2019 Annual Report
Sligro Food Group

Sligro

Sligro Food Group N.V.


ZiN
INSPIRATIELAB
Sligro
INSPIRATIE
SLIGRO, GROOTS IN GENIETEN
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AUSTRALIE

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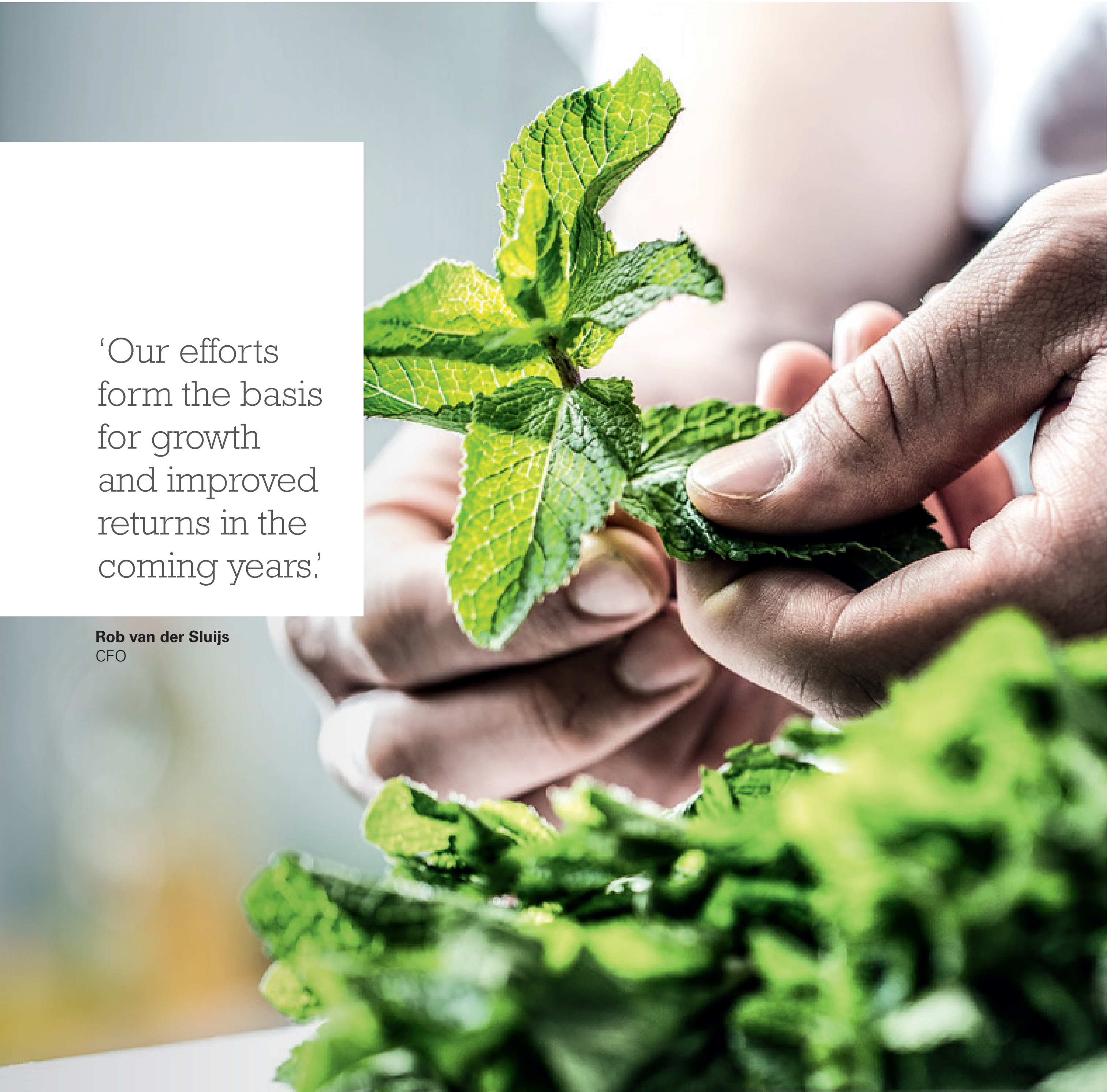


‘Our efforts form the basis for growth and improved returns in the coming years.’

