emissions to the development of our business and to show a realistic picture over several years, we express them as a percentage of sales.

Goal

In 2030, our goal is to have reduced our CO_2 emissions per euro of sales compared with 2010 by 50%.

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, customers, distribution centres and our production sites in the Netherlands and Belgium. The CO_2 emissions relate to the fixed conversion parameters from 2010. This is so that we can properly monitor our annual reduction of CO_2 emissions in relation to 2010.

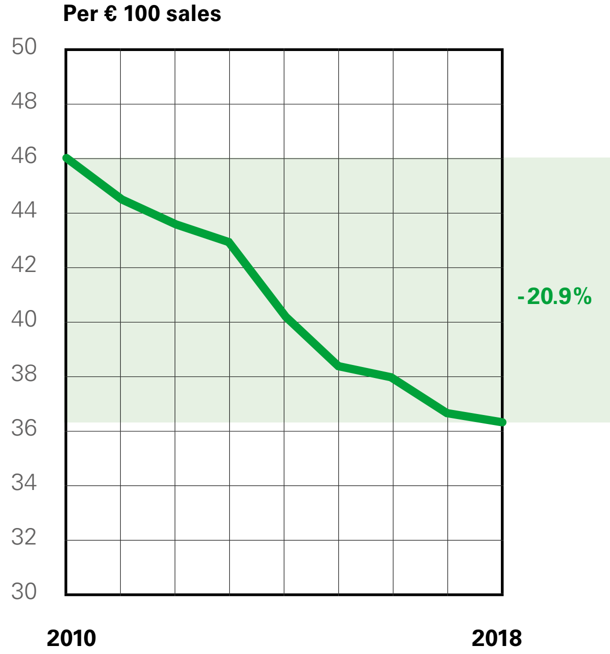
Importance

We have promised our stakeholders to do all we can to reduce our CO_2 emissions, the burden on the environment, by 50% per euro of sales in 2030 compared with 2010. This means that we are also matching the goals set by the Dutch government.

Approach

We are embracing the goals described above. We have a very concrete plan with actions to make great strides towards our goals. Conversely, we do not have a complete action plan and we will therefore have to continuously prepare additional action plans on the way to 2030 to achieve this sizeable ambition. We think that this highlights precisely our level of ambition. This is not just about doing what has been agreed; it is the ambition to go much further than we can possibly imagine today.

CO_2 EMISSION 2018



Evaluation

A CO_2 emissions report is prepared every six months and discussed with the CSR Steering Group and the Executive Board and adjusted where necessary. Progress is published annually in the annual report.

In 2018, we made a smaller step towards improving our CO_2 reduction compared with previous years. This is mainly due to the integration of the logistics activities for Heineken and the sale of the Food Retail activities. CO_2 emissions have fallen to 36.4 grams per €100, a further improvement to 20.9% compared with 2010. The cooperation with Heineken in particular has had a major impact on our figures. After all, in the logistics part of this partnership, Sligro Food Group has taken over the entire logistics (and the accompanying CO_2 emissions) from Heineken, while the sales do not accrue to Sligro Food Group as logistics services under IFRS. In accounting terms, we have the burdens but not the benefits. We have not adjusted earnings for this, however, and so we will have to up our game in general. The partnership itself, which involves combining two logistics routes into one over the next few years, and where a huge amount is being invested in new BREEAM V distribution centres, has a very positive CO_2 impact overall, even though this is not immediately obvious in our score.

Energy

Definition and delineation

Energy covers electricity, gas and fuel purchased by Sligro and used in connection with all its wholesale, offices, distribution and production activities as a vital part of current operations the Netherlands and Belgium.

Importance

We need to consume energy at all our locations to carry out our business operations. At Sligro, energy is an important topic, partly because it represents a substantial cost item and partly because energy consumption has a major impact on the environment.

Approach

All our new sites employ modern energy installation solutions. Similar solutions are also adopted for the renovation of existing sites wherever possible. 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.

Evaluation

Energy consumption is regularly monitored to establish whether we are staying within the parameters of the agreements with our energy suppliers. This information is also used for taking additional management action to reduce our electricity and gas consumption.

Electricity

Our electricity consumption fell by as much as 15% in 2018. This is mainly the balance of the decrease as a result of the sale of our food retail activities and the increase due to the integration of the Heineken distribution centres. Solar power generation increased again because the Sligro cash-and-carry wholesaler in Purmerend and the Sligro-ISPC wholesaler in Antwerp are fitted with 4,000 solar panels. In total, we now have almost 24,000 panels on our roofs. In 2019, another four locations will be fitted with solar panels, including the head office in Veghel, which will allow us to increase the number of solar panels to 50,000 in the coming years.

Gas

Gas consumption in 2018 was virtually the same as in 2017. The increase as a result of the integration of the Heineken distribution centres was fully offset by the sale of the food retail activities. The number of degree days was almost identical to 2017. These degree days are a good barometer for comparing gas consumption from heating the buildings. The number of square meters of 'gas-free' buildings has increased by almost 35,000 m^2. This relates to our new building in

In total, there are almost 24,000 solar panels on Sligro roofs. In 2019, four locations will be fitted with solar panels, including the head office in Veghel.

Antwerp, the renovated Sligro cash-and-carry wholesalers in Breda and 's-Hertogenbosch and the expansion of the delivery service facility in Berkel en Rodenrijs. We are now heating almost 265,000 m^2 without gas.

More efficient chains

In 2018, we made a start on reducing the relative number of transport kilometres. We are doing this throughout the chain with suppliers, internal deliveries and with the help of our customers.

For example, we are planning with our customers so that we deliver fewer small orders and combine them in a smarter way. Our trucks are still just as full, but we deliver to fewer addresses on each journey, so we reduce the kilometres we travel. In 2019, in consultation with our customers, we will further embed this principle by better coordinating the timing of deliveries in an area and not just per customer.

With regard to internal deliveries, we are mainly focussing on the return flows from the cash-and-carry outlets to the distribution centres. We are making this process as effective and efficient as possible by means of tighter central control on the quantity and timing of deliveries.

In addition, we also plan to make our vehicle fleet more sustainable. Since the last quarter of 2018, we have been supplying some of our customers in 's-Hertogenbosch using electric vehicles. The results so far are that quality and speed of deliveries are at least comparable and, in many cases, even better. We will expand this in 2019 to include other types of vehicle and other regional hubs. The combination of different electric vehicles with traditional (diesel) means of transport can, in our opinion, reduce CO_2, reduce costs, reduce dependence on scarce truck drivers and increase customer satisfaction.

Food waste

Every year, a great deal food is thrown away throughout the chain because it can no longer be sold or consumed. This could be because of breakages (damaged packaging), products that are or are no longer up to our quality standards, products that are out of date (best before/use by date) or as a result of preparing too much food.

It is socially irresponsible to waste food, both from a social perspective and in the context of increasing shortages of raw materials in the world. The growth in the world's population and increasing welfare standards have boosted the demand for natural resources, whereas their availability is declining. In addition, growing too much food is bad for the environment. This is why we aim to achieve a fully closed goods chain in which we have 100% control over the supply and sale of our products. Reducing waste is good, but avoiding it is better. And ever improving forecasting helps us to better predict demand and helps reduce food waste.

Waste

Definition and delineation
All waste streams within Sligro Food Group categorised as either cardboard, spoiled food, category 3 and 2 waste, swill (organic waste) glass, mixed waste paper and cardboard, film and waste deep-fryer oil that can be used for processing.

Importance
Waste separation and recycling is better for the environment: waste that does not have to be incinerated is being used increasingly as a raw material for new products or for green energy. This helps to reduce CO_2 emissions.

Approach
By reducing residual waste and separating waste streams for recycling, we are minimising the environmental impact of our waste. We want to give the waste streams that do arise a second life where possible by using them as a raw material or by converting them into green energy. NB: The CO2 emissions of our waste streams are wholly dependent on how our waste is processed by third parties. We can influence the quantity of waste and the proper separation of waste. After that, it is the waste processor that determines the CO_2 emissions of our waste. This is why we publish the CO_2 reduction we achieve by sending our separated waste for processing, rather than processing unseparated waste.

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 CO_2factors 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 arises because, as a result of waste separation, raw materials are reused and as such lead to a considerable reduction in the CO_2 emissions in the manufacture of new products. Recapturing these secondary raw materials consumes less energy than incinerating them and extracting and processing primary raw materials again. This CO_2 saving in the chain is not part of our 2030 goal for our 'in-house' CO_2 emissions (transport, gas and electricity consumption).

Lower CO_2 reduction in the chain was the result of:
- Decrease in absolute waste volume as a result of the sale of our food retail activities.
- The collection of plastic film has declined sharply as a result of more stringent requirements imposed by the processing industry and the near disappearance of exports.

Core theme 'Our product range'

Sligro Food Group has a very wide range of more than 75,000 products. Within this varied range we have a clear focus on sustainability: we encourage customers to make a sustainable choice by making our range simple, accessible and distinctive and by managing risks in the chains.
Offering products that are made with a focus on people, the environment and health is very important. 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 the ethical choice label eerlijk & heerlijk. We have used this concept to promote our sustainable product range since 2010, and have been helping our customers to make the right choice.

Goal
Our goal is to generate a share of sales of at least 15% with our eerlijk & heerlijk range by 2030.
In 2018, the repositioning of eerlijk & heerlijk was a central element in our operations. Our aim was to help customers to make sustainable choices with an even broader product range. We ran a marketing campaign in 2018 to focus on eerlijk & heerlijk and the new logo. Eerlijk & heerlijk can be found in Sligro's new online ordering environment at quality label and pillar level and instore by means of a variety of signage. Eerlijk & heerlijk also appeared in folders, via mail shots and via our social media channels.

Quality labels that we recognise as following the three criteria:.
1. The quality label sets high sustainability requirements (compared with the market average) in one or more of the following areas: the environment, animal welfare and/ or social aspects;

CO_2 REDUCTION IN WASTE

x 1,000 kg	2018	2017	2016	2015	2014	2013	2012	2011
	3,922	6,052	5,786	5,288	5,214	3,668	3,700	3,395

2. The package of requirements is easy to find, and information about the quality label is easy to understand and provides a clear picture of what the quality label is about and the requirements that apply (transparency);
3. The quality label is reliable, that is to say, that checks are made by an independent party (whether or not accredited) and there is a transparent sanctions policy.

Definition and delineation

The frameworks and starting points for our sustainable range are anchored in our eerlijk & heerlijk concept and our participation in BSCI.

Eerlijk & heerlijk is Sligro Food Group's sustainably certified product range, consisting of the four pillars: organic, sustainable, fair trade and regional. This product range is a simple way of helping customers to connect with the world of sustainable food and non-food products and make a responsible choice. We secure the sustainable value of each item by working with 24 independent quality labels, except for regional products, that meet Sligro's own conditions. A product can have multiple quality labels and therefore also be covered by several pillars.

Importance

The demand for sustainable products is still rising, and people are becoming increasingly critical about the nature and origin of products and how they are made. Globally, major issues are at play, including climate change, loss of biodiversity, animal welfare and working conditions. As a major player in the Dutch and Belgian food market with a complex, large and global network, we are very aware of our impact on nature, animals and people and take our share of responsibility for this.

Approach

We work with suppliers who champion products that are both better for the customer and better for the environment. We seek out dialogue with suppliers, producers and farmers on a whole range of issues, such as animal welfare, working conditions, sustainable packaging and the origin of raw materials.

To keep our customers informed of a product's correct sustainability claims, in 2017, we launched a joint venture with SIM (Supply Chain Information Management). SIM monitors and guarantees all own branded goods with a sustainable quality label (belonging to the quality label selection as explained).

To optimise the registration of the labels in our systems, a large-scale information request process was carried out at suppliers in 2018. The focus was on relevant own brands and product groups. A total of 380 suppliers were asked to check the status of the quality label registration in our systems, and to make changes and additions where necessary. This involved more than 19,000 items. The result is a net increase of 700 items with a quality label, together accounting for annual net sales of €26 million.

Evaluation

We benchmark the progress against the share in net sales of the eerlijk & heerlijk range. In 2018, the share of sales of eerlijk & heerlijk in Foodservice the Netherlands was 10%. Belgium will be added in 2019.

Natuurvlees

Last year we made great strides towards putting our meat range on a more sustainable footing. In our opinion, our unique Natuurvlees was already the best quality Dutch beef available owing to the high level of animal welfare and taste. However, it did not have a generally recognised quality label. At the end of 2018, together with Natuurvlees Nederland, we succeeded in obtaining a two-star 'Beter Leven' quality label for this beef. This does not make the meat any better, but it does provide acknowledgement and recognition. Following the sale of EMTÉ, Fresh Partner Kaldenberg will continue to sell Natuurvlees in 2019 within our Foodservice operation. It is fantastic that we are now able to offer this unique product to the Dutch hospitality sector.

Sustainable palm oil and soya

The global demand for palm oil is growing and is leading to the expansion of palm oil fields, particularly on the Indonesian islands of Sumatra and Borneo (Kalimantan), which account for around half of the world's palm oil production. This contributes to deforestation and consequently to additional CO_2 emissions. Deforestation also has a major impact on human and animal habitats.

Soy is an important component of cattle feed. More than 90% of the soy we eat is hidden in meat, eggs and dairy. Because we are eating more and more meat worldwide, soy production has grown sharply in the past ten years. Most of the soy we use in the Netherlands comes from South America, where cultivation causes problems: forests are cut down, the soil is depleted and the water is polluted by pesticides and artificial fertiliser.

Approach

For our 'own brand range' we have set ourselves the goal of investing in sustainable, deforestation-free palm oil and soy. We have therefore not chosen to replace 'our' palm oil and soy with alternatives such as sunflower oil, because we believe that omitting palm oil and soy does not offer a solution to the sustainability problems in these sectors. If the market demand for soy and palm oil falls, the pressure and incentive for the sustainability of palm oil and soy cultivation will disappear. In addition, there is a chance that small farmers will lose their incomes.

The Round Table on Responsible Soy (RTRS) is a global initiative involving a collaboration of producers, traders and processors of soy with banks and social organisations to ensure that soy is grown sustainably all over the world. The RTRS standard includes a guaranteed zero-deforestation claim. This means that RTRS does not allow logging or the loss of other valuable natural habitats. Other areas that are included in the standard include: employees' rights, water consumption, use of pesticides, soil fertility.

The Roundtable on Sustainable Palm Oil (RSPO) is an international organisation that brings together stakeholders from the palm oil industry with the aim of developing and implementing global standards for sustainable palm oil. RSPO-certified palm oil has not been produced at the expense of natural forests and animal habitats. The standard also has criteria for respecting the rights of employees and local residents.

CERTIFIED SUSTAINABLE PALM OIL RSPO
CERTIFIED
Contains certified sustainable palm oil.
www.rspo.org

Sligro Food Group chooses to protect forests and to develop better agricultural practices precisely by making these raw materials more sustainable.

Because of the complexity of the chains, we have opted to purchase RTRS credits. We do this using the book & claim method. This allows us to invest directly at source, namely in the soy and palm oil farmers located in the region where our raw materials come from. This enables us to respond to customer needs for supply chain transparency and the demand for information on the origin of raw materials. To make this possible, we work together with ACT Commodities and we have become a member of Round Table on Responsible Soy (RTRS) and Roundtable for Sustainable Palm Oil (RSPO). Direct investment in palm oil and soy farmers is fairly unique. Investment at regional level is more common, where the investment usually ends up with the soy or palm oil cooperative, whereas the problem is at the farm level. In 2018, a palm oil footprint of 1.6 million kg (1,603 RSPO credits) was calculated for our own brand range in thirteen relevant product groups. The soy footprint amounts to 2.6 million kg (2,546 RTRS credits) and is based on the purchased volumes of chicken, pork, beef, eggs and cheese.

Working conditions - BSCI

Sligro Food Group has been part of the Business Social Compliance Initiative (BSCI) 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. Sligro Food Group pursues the principles of BSCI as set out in its Code of Conduct.
Our purchasing conditions state that our suppliers' commitment to the BSCI conditions is a firm requirement for supply. Audits of product locations are also carried out in high-risk countries, as defined by BSCI, to ensure that acceptable working conditions are maintained. We apply a minimum audit score, which is a C score. For product locations with an inadequate score (D or E), an improvement plan has to

be submitted within 60 days based on the bottlenecks cited in the audit report. The product locations are subsequently reaudited within six to 12 months. This way of working did not lead to the loss of any suppliers in 2018.

The Sustainability Consortium

Sligro Food Group has been participating in TSC (The Sustainability Consortium) since 2016. This is a global multi-stakeholder initiative that aims to make products from the food industry more sustainable by generating an understanding of sustainability performance in the chains. Wageningen Research is the driving force behind this initiative in the Netherlands.

We are aware of the role we can play in making our food chains more sustainable and more transparent. Because of the wide range and the wide variety of sustainability themes, it is a major challenge to do this efficiently and consistently. TSC offers a solution. With the aid of international standardised questionnaires in which the most relevant sustainability themes and indicators have been established for each product group, Sligro works with supply chain partners on continuous improvement in the area of sustainability.

Between 2016 and 2018, a total of eighteen Sligro Food Group suppliers participated in TSC and nine product groups were discussed.

Health / healthy food

Definition and delineation

Health has a wide scope and is part of our sustainability approach among our core themes of 'People' and 'The product range'.

There is no unequivocal and comprehensive definition of 'healthy eating'. There are various things which together make for good health but sometimes they also completely conflict with each other. We do not see it as our duty to add a new interpretation, but we focus on helping our customers to make their own healthy choices. Our tasks include making product features transparent, transferring knowledge and actually offering a healthy choice.

We take the World Health Organisation (WHO) guidelines as our starting point. These guidelines serve as a global guide for compiling national food policy and are free of interpretations.

WHO guidelines:

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

Importance

We are becoming more and more knowledgeable and aware of the impact of good food on human health. In November 2018, we concluded the National Prevention Agreement, which we signed as part of the Dutch Food Retail Association (CBL), but this was not without dilemmas and deliberations.

The coalition agreement 'Confidence in the future' stated that the government wanted to enter into a National Prevention Agreement. The focus of the Prevention Agreement is to reduce the number of smokers, problematic alcohol use and the prevention of obesity and to encourage healthy eating. Since 20 April 2018, several meetings have been held at three themed sessions. The Dutch Food Retail Association represented us and was present at the 'alcohol' and 'obesity' sessions. The Dutch Food Retail Association was not invited to the tobacco session as the Ministry of Health, Welfare and Sport did not want any economic stakeholders to attend.

We have used our collaboration with the Dutch Food Retail Association in particular to press for the removal from the agreement all measures relating to legal provisions (changes to the Licensing and Catering Act) or to pricing (excise duty increase, maximum discount rates for alcohol, sugar tax). This is not because we do not recognise the importance of the underlying problem, in fact the opposite is the case. Indeed, many topics in the Prevention Agreement tie in seamlessly with our sustainability goals and action items that we were already working on in 2017. But competition regulations prevented us from signing it. In the end, most of the issues that we objected to were kept outside the agreement and a National Prevention Agreement was signed on 23 November 2018.

Approach

We have set out our vision in five promises and linked them to specific goals and measurable actions. We encourage our customers to:

1. Vary within relevant product groups, leading to a better variation score, measured using an annual, quantitative customer survey.
2. Make a healthy choice by making relevant product characteristics transparent online and offline.
3. Choose fresh and unprocessed products more often, resulting in an increase in the number of unique customers for the fresh and unprocessed products.
4. Choose products from the product groups fruit & vegetables, nuts & seeds, whole grain products, fish and water, resulting in an increase in the percentage of unique customers who buy products from these product groups.

5. Choose products with a healthier product composition by adjusting the product composition of our products. We are focussing on azo dyes, fragrances, colourings and flavours, flavour enhancers, salt, sugar, sweeteners, trans fats and hardened fats, and follow the agreements made in the Dutch Food Retail Association's Product Composition Covenant. In 2018, we significantly reduced the sugar and/or salt content of 180 own brand products.

Evaluation

We have started short-term and long-term projects to achieve the above goals. The progress and implementation of these projects is guaranteed in the CSR Steering Group.

Some examples of projects:

- Roll-out of personalised food (Van Hoeckel).
- Delivery of a vitality plan, which includes healthy eating among employees.
- Roll-out of 'Lekker Bezig' to other sports in collaboration with the Dutch Football Association and TeamFit.
- Step up collaboration with TeamFit coach.
- 'Kleine gasten' campaign in the hospitality sector.
- Food centre product range made available to our customers online and offline.
- Launch of protein-rich meals (Van Hoeckel).

The ‘Teambox’ is part of Lekker Bezig, our successful collaboration with the Dutch Football Association and TeamFit. Lekker Bezig will also be made available to other team sports.

Visual checks on freshness is an element of the quality control when the goods are received by our fresh partner, Smit Vis.

RISK
AND RISK MANAGEMENT

Identifying and managing potential events and risks that could affect the Group are matters of permanent attention. We are convinced that risk management has to be part of the mind-set and working methods of all the staff in our company on a day-to-day basis, not compulsorily but because it simply seems to be the right approach. Actually being in control is therefore what matters to us but being in control on paper is not an end in itself. There are plenty of examples of companies where all the right measures were in place but which still lost control in practice.

Principal risks

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 assess the risk appetite with respect to these risks and their probability and impact. We also assess the extent to which we as Sligro Food Group can exercise influence over them as shown in the table below.