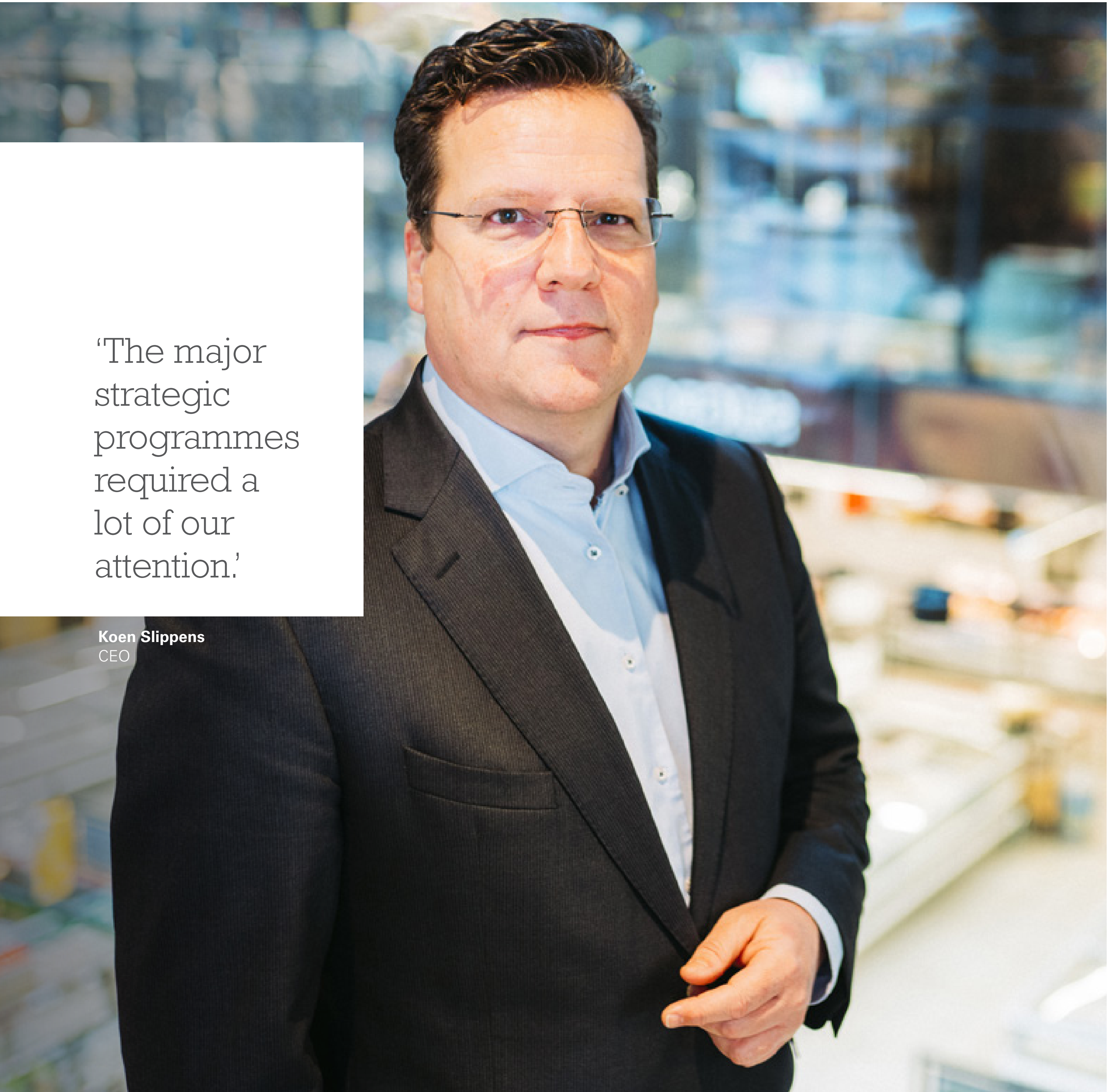
Rob van der Sluijs
CFO

Key figures for 2019[1)]

x € million

2,395		**127**	
Net sales		**EBITDA**	
2018:	2,346	2018:	114
Change:	+2.1%	Change:	+10.8%
34		**44**	
Net profit		**EBIT**	
2018:	46	2018:	53
Change:	-25.3%	Change:	-16.2%
36		**1.40**	
Free cash flow		**Dividend per share proposed** (x €1)	
2018:	102	2018:	1.40
Change:	-65.6%	Change:	0.0%
(27.7)		**11.6**	
Carbon reduction since 2010 (%)		**Sustainable product range** (% of net sales)	
2018:	(20.9)	2018:	10.0
4,100		**74/26**	
Employees (full-time annual average)		**Male/female ratio** (%)	
2018:	4,056	2018:	74/26
Change:	+1.1%		

1) Continuing operations



‘The major strategic programmes required a lot of our attention.’

Koen Slippens
CEO

Foreword

Economy and market

Since late 2018, consumer confidence, which is traditionally an important growth driver in the food service market, has dropped sharply in the markets in which we operate, ultimately resulting in weakening growth for the food service market. Combined with considerable cost inflation in 2019, especially in energy and logistics, this created a challenging market landscape in 2019.

FoodService Instituut Nederland (FSIN) estimates that traditional wholesalers jointly achieved 1.4% growth, while the market as a whole, which has been redefined to include retail and logistics service providers, showed growth of 2.4%.

The market definition excludes a number of product groups and customer categories, with tobacco products the latest product group to be added to the list of exclusions this year. Provided it is applied consistently, we endorse this definition of the market, albeit that it meanwhile excludes almost a quarter of Sligro’s net sales and the retail delivery estimate is fairly broad. On balance, growth in the market came entirely from price movements, while volumes were down slightly. Our share of the broader market fell slightly by 0.1%, while our share of the traditional wholesale market continued to grow.