Loss of Sligro Food Group's culture

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 this particular culture is, therefore, a key area of attention in a steadily growing organisation. A consistent cultural programme covering leadership, management development and recruitment and selection ensures that culture is maintained. We will also give this the right weight and implement it in an international context. As well as being the driving force behind our business, our culture is also a key risk management control. In an informal organisation, confidence that employees will act with integrity is a major asset, and this is embedded in the culture as part of doing the right thing.

Our cultural programme in Belgium took further shape in 2018. We already share many cultural values between the Netherlands and Belgium and this is now being expressed in the form of a cultural programme called 'Our Salt & Pepper'. In the Netherlands, this year we addressed the impact of the organisational changes at head office on our corporate culture. Our culture is in our people and we lose a little of it when anyone leaves our company and so we are working in the organisational changes towards a new mix of experienced employees steeped in the culture and new employees, so we can evolve into an organisation ready to achieve our international Foodservice ambition.

SLIGRO FOOD GROUP RISKS

	Category	**Probability**	**Influence**	**Risk acceptance**	**Impact**
Loss of Sligro Food Group's culture	Strategic	●●●●●	●●●●●	●●●	●●●
New business models and retailers expanding their ranges	Strategic	●●●●●	●●●	●●	●●●
Change of management model	Strategic	●●●●●	●●●●●	●●	●●●●
Competition accelerates international Foodservice consolidation	Strategic	●●●	●●●	●●●	●●●●
IT dependence and performance	Operational	●●●●●	●●●●●	●	●●●●●
Scarcity in the labour market and sustainable flexibility	Operational	●●●●●	●●●	●●●	●●●
Acquisitions and integration processes	Financial	●●●	●●●●●	●●●	●●●●
Unpredictable social change	Compliance	●●●	●	●●●●	●●●●
Food safety	Compliance	●●	●●●	●	●●●●●

● *= low* ●●●●● *= high*

New business models and retailers expanding their ranges

Competition remains fierce in our markets, and the market landscape has become more complex and challenging. The boundaries between Foodservice and food retail are blurring. There are more and more new physical and online players, and existing players are expanding their horizons towards adjacent niche markets. We are closely monitoring different initiatives and assessing the extent to which they affect the course that we as Sligro Food Group have set out. Where the market is developing faster than expected, for example online, we have sufficient flexibility and scope to accelerate this in our strategy. Above all, we opt to follow our own path and develop initiatives that suit us rather than always reacting to new competitive forces.

Change of management model

A growing business must regularly assess whether its management model is still appropriate to the Group structure. Operating in two countries and also complete focus on Foodservice are elements which play a role in this. The model in which the commercial formats present their own image towards customers with full centrally managed integration behind the scenes is still an excellent fit with the activities in the Netherlands. Following our first acquisitions and organic growth abroad, however, we realise that this model may not automatically work well elsewhere. Greater autonomy at a distance will require changes to our organisational model, management and monitoring.

In 2018, in cooperation with the Supervisory Board, we developed a new organisational structure, which was implemented on 1 January 2019. We will manage the Group as a country-based organisation. The International Board sets the Group's strategy as a whole and the limits for the main functional areas. Within this framework, the country management teams have scope to make country-specific decisions and to roll out strategy.

This structure requires a different management framework and more formality and monitoring of policy. The main steps on this were taken in 2018. We see it as an attractive challenge to maintain the right balance between enterprise and further formality in the next few years.

We believe very much in a management model based on simple and comprehensible Key Performance Indicators (KPIs), benchmarking similar sites and encouraging continuous improvement in a competitive setting. We have also embedded these basic principles in the new management model and will continue to develop them in the international context.

Competition accelerates international Foodservice consolidation

By deciding to focus entirely on Foodservice in an international context, we have expanded our vision of our competitive position. In Europe we still see a fragmented landscape where only a few parties operate successfully in several countries. We expect, however, that international consolidation in Foodservice will increase and that there is a chance that large international players will speed this up.

Our strategy for the next few years is focused on preparing for further international growth. We are aware that this requires a different structure and competences from the organisation. Both the organisational structure, the management model and support processes and systems will, therefore, be changed in the coming years.

IT dependence and performance

Effective IT systems combined with data quality are the lifeblood of our business. Managing the risks in these systems involves far more than merely 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 complex but, at the same time, it is systems of this kind that 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. The many types of cybercrime are, therefore, a serious threat. We, therefore, take extensive measures to minimise the risk of such problems.

We invested a lot of time and energy in improving and optimising our online ordering platform in 2018. In particular, major strides have been taken on stability and performance and this is reflected in a slow but definite improvement in ratings from our customers. By deciding not to develop our online proposition any more from the technical viewpoint but from the commercial viewpoint, we expect to accelerate further in the next few years.

In 2017 and 2018, we prepared to implement a new IT landscape. We have opted to be as closely as possible in line with the standard solutions in SAP and to adapt our organisation and processes to them. The impact of the organisational change is thus no larger a programme than the technical part of the implementation. A lot of attention to change is, therefore, embedded in our approach. After a generous period of preparation in which we have learnt much about the best practices of other businesses and made our organisation ready for change, in January 2019 we started on the further design and construction of our new landscape, explicitly designing control over the scope, time and money. The aim is to roll out an initial version of the new landscape in Belgium in early 2020, and after adding additional necessary functionality also to deploy it in the Netherlands.

Scarcity in the labour market and sustainable flexibility

We are experiencing increasing scarcity in the labour market. There are noticeable shortages in both the distribution environment and the transport sector. In the short term, this can only be dealt with by improving employment conditions above those of competitors, but that is of course an expensive and non-sustainable route.

Over the next few years, we will be preparing for a future in which availability of staff will only become more of a challenge. In our opinion, therefore, far-reaching automation of our distribution centres is the most appropriate response. Whereas we saw no economic grounds for further automation in the past, we now see it approaching more quickly as a result of a combination of advances in technology and further scarcity on the labour market.

We think that the scarcity in the transport sector will subside in due course, but in the long term there will be a shortage of qualified drivers. We are, therefore, focusing on developing solutions for serving our customers by different forms of transport. By using smaller electric vehicles, an HGV driving licence is no longer a must and we can, therefore, address a larger population who can play a role in last-mile distribution in our flows. In addition, more than in the past, efforts will be towards maximum effectiveness and use of the current fleet. Optimised route planning, ‘pay for performance’ in customer wishes and being critical with respect to stop times are subjects that require additional attention in the near future.

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.

Acquisitions and integration processes

Despite all the precautions and due diligence, acquisitions usually involve greater risk than organic growth. 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 and their financial and other impacts can be limited 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.

We immediately set up a multidisciplinary integration team comprising our own people and people 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 the cultural values of Sligro Food Group into the acquired business. Basically, we transfer the back office of the company we have taken over to the Group’s central organisation and back-office systems as far as possible.

About a year after an acquisition, we assess whether it and the subsequent integration went well, whether we achieved the synergy objectives and whether our customers, suppliers and employees are satisfied after this initial phase. This gives us confidence in the quality of our acquisitions process but always has lessons for improvement.

Unpredictable social change

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 to 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.

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.

Risk management and control systems

In a growing organisation like ours, we recognise the need for a more formalised approach. It is important that we maintain the right balance between formalised systems and the informal hands-on entrepreneurial spirit that exists within the company. 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, this 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. We accordingly devote a great deal of attention to preserving our culture.

We are increasingly organising risk management at the strategic level, with subsequent translation of the strategic requirements to processes, people and systems at the operational level. On the other hand, we document the existing, operational, risk management measures along structured lines, coupling them to the strategic risks and enhancing the controls where useful.

In 2018, we added a Corporate Control department which, alongside international consolidation, streamlining the planning and control cycle, is responsible for risk management and control. In consultation with Internal Audit, the Risk & Control department started a reallocation of control activities that have to be followed in day-to-day operating processes in both countries but which are initiated centrally.

'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 analytical tools, the Risk & Control department identifies exceptional patterns or numbers/trends. All our business units have been integrated into the Group's central information and control system.

While developing our new IT infrastructure over the next few years, we will specifically pay considerable attention to risk management, security, control and data analysis from the systems. In these areas, our current landscape relies more on mitigation measures outside the systems but it is now more efficient and effective to set up technical solutions (Control & Security by Design). This means less administrative and other work for our staff and also more control for management.

As the Group has similar operations 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.

For many years, we have had a long-term general back-office plan in place, 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. As coordination is increasingly important in a large business, we have set up a Programme and Process Management department which apart from programme management also works on safeguarding and continuous improvement of business processes.

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'. Regular reporting has been shown to provide reliable information on business performance. We regard improving the reliability of our management information and, more importantly, ensuring that it becomes increasingly specific and targeted, as an on-going process.

In note 28 to the financial statements on page 133, 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. 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.

In-Control Statement

In accordance with best practice provision 1.4.3. of the 2016 Corporate Governance Code, the Executive Board states that:

i. the report provides sufficient insight into any shortcomings in the effectiveness of the internal risk management and control systems;
ii. those systems provide reasonable assurance that the financial report does not contain any material misstatements;
iii. in the current situation, it is appropriate for the financial report to be prepared on a going concern basis; and
iv. the report states those material risks and uncertainties that are relevant to the expectation of the company’s continuity for the period of twelve months after the preparation of the report.

CORPORATE GOVERNANCE

Main points of the corporate governance structure

Sligro Food Group N.V. is a dual-board company incorporated under Dutch law, with an Executive Board and an independent Supervisory Board ('two-tier management structure'). The balancing of the interests of all the Group's stakeholders desired by Dutch law and the corporate governance code has underlain corporate policy for many years. 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 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, 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. The Supervisory Board has appointed a Remuneration and Appointments Committee, made up of two Supervisory Board members.

General meeting

The annual general meeting is held within six 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 of 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 by a two-thirds majority of the votes cast, representing more than half of the issued share capital.
- Issue shares and restrict or exclude shareholders' pre-emptive rights (the Executive Board has been granted these powers until 21 September 2019 subject to the approval of the Supervisory Board).

- Repurchase and cancel shares (the Executive Board has been granted powers until 21 September 2019 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.

Anti-takeover mechanisms

Sligro Food Group respects the one share/one vote principle and does not have any anti-takeover or control mechanisms.

Conflicting interests

During 2018, there were no material transactions involving possible conflicts of interest with Executive or Supervisory Directors, nor were there any transactions with shareholders owning more than 10% of the shares.

Compliance with the code

The revised Corporate Governance Code ('the Code') was published on 8 December 2016. Except for best practice provisions 2.2.1 ('Appointment and reappointment periods – executive board members') and 3.2.3 ('Severance payments'), Sligro Food Group subscribes to the principles and best practice provisions of the Code. Neither departure is new or temporary. Sligro Food Group also departed from parts of the equivalent provisions in the 2004 and 2008 Corporate Governance Codes. Both departures are appropriate to the culture of Sligro Food Group – a listed family company.

Best practice provision 2.2.1 ('Appointment and reappointment periods - executive board members')

Members of Sligro Food Group's Executive Board are appointed for an unspecified period, and so Sligro Food Group departs from best practice provision 2.2.1. This is because Sligro Food Group aims for long-term employment relationships with its staff and so also with its directors. Sligro Food Group prefers to appoint members of the Executive Board from within the Group.

Best practice provision 3.2.3 ('Severance payments')

Sligro Food Group has not entered into agreements on the level of any severance pay with members of the Executive Board. This should be seen in the light of the appointment of directors for an unspecified period, and since such appointments may follow employment with Sligro Food Group in a position other than director.

The auditorium in the ZiN Inspiration Lab is used daily for presentations.

CAPITAL EXPENDITURE

Goals

- Maintain average net capital expenditure at about 3.0% of sales for the next few years.
- Maintain the Group's average net capital expenditure at about 2.5% of sales over the long term.
- Invest continuously in developing and optimising the logistics and outlet network and the commercial formats in the Netherlands.
- Invest continuously in autonomous expansion and optimisation of the logistics and outlet network and the commercial formats in Belgium.
- Invest continuously in developing our online activities.
- Invest continuously in automation and efficiency-enhancing technology in order to maintain our position as a cost leader.
- Between 2018 and 2020, invest some €100 million in adapting our delivery network in the Netherlands to facilitate organic growth and integration of the Heineken wholesale operations. Net investment will be lower as a result of selling some sites to property investors and leasing them back over the long term.
- In 2018 and 2019, invest some €20 million in redeveloping the central distribution centre and head office in Veghel.
- In the next few years, Sligro Food Group will prepare its IT and data landscape to integrate the Belgian activities and for possible future international expansion. The IT and data landscape will also be adapted to respond more quickly to changing market conditions and customer requirements. This will involve its complete replacement. Our current estimate of the non-recurring investment in the implementation is €60 million, which will be spread over a period of some four years (2018-2021) and amortised over the estimated useful economic life.

In 2018, we invested a net amount of €74 million, or 3.2% of sales, in intangible assets and property, plant and equipment. Where possible, we invest sustainably and our new delivery sites are being built to the highest BREEAM standards, are gas-free and have solar panels. Key investments were:

- €20 million in the outlet network in the Netherlands
- €19 million in the outlet network in Belgium
- €11 million in the existing IT landscape and online
- €20 million in the delivery network
- €13 million in the new IT landscape
- €2 million in the central distribution centre and head office in Veghel

In 2018 we sold the retail property portfolio as part of the sale of EMTÉ. The proceeds from this disposal were €60 million.

After expanding and remodelling our delivery service outlet in Berkel en Rodenrijs, we sold it to a property investor at the end of 2018. We entered into a lease with the investor with an initial term of ten years. The proceeds from this sale were €22 million.

The table hereafter analyses net capital expenditure together with the related amortisation and depreciation.
In Belgium, over the next few years we will be converting the ISPC outlets to Sligro-ISPC in the style of the site in Antwerp. We are also in the process of acquiring sites and planning permission in various places in Belgium to expand our network. We have already purchased a site in Bruges and are currently working through the planning permission process.

NET CAPITAL EXPENDITURE [1)]

DEPRECIATION AND AMORTISATION

x € million	2018	2017
Intangible assets (software)	23	9
Property, plant and equipment	72	73
Disposals	(21)	(6)
Net investment	**74**	**76**
Depreciation and impairments	(41)	(51)
Amortisation of software	(9)	(8)
Subtotal	**(50)**	**(59)**
Net movement	**24**	**17**

1) In 2018 Foodservice only, at carrying amount

We are well on schedule with the Heineken integration process. As well as modifying and expanding existing sites in 2018, we have identified sites in Amsterdam, Deventer, Breda and Maastricht where we will be able to build from 2019. We expect to be able to start the first physical relocations from the Heineken sites to our network in mid-2019.

In 2018 we signed agreements with all the software suppliers and implementation partners involved with our new IT platform. The others will follow in 2019. After an extensive period of preparation, we will start detailing and constructing our new IT landscape in 2019. This capital expenditure (cash flow) will, therefore, peak in the early years of the programme.

A cookery competition between young chefs from Brabant featured as part of the reopening of the Sligro outlet in 's-Hertogenbosch chefs.

RESULTS

Goals

- Increase Group organic sales by an average of 3% per year plus growth in sales through acquisitions that meet our criteria.
- Improve return through growth in sales, margin management and cost control.
- Distribute about 60% of the year's profit as a regular dividend plus a variable dividend on top of that, reflecting the financial position.

Financial policy and management model

Sligro Food Group has a high degree of back-office integration. We believe in the strength of the Group as a whole and in seeking to achieve knowledge sharing and 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. This is also currently the case in Belgium where we are keen to experience personally how we can and need to manage in an international environment, making allowances for cultural and other differences. We will use this experience and knowledge to help transform our organisation and the management model into one more suited to an international organisation. This will be implemented from 1 January 2019:

- In countries where we operate, we basically want to work using the model outlined above 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.
- Each country will have a country management team, chaired by a country director with responsibility and authority within clearly defined limits for operations and rolling out policy in the country, in line with local customs and laws and regulations. Within that mandate, the Management team has responsibility for results.
- The Group's strategy and policy decisions will be the same for all countries and set by the International Board, which consists of the two-member Executive Board (the CEO and the CFO) and four directors with cross-border responsibilities (Purchasing and Product Range, IT, Supply Chain and Human Resources) and the country director for the Netherlands as the largest country.

We manage our organisation using a medium-term strategic plan with a three-year horizon using the OGSM (Objective, Goals, Strategies & Measures) model. Although the plan is re-evaluated and updated each year as conditions require, we stick to its essential features. In order to communicate strategic plans to the rest of the organisation, we convert them into specific targets and results that are clear and comprehensible to everyone. We challenge our people to use creative plans to implement those targets and results. The outcome and not the plan has priority. As our organisation is becoming more international, extensive financial authority now lies outside the central organisation in Veghel. This requires a different management model that is also based in part on financial parameters. As we still do not believe in a traditional budget-driven organisation, we now have a model that balances the clarity and simplicity of financial targets with freedom for creativity and enterprise to achieve those targets. We draw up an annual budget which is derived from our strategic long-term plan. We monitor progress each quarter and use moving forecasts to identify if the intended results are being achieved on the current course. Deviations from the goal prompt adjustments to the business operations

We use a series of detailed management reports on operations that show the actual developments and trends in our activities from various perspectives. They focus on process-based performance indicators rather than financial key figures. The performance indicators are defined clearly and relate to the activities that the user can directly affect. As we perform similar work at several locations, we make extensive use of internal benchmarking. This creates focus and encourages the feeling of the continuous improvement and healthy competition we are aiming for. During the year, the correlation between the performance indicators and the financial results is examined.

We also want to apply this approach to reporting and management internationally and so we are developing international standards which will be clear and easily understood. Through Internal Audit, we can also exercise control over compliance. This will assist us to maintain the quality of insights and speed of reporting we have become used to. An update of our IT and data landscape will, of course, give this a boost in the coming years.

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.

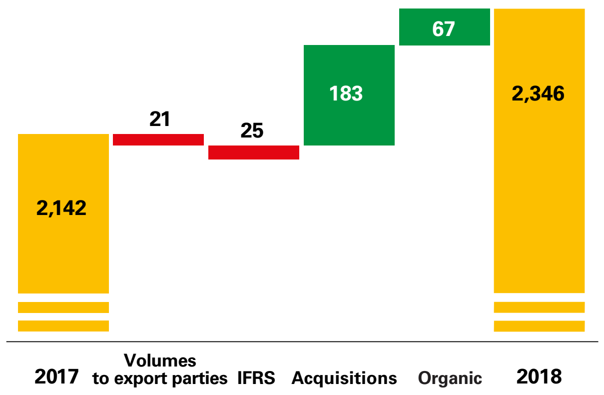
The profit and loss account can be summarised as follows:

PROFIT AND LOSS ACCOUNT SUMMARY
'CONTINUING OPERATIONS'

			As % of sales	
x € million	**2018**	**2017**	**2018**	**2017**
Net sales	2,346	2,142	100.0	100.0
Cost of sales	(1,780)	(1,648)	(75.9)	(76.9)
Gross margin	**566**	**494**	**24.1**	**23.1**
Other operating income	12	9	0,5	0,4
Total operating expenses excluding depreciation, amortisation and impairments	(464)	(359)	(19.7)	(16.8)
Gross operating profit (Ebitda)	**114**	**144**	**4.9**	**6.7**
Depreciation and impairments	(41)	(34)	(1.8)	(1.6)
Operating profit before amortisation (Ebita)	**73**	**110**	**3.1**	**5.1**
Amortisation of intangible assets	(20)	(19)	(0.9)	(0.8)
Operating profit (Ebit)	**53**	**91**	**2.2**	**4.3**
Net finance income and expense	3	4	0.2	0.1
Profit before tax	**56**	**95**	**2.4**	**4.4**
Corporate income tax	(10)	(19)	(0.4)	(0.9)
Profit for the year	**46**	**76**	**2.0**	**3.5**

SALES

x € million



In 2018, we generated net sales of €2,346 million, an increase of €204 million or 9.5% compared with the previous year. Together, the acquisitions of Heineken, ISPC and Tintelingen in 2017 added a non-organic increase in sales of €183 million in 2018. The Group's like-for-like sales growth was 1.0%. 2018 was heavily influenced by the reduction compared with the previous year of non-structural volumes that we delivered to export parties (€21 million) and changes resulting from IFRS 15 (€25 million). Adjusting for this, we saw underlying growth of 3.1%.

Gross margin as a percentage of net sales increased by 1.0% to 24.1%. This was the net outcome of various effects:

- Following the sale of EMTÉ, there is a dis-synergy in purchasing for Foodservice. We always purchased jointly for Foodservice and Food Retail. Now that some Food Retail volumes have disappeared, there is an impact on the remaining conditions for Foodservice. We estimate this had an adverse effect on the gross margin of some 0.3%.
- As a result of presentational changes under IFRS 15 compared with the previous year, amortisation of signing fees is now charged against sales and gross margin. Compared with last year, this depressed the gross margin by about 0.3%.
- We receive a fee per hectolitre for the services to Heineken which is recognised as sales with a gross margin of 100%. This increased the gross profit by about 0.7% of sales.
- According to our data from the Sligro Insights programme and intensive cooperation with suppliers, we can offer our customers, suppliers and ourselves attractive promotions.
- We have been able to pass on part of the increase in operating expenses to the market through the selling prices and this has increased the gross margin.

Costs (including depreciation and amortisation) increased as a percentage of sales by 3.2% to 22.4%. The following effects underlie this:

- Following the sale of EMTÉ, there is a dis-synergy in central costs which now impact Foodservice. We estimate the effect on costs at about 0.3%.
- In 2018, we recognised the entire restructuring charge for the organisational changes being implemented in 2018 and 2019. We estimate the effect on costs at about 0.7%.
- We receive a fee per hectolitre for the services to Heineken which is recognised as sales with a gross margin of 100%. This fee covers almost all the costs and so the costs in this first year of integration are bearing relatively heavily on sales. We estimate the effect on costs at about 0.8%.
- In Belgium we opened the doors of our delivery and collection site in Antwerp in November 2018. This created a peak in start-up costs in 2018. We estimate the effect on costs at about 0.3%.
- We are providing services to the consortium that bought EMTÉ for a period of up to 12 months after the transaction. These costs are about 0.4% of sales, but there is also compensation of the same amount which is recognised as other operating expenses.
- We were also faced with price rises for transport and staff in 2018, as a result of scarcity. Only part could be recovered in the form of price increases being passed on to the market.

Other operating income was the same percentage of sales as in the previous year. This year other operating income includes the fees for our services paid by the consortium that bought EMTÉ. In 2017 there was a non-recurring book profit arising from the sale of our beer and cider distribution turnover to Heineken.

In recent years we have been searching for the best measure to provide a picture of operational improvements. Changes in reporting rules and our decisions on this mean that they are not always evident. We believe that investment in customer conditions, software and our physical infrastructure is part of operational performance, since it will involve replacement investment in the future. We do not believe that the decision to capitalise a significant portion of the acquisition sums with amortisation charged against the result should form part of operational performance since there will be no replacement investment for this in the future.

ANALYSIS OF OPERATING RESULT

x € million	2018	2017
Ebitda	**114**	**144**
Depreciation and impairments	(41)	(34)
Amortisation of software	(9)	(7)
Amortisation of other intangible assets (excl. related to acquisitions)	0	(6)
Ebit before amortisation of other intangible assets related to acquisitions	**64**	**97**
Book profit on the sale of beer and cider to Heineken	0	(9)
Non-recurring unwinding costs and dis-synergy	12	0
Restructuring charges for organisational changes	17	0
'Underlying' operational result	**93**	**88**
Amortisation of other intangible assets related to acquisitions	11	(6)
Ebit adjusted for non-recurring items	**82**	**82**

The table shows these effects and also reflects the non-recurring effects on the result. For completeness, we also show amortisation of other intangible assets related to acquisitions.

Net finance income was the same as in the previous year. Interest expense was a little lower than in the previous year and the results of associates also fell.

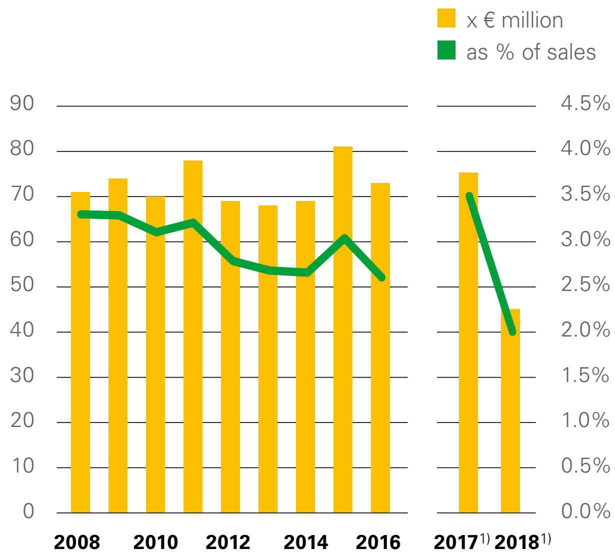
The tax burden fell slightly compared with the previous year. The gradual reduction in the corporate income tax rate in the Netherlands led to a release of deferred tax. We saw a similar effect in Belgium last year but the impact for the Netherlands this year is rather greater.

The overall effect was that the net profit from continuing operations for 2018 was €46 million, a fall of €30 million compared with the previous year, of which €24 million resulted from non-recurring costs for unwinding EMTÉ, the resultant dis-synergy and the non-recurring net restructuring costs for the organisational changes.

Earnings per share, calculated on the average number of shares in issue, were €1.04 compared with €1.73 in 2017.

Given the unusual number of exceptional items in the 2018 result, when setting the proposed dividend for 2018, we propose to look, for once, at the total amount of the dividend and ignore the separate regular and variable elements. The dividend proposed for 2018 is €1.40 per share, which is the same as the full dividend for 2017. An interim dividend of €0.55 per share was paid on 1 October 2018 and so the final dividend will be €0.85.

NET PROFIT 2008-2018



1) *Continuing operations only*

FINANCING

Goals

- Ensure that sufficient finance is available under long and short-term credit facilities, maintaining a comfortable margin with respect to the related financing covenants.
- Shares may also be issued to provide financing but only if the target margins with respect to
- the financing covenants are insufficient as a result of major acquisitions.
- Limit working capital to no more than ten days' sales.

We call on both the capital market (for long-term facilities) and the money market (for long and short-term facilities) for our financing. We are always examining the different types of financing that the market can offer us.

Currently, our long-term financing is through US private placements. There is a remaining tranche of the US private placements, dating from 2010, with a maturity of two years, which had a value of €66 million on the reporting date. There was a swap value of €5 million against this, which is recognised in other financial fixed assets.

In 2016, we entered into a US Private Placement Shelf Facility with a three-year framework agreement and an uncommitted facility of up to €100 million which can be drawn down in tranches.

- In April 2016, we drew down a seven-year loan of €30 million under this facility at an interest rate of 1.33% per annum.
- In September 2017, we drew down an eight-year loan of €40 million under this facility at an interest rate of 1.67% per annum.

In the autumn of 2017, we reviewed and expanded our bank facilities with Rabobank. The arrangements comprise:

- A 3-year Term Loan of €70 million. €60 million of this is outstanding following a repayment of €10 million in November 2018.
- Overdraft facilities of €80 million, of which €40 million is committed. These facilities carry variable interest rates linked to Euribor. The terms and conditions and covenants are in line with those of the USPP financing.

As well as the financing from Rabobank, the Group now has limited overdraft facilities of €7 million, of which €1 million is committed.

We do not expect any problems attracting financing if the opportunity of an acquisition should arise.

The Group's free cash flow was €102 million, as shown in the abridged statement hereafter.

Total working capital fell once again in 2018. The programmes for structurally improving the working capital position are succeeding. In 2017, we achieved a further reduction in working capital in part through our Supply Chain Finance programme.

ABRIDGED CASH FLOW STATEMENT

x € million	2018	2017	2016	2015	2014
Net cash flow from operating activities	119 [1]	172	153	140	147
Net cash flow from investing activities, excluding the net effect of acquisitions and the investment in Superunie	(17)	(74)	(81)	(62)	(69)
Free cash flow	**102**	**98**	**72**	**78**	**78**
For comparison purposes: net profit	46 [2]	76 [2]	73	81	69
Cash conversion in %	61	129	97	96	113
The free cash flow was used to fund:					
Net acquisitions/Superunie	0	(116)	(49)	(11)	(22)
Payment of dividend and repurchase of shares [3]	(59)	(57)	(54)	(47)	(64)
Net movement in debt and cash	(43)	75	31	(20)	8
	(102)	**(98)**	**(72)**	**(78)**	**(78)**

1) Established in the same way as in previous years but in 2018 includes €74 million of working capital compensation from the EMTÉ transaction
2) Net profit from continuing operations
3) Excluding non-recurring special dividend

DEVELOPMENT OF WORKING CAPITAL

x € million	2018 [1]	2017 [1]	2016	2015	2014
Current assets, excluding cash and cash equivalents	502	405	453	377	376
Current liabilities, excluding interest-bearing items	(448)	(338)	(381)	(298)	(287)
	54	**67**	**72**	**79**	**89**
In days' sales revenue	8	11	9	11	13

1) From continuing operations

OUTLOOK

At the end of 2018, unemployment was still at a relatively low level and consumer confidence was still relatively high. Despite declining consumer confidence in the final months of 2018, we think that there will still be a relatively favourable economic climate and growth in our markets in 2019.

We expect that our customers will pass on the increase in VAT on food from the start of 2019 to consumers and so it will have only a very small effect on sales in the wholesale channel.

Sales growth at our customers was driven in part by price rises and that, certainly in combination with the VAT rise, will also be the case in 2019. We also expect increases in volumes, which will feed growth in our wholesale volumes. Cost inflation will be considerable in 2019. Transport, energy and labour costs will increase sharply and these can only be passed on to a limited extent in price rises to our customers. We expect, however, to be able to absorb these cost increases largely through the efficiency-improvement programmes we started in 2018.

In the Netherlands, the coming year will feature the further integration of Sligro and the Heineken wholesale activities. The changes needed in IT are due to be ready in the second quarter, after which physical integration can begin. From then on, we will be able to serve our customers using one truck from a single site, bringing benefits and offering us efficiency and upsell opportunities. The physical network will be phased in gradually from the fourth quarter of 2019. From then on, we will be able to achieve the logistics and commercial benefits we are aiming for from the partnership. We will also work further on shaping our cash-and-carry of the future.

In Belgium, we will be building on our market position during the coming year. After the difficult planning permission process in Antwerp and, we expect, similar difficulties in Bruges, we will accelerate and intensify the search for sites and start planning permission procedures. We are thinking of six to eight additional sites. In addition, there will be further combination and integration of the existing activities and organisation in Belgium.

We start 2019 with the new organisational structure and management model. This will require some adjustment and optimisation in the first part of the year. We are also starting the design and construction phase of the first prototype of our new international IT landscape and the associated standardised processes. We aim to have a version available before the end of the year that will be ready for implementation in Belgium in early 2020.

After a year in which we believe we correctly paid considerable attention to non-core activities, all attention will again be on operations and trade in 2019. Encompassing excelling in a difficult transport market, again moving forward in delivery after a year of fighting off assaults, developing the cash-and-carry outlets of the future alongside the battle for licences and striving for customer appreciation in Belgium. Our theme this year is, therefore, ‘Back to Business’ and we are really enthusiastic about it!

Given the expected large number of exceptional items, unusually we offered more information on expectations last year. This year, 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 92 to 146 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 20 to 78 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, 31 January 2019

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

CORPORATE GOVERNANCE STATEMENT

This statement is included pursuant to Section 2a of the Decree on the Content of the Directors' Report (Besluit inhoud bestuursverslag) and is also publicly available in digital form in the corporate governance section of sligrofoodgroup.nl. The information that is to be included in this statement pursuant to Sections 3, 3a and 3b of the Decree on the Content of the Directors' Report can be found in the following sections of the 2018 directors' report and is deemed to be included and repeated here:

- information on compliance with the principles and best-practice provisions of the 2016 Corporate Governance Code (page 68 'Corporate Governance'). The Code is available in the Corporate Governance section of the sligrofoodgroup.nl website;
- information on the principal features of the management and control system in connection with the Group's financial reporting process (page 66 '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 68 'General meeting of shareholders');
- information on the composition and functioning of the Executive Board (page 19 'Directors and management', page 68 'Executive Board' and page 86 'Executive Board conditions of employment');
- the policy on diversity in the composition of the Executive and Supervisory Boards (page 44);
- information on the composition and functioning of the Supervisory Board and its committees (page 19 'Directors and management' and page 81 'Report of the Supervisory Board');
- information on the rules for appointing and replacing members of the Executive Board and Supervisory Board (page 68 'Executive Board' and page 68 'Supervisory Board');
- information on the rules for amending the company's Articles of Association (page 68 'General meeting of shareholders');
- information on the powers of the Executive Board to issue and repurchase shares (page 68 '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 loans referred to on page 131;
- information on transactions with related parties (page 68 'Corporate Governance' and page 140 'Related-party disclosures').

To the extent appropriate, the directors' report also includes information pursuant to the Section 10 of the Take-Over Directive Decree.

The JAVA distribution centre in Rotselaar, Belgium.

REPORT OF THE SUPERVISORY BOARD

Sligro Food Group's markets performed well as a result of continuing economic growth and given current market trends, this is expected to be the case again in 2019 in both the Netherlands and Belgium.

In both countries, Sligro Food Group outperformed the market and gained market share this year. The combination of organic growth and growth from acquisitions saw sales in the Netherlands and Belgium increase by almost 9% and over 14% respectively. In the Netherlands, the sales trend was depressed by the fall in more incidental sales flow to export parties and changes in IFRS rules.

2018 saw a number of major changes within the Group and several sizable projects. This demanded major efforts by the Group's Executive Board and staff. We conclude that it was a busy year, but all the work undertaken was towards the ambition of becoming a leading international Foodservice player. In other words, focus.

The sale of EMTÉ put the choice of one market, the Foodservice market, into effect. The transaction was shaped and concluded in a relatively short and professional sale process that respected all involved. Given the criteria the Executive Board had set in advance and the candidates in the process, we believe that a good deal was concluded. The unwinding of the organisation and the support to the consortium in the stage after the transaction were constructive and as scheduled.

Further to the sale of EMTÉ and given the international Foodservice ambitions, the Executive Board, in close consultation with the Supervisory Board, set up a new organisational structure with an appropriate management model. The changes in staff levels at the head office under the FiT programme were far-reaching but necessary and were supported by the Supervisory Board. We believe the choice of a country-based organisation is appropriate for the direction of the organisation in the next few years. The management model remains based on clear strategic choices and frameworks from senior management and operational management using clear, comprehensible KPIs focused on continuous improvement and optimising internal synergy. Maintaining the Sligro Food Group culture received a lot of attention in this, in the realisation that international expansion always needs this. The way this is being done in Belgium, gives us confidence.

Sligro Food Group has acknowledged that international growth requires further standardisation of processes, supported by a single IT platform. Back in 2017, the Executive Board initiated a programme to shape these organisational changes and the IT landscape. Preparations were made throughout 2018. The external partners have been selected and contracted, and within the organisation a large number of employees have been released and prepared for a role in this programme. Now all the preparations have been completed, the next phase is starting in mid-January 2019. During this, the platform will be designed in detail and constructed as an initial version of the international ERP and process platform for the future of Sligro Food Group. This version will be rolled out first in Belgium in early 2020. We are very pleased with the work being done on the preparations and the governance of the programme to safeguard progress, scope and costs. The Executive Board is very aware of the impact of a programme such as this and has acted accordingly in the preparations.

The partnership with Heineken, announced last year, has now been operational for a little over a year. It is one of the largest acquisitions and integration projects in the Group's history. It demands considerable attention from the people who, in addition to their normal operational duties in the delivery operations, are also having to prepare the start-up of the partnership with Heineken, meeting and starting up new and existing customers and physically integrating the distribution sites. That process went well, although the Executive Board could not avoid this being at the expense of attention to regular operations on a couple of occasions during the year.

The Group's net profit was €276 million, an absolute record in Sligro Food Group's history. The sale of EMTÉ and related property transactions of course played a major role in this. The net profit of discontinued operations was €230 million. The continuing Foodservice operations generated a net profit of €46 million in 2018 including some large non-recurring items, such as costs and dis-synergy effects from the unwinding of EMTÉ and restructuring costs in relation to the organisational changes being made in 2018 and 2019. The free cash flow was again strong at €102 million.

We are in agreement with the financial statements prepared by the Executive Board for the financial year. When setting the proposed dividend for 2018, we intend to look at the total amount of the dividend, for one time, and ignore the separate regular and variable elements. The dividend proposed for 2018 is €1.40 per share (2017: €1.40). Earlier in 2018, a non-recurring special dividend of €7.57 per share was paid in connection to the sale of EMTÉ. The Group's financial position is strong and the profit distribution to our shareholders is possible without the business having to limit the financing of its capital expenditure or possible acquisitions.

Supervision

In 2018 the Supervisory Board met in formal session on five occasions. The Audit Committee held five formal meetings, and the Remuneration and Appointments Committee met twice. In addition to the five meetings mentioned above, the Supervisory Board met with the Executive Board on one occasion. This extra 'in-depth' meeting was held in connection with progress on the integration process with Heineken and developments in delivery operations. During it, as well as an overview of all current strategic plans and progress on them, we were given a picture of more recent developments such as scarcity on the labour market for distribution and transport staff and the additional measures that Sligro Food Group is taking to deal with them. The commentary was given by members of the Executive Board and operational staff.

In addition to these meetings, the Supervisory Board was involved on several occasions in the progress on the process for selling the Group's Food Retail activities, so that it was always aware of and included in the main decisions in those processes.

In addition to the scheduled meetings, the chairman of the Supervisory Board holds regular talks with the Executive Board, and the chairman of the Audit Committee meets the CFO and the Internal Auditor. The Supervisory Directors also held individual meetings with key company staff in consultation with the Executive Board.

In 2018, a member of the Supervisory Board was present as an observer at two meetings with the Works Council. As usual at the Group, we are pleased to report once again that the Executive Board and Works Council conduct their meetings in a frank and constructive atmosphere.

One supervisory director was unable to attend a Board or committee meeting on one occasion in 2018. His input on the agenda items was shared with the chairman in advance. The table below shows attendance at meetings.

The Supervisory Board carried out a self-evaluation, examining and assessing its own functioning and that of the committees and its individual members. The Supervisory Board also assessed the functioning of the Executive Board and its individual members. Input was requested from the Executive Board for this. The results of the evaluations and assessments were discussed by the full Supervisory Board.

Meetings in 2018 and significant themes

The chart on pages 84 and 85 summarises the meetings of the Supervisory Board and its committees in 2018, showing the business discussed and main decisions taken.

In addition to the regular formal items on its agenda, the Supervisory Board devoted much time and attention during the past year to a number of specific topics.

ATTENDANCE AT MEETINGS

	Supervisory Board meetings	**AC meetings**	**R&AC meetings**
Mr Rijna	100% (6/6)		100% (2/2)
Ms Van Leeuwen	100% (6/6)	100% (5/5)	
Mr Kamps	100% (6/6)	100% (5/5)	
Mr Karis	83.3% (5/6)		100% (2/2)
Mr Van de Weerdhof	100% (6/6)		

Sale of EMTÉ

Once it had been decided at the end of 2017, in consultation with the Supervisory Board, to formally start the process of selling or finding a partnership for EMTÉ, the Executive Board assisted by its advisers started that process. Using clear criteria, the Executive Board examined various proposals from interested parties, taking account of the interests of all stakeholders. Given the alternatives and criteria, we believe that the Executive Board made the most appropriate decision by finally selecting the consortium of Jumbo and Coop. The transaction and subsequent unwinding were handled properly.

During 2017 and 2018, much attention was given to careful communications with all parties. Naturally this was subject to the restrictions imposed by the share listing but the steps of the process were clear and transparent and ensured that stakeholders faced few surprises.

On concluding the transaction, it was decided to distribute the proceeds of the sale to the shareholders in the form of a non-recurring special dividend. The business's strong financial position permitted this without restricting future growth and capital expenditure plans.

Organisational structure and management

The Supervisory Board recognises, as does the Executive Board itself, that changing and realigning the organisational structure and the management model are key conditions for continued controlled growth and earning revenue from critical mass. In 2018, the Executive Board, in consultation with the Supervisory Board and with its agreement, invested much time and energy in designing and structuring the new country-based organisational structure and associated management model. Clear decisions have been made on matters that will continue to be managed centrally by an International Board and those addressed in the countries. A transitional model with some duplicated positions has been chosen given the still limited international presence and the significance of the Netherlands. Consequently, in some areas, the international role and that of the Netherlands have been combined in one person and, given the significance of the Netherlands, the CEO and CFO remain actively involved in the Netherlands Management Team. In addition, only a few 'corporate' functions have been detailed for Finance and Legal Affairs, as appropriate to the scale of the business at the moment. We agree with the Executive Board's gradual approach and are following the development of the organisation closely.

IT 2020

IT is of great importance to an organisation like Sligro Food Group. IT and data have a crucial role in the continuity of existing operations and future growth. The current IT landscape and related working methods are sufficiently robust at the moment but are not suited to customers' future requirements or further international growth. We regard the selection of a global standard in the form of SAP to be a sound and necessary step for Sligro Food Group.

The business has used the past eighteen months to prepare for the major changes that such a project involves. By obtaining experience from companies that have gone before, bringing in professional parties to implement it and preparing the business's own organisation for the approaching changes, including setting up governance and control of scope, timing and money, the process gives us confidence.

We think the decision to implement the first variant of the new package in Belgium is sensible, both from the risk management viewpoint, given the relatively limited size of operations there, and given the logic of wanting to harmonise the still fragmented Belgian IT landscape on a single platform first.

Development and construction of the new environment starts in January 2019, with the first target being an operational system in Belgium by the beginning of 2020. Given the preparations, we have confidence in the process.

First meeting in 2019

The agendas of the first meetings in 2019 are also set out on pages 84 and 85.

The Board noted once again that the auditors had not reported any material audit issues relating to the financial year requiring follow-up on the part of the Executive Board and/or the Supervisory Board. The Board concurred with the conclusions of the Executive Board on risk management and the internal control systems as set out on page 66.