‘We look back on 2019 as a transitional year.’

Koen Slippens
CEO

In 2020, we will prioritise five key focus areas from our long-term strategy, which we have captured in our annual theme for 2020: ‘Give me Five’.

The market data available for Belgium is still very limited. Foodservice Alliance reported a 3% drop in the market over the first three quarters of 2019, putting market growth over the whole year, based on a different definition, assumptions and measuring period, at just under 3%. Despite that, we outgrew the market and further bolstered our position.

Netherlands

In the Netherlands, 2019 was all about a number of major programmes: the integration of Sligro and Heineken and reinforcement of our partnership, preparation for the transition to and building of our new online ordering platform and ERP package, the further detailing of our ‘Zelfbedieningsgroothandel van de toekomst’ (Cash-and-Carry of the Future) concept, the changes to the organisation to minimise the loss of synergies due to the sale of EMTÉ, and the acquisition and integration of De Kweker. Consequently, 2019 was a year of intensive efforts that, although they exerted downward pressure on our profits, have clearly strengthened our medium-term position.

Belgium

In Belgium, hard work has gone into consolidating our market position and strengthening the infrastructure and organisational foundations we need for a strong market position.
Although the market in Belgium was equally challenging, the opening of our new store in Antwerp in late 2018 meant we grew faster than the rest of the market. We have not yet fulfilled our targets in terms of the further expansion of our network, partly due to permit procedures, which means we have to make some adjustments to the timetable of our plans. We still have an unwavering belief in our ability to build a strong and attractive market position in Belgium. Integration of the various activities and preparations for the switch to a new online environment and ERP package are continuing at full speed and will be completed in 2020.

Organisation and employees

In 2019, after the divestment of our food retail operations, with the focus entirely on food service and our presence in two countries, we made changes to the structure and staffing levels, all of which had an impact on our people. Such a changing environment requires an overhaul of familiar processes and systems, with clear frameworks and responsibilities. In the transitional phase that our company currently finds itself in, well-worn routines are lost temporarily, and we are going to have to restore them. In our aim to build an organisation where teams of happy, committed and professionally strong people work together to realise the Group’s ambition, we have worked to firmly anchor our employee vision focused on people and teams, our culture, leadership and organisation.

CSR

Our three core focus areas of ‘people, planet and product range’ were further developed in 2019 and are increasingly integrated into our business. We were again successful in lowering our carbon emissions as a percentage of our net sales, thanks to specific choices and investments in the areas of energy and construction, and thanks to a reduction in the number of kilometres travelled as part of our logistics operations. In 2018, we announced that we would start using StakeholderWatch, a new method to measure customer, supplier and employee satisfaction. In 2019, data from the StakeholderWatch surveys not only gave us insight into satisfaction levels, it also came with an added bonus in the form of valuable management information for our employee vision and customer focus.

Given that our materiality analysis is focused primarily on our targets for 2030 and does not change much over the course of a year, we have decided to stop including it in our annual report. It will, however, still be published on our corporate website. The CSR matrix in which we interconnect focus areas, goals, Sustainable Development Goals (SDGs) and action points can also be found on our website.

Results

In 2019, net profit from ‘continuing operations’ came in at €34 million, which is €12 million down on last year. This year-on-year comparison is complicated by the fact that there were, like in 2018, relatively many non-recurring income and expense items in 2019. However, looking beyond that, we can conclude that the efforts and investments in the important strategic programmes for the future have exerted significant downward pressure on our short-term results.
After the demerger of EMTÉ, we were not yet able to reduce costs to bring them into line with the new situation, which put extra pressure on food service. IT expenditure was up as a result of one-off implementation efforts and the building of the new management organisation alongside the old one. We have invested heavily in the integration of Sligro and Heineken, but we are still at a stage where we are not yet able to deliver the extra value for customers that we envisioned at the start of this process. However, our partnership has been strengthened further and the first physical integrations have brought us closer to the start of the stage where we will be able to start delivering on our promise to customers and seize the opportunities for Sligro and Heineken.

Dividend
We look back on 2019 as a transitional year during which organisational changes and investments in various large projects have driven our financial results down. In the long run, profit and free cash flow are the decisive factors in our dividend policy. In setting the dividend for 2019, we rely on the projects that we have launched and the recovery they will bring over the coming years. Our proposal is to set dividend for 2019 at €1.40 per share, of which €0.55 has already been paid out on 30 September 2019 as interim dividend, leaving a final dividend of €0.85 per share.

Risk management
Like in previous years, the main risks and focus areas were reassessed against our strategic intentions in 2019. The outcome of this reassessment will be detailed later in this report. We regularly meet with our Supervisory Board to identify and assess opportunities and threats in the market in which we operate, and how they impact on our business model. By making targeted choices and setting priorities aimed at securing long-term value creation, we intend to further extend our independent position in the international food service market.