SUPERVISORY BOARD MEETINGS

Agenda 23 January 2018

- 2017 annual figures and directors' report
- Press release on the 2017 annual figures
- Dividend policy and proposal
- Preparation of Annual General Meeting for 2017
- IT 2020 programme
- Update on EMTÉ sale process
- Update on Heineken

AC feedback 23 January 2018
- 2017 auditors' report - Deloitte
- 2017 financial statements
- Dividend policy and proposal
- Press release on the 2017 annual figures

R&AC feedback January 2018
- Setting Executive Directors' variable remuneration for 2017
- Setting variable remuneration targets for 2018
- Membership of the Supervisory Board's committees in 2018
- Appointment and succession procedure for the Supervisory and Executive Boards and senior management

Resolutions & findings
- Subscribed to conclusions of Executive Board on risk management and control systems
- Found that the auditor had reported no material audit differences requiring follow up by Executive or Supervisory Boards
- Agreed to proposed dividend to be submitted to the Annual General Meeting for approval
- Agreed to R&AC proposals

Agenda 17 April 2018

- Quarterly figures Q1-2018
- Press release on the Q1-2018 figures
- Update on IT 2020
- Update on EMTÉ sale process
- Update on Heineken
- Capital expenditure
- VEB letter on BAVA
- Letter from Ministry of Education, Culture and Science on diversity

AC feedback 17 April 2018
- Quarterly figures Q1-2018
- Press release on the Q1-2018 figures
- Update on 2018 IT audit - Deloitte
- Update on Internal Audit

Resolutions & findings
- Not applicable

Agenda 17 July 2018

- 2018 half-year figures
- Press release on the 2018 half-year figures
- Proposed special and interim dividend
- Update on EMTÉ sale process
- Update on organisational changes
- Update on IT 2020

AC feedback 17 July 2018
- 2018 half-year figures
- Press release on the 2018 half-year figures
- Proposed special and interim dividends
- 2018 audit plan - Deloitte
- Update on 2018 IT audit - Deloitte
- Internal Control Framework

Resolutions & findings
- Agreed to the proposed special and interim dividend

Agenda 16 October 2018

- Quarterly figures Q3-2018
- Press release on the Q3-2018 figures
- Update on IT 2020
- Defence Plan
- Update on Organisational changes
- Top 50 evaluation
- CSR

AC feedback 16 October 2018
- Quarterly figures Q3-2018
- Press release on the Q3-2018 figures
- Update on audit 2018 - Deloitte
- Update on Intern Audit Plan and Audit Charter
- Update on IT audit 2018 - Deloitte
- Financing
- Investor Relations

R&AC feedback 3 September 2018
- Preparation of top 50 evaluation
- Appointment and succession procedure for the Supervisory and Executive Boards and senior management
- Supervisory Directors' retirement schedule
- Preparation of reassessment of Executive Board remuneration

Resolutions & findings
- Agreed to R&AC proposals

Agenda 13 December 2018

- 2018 Management letter (with Deloitte in the absence of the Executive Board)
- Fraud risk management (with Deloitte in the absence of the Executive Board)
- Supervisory Board self-evaluation and evaluation of the Executive Board (in the absence of the Executive Board)
- Figures to November
- 2018 Management letter
- Risk management and fraud risk management
- Dividend policy and proposal
- 2019 budget
- Update on IT 2020
- Amendment of the Executive Board regulations
- 2019 priorities letter from Eumedion

AC feedback 13 December 2018
- Figures to November
- 2018 Management letter
- Update on Hardclose
- 2019 budget
- Pensions
- Tax
- Auditors' performance

Resolutions & findings
- 2019 budget adopted
- Amendment of the Executive Board regulations adopted

Agenda 22 January 2019
First meeting in 2019

- 2018 annual figures and directors' report
- Press release on the annual figures 2018
- Dividend policy and proposal
- Preparation of Annual General Meeting for 2018

AC feedback 22 January 2019
- 2018 auditors' report - Deloitte
- 2081 financial statements
- Dividend policy and proposal
- Press release on the 2018 annual figures

R&AC feedback 17 January 2019
- Setting Executive Directors' variable remuneration for 2018
- Setting variable remuneration targets for 2019

Resolutions & findings
- Subscribed to conclusions of Executive Board on risk management and control systems
- Found that the auditors had reported no material audit matters requiring follow up by Executive or Supervisory Boards
- Agreed to proposed dividend to be submitted to the Annual General Meeting for approval
- Agreed to R&AC proposals

Diversity policy and reporting on diversity

When selecting members of the Executive Board and the Supervisory Board, Sligro Food Group aims to choose the best candidate and for a balance of age, gender, work experience and educational background, respecting its general diversity policy (see page 44) and/or the statutory targets for gender balance. With equally qualified candidates, preference will, if the statutory target is not met, be given to the candidate who would achieve or approach the statutory target. Nationality is not a criterion for selection.

The membership of Sligro Food Group's Executive Board is two men. The Supervisory Board is made up of one woman and four men. This means that neither the Executive Board nor the Supervisory Board met the statutory target in 2018. With respect to the membership of the Executive Board, this was a consequence of the combination of long-term employment, which leads to relatively few vacancies, a preference for recruiting from within the company and the result of previous recruitment and selection policy that is largely in line with that policy. This latter point also explains the membership of the Supervisory Board. It is not yet known when the statutory target for membership of the Executive Board and Supervisory Board will be met.

Sligro Food Group regards the recruitment and selection of members of the Executive Board and supervisory directors as important matters and so, in addition to its own network, engages specialist consultants. The attention of the Executive Board, the Supervisory Board and the Remuneration and Appointments Committee for the recruitment and selection procedures and professional external assistance are the main factors in selecting the best candidate and the distribution of seats between men and women more closely in line with the statutory target.

Relationship with the auditors

The Supervisory Board is responsible for engaging and supervising the performance of the auditors. The Supervisory Board's audit committee along with the company's Executive Board assessed the performance of the auditors during 2018.

The audit committee discussed the 2018 audit plan, which includes the materiality and scope of the audit and the principal risks in the annual reporting, with the auditors. It also discussed the findings and results of the audit and the management letter.

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 converted into shares;
- defined-contribution pension scheme;
- various other fringe benefits.

Once every three years, the remuneration package is benchmarked against a reference group of some twenty companies. This was done in 2018 and it was then decided to increase the remuneration of both members of the Executive Board by 10% from 1 January 2019.

Both the short-term and long-term bonus plans pay-out amounts equal to 30% of fixed salary if targets are met. Half of the targets for 2018 were achieving the forecast profit. The other half was allocated equally to achieving:

1. Vision and finalisation of a roadmap for the supply chain, ready for implementation 1 January 2019;
2. Development and fleshing-out of the international organisational structure, taking full account of culture;
3. Heineken integration on track, in line with the business case and
4. Successful conclusion of the transaction involving EMTÉ and smooth progress with unwinding the business.

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 2018, the variable remuneration was 39% (2017: 78%) of the 'at target' level. The main reason for not achieving the 'at target' level was that profit did not meet the target. Although the overall plan of integration within three to four years and the business case for Heineken will, in the Supervisory Board's opinion, eventually be achieved, these targets were not met in full in the first year.

Board changes

Willem-Jan Strijbosch announced earlier this year that, after almost eight years as Foodservice director, he wanted to continue his career outside Sligro Food Group. In view of the ongoing programmes for Foodservice in the Netherlands and Belgium, he continued to work at Sligro Food Group until 31 December 2018. We much appreciate Mr Strijbosch's contribution to the development of the Foodservice activities in the Netherlands and the Group's initial steps in Belgium.

Mr Strijbosch's position has been restructured in the new organisational structure with a country-based model effective from 1 January 2019. The Executive Board of Sligro Food Group, therefore, now has only two members.

Financial statements

The 2018 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 147.

We invite you to:
- adopt the 2018 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.

'Focus' was the theme for 2018. This certainly did not mean that the Executive Board only had Focus on the processes that were being tackled and started up. Everything was directed to a single focused goal of being the leading international Foodservice company within a few years. In 2018, the Executive Board stretched itself and the organisation and put pressure on achieving that goal. Although to some extent this put pressure on short-term results, we believe that the Executive Board has made decisions that will benefit the organisation in the medium and long term. Now that all the plans for the next few years have been started, we, along with the Executive Board, believe that 2019 can be based more on today's business. We therefore regard the theme for 2019, 'Back to Business', very suitable!

Veghel, 31 January 2019

F. Rijna, chairman
J.H. Kamps
B.E. Karis
M.E.B. van Leeuwen
G. van de Weerdhof

Left to right: B.E. Karis, F. Rijna, M.E.B. van Leeuwen, G. van de Weerdhof, J.H. Kamps.

SUPERVISORY BOARD

F. Rijna, chairman (63)
Supervisory Director, Dutch nationality (m).
Appointed in 2016 for a term of office of four years and eligible for reappointment thereafter.
Chairman of the Supervisory Board of Holland Opera and Supervisory Director of CRV Holding B.V.

J.H. Kamps (59)
Supervisory Director, Dutch nationality (m).
Appointed in 2015 for a term of office of four years and eligible for reappointment thereafter.
Member of the Board of Management and CFO of Koninklijke Boskalis Westminster N.V.

B.E. Karis (60)
Supervisory Director, Dutch nationality (m).
Appointed in 2012 and reappointed in 2016 for a second and final term of office of four years.
Supervisory Director of Beter Bed Holding B.V.

M.E.B. van Leeuwen (57)
Supervisory Director, Dutch nationality (f).
Appointed in 2016 for a term of office of four years and eligible for reappointment thereafter.
Supervisory Director of Sonepar Nederland and chair of AVV Zeeburgia.

G. van de Weerdhof (52)
Supervisory Director, Dutch nationality (m).
Appointed in 2017 for a term of office of four years and eligible for reappointment thereafter.
Supervisory Director of Wereldhave N.V., Ctac NV (chairman) and Accell Group N.V., Member of the Board of Mercy Ship Holland B.V. and Member of the Board of Supervision of Wereld Natuur Fonds.

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

All the members of the Supervisory Board are independent in accordance with the best-practice provisions 2.1.7 to 2.1.9 of the Dutch Corporate Governance Code.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Financial Statements 2018

Sligro Food Group

Sligro Food Group N.V.

CONSOLIDATED
PROFIT AND LOSS ACCOUNT
for 2018

x € million	Note	2018	2017	2016[1)]
CONTINUING OPERATIONS				
Net sales	2, 3	**2,346**	**2,142**	**1,986**
Cost of sales		(1,780)	(1,648)	(1,537)
Gross margin		**566**	**494**	**449**
Other operating income	4	**12**	**9**	**0**
Staff costs	5	(275)	(215)	(190)
Premises costs		(38)	(34)	(32)
Selling costs		(17)	(14)	(14)
Logistics costs		(108)	(76)	(69)
General and administrative expenses		(26)	(20)	(16)
Impairments		(2)	(0)	(0)
Depreciation of property, plant and equipment	13	(39)	(34)	(31)
Amortisation of intangible assets	12	(20)	(19)	(15)
Total operating expenses		**(525)**	**(412)**	**(367)**
Operating profit	2	**53**	**91**	**82**
Finance income and expense	8	(4)	(5)	(4)
Share in results of associates	15	7	9	8
Profit before tax		**56**	**95**	**86**
Income taxes	9	(10)	(19)	(17)
Profit from continuing operations		**46**	**76**	**69**
DISCONTINUED OPERATIONS				
Profit from discontinued operations, after tax	10	230	5	4
Profit for the year		**276**	**81**	**73**
Attributable to shareholders of the company		**276**	**81**	**73**

Figures per share		**€**	**€**	**€**
Basic earnings per share	22	6.25	1.83	1.67
Diluted earnings per share	22	6.25	1.83	1.67
Basic earnings per share from continuing operations	22	1.04	1.73	1.58
Diluted earnings per share from continuing operations	22	1.04	1.73	1.58
Proposed dividend	21	1.40	1.40	1.30

1) This concerns the comparative figures for the year taken from the 2017 financial statements.

CONSOLIDATED STATEMENT OF **RECOGNISED INCOME AND EXPENSE**
for 2018

x € million	2018	2017	2016[1)]
Profit for the year	276	81	73
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	1	0
Income and expense recognised directly in shareholders' equity	1	1	0
Recognised income and expense for the year	**277**	**82**	**73**
Attributable to shareholders of the company	**277**	**82**	**73**
Recognised income and expense attributable to:			
Continuing operations	47	77	69
Discontinued operations	230	5	4
Recognised income and expense for the year	**277**	**82**	**73**

1) This concerns the comparative figures for the year taken from the 2017 financial statements.

CONSOLIDATED
CASH FLOW STATEMENT
for 2018

x € million	Note	2018[1]	2017[1]	2016[1) 2)]
Receipts from customers		3,023	3,275	3,102
Other operating income		11	3	2
		3,034	3,278	3,104
Payments to suppliers		(2,610)	(2,702)	(2,557)
Payments to employees		(165)	(182)	(169)
Payments to the government		(184)	(199)	(197)
		(2,959)	(3,083)	(2,923)
Net cash generated from operations	33	75	195	181
Interest received and paid		(3)	(5)	(4)
Dividend received from associates	15	7	7	5
Corporate income tax paid		(34)	(25)	(29)
Net cash flow from operating activities		**45**	**172**	**153**
Acquisitions/investments			(127)	(49)
Operations disposed of	1	348	11	
Capital expenditure on property, plant and equipment/ investment property/assets held for sale	13	(76)	(74)	(74)
Receipts from disposal of property, plant and equipment/ investment property/assets held for sale		83	14	6
Capital expenditure on intangible assets	12	(24)	(13)	(12)
Investments in/loans to associates	15		(1)	(1)
Repayments by associates	15	0	0	0
Net cash flow from investing activities		**331**	**(190)**	**(130)**
Proceeds from long-term borrowings	24		110	30
Repayment of long-term borrowings	24	(11)	(67)	(1)
Change in treasury shares		5	2	1
Dividend paid		(397)	(59)	(55)
Net cash flow from financing activities		**(403)**	**(14)**	**(25)**
Movement in cash, cash equivalents and short-term bank borrowings		**(27)**	**(32)**	**(2)**
Opening balance		60	92	94
Closing balance		**33**	**60**	**92**

1) The above cash flow statement includes the cash flows from both the continuing operations and the discontinued operations. A summary of the cash flows from discontinued operations has been included in note 11.

2) This concerns the comparative figures for the year taken from the 2017 financial statements.

CONSOLIDATED **BALANCE SHEET**

as at 29 December 2018 before profit appropriation

x € million	Note	29-12-2018	30-12-2017	31-12-2016[1)]
ASSETS				
Goodwill	12	155	155	145
Other intangible assets	12	137	143	76
Property, plant and equipment	13	313	303	361
Investment property	14			20
Investments in associates	15	53	53	51
Other financial assets	15	12	9	17
Total non-current assets		**670**	**663**	**670**
Inventories	16	217	207	245
Trade and other receivables	17	236	173	179
Other current assets	18	33	24	24
Corporate income tax	9	16	1	2
Cash and cash equivalents	19	33	58	92
		535	**463**	**542**
Assets held for sale	20	9	221	3
Total current assets		**544**	**684**	**545**
Total assets		**1,214**	**1,347**	**1,215**
LIABILITIES				
Paid-up and called capital		3	3	3
Reserves		534	648	624
Total shareholders' equity attributable to shareholders of the company	21	**537**	**651**	**627**
Deferred tax liabilities	9	27	25	28
Employee benefits provision	5	2	3	5
Other provisions	23	0	0	0
Bank borrowings	24	186	193	103
Total non-current liabilities		**215**	**221**	**136**
Current portion of long-term borrowings	24	14	14	71
Bank borrowings	24	0	0	0
Trade and other payables	34, 35	339	252	294
Corporate income tax	9		1	0
Other taxes and social security contributions	25	19	19	24
Provisions	26	16		
Other liabilities, accruals and deferred income	27	74	66	63
		462	**352**	**452**
Liabilities directly related to assets held for sale	20		123	
Total current liabilities		**462**	**475**	**452**
Total equity and liabilities		**1,214**	**1,347**	**1,215**

1) This concerns the comparative figures for the year taken from the 2017 financial statements.

CONSOLIDATED STATEMENT OF **CHANGES IN EQUITY**

for 2018 before profit appropriation

x € million	Paid-up and called capital	Share premium	Other reserves	Revalua-tion reserve	Hedging reserve	Treasury shares reserve	Total
Balance as at 31 December 2016	**3**	**31**	**605**	**4**	**(4)**	**(12)**	**627**
Transactions with owners							
Share-based payments			1				1
Dividend paid			(59)				(59)
Change in treasury shares						0	0
	0	0	(58)	0	0	0	(58)
Total realised and unrealised results							
Profit for the year			81				81
Investment property			(0)	0			
Cash flow hedge					1		1
	0	0	81	0	1	0	82
Balance as 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 as at 29 December 2018	**3**	**31**	**511**	**0**	**(2)**	**(6)**	**537**

NOTES
to the consolidated financial statements

ACCOUNTING POLICIES

A. General

A.1 Reporting entity

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 (referred to together as the Group).

A.2 Financial year

The financial year is closed on the last Saturday of the year, in accordance with the international system of week numbering, and thus on 29 December 2018 in the reporting period. The 2018 financial year has 52 weeks. The comparative figures for the 2017 and 2016 financial years also relate to 52 weeks. The 2019 financial year will consist of 52 weeks.

B. Changes in presentation

Apart from the changes mentioned under E. New standards and interpretations, the Group has consistently applied the same accounting policies for all the periods included in these consolidated financial statements.

As referred to in the notes 10 and 20, the Group has presented the Food Retail operations separately in the balance sheet as at year-end 2017 as 'Assets held for sale' and as 'Liabilities directly related to assets held for sale'. In 2018, this balance sheet presentation remains unchanged up to the date of disposal.

This also applies to the profit and loss account, where the Food Retail operations have been presented on a single line under the heading 'Profit from discontinued operations, after tax' for all the presented periods. In the case of the notes to the profit and loss account, however, only the amounts relating to the continuing operations (Foodservice) have been included for all the periods presented.

In the cash flow statement, no changes have been made for 2018 compared with 2017 and, just as in preceding periods, the cash flows from both Foodservice and Food Retail have been included. A summary of the cash flows from discontinued operations has been included in note 11.

As regards notes 28 to 35, with the exception of the credit risk in note 28, the amounts for both Foodservice and Food Retail have been included for all the presented periods.

There has been a change in the presentation of the profit and loss account, involving approximately €19 million. This change has to do with contractual change in the agreements with concessionaries as a result of which there is no longer any fee payment included in the net sales but a fixed margin on sales instead. The gross profit margin remains the same in absolute terms but sales revenue is down by approximately €19 million.

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 31 January 2019.

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 financial 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, along with future expectations 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 regularly 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.

E. New standards and interpretations

The Group has elected not to apply the new standard IFRS 16 Leases early. IFRS 16 has a material impact on the Group's consolidated financial statements. The Group Applied IFRS 9 Financial Instruments and IFRS 15 Revenue from Contracts with Customers for the first time with effect from 1 January 2018. For further notes regarding the initial application, see E.2.1 and E.2.2.

E.1 New standards that are not yet effective

E.1.1 IFRS 16 Leases

This new standard will be applied by the Group as from the 2019 financial year and creates reporting requirements for determining lease liabilities and the method by which they should be presented in the financial reporting. The standard creates a lease accounting model requiring a lessee to recognise assets and liabilities for all leases except where the term of the lease is less than 12 months or in the case of low-value leases. The standard replaces the existing provisions for the treatment of lease liabilities (including IAS 17 Leases). As also indicated by previous analysis in 2016, the standard has a material impact on the Group's consolidated financial statements. The expected impact is described in greater detail below. The actual impact which the initial application of IFRS 16 will have is subject to change, however, since the analysis and calculation of the impact that the category of other lease agreements will have has not yet been completed.

Lease agreements where the Group is lessee

The expected impact of the application of IFRS 16 on the 2019 financial statements has been determined on the basis of the composition of the lease portfolio as at 1 January 2019, made up of property leases and other lease agreements. The other lease agreements relate to the leasing of vehicles, ICT systems, forklift trucks and other equipment. Each contract satisfying the definition of a lease, except for those not exceeding 12 months duration – for which the exemptions on practical grounds provided by IFRS 16 have been applied – and contracts of low value has been included in the impact analysis. The Group is applying the practical exemption and continues to adhere to the approach for identifying whether a contract is or contains a lease as contained in IAS 17 and IFRIC 4. Consequently the Group does not expect there to be any significant differences in the composition of the lease portfolio as at 1 January 2019 resulting from the initial application of IFRS 16. An important assumption for the calculation of the lease liabilities under the new standard concerns the estimation of the lease period. In the case of part of the lease portfolio, the lease period is open-ended or where there is the option of extending the lease at the end of the contract period. Under IFRS 16, this requires a quantified estimate to be made of the lease period. In its impact analysis, the Group has used the existing estimates of the remaining lease period, which is based on the best estimate of the remaining period of use of the various assets. This estimate only takes into account extension of the lease at the end of the period if it can be assumed with reasonable certainty that the Group will avail itself of the option to do so, essentially based on the Group's strategic planning for the medium term and other considerations. Where the intrinsic lease period is shorter than 15 years and there is the option of extension, a maximum of a 15-year extension is taken into account. The Group has explored the lease accounting model for its impact analysis and has opted to make use of the practical exemptions provided by the standard. Apart from the practical exemptions already referred to, the Group has elected to apply the transitional arrangements permitting exclusion of the non-lease components from the calculation of the lease liability. For contracts entered into or altered after 1 January 2019, the evaluation is made according to the principle of where the main control lies.

The impact analysis that has been carried out shows that a lease asset and a lease liability of between €160 million and €170 million and between €175 million and €185 million, respectively, will have to be recognised in the 2019 opening balance sheet, based on a discount rate varying according to maturity and country between 0.24% and 2.82%. The discount rate applied as at 1 January 2019 is derived from the interest rate that would have to be paid on a loan required to purchase the assets (the 'incremental borrowing rate'). This impact calculation was performed in January 2019. The nature of the expenses to be recognised has changed; Instead of the recognition of expenses under operating leases on a straight-line basis, IFRS 16 requires the recognition of depreciation of the right-of-use assets along with interest on the lease liabilities. Apart from shifting operating lease costs to depreciation charges and finance expense, the total lease costs over the period of a lease exhibited a declining pattern under IFRS 16. It is expected that this shift will mean that Ebitda in 2019, other things being equal, will be between €15 million and €20 million higher. Ebit in 2019 is expected to be between €2 million and €4 million higher. If the extension option were to be increased by five years, it would have the effect of increasing both the lease asset and the lease liability by an amount of approximately €20 million compared with the previously stated figures. The impact on both Ebitda and Ebit is almost the same as the previously stated figures. The impact analysis shows that IFRS 16 has a material impact on the financial statements and ratios in the period of initial application. However, the Executive Board does not expect the application of IFRS 16 to compromise the ability to meet the bank covenants because the agreements reached with the banks state that changes in reporting requirements will not affect the existing contractual arrangements regarding the covenants to be satisfied.

The Group plans to apply IFRS 16 using the adjusted cumulative effect approach. This means that the Group will not be applying the requirements of IFRS 16 to the comparative figures presented in the consolidated financial statements for 2019 and will instead account for the cumulative effect in the opening balance of the other reserves.

Lease agreements where the Group is lessor

The Group will be revisiting the classification of sublease agreements in which the Group is lessor. No material effects are expected in the case of lease agreements where the Group is lessor. Based on the information currently available, the Group expects to classify its subleases under IFRS 16 as finance leases, which will result in the recognition of an asset relating to finance leases amounting to approximately €5 million in the 2019 opening balance sheet.

Where agreements were classified as finance leases under IAS 17, on initial application of IFRS 16, they will be transferred from property, plant and equipment to lease assets and from payables to lease liabilities. The leases will be transferred at the carrying amount of the original lease liabilities under IAS 17.

E.1.2 Other standards

The other standards that are due to become effective in the future are not expected to have any material impact on the consolidated financial statements.

E.2 Change in accounting policies

Apart from the changes mentioned below, the Group has consistently applied the disclosed accounting policies for all the periods included in these consolidated financial statements. This is the first set of financial statements for the Group in which IFRS 15 Revenue from Contracts with Customers and IFRS 9 Financial Instruments have been applied. Changes in significant accounting policies are described in the notes below.

The Group has applied IFRS 9 (see E.2.1) and IFRS 15 (see E.2.2) for the first time as from the beginning of the 2018 financial year. The transition approaches that the Group has elected to use for the application of the standards mean that the comparative figures in these financial statements have not been restated to reflect the requirements of the new standards. Also applicable with effect from 2018 are a number of changes to existing standards but these do not have any material effect on the Group's consolidated financial statements.

E.2.1 IFRS 9 Financial instruments

IFRS 9 contains requirements for the recognition and measurement of financial assets and financial liabilities. This standard replaces IAS 39 Financial Instruments: Recognition and Measurement. The new standard for financial instruments mainly involves changes with regard to the classification and measurement of financial assets and liabilities, the calculation of provisions for expected credit losses and the requirements regarding hedge accounting.

IFRS 9 distinguishes three categories for the measurement of financial assets: amortised cost, fair value through other comprehensive income and fair value through profit or loss. The classification of financial assets under IFRS 9 is generally based on the business model within which a financial asset is managed and the related contractual cash flow characteristics. IFRS 9 eliminates the previous IAS 39 categories of held to maturity, loans and receivables and available for sale. IFRS 9 largely retains the existing requirements of IAS 39 relating to the classification and measurement of financial liabilities. In addition, IFRS 9 replaces the 'incurred loss' model under IAS 39 with the 'expected credit losses' model. The new model for expected credit losses is applicable to financial assets measured at amortised cost, contract assets1) and debt investments measured at fair value through OCI but not to investments in equity instruments. As regards hedge accounting, the new standard requires a closer alignment with the risk management objectives of the entity. It must also be consistent with the new hedge accounting objective of IFRS 9, i.e. that of showing the effect of an entity's risk management activities in the financial statements.

The Group has applied IFRS 9 with effect from 1 January 2018. As a consequence, the Group has introduced the following changes, as described in greater detail below:

- The classification of financial assets and liabilities has been brought into line with the requirements of the new standard;
- The simplified approach for calculating the provision for expected credit losses for trade and other receivables and contract assets has been used;
- For other financial assets, other current assets and supplier bonuses, the general approach for calculating the amount of the provision for expected credit losses has been used.

As regards hedge accounting, the Group has decided in favour of the option of continuing to apply the hedge accounting requirements of IAS 39. Accordingly, there will be no changes in the financial statements concerned with hedge accounting.

The quantified impact of the transition to IFRS 9 amounts to €0 million, after deduction of tax, and therefore has no material impact on equity in the 2018 opening balance sheet. The nature of the effects of the various changes is explained below.

Classification and measurement under IFRS 9

IFRS 9 did not have any material effect on the classification and measurement of financial assets. The Executive Board adjusted the existing classification of financial assets and liabilities according to the new classification under IFRS 9. All carrying amounts of financial assets under IAS 39 are the same as the carrying amounts under IFRS 9 at the time of transition to IFRS 9 at the start of January 2018.

Impairment of financial assets

IFRS 9 replaces the ‘incurred losses’ model of IAS 39 with an ‘expected credit losses’ model. The new impairment model applies in the case of the Group to financial assets measured at amortised cost and to contract assets. Under IFRS 9, an expected credit loss or provision is recognised immediately on creation of a financial asset, see note 28.

The Group has established that applying the requirements of IFRS 9 does not result in any material adjustment to the provision for expected credit losses in the 2018 opening balance sheet. In calculating the provision, the Group applies the simplified method for trade receivables and contract assets. For other financial assets, other current assets and supplier bonuses, the Group takes the general approach. The Group calculates the amount of the provision for expected credit losses for trade receivables and contract assets at €4 million while the amount in respect of the other asset items is immaterial. Supplementary information on the way in which the Group measures the provision for impairment losses is covered in note 28.

Hedge accounting

The Group has decided in favour of continuing to apply the hedge accounting requirements of IAS 39 as its accounting policy instead of the requirements of IFRS 9.

Presentations in the financial statements

As a consequence of applying IFRS 9, the Group has implemented the changes in IAS 1 Presentation of the Financial Statements, which require impairment losses on financial assets to be presented on a separate line in the profit and loss account. Previously, the Group’s approach was to include impairment losses on trade receivables in the general and administrative expenses. This is the approach that has been used in the comparative figures. Impairment losses on other financial assets are presented in finance income and expense, in a similar manner to the presentation according to IAS 39, and are not presented separately in the profit and loss account because of lack of materiality. The Group has also implemented the changes contained in IFRS 7 Financial Instruments: Disclosures. These changes have been applied in the notes to 2018 but not to the comparative figures.

E.2.2 IFRS 15 Revenue from Contracts with Customers

This new standard is effective as from the beginning of 2018 and contains reporting requirements for determining whether revenue is to be recognised as well as the amounts and timing of revenue, using a five-step model. The standard replaces the existing provisions for the recognition of revenue (IAS 18 Revenue). The Group implemented IFRS 15 in the 2018 financial year, using the cumulative effect method, which does not involve restating the comparative figures. The Group also made use of the following practical exemptions:

- The Group does not make any adjustments in the case of contracts started and completed (i.e. completed contracts) prior to the date of initial application;
- The Group uses the applicable transaction price on the date on which the contract was completed instead of making an estimate of the variable elements in the comparative figures;
- The Group has not performed a separate evaluation of the effects of changes to contracts that were agreed prior to the date of initial application;
- The Group has not included any disclosures regarding the amounts that have been allocated to the remaining

1) For the explanation regarding the meaning of the IFRS 15 term ‘contract assets’, reference is made to E.2.2.

performance obligations or when the Group expects such amounts to be recognised as revenue prior to the date of initial application.

The application of IFRS 15 gives rise to two changes. Firstly there is a change in presentation in the profit and loss account connected with a contractual change in the agreements with concessionaries. The changes in the agreements mean that there is no longer any fee payment included in the net sales but a fixed margin on sales instead. The gross profit margin remains the same in absolute terms but sales revenue is down by approximately €19 million. Secondly, the Group henceforward presents the contract assets arising from specific signing fees with customers as a receivable that is written down over the term of the contract. Previously, signing fees were presented as intangible assets. In the opening balance sheet for 2018, an amount of €9 million has been transferred from intangible assets to other current assets. This change also has implications for the classification of the related costs in the profit and loss account. Previously the Group presented the amortisation charges as 'Amortisation of intangible assets', forming part of the total operating expenses. With effect from 2018, the amortisation of the signing fees is deducted from the sales figure. The effect of this was €6 million in 2018.

There is no impact on equity, earnings per share or the cash flow statement owing to the implementation of IFRS 15.

Supplementary information on the Group's accounting policies relating to the treatment of net sales is included in note 3.

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 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

F	Investment property
H.2	Other financial assets, fair value of derivatives
H.13	Assets held for sale
H.2	Bank borrowings

Property, plant and equipment

IFRS allows the option of measuring property, plant and equipment (or individual assets) at either cost less depreciation or fair value. Sligro Food Group opted for cost-based measurement 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 33. The cash flow statement shows the cash flows from both the continuing operations and the discontinued operations. A summary of the cash flows from discontinued operations has been included in note 11.

G. Accounting policies of a more critical nature

G.1 Net sales

Accounting policy

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. The net sales figure is determined on the basis of the amount that has been contractually agreed with the purchaser, excluding amounts collected for third parties. The Group recognises this revenue as and when control of the goods passes to the purchaser or the service is performed, as determined by the date of delivery or supply.

Contract assets

As part of the commercial agreements we are able to make use of signing fees. These relate to the sales volume during the contract period and are charged against net sales on a periodical basis over the contract period.

Nature of the goods and services

The following summary provides a description of the nature of the primary activities through which the Group achieves its sales along with an explanation of the timing of the fulfilment of the performance obligations and details of the significant terms of business. In the past, Sligro Food Group reported its results according to the main segments of Foodservice and Food Retail. As a consequence of the disposal of Food Retail, this segment has been included in the financial statements as discontinued operations.

Foodservice

Revenue arising from the sale of goods is accounted for at the agreed transaction price, excluding sales tax and taking account of volume discounts, the value of the issued loyalty programme and any other agreed variable consideration elements. The agreed variable elements are recognised if and to the extent that it is probable that their inclusion in the cumulatively recognised sales figure will not result in a significant revenue reversal in the future. The revenue is recognised when control passes to the purchaser. In the wholesale cash-and-carry outlets, this occurs at the checkout. Where goods are delivered, transfer of ownership takes place at the time of delivery of goods to the client's premises. Payment terms vary from one group of customers to another. Customers generally have a right of return. This right is enshrined in the terms of the purchase agreement. The right of return may take the form of a cash repayment or exchange for different goods resulting in revenue reversal. Where the Group has a right to consideration for performance obligations performed but not yet invoiced, that right is recognised as contract assets.

Other

Apart from Foodservice, the Group achieves a limited volume of sales on a commission basis and from the provision of services.

Commission business

Recognised as revenue are such amounts as the Group receives on its own behalf. Amounts which the Group receives on behalf of third parties are not recognised as revenue. Where the Group acts as agent in a transaction instead of as principal, the recognised revenue relates to the commission income received by the Group.

Service activities

Service activities mainly relate to kitchen maintenance and the provision of other services. Revenue from providing services is recognised at the agreed transaction price, net of value added tax and taking account of any other agreed variable consideration elements. The agreed variable elements are recognised if and to the extent that it is probable that their inclusion in the cumulatively recognised sales figure will not result in a significant revenue reversal in the future. The revenue is recognised when control passes to the purchaser and normally occurs when the service has been provided and, where required, acceptance has been obtained.

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. Sligro Food Group N.V. receives various types of compensation from suppliers, which can be divided into two main categories:

- **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. Usually, 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 at other times when there is an indication of impairment. In the case of associates, the goodwill is reflected in the carrying amount of the investment. On disposal of a cash-generating unit, the carrying amount of the goodwill attributed to that cash-generating unit is taken into account in calculating the book profit or loss. All other intangible assets are carried at cost less straight-line amortisation over the estimated useful life of the assets concerned. For the customer bases in Foodservice, useful life has been estimated and currently ranges between 5 and 20 years. Where applicable, brand names are recognised and amortised over the expected useful life, ranging between 15 and 20 years. Impairment tests are performed when there are indications that they are required. The cost of internally generated goodwill and brand names is expensed. Software developed by third parties is capitalised at cost, provided its technical feasibility has been demonstrated. External costs for internally developed software, provided it satisfies a number of criteria including technical feasibility, are similarly capitalised. Maintenance contracts and licensing agreements relating to existing software are capitalised and amortised over the term of the contract. Capitalised software is amortised on a straight-line basis over the estimated useful life.

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 costs of the work of our buildings department for construction and production are allocated to the individual construction projects. These costs are capitalised and depreciated in property, plant and equipment as part of the buildings/alterations category.

The applicable depreciation percentages are:

Land	Nil
Buildings/alterations	3 t/m 12½
Retail premises	3⅓
Plant and equipment	12½ t/m 33⅓
Other	12½ t/m 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. On switching to IFRS 9, with effect from 1 January 2018, the Group elected to make use of the transitional option under IFRS 9 continuing to use the hedge accounting requirements of IAS 39. For derivatives that 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.

Impairment of financial assets

The Group applies the impairment model to financial assets measured at amortised cost and to contract assets. For the purposes of calculating the amount of the provision, the Group uses the simplified method under IFRS 9 for trade receivables and contract assets. For the asset items other financial assets, other current assets and supplier bonuses, the Group uses the general approach under IFRS 9.

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. In connection with the sale of EMTÉ, the Group agreed a temporary service period with the purchasers. The consideration received for those services is recognised in other operating 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 supermarkets and for certain groups of employees, such as fruit and vegetable and meat department staff, who 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. The pension scheme provided by Stichting Pensioenfonds Sligro Food Group qualifies under IAS 19 as a collective money purchase arrangement, i.e. defined- contribution plan. The schemes that were specifically applicable to EMTÉ ceased to apply from the date of disposal.

ii Defined-benefit plans

The Group does not currently have any defined-benefit plans.

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 half is treated as 'cash settled', which means that the expense recognised in profit or loss has a corresponding item in the liabilities. The amount of this balance sheet item is adjusted each year through profit or loss, depending on movements in the fair value of the position. The settlement of the final series under this plan in 2018 brings the plan to a close.

A change was made to the share option plan with effect from 2015, with the 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.

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. Finance income and expense is recognised in the profit and loss account unless it is directly attributable to the acquisition, construction or production of a qualifying asset. 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 enacted or 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 continued use 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 external appraisals. As already disclosed in 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 or has given rise to genuine expectations that it will do so. 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. Impairment losses are calculated using the ECL model, as required by IFRS 9. Accounts of customers who are in severe financial difficulties or customers with unpaid invoices that are significantly overdue are classed as doubtful debts. A separate provision is recognised for these doubtful trade receivables that is separate from the ECL model. When there ceases to be any reasonable prospect of recovering such doubtful debts, they are written off.

H.13 Assets held for sale and liabilities directly related to assets held for sale

Assets are designated as being held for sale if it is highly probable that their carrying amount can be expected to be realised essentially through sale and not through their continuing use. Such assets are generally recognised at the lower of carrying amount and fair value less costs to sell. Any impairment loss on a group of assets and liabilities to be disposed of is in the first instance attributed to goodwill and subsequently to the remaining assets and liabilities on a proportionate basis, except that impairment losses are not attributable to inventories, financial assets, deferred tax assets, assets relating to employee benefits or investment property, all of which continue to be recognised according to the usual accounting policies of the Group. Impairment losses resulting from the initial classification as held for sale and gains or losses resulting from subsequent revaluation are recognised in profit or loss.

Once assets have been designated as held for sale, there is no further recognition of amortisation of intangible assets or depreciation of property, plant and equipment concerned.

H.14 Cash and cash equivalents

Cash and cash equivalents comprise cash balances, credit balances at banks and deposits and are carried at face value. Overdrafts forming an integral part of the Group's cash management and that are 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 recognised 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 H.5. The other provisions relate to existing obligations connected to guarantees carried at the amounts estimated as probably being payable in the future and to restructuring provisions. A provision for restructuring is recognised when the Group has approved a detailed and formalised restructuring plan and the restructuring has either commenced or been publicly announced. No provision is made for future operating losses. 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 equity and liabilities

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. Sligro Food Group N.V. is the holding company for the following wholly-owned subsidiaries:

Foodservice

- **Sligro Food Group Nederland B.V., Veghel.**
  - Sligro B.V., Veghel.
  - De Dis B.V., Ter Apel (86%).
  - Van Hoeckel B.V., 's-Hertogenbosch.
  - Bouter B.V., Zoetermeer.
  - Tintelingen B.V., 's-Hertogenbosch.
  - EMTÉ Vastgoed B.V., Veghel.
  - Sligro BS Breda B.V., Veghel.
  - Sligro BS Deventer B.V., Veghel.
  - Sligro BS Maastricht B.V., Veghel.
- **Sligro Food Group International B.V., Veghel.**
  - Sligro Food Group Belgium N.V., Rotselaar
    - Sligro-ISPC Belgium N.V., Rotselaar
    - JAVA B.V.B.A., Rotselaar.
    - Freshtrans B.V.B.A., Rotselaar.
    - Océan Marée N.V., Anderlecht.

During the 2018 financial year, the following subsidiaries that were formerly included among the Group's consolidated companies were disposed of. Since the Group no longer had control of these entities, they ceased to be included in the consolidation on 1 July 2018.

Food Retail

- **Sligro Food Group Nederland B.V., Veghel.**
  - EMTÉ Holding B.V., Veghel.
  - EMTÉ Franchise B.V., Veghel.
  - EMTÉ Supermarkten B.V., Veghel.
    - EMTÉ Vleescentrale 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

Up to year-end 2016, Sligro Food Group reported its results according to the main segments of Foodservice and Food Retail. This segmentation matched that of internal management information precisely.

As a consequence of classifying Food Retail as discontinued operations in 2017 and the subsequent sale of the business in mid-2018, the segment information analysis is no longer included in the financial statements.

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.

L. Discontinued operations

The discontinued operations constitute a component of the Group’s enterprise, the activities and cash flows of which are clearly distinguishable from the rest of the Group and which:
- represent a separate significant activity or geographical area of operation;
- form part of a coordinated plan to dispose of a separate significant activity or geographical area; or
- is a subsidiary acquired exclusively with the intention of being sold on.

Classification as discontinued operations occurs on the date of disposal or, if earlier, on the date on which the activity concerned satisfies the criteria for classification as held for sale.

NOTES
to the consolidated financial statements

NOTES

1. Acquisitions, investments and disposals

There was one business disposal in 2018.

The sale to a consortium comprising Jumbo Groep Holding B.V. and Coop Holding B.V. of the entire share capital of EMTÉ Holding B.V. and its subsidiaries EMTÉ Supermarkten B.V., EMTÉ Franchise B.V. and EMTÉ Vleescentrale B.V. announced by Sligro Food Group on 5 March 2018 was concluded on 1 July 2018.

The Dutch Authority for Consumers & Markets (ACM) cleared the sale and the affected Works Councils gave their formal recommendation in favour of the change of ownership. During the latter part of the year, Jumbo and Coop began converting the EMTÉ supermarkets to their respective formats. To ensure a smooth transition from EMTÉ to Jumbo and Coop, Sligro Food Group will be providing a number of support services for EMTÉ during the transition period, which runs until mid-2019. The sale involved the activities of 130 EMTÉ supermarket stores, the activities of the retail distribution centres in Kapelle and Putten and the Vleescentrale meat products centre in Enschede as well as EMTÉ's supporting operational and commercial departments at the head office in Veghel. All staff directly involved have been transferred to the consortium.

The disposal of the shares produced a one-time, tax-free book profit of approximately €218 million while the sale of the real estate led to a one-time book profit of approximately €19 million that is taxable, both of these amounts being recognised as discontinued operations. The professional fees related to this transaction and the non-recurring costs of unwinding the business amounted to approximately €8 million and this amount has been deducted from the book profit shown for discontinued operations. The impact of this transaction on the net profit for 2018 was approximately €226 million.

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

x € million	**2018**
Goodwill	30
Other intangible assets	11
Property, plant and equipment	93
Other financial assets	2
Inventories	39
Trade and other receivables	10
Cash and cash equivalents	2
Deferred tax liabilities	(2)
Employee benefits	(2)
Trade and other liabilities	(12)
Total net assets disposed of	**171**
Proceeds from sale	408
Book profit	**237**
Consultancy and separation costs	(8)
Net transaction results	**229**
Income tax	(3)
Net book profit	**226**

The transaction involving Heineken was accounted for in the financial statements as at year-end 2017 on the basis of the figures known at that time. A reassessment was made in 2018 to discover whether there were grounds for adjusting the reporting. The exercise did not find any cause for revision.

2. Segment information

The classification of Food Retail as discontinued operations leaves Foodservice as the sole remaining segment and the segment information analysis is therefore no longer included in the financial statements.

3. Net sales

This is largely made up of sales of food and food-related non-food goods and services to institutional customers, the hospitality sector, company restaurants and other large-scale caterers in the Netherlands and Belgium. The analysis of revenue by activity is as follows:

x € million	2018	2017
Goods supplied	2,314	2,119
Services rendered	32	23
	2,346	**2,142**

4. Other operating income

x € million	2018	2017
Rental income	1	0
Book profit on the sale of property, plant and equipment	2	0
Other non-recurring results	9	9
	12	**9**

In connection with the sale of EMTÉ, the Group agreed a temporary service period with the purchasers until mid-2019. An amount of €8 million in respect of the consideration for these services has been accounted for in the other non-recurring results. The other non-recurring results in 2017 included a book profit of €9 million relating to the sale of Sligro Food Group's beer and cider delivery business to Heineken.