Outlook
In the markets in which we operate, consumer confidence and unemployment are showing signs of levelling out. We are currently not seeing a clear downward or upward trend. For 2020, we assume the market will be comparable to the market in 2019, with growth generated primarily through price movements while volumes remain steady or fall slightly. Although we expect cost inflation to normalise to some degree, wage and energy costs will continue to show a relatively strong upward trend. In the coming year, we will prioritise 5 key focus areas from our long-term strategy, which we have captured in our annual theme for 2020: 'Give me Five'.

The focus areas and how they will be approached in each country will be detailed later in this report. Besides completion of a number of major programmes, customer satisfaction and improving returns are also clear focus points. Aside from the 5 main priorities, 'Give me Five' is specifically also about forging connections. Connections between departments and between the head office and regional operations, based on our firm belief that this is one of Sligro Food Group's main strengths, and one that we have to reinforce after a period of great change. After the transitional year that was 2019, we are heading into 2020 full of energy and confidence.

Koen Slippens
CEO

Key data[1]

x € million	2019	2018	Change (%)
Result			
Net sales	2,395	2,346	2.1
EBITDA	127	114	10.8
EBITA	66	73	(9.6)
EBIT	44	53	(16.2)
Net profit	34	46	(25.3)
Net cash flow from operating activities	132	45	192.9
Free cash flow[2]	36	102	(65.6)
Dividend proposed	62	62	0.0
Closing capital balance			
Shareholders' equity	500	537	(6.9)
Net invested capital[3][4]	902	675	33.6
Net interest-bearing debt[4]	424	162	162.3
Total capital	1,455	1,214	19.9
Employees			
Annual average (full-time)	4,100	4,056	1.1
Workforce male/female ratio	74/26	74/26	
Directors male/female ratio[5]	83/17	88/12	
Supervisory Board male/female ratio	80/20	80/20	
Employee expenses[6]	218	209	4.3
Net sales per employee (x €1,000)	584	578	1.0
Employee expenses per employee (x €1,000)	53	51	3.2
Corporate Social Responsibility			
Carbon reduction since 2010 as %	(27.7)	(20.9)	
Sustainable product range as % of net sales	11.6	10.0	
Customer satisfaction[7]	73	75	(2)
Employee satisfaction[7]	56	57	(1)
Supplier satisfaction[7]	67	63	4
Investments			
Net investments[8]	85	74	14.9
Depreciation and amortisation[9]	(54)	(50)	6.8

	2019	2018	Change (% point)
Ratios			
Net sales growth as %	2.1	9.5	(7.4)
Profit growth as %	(25.3)	(39.6)	14.3
Gross margin as % of net sales	24.4	24.1	0.3
EBITDA as % of net sales	5.3	4.9	0.4
EBITA as % of net sales	2.8	3.1	(0.3)
EBIT as % of net sales	1.8	2.2	(0.4)
Profit as % of net sales	1.4	2.0	(0.6)
Returns on average shareholders' equity[10]	6.4	7.7	(1.3)
EBIT as % of average net invested capital	5.0	7.2	(2.2)
Net interest-bearing debt/EBITDA	2.2	1.4	0.8
Shareholders' equity as % of total capital	34.3	44.2	(9.9)

Details per share with nominal value of €0.06 (x €1)	2019	2018	Change (%)
Number of shares in issue (x million)	44.11	44.14	(0.1)
Shareholders' equity	11.33	12.16	(6.8)
Profit	0.78	1.04	(25.0)
Dividend proposed	1.40	1.40	0.0
Special dividend[11]		7.57	

1) Continuing operations
2) The 2019 free cash flow has been adjusted for the impact of IFRS 16 Leases to enable comparison of figures.
3) Excluding associates.
4) Inclusive of IFRS 16 Leases from 2019
5) Concerns the International Board, Dutch Management Team and Belgian Management Team.
6) Salaries, social security costs and pension expenses.
7) Data from StakeholderWatch, only for the Netherlands. The comparison figure relates to the first 120 measurements in January 2019 (for employees in February 2019).
8) In tangible fixed assets, assets held for sale, and software (on a transaction basis).
9) Excluding depreciation of right-of-use assets.
10) Calculated based on profit/loss after taxation.
11) 2018: special dividend following sale of food retail.

Sligro Food Group

B2B food service companies in the Netherlands and Belgium

Wholesale stores for food and beverage enthusiasts

Cash-and-carry

Delivery

Partnership with Heineken Nederland

Wide product range

Food (dry groceries, fresh produce, frozen food)

Drinks

Non-food (food-related)