5. Employee-related items

5.A. STAFF COSTS

Staff costs are made up as follows:

x € million	Note	2018	2017
Salaries		161	144
Social security contributions		28	23
Net benefit expense on defined-benefit plans	5.c.	12	10
Share-based payments	5.e.	0	0
Contract/temporary staff		34	18
Other staff costs		40	20
		275	**215**

In 2018, the Group signed off a restructuring plan following the streamlining of the Group and the disposal of the Food Retail activities. After announcing the plan, the Group recognised an amount of €17 million in respect of restructuring costs, made up of the costs of cancelling contracts, professional fees and redundancy payments, which has been included in the other staff costs. As at year-end 2018, an amount of €16 million remains as a provision for costs that will be incurred in 2019.

The movements in the restructuring provision were as follows:

x € million	2018
Opening balance	0
Additions	17
Withdrawals	(1)
Closing balance	**16**

5.B. EMPLOYEE BENEFITS PROVISION

This provision can be analysed as follows:

x € million	Note	2018	2017
Post-employment benefits	5.c.	0	0
Long-service benefits	5.d.	2	3
		2	**3**

5.C. PENSIONS AND PENSION FUNDS

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

Large Food Retail Chain Association 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.

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. This pension scheme is classed as a defined-contribution plan, with the level of contributions fixed for five years. The Group does not have any obligation beyond the payment of the agreed level of contributions.

Other CLAs/industry-wide pension funds

A small proportion of the Group's employees are covered by other industry pension funds. The schemes are conditionally 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.

The schemes that were specifically applicable to EMTÉ ceased to apply from the date of disposal.

5.D. LONG-SERVICE BENEFITS

x € million	2018	2017
Opening balance	3	5
Benefits	(0)	(0)
Charge for the year	0	0
Actuarial result (also result for the year)	(1)	(0)
Transferred to liabilities directly related to assets held for sale		(2)
Closing balance	**2**	**3**

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

The Group has two schemes for the award of share options.

The target group for the first scheme comprises approximately 50 individuals who are awarded options that are contingent on four years of continued service with the company and that cannot be exercised until they become vested. The number of share options awarded to Sligro Food Group N.V Executive Board members will be based on a fraction of their average fixed salary and the exercise price 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 2018 gives a factor of 0% (2017: 50%). The other members of the target group will receive, depending on category, 50% or 25% of the award made to the Executive Board members. Under the share option scheme rules, Executive Board members are under obligation to spend any profit (after tax) that they may gain under the option scheme rules on buying Sligro Food Group shares, which in turn will be locked up for four years. In the case of the other participants in the scheme, the obligation is that they must spend half of the profit (after tax) on buying Sligro Food Group shares. They have the choice of using the other half also to buy Sligro Food Group shares or of taking a cash payment. For this group there is again a lock-up period of four years for the shares that are purchased.

The target group for the second scheme is broader. For many years, Sligro Food Group has had a share ownership plan for all its employees in the Netherlands. 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 Sligro Food Group shares (50% of the profit share) and share options that are contingent on four years of continued service with the company and that cannot be exercised until they become vested (50% of the profit share). Any profit on the options (after tax) is paid entirely in Sligro Food Group shares. These shares are then, in turn, frozen for one year.

The exercise price is the first ex-dividend price after the grant date. The fair value of the options is amortised on a straight-line basis over the period for which the option rights are valid. These options are treated as 'equity settled' in their entirety. Shares are repurchased by the Group to cover a proportion of the share options in issue. This is being 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:

x 1	2018	2017
Opening balance	1,530,760	1,218,272
Exercised	(163,800)	(122,000)
Surrendered	(434,097)	
Lapsed because of leaving employment in the period 2015-2018	(187,749)	
Awarded	281,276	434,488
Closing balance	**1,026,390**	**1,530,760**

The exercise price for the options exercised in 2018 was €28.63. The actual share price at the time of exercise was €44.40. The average exercise price for the options exercised in 2018 was €37.88. The actual share price at the time of exercise was €44.90. The fair value of the options granted in 2018 at the time of their award was €4.15.

The analysis of the share options in issue as at year-end 2018 is as follows:

	Maturity	Exercise price	Number
20 March 2015	01 April 2019	38.41	249,730
29 March 2016	01 April 2020	34.35	315,204
24 March 2017	01 April 2021	34.65	286,334
23 March 2018	01 April 2022	44.10	175,122

For disclosures relating to the number of options awarded to the individual members of the Executive Board, reference is made to note 6. The gross costs connected with this scheme have been calculated by independent experts, using the Black & Scholes Model and, for the award made in March 2018, amount to €0.7 million (2017: €0.7) over the entire vesting period of 4 years. The costs relating to the current options series recognised in 2018 amounted to €0.8 million (2017: €0.7).

The calculations are based on the following assumptions:

- Risk-free interest rate: 0.23% (2017: 0.05%).
- Volatility: 17.95% based on a 4-year historical average (2017: 14.6%).
- Dividend yield: 2.5% (2017: 3.2%).
- Vesting period: 4 years (2017: no change).

6. Remuneration of Executive Board and Supervisory Board

The following statement shows the way in which the remuneration policy was applied in practice during the reporting period. The remuneration charged to the profit and loss account for the company's Executive Directors in 2018 amounted to €1,956 thousand (2017: €2,235). The remuneration can be analysed as follows:

	K.M. Slippens		R.W.A.J. van der Sluijs		W.J.P Strijbosch		Total	
x € 1,000	**2018**	**2017**	**2018**	**2017**	**2018**	**2017**	**2018**	**2017**
Fixed salary	485	476	421	410	421	414	1,327	1,300
Short-term bonus	56	111	49	96	49	97	154	304
Long-term bonus	56	111	49	96	49	97	154	304
Pension contribution and compensation	127	105	74	72	90	87	291	264
Value of options	0	11	0	11	0	11	0	33
Statutory social security contributions	10	10	10	10	10	10	30	30
Total	**734**	**824**	**603**	**695**	**619**	**716**	**1,956**	**2,235**

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% (2017: 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 (2017: 15%). If the target is exceeded, the bonus is increased in line with the percentage outperformance. For 2018, the other 50% of the target is divided equally between achieving (i) Vision and finalisation of a roadmap for the supply chain, ready for implementation 1 January 2019, (ii) Development and fleshing-out of the international organisation structure, taking full account of culture, (iii) Heineken integration on track, in line with the business case and (iv) Successful conclusion of the transaction involving EMTÉ and smooth progress on unwinding the business. These targets are aimed at long-term value creation. 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. Long-term thinking and long-term value creation are also incentivised by the remuneration structure in that the long-term bonus and options are subject to waiting periods of at least four years. Scenario analyses relating to remuneration are taken into account when setting the budgeted profit target and the other targets. The 2018 bonuses were calculated at 39% of the target level (2017: 78%).

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.

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, was €56 thousand (2017: €50) and that of the other members of the Supervisory Board €39 thousand (2017: €35). Members of the Supervisory Board also received attendance fees for committee membership totalling €35 thousand (2017: €33). The remuneration is not performance-related. The total remuneration amounted to €246 thousand (2017: €223). 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:

Shares	**K.M. Slippens**	**R.W.A.J. van der Sluijs**	**W.J.P Strijbosch**
Opening balance	102,762	6,621	12,791
Purchase	3,534	2,337	3,337
Sale	0	0	0
Closing balance	**106,296**	**8,958**	**16,128**
Options			
Opening balance	31,700	26,500	31,700
Exercised	(10,400)	(5,200)	(10,400)
Awarded	0	0	0
Closing balance	**21,300**	**21,300**	**21,300**

The actual share price at the time of exercise in 2018 was €44.40.

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

Options	**Exercise price**	**K.M. Slippens**	**R.W.A.J. van der Sluijs**	**W.J.P Strijbosch**
maturing on 01 April 2019	38.41	7,700	7,700	7,700
maturing on 01 April 2020	34.35	7,800	7,800	7,800
maturing on 01 April 2021	34.65	5,800	5,800	5,800
maturing on 01 April 2022		0	0	0
Closing balance		**21,300**	**21,300**	**21,300**

None of the members of the Supervisory Board owns any shares in the company or options to acquire the company's shares (2017: no change).

7. Audit fees

The fee for auditing the financial statements has been included in general administrative expenses and in 2018 amounted to €571 thousand (2017: €542). The increase is connected with non-recurring costs for the integration of acquisitions in the preceding year, implementation of new accounting standards and the developments surrounding Food Retail. The 2018 fees include an amount of €18 thousand in respect of additional costs relating to the audit of the preceding financial year (2017: €20). Other assurance-related services performed by the external auditors mainly concern other activities, including scrutiny of customer-related contracts, for which fees charged in 2018 by the auditors amounted to €21 thousand (2017: €30). The auditors are not engaged to perform consultancy work.

The analysis of the fees charged by the auditors is as follows:

	2018		2017	
x € million	Deloitte Accountants B.V.	Deloitte network	Deloitte Accountants B.V.	Deloitte network
Audit of the financial statements of the parent company	476		440	
Audit of subsidiaries		95		102
Subtotal for the consolidated financial statements	**476**	**95**	**440**	**102**
Other assurance-related services	21		14	16
	497	**95**	**454**	**118**

8. Finance income and expense

x € million	**2018**	**2017**
Finance income from loans granted to customers and late payment credit charges received from customers, plus interest on tax paid in advance	0	0
Finance expense for finance-related obligations	(4)	(5)
	(4)	**(5)**

9. Income tax

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

We believe that paying our way in society in the form of taxes according to the agreed rules (and enacted requirements) is important and part of doing business fairly. We take advantage of tax facilities and allowances but without attempting to test the limits, nor do we take advantage of tax avoidance schemes involving tax havens in order to minimise our tax bill. Now that we are also active in Belgium, it is necessary for us to divide the taxable profit between the two countries. This is done on the basis of aligning the allocation of the operating results (and the tax liability in respect thereof) with the responsibilities and the relevant functions in each of the countries.

We are at pains to be seen by all our stakeholders as a company engaged in the ethical conduct of its business, and we are happy to render account of our activities whenever requested, for example in meetings with investors or when briefing the Works Council on our results. Tax matters also figure on the agenda of the Audit Committee, and this committee regularly examines whether tax advice received and tax returns filed are in line with Sligro Food Group's policy. Tax is also excluded from the KPIs used by our company.

Where appropriate, we approach and engage with the relevant tax authorities proactively, and for some years we have formalised this in the Netherlands on the basis of a tax agreement, referred to as Horizontal Supervision, with the Dutch 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. This includes specific agreements regarding the efforts on the part of the company to ensure that tax control is an integral part of the overall control measures that are in place and we are constantly working to ensure that this is the case. Progress is monitored as part of the regular structure of meetings with the tax authorities, always with a view to paying our fair share of tax rather than attempting to see how little tax we can get away with.

Although the concept of Horizontal Supervision (i.e. self-assessment) does not exist in Belgium we are also proactively seeking to engage with the competent Belgian authorities. Our aim in doing so is to avoid possible tax risks relating to our recent start-ups and acquisitions in Belgium and moreover to build up a relationship with the tax authorities analogous to the situation in the Netherlands. In 2017 we succeeded in agreeing rulings on transfer pricing and legal mergers.

The basis for and agreement of the transfer pricing method used forms an integral part of our tax management. This accordingly includes satisfying the applicable supplementary documentation requirements connected with filing Country by Country Reports, as well as both group and local dossiers.

In both the Dutch and Belgian tax systems there are differences between reported profit and taxable profit. Such differences arise for various reasons including recognition of different amounts for intangible assets, real estate, inventories and provisions for tax purposes as opposed to reporting rules, as well as amounts that are either not tax allowances or are not deductible in full.

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

x € million	**2018**	**2017**
Tax for the year	11	23
Prior-year adjustments	0	0
Tax liability for the year	**11**	**23**
Taxes accounted for directly in recognised income:		
Movement in cash flow hedge of long-term loan	(0)	(0)
Movement and release in deferred tax liabilities	(1)	(4)
Tax charge relating to continuing operations	**10**	**19**

The tax charge relating to continuing operations excludes the tax charge relating to discontinued operations amounting to €5 million (2017: €1), this amount being included in the item 'Profit from discontinued operations, after tax' (see note 10).

The tax charge per share can be presented as follows:

x € 1	**2018**	**2017**
Tax charge per share on continuing operations	0.23	0.44
Tax charge per share on discontinued operations	0.12	0.03

9.A.2. EFFECTIVE TAX BURDEN

The effective tax burden can be analysed as follows:

x € million	2018	2017
Profit before tax	**56**	**95**
Tax burden at the standard rate (Netherlands 25.0%, Belgium 29.58%)	14	24
Prior-year adjustments	0	0
Energy and other capital expenditure allowances	0	(1)
Released from deferred tax liabilities	(4)	(3)
Other, including tax facilities, non-deductible expenses and tax-free results of associates	(0)	(1)
Effective tax burden 18.3% (2017: 20.0%)	**10**	**19**

At the end of each year, we make estimates with regard to a number of tax items. When the time comes to file the tax return, the actual figures may differ, resulting in minor discrepancies. The necessary adjustments relating to prior years are accounted for in the current year.

As part of the CSR agenda, the Group is investing in more sustainable air-conditioning/refrigeration and heating systems at our sites. These qualify for tax breaks which we make use of.

At year-end 2018, an amendment to the law was passed in the Netherlands lowering the standard rate of corporate income tax from 25% to 20.5% in stages. This resulted in a one-off release of €4 million from the deferred tax liabilities which has been accounted for in the 2018 figures. In 2017, the law also changed in Belgium, introducing a gradual reduction in the tax rate from 34% to 25%. This led to the one-off release of €3 million in 2017.

The tax-free results of associates relate to the share in the profits after tax of associates. The profits concerned come under the substantial-holding exemption for tax purposes. The other adjustments mainly relate to employee benefit costs that are not tax-allowable, including our share bonus plan, as well as non-deductible professional fees relating to acquisitions.

9.B. CURRENT TAX ASSETS AND LIABILITIES

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

x € million	2018	2017
Assets	**16**	**1**
Liabilities	**0**	**1**

As at year-end 2018, all wholly-owned subsidiaries in the Netherlands 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	2018	2017
Intangible assets	10	11
Property, plant and equipment	17	14
Inventories	0	1
Other	0	(1)
Net liability	**27**	**25**

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	2018	2017
Opening balance	25	28
Acquisitions		6
Released to income	(4)	(3)
Movement during the year	3	(1)
Movements in previous years		(0)
Transferred from/to liabilities directly related to assets held for sale	3	(5)
Closing balance	**27**	**25**

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

10. Profit from discontinued operations, after tax

At year-end 2017, the Food Retail activities were classified as discontinued operations and as assets held for sale (see note 20). In 2018 and in the comparative figures in the profit and loss account, the discontinued operations have been presented separately from the continuing operations. The figures include the professional fees in connection with this transaction and the non-recurring costs of unwinding the business, together amounting to approximately €8 million, some of which relates to the period following disposal. Intersegment sales between Foodservice and Food Retail were limited in extent and have been eliminated. The sale of the Food Retail business was completed on 1 July 2018. Including the sale of the related real estate, this resulted in a net book profit of €226 million in 2018. Application of the substantial-holding privilege to the transaction result means that the tax burden on the discontinued taxable operations works out at 2.2% (2017: 24.6%).

A condensed profit and loss account statement for the discontinued operations is presented below:

x € million	2018	2017
Net sales	396	828
Other operating income	1	10
Expenses	(391)	(832)
Book profitNet transaction results on the sale of discontinued operations	229	
Profit before tax	235	6
Income taxes	(5)	(1)
Profit from discontinued operations, after tax	**230**	**5**

Figures per share	€	€
Basic earnings per share from discontinued operations	5.21	0.10
Diluted earnings per share from discontinued operations	5.21	0.10

11. Cash flows from discontinued operations

x € million	2018	2017
Net cash flow from operating activities	4	19
Net cash flow from investing activities	407	(10)
Net cash flow from financing activities		
Net cash flow	**411**	**9**

12. Goodwill and other intangible assets

Movements in this item were as follows:

x € million	Goodwill	Other intangible assets			
		Store locations, customer bases and other assets	Software	Assets under construction[1]	Total
At cost	149	170	40		210
Accumulated amortisation	(4)	(103)	(31)		(134)
Balance as at 31 December 2016	**145**	**67**	**9**		**76**
Capital expenditure		5	9		14
Disposals			(0)		(0)
Acquisitions	40	89	0		89
Amortisation		(18)	(8)		(26)
Transferred to assets held for sale	(30)	(10)			(10)
Total movements	10	66	1		67
At cost	155	182	50		232
Accumulated amortisation		(49)	(40)		(89)
Balance as at 30 December 2017	**155**	**133**	**10**		**143**
Capital expenditure			10	13	23
Disposals					
Amortisation		(11)	(9)		(20)
Impairments			(0)		(0)
Transferred to other receivables receivables [2]		(9)			(9)
Total movements		(20)	1	13	(6)
At cost	155	153	45	13	211
Accumulated amortisation		(40)	(34)		(74)
Balance as at 29 December 2018	**155**	**113**	**11**	**13**	**137**

1) The capital expenditure is the net investment in the year under review plus transfers of property, plant and equipment during the year.

2) In preceding years, signing fees were included in the intangible assets. The application of IFRS 15 means that the Group henceforward recognises the signing fees as contract assets in the balance sheet, with the corresponding costs being deducted from net sales.

Allocation of goodwill to cash-generating units

The goodwill is allocated entirely to the Foodservice cash-generating unit (2017 no change).

The store locations, customer bases and other assets can be analysed as follows:

x € million	2018	2017
Intangible assets relating to acquisitions		
Customer bases	105	116
Store locations	1	2
Brand names	7	7
	113	**125**
Intangible assets not related to acquisitions		
Signing fees[1)]		8
Loans	0	0
	0	**8**
	113	**133**

1) In preceding years, signing fees were included in the intangible assets. The application of IFRS 15 means that the Group henceforward recognises the signing fees as contract assets in the balance sheet, with the corresponding costs being deducted from net sales.

The recoverable amount of the Foodservice cash-generating unit is 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 this cash-generating unit. Based on this calculation, it has been concluded that the recoverable amount of the Foodservice cash-generating unit is considerably higher than the carrying amount and that therefore no impairment loss needs to be recognised (2017: 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 (Ebit) 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 Ebit, which are as follows:

DISCOUNT RATE 9.4% (2017: 9.4%)

The discount rate before tax used 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 1.5% (2017: 1.5%)

For the Foodservice 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 EBIT GROWTH RATE 1% (2017: 1%)

The estimated growth in Ebit is given by the compound annual growth as a percentage of net sales 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 1%-point, there is still ample headroom between the net present value and the carrying amount. If Ebit growth is cut to 0%, there is still ample headroom in the case of Foodservice.

13. Property, plant and equipment

Movements in this item were as follows:

x € million	Land and buildings	Plant and equipment	Other assets	Assets under construction[1]	Total
At cost	466	85	291	10	852
Accumulated depreciation	(184)	(62)	(245)		(491)
Balance as at 31 December 2016	**282**	**23**	**46**	**10**	**361**
Capital expenditure	31	11	33	(2)	73
Disposals	(5)	(0)	(1)		(6)
Acquisitions	2	1	1	0	4
Transfers	2				2
Depreciation	(19)	(7)	(23)		(49)
Impairments	(2)	(0)	(0)		(2)
Transferred to assets held for sale	(53)	(10)	(16)	(1)	(80)
Total movements	(44)	(5)	(6)	(3)	(58)
At cost	382	60	184	7	633
Accumulated depreciation	(144)	(42)	(144)		(330)
Balance as at 30 December 2017	**238**	**18**	**40**	**7**	**303**
Capital expenditure[1]	35	7	22	8	72
Disposals	(20)	(0)	(1)		(21)
Depreciation	(14)	(6)	(19)		(39)
Impairments[2]	(2)				(2)
Total movements	(1)	1	2	8	10
At cost	389	63	182	15	649
Accumulated depreciation	(152)	(44)	(140)		(336)
Balance as at 29 December 2018	**237**	**19**	**42**	**15**	**313**

1) The capital expenditure is the net investment in the year under review plus transfers to intangible assets during the year.
2) This concerns write-downs of alterations to the old head office, which is currently undergoing renovation, and write-downs of old IT hardware.

LEASED ASSETS

The Group has entered into finance lease contracts for assets in property, plant and equipment with a carrying amount of €7 million as at 29 December 2018 (2017: €7).

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 AND DISTRIBUTION CENTRES

Land and buildings can be analysed as follows:

x € million	2018	2017
Land	66	68
Buildings	115	129
Subtotal of properties and land owned	**181**	**197**
Land occupied by leased premises	3	3
Leasehold improvements	53	38
Subtotal of leased premises and land owned	**56**	**41**
	237	**238**

The area of the land amounts to 794,000 m² (2017: 784,000 m²), including 288,000 m² for the central complex (2017: 288,000 m²).

Company-owned premises can be analysed as follows:

	Number		x 1,000 m²		x € million	
	2018	2017	2018	2017	2018	2017
Cash-and-carry wholesale outlets	27	27	177	177	98	101
Customer distribution centres	4	5	50	70	29	37
Production companies	2	2	10	11	6	7
Central complex	1	1	140	140	43	47
Assets not in use	2	2	3	3	2	2
Other	2	2	5	4	3	3
	38	**39**	**385**	**405**	**181**	**197**

14. Investment property

The investment property was transferred to assets held for sale in 2017 (see note 20.1). This related to eight supermarket stores leased to franchisees on an operating lease basis. These premises were sold in mid-2018 as part of the sale transaction reported in note 1.

15. Investments in associates and other financial assets

x € million	Note	2018	2017
Associates		**53**	**53**
Other financial assets			
Loans to associates		1	1
Loans to customers		6	7
Fair value of derivatives	24	5	1
		12	**9**

ASSOCIATES

The investments in associates are as follows:

in %	2018	2017
O. Smeding & Zn. B.V., Sint Annaparochie	49	49
Ruig 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
Spar Holding B.V., Waalwijk	45	45
Coöperatieve Inkoopvereniging Superunie B.A.[1], Beesd		
BLOC Groepering voor Samenaankoop en Invoer CVBA[1], Strombeek		

1) Concerns purchase organisation memberships.

The carrying amounts of the investments in associates derive from the most recently published figures. All the investments in associates 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	2018	2017
Opening balance	53	51
Investments and disposals	(0)	0
Result	7	9
Dividend	(7)	(7)
Closing balance	**53**	**53**

The summarised financial information for the associates, on the basis of a 100% interest as shown by their most recent financial statements (i.e. 2017 or 2016), is as follows:

	Spar Holding B.V.		Other associates	
x € million	2018	2017	2018	2017
Assets	83	80	85	78
Liabilities	47	45	67	60
Shareholders' equity	36	35	18	18
Net sales	459	444	1.019	968
Earnings	12	9	6	6

OTHER FINANCIAL ASSETS

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

16. Inventories

Inventories were made up as follows:

x € million	2018	2017
Central distribution centre in Veghel	72	66
Locations	139	135
Packaging deposits	4	3
Stock in transit	2	3
	217	**207**

In the carrying amount of inventories, a provision for obsolescence is included for an amount of €5 million (2017: €5).

17. Trade and other receivables

The effect of initial application of IFRS 9 and IFRS 15 is described in E.2.

x € million	2018	2017
Trade receivables	175	132
Suppliers	61	41
	236	**173**

Receivables from suppliers represent bonuses, promotional allowances and credit notes not yet settled. Information on the Group's exposure to credit risk and market risk and the aged analysis of trade receivables is included in note 28. The carrying amount of the receivables has been written down to fair value by an amount of €4 million (2017: €4). Under IFRS 9, the amount of the write-down is arrived at on the basis of the model for calculating the provision for expected credit losses. In determining the amount of the provision, the supplier bonuses are not deducted, since they are accounted for on a separate basis by the Group.

The movements in this item were as follows:

x € million	2018	2017
Opening balance	4	4
Acquisitions		1
Accounts written off	(0)	(1)
Charged to the result	0	1
Transferred to assets held for sale		(1)
Closing balance	**4**	**4**

18. Other current assets

x € million	2018	2017
Contract assets	7	
Other amounts receivable and prepaid expenses	26	24
	33	**24**

The contract assets comprise specific signing fees with customers. Previously contract assets of this kind were presented as part of the intangible assets (2017: €9). As disclosed in E.2.2, these contract assets will in future be presented as part of the other current assets. The other amounts receivable and prepaid expenses include staff loans and purchase discounts still to be received in respect of promotion periods already ended.

19. Cash and cash equivalents

x € million	2018	2017
Cash balances and cash in transfer	6	16
Freely available bank balances	27	37
Time deposits		5
	33	**58**

20. Assets held for sale and liabilities directly related to assets held for sale

The assets held for sale and the liabilities directly related to them are made up as follows:

x € million	Note	2018	2017
Discontinued operations	20.1		221
Non-current assets held for sale	20.2	9	0
Assets held for sale		**9**	**221**
Liabilities directly related to assets held for sale	20.1		**123**

20.1. DISCONTINUED OPERATIONS

After considering all the options during the year, it was decided at the end of 2017 to initiate a formal process with the aim of arriving at a definitive transaction for one or other of the scenarios (partnership or sale). This process led to the announcement in March 2018 of a deal to sell the Food Retail business. The transaction was completed on 1 July 2018. Reference is made to note 10 for more details.

The assets held for sale in 2017 and the liabilities directly related to them were recognised at the carrying amounts concerned, and can be analysed as follows:

x € million	2017
ASSETS	
Goodwill	30
Other intangible assets	10
Property, plant and equipment	80
Investment property	20
Other financial assets	2
Total non-current assets	**142**
Inventories	45
Trade and other receivables	27
Other current assets	5
Cash and cash equivalents	2
Total current assets	**79**
Assets held for sale	**221**
LIABILITIES	
Deferred tax liabilities	5
Employee benefits	2
Total non-current liabilities	**7**
Trade and other payables	95
Other taxes and social security contributions	5
Other liabilities, accruals and deferred income	16
Total current liabilities	**116**
Liabilities directly related to assets held for sale	**123**

In 2017, no impairment losses were recognised in relation to the statement at a lower value of the Group's assets and liabilities to reflect the lower of carrying amount and fair value.

20.2. NON-CURRENT ASSETS HELD FOR SALE

The non-current assets held for sale concern four properties (2017: one). During the year, one property was sold and four properties were transferred from property, plant and equipment. The process of disposing of these four properties has been initiated and, despite the fact that two properties have been on the market for more than one year, the expectation is that the properties will be sold in the short term.

The movements in this item were as follows:

x € million	Note	2018	2017
Opening balance		0	3
Transferred from discontinued operations	20.1	9	(2)
Impairments		(0)	
Disposals		(0)	(1)
Closing balance		**9**	**0**

21. 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 29 December 2018 amounted to €2,655,300.90 (as at 30 December 2017: €2,655,300.90).

Movements in the number of issued and paid-up shares were as follows:

x 1	**2018**	**2017**
Opening balance	44,255,015	44,255,015
Movements	0	0
Closing balance	**44,255,015**	**44,255,015**
Repurchased	(111,400)	(289,600)

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 96.

SHARE PREMIUM

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

OTHER RESERVES

An amount of €13 million of the other reserves (2017: €13) is not freely distributable and 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.

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. In 2018, the investment property was sold as part of the EMTÉ real estate transaction and the revaluation reserve is consequently nil as at year-end 2018.

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 111,400 of the company's own shares repurchased in connection with the share option programme.

UNDISTRIBUTED 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	2018	2017
Charged/added to other reserves	(119)	19
Special dividend paid (2018: €7.57 per share; 2017: €0.00)	333	
Interim dividend paid (2018: €0.55 per share; 2017: €0.50)	24	22
Available for final dividend (2018: €0.85 per share; 2017: €0.90)	38	40
	276	**81**

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

22. Earnings per share

Weighted average number of outstanding shares during the year:

x 1,000	2018	2017
Opening balance	43,944	43,858
Effect of repurchase of treasury shares	155	86
Average number of shares in issue	**44,099**	**43,944**

x € 1	2018	2017
Basic earnings per share	6.25	1.83
Diluted earnings per share	6.25	1.83
Basic earnings per share from continuing operations	1.04	1.73
Diluted earnings per share from continuing operations	1.04	1.73

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.

23. Other provisions

The other provisions chiefly concerns guarantee obligations.

24. Long-term and short-term borrowings

Long-term liabilities

x € million	Interest rate	Remaining term to maturity (years)	2018	2017
USD 75 million loan (bullet loan)	4.15%	2	66	63
€30 million loan (bullet loan)	1.33%	5	30	30
€40 million loan (bullet loan)	1.67%	7	40	40
€70 million loan	Euribor + variable mark-up	2	60	70
Lease liabilities and other			4	4
			200	**207**
Current portion of long-term borrowings due within one year			14	14
Amounts falling due after more than one year			**186**	**193**
Amounts falling due after more than five years			**40**	**70**

The Group uses a cross-currency interest rate swap to manage interest rate and foreign currency risks of the USD loan in accordance with its treasury policy. This means that the result on exchange on the USD loans, amounting to €3 million negative (2017: €13 positive), and that on the swap, amounting to €3 million positive (2017: €13 negative), cancel each other out completely. The term of the swap is the same as that of the loan. The hedging of the outstanding USD loan has been treated as a cash flow hedge.

The 4.15% USD loan has been effectively converted into a 3.96% EUR loan by means of a cross-currency interest rate swap. The amortised cost of this loan 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 €5 million positive (2017: €1 positive), which has been included in other financial assets.

In 2016, the Group entered into a shelf facility in the form of a US Private Placement. This is an uncommitted facility of up to €100 million which the Group can draw on over three years. The Group can set the size of the loan (with a minimum of €10 million) and the maturity (with a minimum of 7 years) for each drawing under this facility. The interest rate depends on the market rate at the time of the drawing.

In April 2016, the Group drew an initial loan of €30 million under this facility, with a term of 7 years and at a fixed interest rate of 1.33% per annum. In September 2017, the Group drew a second loan of €40 million, with a term of 8 years and at a fixed interest rate of 1.67% per annum. Consequently, the Group can still draw up to €30 million up to the end of April 2019.
In 2017, the bank facility with Rabobank was reviewed and extended. Under this new facility, a loan of €70 million was drawn. This loan has a term of three years and bears interest at a variable rate linked to Euribor. An initial interim repayment of €10 million took place in 2018 and a further €10 million will be repaid in 2019. For further disclosures, reference is made to page 76 'Financing'.

BANK BORROWINGS

Forms of security and guarantees

As at year-end 2018, the Group had overdraft facilities totalling €87 million, which had not been drawn on. An amount of €41 million of the facility is committed. Security totalling €2 million has been provided for current and long-term bank borrowings and guarantees have been given totalling €4 million.

Sligro Food Group was required to satisfy the following ratio as at year-end 2018 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	1.4

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

25. Other taxes and social security contributions

x € million	2018	2017
VAT, excise duty and waste management contribution	12	14
Payroll tax and social security contributions	7	5
Pension contributions	0	0
	19	**19**

26. Provisions

x € million	2018	2017
Restructuring provision	16	0
	16	**0**

As disclosed in note 5.a, the Group has recognised a provision for restructuring costs. The restructuring plan will be effectively be concluded by the end of 2019. Approximately €2 million of the provision can be considered long-term, since a small part of the restructuring plan will not be completed until 2020.

The movements in the restructuring provision were as follows:

x € million	2018
Opening balance	0
Additions	17
Withdrawals	(1)
Closing balance	**16**

27. Other liabilities, accruals and deferred income

x € million	2018	2017
Employees	23	21
Customer bonuses	20	17
Restructuring provision	16	
Packaging deposits	9	8
Loyalty scheme liabilities	1	3
Other	21	17
	74	**66**

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

28. 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.

The effect that the initial application of IFRS 9 has on the Group's financial instruments is described in note E.2.1. The adopted transitional method means that the comparative information will not be restated to reflect the new requirements. In the case of instruments qualifying for hedge accounting, it has been decided to use the option provided in IFRS 9 of continuing to use the hedge accounting method according to IAS 39.

CREDIT RISK

In the case of the Foodservice activities, some supplies are made without guaranteed advance payment. The associated receivables are largely settled through the Business Euro Direct Debit System. Payment has to be initiated by the customer in a limited number of cases only. 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. As at year-end 2018, the receivables from food retail customers included in other financial assets totalled approximately €6 million (2017: €7) and in receivables totalled approximately €175 million (2017: €132).

The ageing of these receivables is as follows:

x € million	< 1 month	1 - 3 months	3 - 12 months	> 12 months	Total
2018	144	29	1	1	175
2017	119	10	2	1	132

As at year-end 2018, the Group had trade receivables amounting to €61 million (2017: €41). These receivables mainly concern purchase-related annual agreements and do not become payable until 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.

EXPECTED CREDIT LOSSES ASSESSMENT

The Group's portfolio of receivables is made up of a relatively large number of small amounts. The Group uses a matrix to measure the expected credit losses on the receivables from individual customers. Loss percentages are calculated using a roll rate method based on the probability that a receivable that enters successive stages of delinquency will ultimately have to be written off. Roll rates are calculated separately for exposures with respect to the Group's various activities, based on the following common credit risk characteristics: geographical area, age of customer relationship and the type of product purchased.

Where it is apparent that customers are in considerable financial difficulty or where terms of business are very significantly exceeded, a specific provision is recognised for the amount that is potentially no longer collectable. When there ceases to be any reasonable expectation that trade receivables will still be paid, they are written off.

The table below shows the ageing of expected credit losses for receivables as at year-end:

x € million	Average weighted loss percentage	Gross carrying amount	Expected credit loss
< 1 month	0.08 %	144	0
1 - 3 months	1.06 %	29	0
3 - 12 months	5.12 %	1	0
> 12 months	16.21 %	1	0
Doubtful debtors	82.49 %	4	4
Total		**179**	**4**

Expected credit losses on contract assets, receivables from Foodservice customers and from suppliers are calculated using the general approach, having regard to the credit rating of the businesses concerned, but were negligible as at year-end.

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 €41 million of the short-term facilities is legally enforceable.

An analysis of the financial liabilities, including estimated interest payments is given below.

x € million	Carrying amount	Contractual cash flows	< 1 year	1 - 5 years	> 5 years
Long-term liabilities[1)]	186	200	14	145	41
Current liabilities	462	462	462		
	648	**662**	**476**	**145**	**41**

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

MARKET RISK (INTEREST RATE AND EXCHANGE RATE RISKS)

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

Interest rate risk

Note 24 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 H_2 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 16 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.

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.

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).

SENSITIVITY ANALYSES

A number of external factors were identified where a change could affect the Group’s profit before tax. The following table summarises the results:

Parameter	Percentage increase	Impact on profit before tax in € million
Interest rate	1%-point	2 reduction
Foreign currency (USD)	1%	nil
Salaries	1%	2 reduction
Oil/energy	5%	1 reduction
Rents	5%	1 reduction

OTHER RISKS

General

Like any other business, Sligro Food 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 63 and further.

Loss of the Sligro Food Group's culture

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 this particular culture is, therefore, a key area of attention in a steadily growing organisation.

New business models and retailers expanding their ranges

Competition remains fierce in our markets, and the market landscape has become more complex and challenging. The boundaries between Foodservice and food retail are blurring. There are more and more new physical and online players, and existing players are expanding their horizons towards adjacent niche markets. We are closely monitoring different initiatives and assessing the extent to which they affect the course that we as Sligro Food Group have set out. Where the market is developing faster than expected, for example online, we have sufficient flexibility and scope to accelerate this in our strategy. Above all, we opt to follow our own path and develop initiatives that suit us rather than always reacting to new competitive forces.

Change of management model

A growing business must regularly assess whether its management model is still appropriate to the Group structure. Operating in two countries and also complete focus on Foodservice are elements which play a role in this. The model in which the commercial formats present their own image towards customers with full centrally managed integration behind the scenes is still an excellent fit with the activities in the Netherlands. Following our first acquisitions and organic growth abroad, however, we realise that this model may not automatically work well elsewhere. Greater autonomy at a distance will require changes to our organisational model, management and monitoring.

Competition accelerates international Foodservice consolidation

By deciding to focus entirely on Foodservice in an international context, we have expanded our vision of our competitive position. In Europe we still see a fragmented landscape where only a few parties operate successfully in several countries. We expect, however, that international consolidation in Foodservice will increase and that there is a chance that large international players will speed this up.

Our strategy for the next few years is focused on preparing for further international growth. We are aware that this requires a different structure and competences from the organisation. Both the organisational structure, the management model and support processes and systems will, therefore, be changed in the coming years.

IT dependence and performance

Effective IT systems combined with data quality are the lifeblood of our business. Managing the risks in these systems involves far more than merely 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 complex but, at the same time, it is systems of this kind that 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. The many types of cybercrime are, therefore, a serious threat. We, therefore, take extensive measures to minimise the risk of such problems.

Scarcity in the labour market and sustainable flexibility

We are experiencing increasing scarcity in the labour market. There are noticeable shortages in both the distribution environment and the transport sector. In the short term, this can only be dealt with by improving employment conditions above those of competitors, but that is of course an expensive and non-sustainable route.

Over the next few years, we will be preparing for a future in which availability of staff will only become more of a challenge. In our opinion, therefore, far-reaching automation of our distribution centres is the most appropriate response. Whereas we saw no economic grounds for further automation in the past, we now see it approaching more quickly as a result of a combination of advances in technology and further scarcity on the labour market.

Acquisitions and integration processes

Despite all the precautions and due diligence, acquisitions usually involve greater risk than organic growth. 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 and their financial and other impacts can be limited in this way.

Unpredictable social change

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.

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.

29. Operating lease and rental obligations

Contracts under which the Group is lessee:

x € million	2018	2017[1]
Operating lease obligations		
< 1 year	4	2
1-5 years	7	1
> 5 years	0	
Expense in the year	4	2
Rental obligations for premises occupied by the Group		
< 1 year	18	36
1-5 years	66	120
> 5 years	114	107
Expense in the year	18	36
Present value	176	245
Rental obligations on behalf of customers		
< 1 year	1	4
1-5 years	1	9
> 5 years	0	4
Present value	2	15

1) Including Food Retail.

The operating lease obligations relate mainly to ICT systems. The rental obligations for the premises occupied by the Group for its own use relate to 47 premises (2017: 118 million). The rental obligations relating to customers are matched by lease arrangements of approximately the same amounts. There is a wide range of 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.

Contracts under which the Group is lessor:

x € million	2018	2017[1)]
Investment property		
< 1 year		2
1-5 years		5
> 5 years		3
Other property		
< 1 year	2	1
1-5 years	3	2
> 5 years	1	0

1) Including Food Retail.

The investment property relates to property owned by the Group that was leased to franchisees of the Group. This property was sold as part of the disposal of EMTÉ and so the associated liabilities no longer exist. 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.

30. Capital expenditure obligations

As at year-end 2018, there were investment commitments of approximately €55 million (2017: €18), relating mainly to investments in our delivery network and upgrading of the head office.

31. Contingent liabilities

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.

32. Management estimates and assessments

Several items in the financial statements require the Executive Board to make estimates. Although these estimates are supported as far as possible by analyses and calculations, there is always an element of uncertainty. Historically, however, there have never been any material discrepancies when it came to the settlement of estimated items from the previous financial year.

Acquisitions and goodwill

Note 1 contains information on the measurement of the fair value of acquired assets and liabilities. In addition, note 12 contains information about the measurement of goodwill and the impairment tests that are performed.

Credit, liquidity and other market risks

Note 28 contains information on these risks, together with a sensitivity analysis.

Purchase and sales bonuses

The estimate of sales bonuses is based on the one hand on a bottom-up calculation of sales volumes and, on the other hand, on input data from our purchase combine Superunie.
Customer bonuses are estimated on the basis of the actual sales in combination with the contractual agreements with our customers.

Provision for obsolete inventories

Included in inventories is an estimate of the potentially obsolete stock at year end. For food items, this estimate is based on historical write-offs. In the case of non-food, the estimate depends on the judgement of purchase and product range managers coupled with an analysis of stock turnover.

Restructuring provision

The provision for reorganisation costs is based on the numbers of affected staff combined with the social plan that has been agreed with the Works Council. An estimate has been made of the extent to which the employees concerned are likely to take advantage of the plan or leave the company without having recourse to plan.

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

The Group owns a relatively large amount of property it uses itself, investment property which it leases to customers and assets held for sale. As at year-end 2018, these items, excluding capital expenditure on leased premises, totalled approximately €190 million (2017: €249).

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 figure. The net selling price may also prove to be higher than the carrying amount.

33. 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	**2018**	**2017**
Operating profit	288	97
Depreciation and amortisation	61	75
Impairments	2	2
Ebitda	**351**	**174**
Other operating income included in cash flow from investing activities	(239)	(17)
	112	157
Changes in working capital and other movements:		
Inventories	(5)	7
Trade and other receivables and other current assets	(41)	(32)
Current liabilities	10	61
Provisions	(1)	(0)
Shareholders’ equity	(0)	2
	(37)	**38**
Net cash generated from operations	**75**	**195**

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

x € million	**2018**	**2017**
Cash and cash equivalents	33	58
Cash and cash equivalents, included in assets held for sale		2
Bank borrowings	0	0
	33	**60**

34. 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 15. In 2018, this business represented a combined purchase volume at market prices of €248 million (2017: €236). As at year-end 2018, the net amount owed to these companies in connection with trading was €39 million (2017: €28). 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 €1 million (2017: €1). This loan is included in the other financial assets. The

Group also guarantees certain of Vemaro's unrestricted receivables from certain customers. As at year-end 2018, the amount owed to Vemaro in connection with trading was €13 million (2017: €9). In view of the nature of the account, it has been included in trade payables.

The Group is a member of the purchase cooperative Superunie, through which a large proportion of its purchase requirements are sourced. The purchase volume in 2018 amounted to €871 million (2017: €1,000). As at year-end 2018, the amount owed in connection with trading was €48 million (2017: €94). In view of the nature of the liabilities, they have been treated as trade payables.

The Group (and more specifically JAVA Foodservice) is a member of the purchase combine BLOC. The purchase volume in 2018 amounted to €11 million (2017: €10). As at year-end 2018, the amount owed in connection with trading was €0 million (2017: €0), which has been included in the trade payables.

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

In 2018, a net volume of 178,200 Sligro Food Group shares was sold (2017: 85,000 sold) at market price in transactions with Stichting Werknemersaandelen Sligro Food Group.

35. Supply Chain Finance

The Group operates a Supply Chain Finance programme that 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 2018 includes an amount of €99 million (2017: €73) relating to the participating suppliers. Sligro Food Group receives a small commission from this programme that is recognised in other operating income.