Number of items

75,000

Number of employees

5,367

Formulas/market approach

Sligro

De Kweker

Van Hoeckel

Bouter

Sligro-ISPC

JAVA Foodservice

Our Fresh Partners

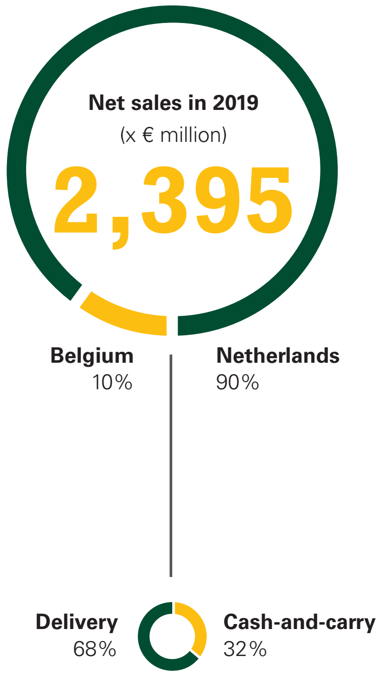
Kaldenberg butchers

Ruig, game & poultry

Smeding, fruit and vegetables

SmitVis

Océan Marée



History

'35 Abel Slippens founded Slippens Groothandel, a wholesaler specialising in margarine, fats and oils.

'61 The first Sligro cash-and-carry store opened its doors.

'87 Acquisition of the Jan Louwers cash-and-carry wholesale business in Eindhoven and first foray into the wholesale market for the hospitality industry.

'89 Sligro Food Group is listed on the parallel market of the Amsterdam stock exchange.

'92 Acquisition of the first wholesale delivery service for the hospitality industry.

'96 Entry into the institutional market through the acquisition of Van Hoeckel.

'01 The acquisition of Prisma Foodretail (including the supermarket formats MeerMarkt, Attent, Golff and Rekra) kicked off Sligro's food retail operations with proprietary retail formats.

'02 With the acquisition of EMTÉ, half of the Edah retail chain (2006), and Sanders Supermarkten (2010), food retail operations continue to grow to over 130 EMTÉ supermarkets by 2018. In 2018, a decision was made to sell the food retail operations and focus solely on food service.

'04 The acquisition of VEN Groothandel-centrum significantly reinforced the Sligro brand's position in the food service market, especially in the Randstad area of the Netherlands.

'14 The first Sligro 3.0 cash-and-carry store opened its doors in Maastricht.

'16 Sligro entered the Belgian market by taking over JAVA (2016) and ISPC (2017).

'17 Start of strategic food service partnership with Heineken Nederland.

'18 Sligro-ISPC store in Antwerp opened its doors, the first Sligro-ISPC store in Belgium. Sale of EMTÉ and therefore focus entirely on food service.

'19 Acquisition of De Kweker in Amsterdam

Our strategy

Sligro Food Group serves consumers directly and indirectly with a comprehensive range of food and food-related non-food products and services. Each with their own distinct profile, our various business units focus primarily on our direct customers. Operating under centralised management and supported by a country-based and in some areas regionally integrated, professional and efficient back-office organisation, the business units work closely together on a national level, as well as across the border between the Netherlands and Belgium. Knowledge-sharing between the various operations is encouraged to maximise synergies across the Group.

Target:
average **organic net sales growth** across the economic cycle

approx. **3%**

Aim for profit to grow at same pace as net sales

The organisation is driven by our culture of results, respect and entrepreneurship that consistently revolves around our customers and our shared passion for delicious, good-quality and responsibly sourced food. In a growing organisation, preserving and further conveying our signature culture is a constant focus of attention for us. The influx of new talent to add to the ample experience and know-how of employees who have been working at Sligro Food Group for years creates an engaging and powerful mix of people. That said, blending these two groups together is a key focus point for our management, and will be high on the agenda of our leadership programme for the coming period.

Sligro Food Group operates in a highly competitive environment where rising costs can only be passed on to consumers to a very limited degree. We therefore absorb cost increases by continuously improving our operational efficiency, using resources such as effective logistics, communication, data and information systems.

The Group handles most of its own purchasing for both the Dutch and the Belgian business units. Being a member of the Superunie procurement cooperative furthermore gives us access to economies of scale through joint procurement with our fellow members.

We target average annual organic growth of approximately 3% across the economic cycle, based on an assumed level of inflation of 1.5%. We expect to accelerate our growth through acquisitions, albeit that such inorganic growth is by definition less gradual. Our aim is for our profit to grow at least at the same pace as our net sales.

Given the current level of fragmentation of the Dutch food service market, we expect to be able to make further acquisitions over the coming years, whereby we will primarily target relatively large players, as the benefits of an acquisition need to outweigh the complexity of the integration. In Belgium, the food service landscape is still more fragmented, while the market is in full swing. The objective for our Belgian operations is to secure a leading position in the food service market through a combination of organic growth and acquisitions. Our focus for the coming years will be on these two countries.

By managing the available resources in a controlled manner, we are able to offer shareholders attractive returns in the long term. We are committed to our corporate social responsibility and we report on our CSR performance. At our listed family-run business, economic and social returns have been going hand in hand for years, underpinning the independent market position that Sligro Food Group aims to hold on to for many years to come.

How we add value

Our ambition is to be the undisputed market leader in food service and set the tone in good food in the Benelux countries by excelling in terms of customer experience and returns. By harnessing the power of our people, infrastructure and partnerships, we create value for all stakeholders.

Resources

Committed employees, unified in our entrepreneurial culture

Centralised IT infrastructure with integrated online & data capabilities

Integrated network of cash-and-carry stores and delivery network in the Netherlands and Belgium, supported from a Central Distribution Centre in Veghel

ZiN Inspiration platform and customer solutions that allow us to offer our customers relevant services and inspiration

Central **in-house procurement department** combined with partnerships through Superunie and fresh partners

Long-term partnership with Heineken

Trends & Developments

from Consumers

- Digitalisation, greater transparency
- Health
- Food anytime and anywhere
- Hybrid consumer (gourmet vs fast food)
- Accelerating sustainability drive

from professional FS customers

- Fast discount dining with experience
- B2B delivery from B2C channel
- Increase in format/chain formation
- Increase in pressure and dependency on B2C portals (compare, reserve, deliver)
- Staff shortages

from SFG

- Growth in delivery net sales vs carbon reduction targets
- Digitalisation in combination with personal contact
- From traditional foodservice provider to service and product platform
- Physical vs digital infrastructure
- Growing (international) organisation vs culture preservation

Strategy

Create **breakthrough innovations** in existing operations by challenging internal and external world to come up with creative ideas and setting up an effective innovation funnel.

Perfect execution by making people personally responsible and running operations based on approved business plans and OGSM[1].

People like to do business with us because of our constant focus on **our result-driven, ethical, enterprising, and customer-centric culture**.

Launching innovative Good Food concepts by tapping into the needs of foodies.

Retain existing customers by facilitating relevant services on a **platform**.

Attract new customers through **active and targeted marketing** and lowering of thresholds.

Pave the way for future international expansion with a new IT and organisational structure.

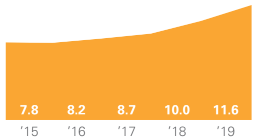
Results

600,000 customers

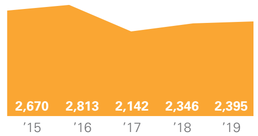
5,367 employees

2,500 suppliers partners

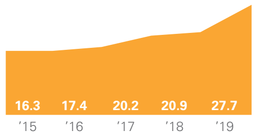
Sustainable product range
% of net sales



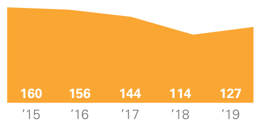
Net sales
x € million



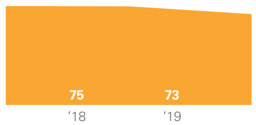
Carbon reduction since 2010
%



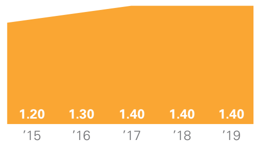
EBITDA
x € million



Customer satisfaction
Stakeholderwatch



Dividend per share
x €



Outcome

Being an attractive partner to **customers** by offering excellent service, adding innovative concepts, and facilitating relevant services at competitive prices.

Our international growth offers our **employees** development opportunities.

Suppliers and partners are empowered to boost their sales and introduce new products and services.

Society benefits as we create jobs, make progress on our integrated CSR targets, and pay taxes.

Offering **shareholders** attractive long-term returns through controlled growth and careful management of resources.

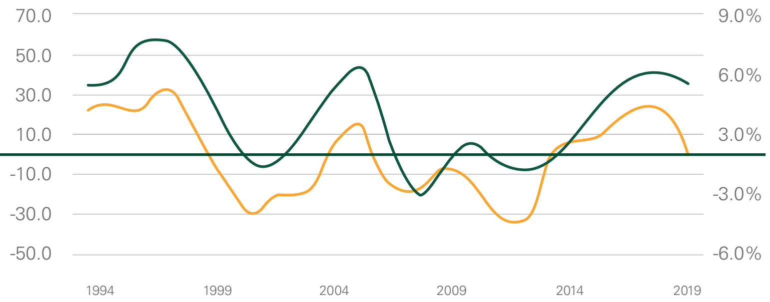
[1] Strategy model: Objectives, Goals, Strategies & Measures

Market approach

Sligro Food Group is focused on the food and beverage market. Both in the Netherlands and in Belgium, Sligro Food Group operates in all key food service market segments. From restaurant to fast-food outlet, from hospital to hotel, from caterer to convenience, from amusement park to sports club, from SME to multinational corporation, from bar to cinema, they make up a market that is often referred to as the out-of-home channel. Given that we depend indirectly on consumers' food spending, economic indicators such as consumer confidence and the unemployment rate are important indicators for developments in our markets. FoodService Instituut Nederland (FSIN) has plotted the link between consumer confidence and the development of food service net sales in the Netherlands over a period of several years:

Link between consumer confidence and the growth of food service

Consumer confidence
Food service net sales growth (as %)



Through the Group's various formats, we target various segments of the food service market. Our primarily customer-oriented operations are separated to be able to respond to and anticipate customer needs to the maximum degree possible, whereby operations behind the scenes are managed centrally as much as possible. Although we have adopted this structure both in the Netherlands and Belgium, we will in Belgium first complete another technical integration phase before proceeding to integrate the back office in its entirety.
Not only does this synergy ensure a high level of efficiency, it also allows us to set ourselves apart from the competition and keep learning from each other. Only in areas where integration is not deemed beneficial or possible do we use individual systems and processes. In doing so, we aim for maximum synergies on the one hand and a focus on customers and the market situation for each business unit and country on the other.