COMPANY
PROFIT AND LOSS ACCOUNT
for 2018

x € million	2018	2017	2016
Finance income and expense	0	0	0
Share in results of subsidiaries	276	81	73
Profit before tax	**276**	**81**	**73**
Income taxes	(0)	(0)	(0)
Profit for the year	**276**	**81**	**73**

COMPANY
BALANCE SHEET
as at 29 December 2018 before profit appropriation

x € million	29-12-2018	30-12-2017	31-12-2016
ASSETS			
Intangible assets		8	8
Financial assets	537	648	624
Total non-current assets	**537**	**656**	**632**
Total assets	**537**	**656**	**632**
LIABILITIES			
Paid-up and called capital	3	3	3
Share premium	31	31	31
Other reserves	214	519	505
Statutory reserves	13	17	15
Undistributed profit	276	81	73
	537	**651**	**627**
Payables to group companies	0	5	5
Total current liabilities	**0**	**5**	**5**
Total equity and liabilities	**537**	**656**	**632**

NOTES
TO THE COMPANY FINANCIAL STATEMENTS
(amounts in millions of euros unless stated otherwise)

General

Sligro Food Group N.V. is established in Veghel and is registered with the Chamber of Commerce under number 160.45.002. 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.

Intangible assets

Goodwill

x € million	2018	2017
Acquisition cost	10	10
Accumulated amortisation	(2)	(2)
Opening balance	**8**	**8**
Disposals	(8)	
Closing balance	**0**	**8**

Financial assets

x € million	2018	2017
Investments in associates	508	619
Receivables from group companies	29	29
	537	**648**

Investments in associates

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

x € million	2018	2017
Opening balance	619	595
Result	276	81
Share-based payments	0	1
Income and expense recognised directly in equity	1	1
Change in treasury shares	6	0
Dividend	(394)	(59)
Closing balance	**508**	**619**

Receivables from group companies

This item includes two loans for a combined amount of €29 million (2017: €29). One loan is for €25 million (2017: €25), maturing on 1 January 2023 and the other is for €4 million (2017: €4), maturing on 1 January 2021. These loans are redeemable in full on maturity. Both loans bear interest at a rate of 1% per annum.

Shareholders' equity

Changes in equity are presented in greater detail on page 96, and further information on shareholders' equity is given in note 21 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	2018	2017
Consolidated		
Other reserves	511	628
Hedging reserve	(2)	(3)
Treasury shares reserve	(6)	(12)
Revaluation reserve		4
	503	**617**
Company		
Other reserves	214	519
Undistributed profit	276	81
Statutory reserves	13	17
	503	**617**

Other reserves

Movements in other reserves were as follows:

x € million	2018	2017
Opening balance	519	505
Result for preceding reporting period	81	73
Dividend paid	(397)	(59)
Movements in statutory reserves	4	(2)
Movements in cash flow hedge	1	1
Change in treasury shares	6	1
Closing balance	**214**	**519**

Statutory reserves

This item comprises the statutory reserve for investments in subsidiaries/associates and the revaluation reserve. Movements were as follows:

x € million	2018	2017
Opening balance	17	15
Movement during the year	(4)	2
Closing balance	**13**	**17**

Of the statutory reserves of €13 million (2017: €17), an amount of €13 million (2017: €13) 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 revaluation reserve relates to the investment property. In 2018, the investment property was sold as part of the EMTÉ real estate transaction and the revaluation reserve is consequently nil as at year-end 2018. The statutory reserves are calculated on an individual basis.

Proposed profit appropriation

As stated in note 21, the Executive Board, with the approval of the Supervisory Board, has proposed the following profit appropriation since the balance sheet date:

x € million	
Charged/added to other reserves	(119)
Special dividend paid (€7.57 per share)	333
Payment of interim dividend (€0.55 per share)	24
Available for final dividend (€0.85 per share)	38
	276

Other information

Contingent liabilities

The company is at the head of the Sligro Food Group N.V. tax group, making it 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 pages 107 and 108.

Duly signed for publication,

Veghel, 31 January 2019

Supervisory Board:	Executive Board:
F. Rijna, chairman	K.M. Slippens, chairman
J.H. Kamps	R.W.A.J. van der Sluijs
B.E. Karis	
M.E.B. van Leeuwen	
G. van de Weerdhof	

OTHER INFORMATION

Independent auditor's report

To the shareholders and the Supervisory Board of Sligro Food Group N.V.

Report on the audit of the financial statements 2018 included in the annual accounts

Our opinion

We have audited the accompanying financial statements 2018 of Sligro Food Group N.V., based in Veghel. The financial statements include the consolidated financial statements and the company financial statements.

In our opinion:

- The accompanying consolidated financial statements give a true and fair view of the financial position of Sligro Food Group N.V. as at December 29, 2018 (before profit appropriation), and of its result and its cash flows for 2018 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 accompanying company financial statements give a true and fair view of the financial position of Sligro Food Group N.V. as at December 29, 2018 (before profit appropriation), and of its result for 2018 in accordance with Part 9 of Book 2 of the Dutch Civil Code.

The consolidated financial statements comprise:

1. The consolidated balance sheet as at December 29, 2018 (before profit appropriation).
2. The following statements for 2018: the consolidated profit and loss account, the consolidated statement of recognised income and expense, the consolidated statement of changes in equity (before profit appropriation) and the 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 December 29, 2018 (before profit appropriation).
2. The company profit and loss account for 2018.
3. The notes to the company financial statements comprising a summary of the accounting policies and other explanatory information.

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.

Independence

We are independent of Sligro Food Group N.V. in accordance with the EU Regulation on specific requirements regarding statutory audit of public-interest entities, the Wet toezicht accountantsorganisaties (Wta, Audit firms supervision act), the Verordening inzake de onafhankelijkheid van accountants bij assurance-opdrachten (ViO, Code of Ethics for Professional Accountants, a regulation with respect to independence) and other relevant independence regulations in the Netherlands. Furthermore, we have complied with the Verordening gedrags- en beroepsregels accountants (VGBA, Dutch Code of Ethics).

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

Materiality

Based on our professional judgement we determined the materiality for the financial statements as awhole at € 6 million. The materiality is based on 7,5% of the profit before tax from continuing operations by taking into account non-recurring gains and losses. We have also taken into account misstatements and/or possible misstatements that in our opinion are material for the users of the financial statements for qualitative reasons.

We agreed with the Supervisory Board that in addition to material misstatements which are identified during the audit, we would also report smaller misstatements that in our view are relevant for qualitative reasons.

Scope of the group audit

Sligro Food Group N.V. is at the head of a group of entities. The financial information of this group is included in the consolidated financial statements of Sligro Food Group N.V.

Our group audit mainly focused on the Dutch group entities of Sligro Food Group N.V. and the larger Belgian activities of Sligro Food Group N.V. We performed audit procedures ourselves at all Dutch group entities of Sligro Food Group N.V. We used the work of Deloitte Belgium for the larger Belgian activities.

We divided the group materiality over the Dutch and Belgian components, resulting in a materiality of € 5,8 million for the Dutch group entities and € 0,7 million for Belgium.

We provided the Belgian component auditors with audit instructions and held several meetings with Belgian management and the Belgian audit teams during the planning, interim and year-end audit. We also reviewed the audit files of and the procedures performed by the component auditors.

By performing the procedures mentioned above at group entities, together with additional procedures at group level, 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.

At the time of preparation of the Financial Statements of Sligro Food Group N.V., the audits of the company financial statements of the non-consolidated entities were not yet completed. The non-consolidated entities have a book value of € 53 million as per December 29, 2018.

Therefore we performed additional procedures in addition to the work of the statutory auditor of the non-consolidated entities, for example, regarding the investment in Spar Holding B.V. (which has a book value in the financial statements of Sligro Food Group N.V. of € 39 million as per December 29, 2018) we have sent specific audit instructions to the auditor of Spar Holding B.V. (EY). We have reviewed the audit file of the auditor of Spar Holding B.V.

Our key audit matters

Key audit matters are 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.

Description of the key audit matters

1. Bonuses and promotional contributions

Description

Suppliers' bonuses and promotional contributions are regular business practices in the sector. The contributions will be partly realized by own purchase of Sligro Food Group N.V. (Sligro) and partly through purchasing combinations. The contributions from own purchasing are made by consultation between buyers of Sligro and sellers from suppliers. The share of supplier bonuses and promotional contributions to Sligro Food Group N.V.'s profit before tax is substantial. The final agreements with the suppliers on these contributions are mostly concluded in the year following the year of reporting. This leads to a management estimate in the financial statements. The Company discloses the relevant accounting policies in Note G.2 of the consolidated financial statements.

Sligro Food Group N.V. received various types of compensation from suppliers, which can be divided into two main categories:

i. Temporary price reductions ("promotions"), usually relating to special offers to customers with the aim of increasing direct sales volumes. In most cases, the supplier actually changes the lower purchase price for the agreed period. The benefit of the temporarily lower purchase prices is reflected directly in the cost of sales. Promotions are not included in the inventory valuation.

ii. Bonuses, usually based on contractual agreements dependent on purchase volumes and payment history ("bonuses"). Reasonable foreseeable bonuses are included in the valuation of inventory.

The estimate in the annual accounts is mainly related to the second type of suppliers' bonuses and promotional contributions. Management has used a bottom-up method to estimate the bonuses and promotional contributions. By use of a forecasting tool, the estimate is prepared based on the actual purchases and the applicable contractual bonus conditions. The main attention area this year are the estimates made by Management for the bonuses in connection with the sale of the Foodretail activities and the strategic partnership with Heineken.

How the key audit matter was addressed in the audit

Our audit focused on testing both the design and implementation of the internal control measures on behalf of the Executive Board focused on the accurate and complete recording of the bonuses and promotional contributions (including the basis for the estimate, segregation of duties between the Purchase department and recording of bonusses, direct and indirect involvement of managers of Sligro, contract management and authorizations).

Additonally, we performed a number of substantive procedures focused on the accuracy and completeness of the recorded amounts. These procedures can be summarized as follows:

- Audit of the subsequent receipt of the bonus estimate of 2017 in 2018 and an analysis on the differences.
- Obtaining external supplier confirmations in relation to the bonus conditions and the prepaid bonuses on a sample basis.
- Detailed procedures on the forecasting tool by substantiating the estimate based on the contractual terms and the actual purchases during the year.
- Detailed procedures on the manual refinement of the estimate that results from the "prognosetool".
- Bonus calculation with focus on the relationship between revenues and receipts during the year and receivables at the end of the year.
- Assessment of realized condtion- improvement or deterioration at supplier level and buyer level.

Based on historical figures, test of details and analytical procedures we have audited the impact on the inventory valuation of the classification of contributions as promotions of bonuses.

Observation

Based on our materiality level and our procedures performed, consisting of testing the design and implementation of internal controls as well as of substantive audit procedures, we agree with the estimates of the Executive Board and are of the opinion that the income from bonuses and promotional contribution over 2018 is reasonable. Please note, that in our opinion there is some uncertainty with regard to the estimates as mentioned above. However, based on our work performed there are no material deviations.

2. Sales contracts Foodservice activities

Description

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 segments the customers in a number of different groups. It is possible that segments have different conditions for certain products.

Furthermore, the selling price for some of the clients is based on a fixed mark-up on the cost price. The definition of the cost price is laid down in the contract.

Client specific agreements can result in an invoice selling price that differs from the "cost price plus" selling price. As a result of the complicated price build-up, the audit of the selling prices is time consuming and complex.

Applying the right contractual terms and conditions for the various customer groups is important and consequently a key audit matter for us.

How the key audit matter was addressed in the audit

We have evaluated the process and the corresponding internal controls of Sligro Food Group N.V. governing the classification of contracts for new customers and adapted contracts for existing customers in the relvevant and appropriate groups as part of our audit procedures.

We have primarily relied on control testing procedures to determine whether the various customer groups are invoiced in accordance with the prices approved by the Executive Board. Amongst others, we relied on companies internal controls and the algorithms included in the customer software.

In case cost prices are important to determine the relevant selling prices, we have performed an independent recalculation of the agreed margins in order to verify the proper application of contractual conditions.

Observation

Based on our materiality level and our procedures performed, we are of the opinion that the applicable contract terms and conditions for the so-called "cost price plus" contracts are adequately applied in the calculation of selling prices.

3. Sale of the Foodretail activities

Description

Sligro disclosed during the presentation of its half-year financial statements for 2017, that it will further evaluate the strategic alternatives for the Foodretail activities in relation to the market developments. During the second half of 2017, the strategic alternatives have been further investigated and crystallised, which in accordance with IFRS 5 implied presentation of the Foodretail activities as "discontinued operations" in the annual accounts 2017.

On July 2, 2018 Sligro announced that all shares of EMTÉ Holding B.V. and its subsidiaries EMTÉ Supermarkten B.V., EMTÉ Franchise B.V. and EMTÉ Vleescentrale B.V. have been sold by Sligro to a consortium consisting of Jumbo and Coop ("the consortium") as a result of which the above mentioned entities should not be consolidated as of this date.

The audit and reporting of the sale with the associated proceeds and (transaction-related) costs is a key audit matter, as it substantially impacts the presentation of the consolidated profit and loss account, the consolidated statement of recognized income and expense and the consolidated cash flow statement.

In addition to the sale of the Foodretail activities and in relation to the continuity of its operations, a number of agreements have been entered into regarding the delivery of products and services by Sligro to the consortium, which have been taken into account during our audit procedures.

How the key audit matter was addressed in the audit

We audited the sale of the Foodretail activities as well as the sale of products and services after the sale of the Foodretail activities based on our materiality level and the IFRS requirements. We used a substantive approach and have not relied on internal controls.

The audit procedures performed with regard to the sale of the Food Retail activities have focused on:

- Reviewing the contracts with specific attention to prices and contract terms.
- Proper reporting of the transaction result in the annual accounts.
- The proper processing of guarantees and securities.
- Proper valuation and classification of the products and services to be supplied by Sligro to the consortium, after the date of sale.
- The accuracy and completeness of the related disclosures in the annual accounts.
- The tax consequences of the sale.

Observation

Based on our procedures performed, we are of the opinion that the sale of the Foodretail activities as well as the sale of products and services after this date are in line with the IFRS requirements and that the classification is adequately recognized and disclosed in the 2018 annual accounts.

In comparison with prior year, we no longer included the key audit matters related to the Belgian activities and the strategic partnership with Heineken. During the financial year, the acquired activities are further integrated in Sligro's existing Foodservice activities, which further simpiflied the business processes and the audit procedures thereof. Furthermore, a reassessment of the "Purchase Price Allocation" for the strategic partnership with Heineken was carried out in 2018. No adjustment to the provisional results, as included in the 2017 annual accounts, was necessary in 2018.

Report on the other information included in the annual accounts

In addition to the financial statements and our auditor's report thereon, the annual accounts contain other information that consists of:

- Executive Board's Report
- Other Information as required by Part 9 of Book 2 of the Dutch Civil Code
- Other information, not belonging to the annual report

Based on the following procedures performed, we conclude that the other information:

- Is consistent with the financial statements and does not contain material misstatements.
- Contains the information as required by Part 9 of Book 2 of the Dutch Civil Code.

We have read the other information. Based on our knowledge and understanding obtained through our audit of the financial statements or otherwise, we have considered whether the other information contains material misstatements.

By performing these procedures, we comply with the requirements of Part 9 of Book 2 of the Dutch Civil Code and the Dutch Standard 720. The scope of the procedures performed is substantially less than the scope of those performed in our audit of the financial statements.

Management is responsible for the preparation of the other information, including the Executive Board Report and the other information, in accordance with Part 9 of Book 2 of the Dutch Civil Code.

Report on other legal and regulatory requirements

Engagement

We were engaged by the Supervisory Board as auditor of Sligro Food Group N.V. on March 19, 2014, as of the audit for the year 2014 and have operated as statutory auditor ever since that financial year.

No prohibited non-audit services

We have not provided prohibited non-audit services as referred to in Article 5(1) of the EU Regulation on specific requirements regarding statutory audit of public-interest entities.

Description of responsibilities regarding the financial statements

Responsibilities of management and the Supervisory Board for the financial statements

Management 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. Furthermore, management is responsible for such internal control as management 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, management is responsible for assessing the company's ability to continue as a going concern. Based on the financial reporting frameworks mentioned, management should prepare the financial statements using the going concern basis of accounting unless management either intends to liquidate the company or to cease operations, or has no realistic alternative but to do so.

Management 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 detect all material errors and fraud during our audit.

Misstatements can 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. The materiality affects the nature, timing and extent of our audit procedures and the evaluation of the effect of identified misstatements on our opinion.

We have exercised professional judgement 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 to cease 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.

Because 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. Decisive were the size and/or the risk profile of the group entities or operations. On this basis, we selected group entities for which an audit or review had to be carried out on the complete set of financial information or specific items.

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 identified during our audit. In this respect we also submit an additional report to the Audit Committee in accordance with Article 11 of the EU Regulation on specific requirements regarding statutory audit of public-interest entities. The information included in this additional report is consistent with our audit opinion in this auditor's report.

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 the key audit matters: those matters that were of most significance in the audit of the financial statements. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, not communicating the matter is in the public interest.

Eindhoven, January 31, 2019

Deloitte Accountants B.V.

Drs. J. Hendriks RA

Provisions of the Articles of Association concerning profit appropriation

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 make a distribution of profit charged 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.
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[1)2)]	2018	2017	2016	2015	2014
Result					
Net sales	2,346	2,142	2,813	2,670	2,572
Ebitda	114	144	156	160	149
Ebita	73	110	112	122	106
Ebit	53	91	87	103	89
Profit for the year	46	76	73	81	69
Net cash flow from operating activities	45	172	153	140	147
Free cash flow[3)]	102	98	72	78	78
Proposed dividend	62	62	57	52	48
Equity and liabilities					
Shareholders' equity[4)]	537	651	627	606	570
Net capital employed[5)]	675	779	668	613	603
Total assets	1,214	1,347	1,215	1,071	1,012
Employees					
Year average (full-time equivalents)	4,056	3,995	6,571	6,068	5,834
Staff costs[6)]	201	177	272	253	239
Capital expenditure					
Net-investments[7)]	79	76	80	60	60
Depreciation[8)]	39	34	42	38	40
Ratios					
Increase in sales (%)	9.5	7.9	5.4	3.8	2.9
Increase in profit (%)	(39.6)	9.2	(9.1)	17.4	1.5
Gross margin as % of sales	24.1	23.1	22.9	23.2	23.2
Ebitda as % of sales	4.9	6.7	5.6	6.0	5.8
Ebita as % of sales	3.1	5.1	4.0	4.6	4.1
Ebit as % of sales	2.2	4.3	3.1	3.8	3.5
Profit after tax as % of sales	2.0	3.5	2.6	3.0	2.7
Return on average Shareholders' equity, in %[9)]	7.7	12.1	11.9	13.7	12.0
Ebit as % of average net capital employed	7.2	12.6	13.5	16.9	14.9
Shareholders' equity as % of total assets	44.2	48.3	51.6	56.6	56.3
Sales per employee (x €1,000)	578	536	428	440	441
Staff costs per employee (x €1,000)	49	44	41	42	41
Figures per share of €0.06 nominal value (x €1)					
Shares in issue (millions)	44.1	44.0	43.9	43.8	43.7
Shareholders' equity	12.16	14.80	14.29	13.84	13.05
Earnings	1.04	1.73	1.67	1.84	1.58
Proposed dividend	1.40	1.40	1.30	1.20	1.10
Special dividends[10)]	7.57				

2013	2012	2011	2010	2009
2,498	2,468	2,420	2,286	2,258
143	142	159	146	149
100	99	115	99	106
88	89	105	91	98
68	69	78	70	74
133	129	124	107	123
101	96	76	66	73
46	46	46	31	44
571	555	541	500	482
598	615	649	646	603
1,006	968	931	937	852
5,829	5,848	5,880	5,513	5,552
234	227	217	203	197
36	33	46	41	47
41	43	44	47	42
1.3	1.9	5.9	1.3	4.2
(0.9)	(12.3)	11.4	(5.5)	4.2
23.1	22.6	23.2	23.1	23.3
5.7	5.8	6.6	6.4	6.6
4.0	4.0	4.7	4.3	4.7
3.5	3.6	4.3	4.0	4.3
2.7	2.8	3.2	3.1	3.3
12.1	12.5	15.0	14.3	16.4
14.6	14.0	16.2	14.6	16.2
56.8	57.3	58.1	53.3	56.6
429	422	412	415	407
40	39	37	37	36
43.7	43.8	44.0	44.1	44.3
13.07	12.65	12.30	11.34	10.90
1.55	1.56	1.78	1.59	1.68
1.05	1.05	1.05	0.70	0.70
				0.30

1) *Excluding Food Retail from 2017 onwards.*

2) *Changes in accounting policies are only reflected in restatement of the figures for the preceding year which also appear in the main financial statements.*

3) *In 2018 established in the same way as in previous years but in 2018 includes €74 million of working capital compensation from the EMTÉ transaction.*

4) *Before profit appropriation.*

5) *Excluding associates.*

6) *Salaries, social security charges and net benefit expense.*

7) *In property, plant and equipment, assets held for sale and software (on transaction basis).*

8) *Excluding impairments.*

9) *Calculated on profit for the year*

10) *2018: Special dividend following the disposal of Food Retail.*
2009: Jubilee bonus.

Acknowledgements

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Coordination and design

Wilco Jansen
Studio Sligro Food Group
Executive Board

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Hagemeier Fotografie
Sander van der Veen Photography
Stick to the brand
New Brand Activators

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Disclaimer

The 2018 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.

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