We firmly believe in the power of a strong network made up of a digital online front end combined with an integrated network of cash-and-carry stores and wholesale delivery services, whereby our people make the difference. The power of the network lies in mutual collaboration.
Of our delivery service customers, 75% visit their nearest cash-and-carry store every week for inspiration and advice, or for a last-minute or forgotten purchase. Sligro stores are ideally suited as a source of inspiration environment or show room and stock/cash-and-carry centre for smaller food service customers who, when their business grows, can seamlessly switch to delivery as and when they want. There are also relatively large cash-and-carry customers who prefer to do their own purchasing, to select their fresh produce and other products themselves, and who appreciate talking shop and bouncing ideas off our specialists. Even though we have kept our operations separate to boost efficiency and be able to better meet our customers' needs, collaboration on a commercial level is solidly anchored. This is reflected in the unified pricing, bonus and management information structure for our customers that makes purchasing through either channel equally convenient for them.

In the Netherlands, we are the market leader in food service with a market share of 24.2% (source: FSIN). In Belgium, we have meanwhile made it into the top five wholesalers in our market with the JAVA Foodservice and Sligro-ISPC formats, with a market share of around 3.5% (our own estimation, based partly on data of Foodservice Alliance).

Sligro Food Group
Central distribution centre and head office in Veghel (NL)

NETHERLANDS	BELGIUM
Central Back Office, Veghel	Central Back Office, Rotselaar
SLIGRO / DE KWEKER / VAN HOECKEL	SLIGRO-ISPC / JAVA FOODSERVICE
Nationwide network of cash-and-carry and delivery service wholesale outlets and (former) Heineken distribution centres	Cash-and-carry and delivery service sites, delivery service site with pick-up option and delivery from the Netherlands

Sligro fresh partners (participations in four fresh companies); specialist production sites for convenience (Culivers), fish (SmitVis and Océan Marée); industrial kitchens (Bouter); Christmas gifts (Tintelingen)

Our products

Maikel Rijvers
Cheese sales employee
Sligro Bergen op Zoom

'I'm always happy to advise you in putting together the perfect cheese board.'

Synergies

1
integrated company

Passion
for food and drink

Unique
enterprising corporate culture

Instead of a group of companies, Sligro Food Group is one single integrated company with overlapping customer groups and distribution channels. Although there are great differences between the Netherlands and Belgium in terms of culture and preferences in the food service market, there are indeed also a lot of similarities and opportunities for synergies. We are already serving a large number of customers in both countries through our full network. The know-how and skills of both our Dutch and our Belgian employees are deployed on a broad scale across the organisation, and we have been pleased to see that employees in both countries are highly committed to sharing and adopting best practices.

Our central distribution centre in Veghel plays a key role in the efficiency and effectiveness of the Group's logistics operations, helping us make the most of the increased scale created by the use of different routes to market. Maximum supply chain efficiency is not only beneficial from a cost and service quality perspective, it also offers a range of opportunities for sustainability. Owing to the geographic proximity, the network can also partly be used for our food service operations in Belgium. Although a cross-border network is still a threshold that a number of suppliers with a less international perspective are struggling to overcome, we are thankfully seeing plenty of progress in this respect. The same synergies are achieved in the centralised structure and systems, with departments and processes set up in a way that enables them to serve the Group as a whole wherever deemed useful. These joint activities are precisely what enables us to invest in people and systems wherever it can make a difference.

Our commercial systems and data can be deployed across all channels, albeit that we do vary the contents per segment based on our customers' needs. That said, there is still a lot of room for improvement for us and we can still learn a lot from each other across the various segments and other markets. The supporting technology and data management, on the other hand, are highly centralised. We believe that leadership in data management will be a crucial factor for our future competitiveness.

We organise our procurement and assortment management close to our customers in each of the two countries and join forces in procurement across borders as and when possible. Being a member of the Superunie procurement cooperative furthermore gives us access to significant savings on the part of our food service product range that overlaps with the retail market. In combination with the in-house procurement department, Sligro Food Group thus creates a strong procurement block in the market, whereby we define 'strong' in terms of 'strength' and not in terms of 'power'. We are about creating value, not about destroying it. We believe in long-term partnerships with suppliers. Together with our proprietary production companies and fresh partners, we are able to offer all our customers products that set us apart from the competition.

The power of our unique corporate culture is an important factor that differentiates us from our competitors in the market. Given that our passion for food and beverages, as well as our customer focus, is in our DNA, and not something we have acquired, it is 'genuine' and virtually impossible to copy, and our customers experience it that way. This is something that we are immensely proud of. In the Netherlands, we refer to this as our 'Green Blood', while in Belgium it is known as 'Our Salt & Pepper', which are both concepts founded on the same underlying values that unite us.

Developments in 2019

Netherlands

In a challenging market with falling growth and considerable cost inflation, continued focus on customers and further efficiency improvement was crucial. We were unable to maintain this focus throughout the year as a number of long-term strategic projects also required our attention. For our Dutch food service operations, these projects included a number of large-scale programmes, such as the further integration of Sligro and Heineken and the strengthening of our partnership, the transition to our new online ordering platform and ERP package, the further detailing of our ‘Zelfbedieningsgroothandel van de toekomst’ (Cash-and-Carry of the Future) concept, and the acquisition and integration of De Kweker. All these factors combined ultimately made it a year in which the efforts put in could not be converted into tangible (i.e. financial) results in the short term. It is our firm conviction, however, that the above projects will return us to a stronger basis in the medium term. We will go into this in greater detail later in this report.

‘On 14 October 2019, deliveries were made to the first Sligro and Heineken customers from the Berkel en Rodenrijs delivery service site using one truck.’

Dirk van Iperen
Delivery Director

Belgium

In Belgium, hard work has gone into consolidating our market position and strengthening the infrastructure and organisational foundations we need for a strong market position. Although the market in Belgium was equally challenging, the opening of our new store in Antwerp in late 2018 meant we grew faster than the rest of the market. We have not yet fulfilled our targets in terms of the further expansion of our network, partly due to permit procedures, which means we have to make some adjustments to the timetable in our plans. We still have an unwavering belief in our ability to build a strong and attractive market position in Belgium. Work on the integration of the various activities in Belgium and preparations for the switch to a new online environment and ERP package are continuing at full speed. Further details will be provided below in this report.

Other

Besides the developments that impacted primarily on our food service activities in the countries in which we operate, great effort has also gone into a number of projects at Group level.

The conversion of EMTÉ stores into the formats of the new owners was completed in mid-2019, ending the services we had continued to provide over a period of 12 months after the sale of EMTÉ. We are both grateful to and proud of our colleagues who have made this transition possible and have, in what were sometimes difficult conditions, left no stone unturned to ensure a smooth transition. Even with the demerger completed, the transition process has not ended yet for Sligro Food Group. After all, as pointed out earlier, there was a high level of synergy between food service and food retail, and it will still take considerable effort to align our operations with the new situation.

'The details of our cash-and-carry of the future concept are slowly but surely falling into place.'

Kees Kiestra
Cash-and-Carry Director

Firstly, it was important to absorb the loss of procurement synergies that arose in 2018. The significant drop in procurement volumes following the demerger of food retail operations in mid-2018 led to the Group as a whole missing out on a significant part of its procurement savings, which also exerted downward pressure on profits in food service. We had set out to neutralise this impact of the demerger in 2019, and we have largely succeeded in that. Although we can obviously point out that the Group, and food service in particular, would have improved more if we had still had the retail volumes, we do not consider this discussion meaningful, and for now we are pleased to have been able to avoid a further drop.

Secondly, it was key to cut (central) costs to compensate for the reduction in scope following the demerger of food retail. We were less successful in this respect than we had initially expected, mainly because the phase-out could largely only start after we had ceased to provide the continued services to buyers of EMTÉ. While we have shaped the phase-out with great respect for the colleagues affected, the organisation was in turmoil for quite some time, which has led to unpleasant and inefficient conditions for many of our colleagues. By the end of 2019, by far the biggest part of the staffing transition had been completed.
What remains are the more fixed costs relating to the physical and technical infrastructure that cannot be phased out in proportion to the previous divestment to food retail. These costs are weighing down on profits from food service in 2019. Also in the coming years, we will continue to look for ways to absorb these costs, whereby operational growth in the Netherlands and Belgium is a key part of the solution.

In 2019, work also continued on the overhaul of our IT landscape and preparing the organisation for the changes this will bring in our day-to-day working practices. We cannot emphasise enough that this transition is all about our customers, as we want to use the latest technology and processes to provide them with even better service. The aim continues to be to go live with our main (technical) line to customers in mid-2020 in Belgium and the Netherlands by launching our new SAP Hybris-based ordering site in both countries. In the second half of 2020, our new ERP landscape in Belgium will also go live. Collaboration between the colleagues involved and the external parties we have engaged is going smoothly, confirming that our decision to have a long period of preparation and set up a specific programme organisation is paying off.

Our benefits

Demi Oerbekke
front-end employee
Sligro Deventer

'Visits to the store start with hospitality!'

‘Our employee population is characterised by a high level of skill, which is utilised with great passion.’

Jacqueline Touw
CHRO

Number of employees

5,367

4,100 FTEs

Diversity

Male **74%**

Female **26%**

Nationalities **37**

Employment

Average number of years **11.6**

Learning and development

E-learning **72%**

Classroom **28%**

Organisation and employees

Sligro Food Group aspires to be an organisation where teams of happy, engaged and professionally strong employees work together to realise the Group's ambition.

**Four pillars of our employee vision:
people & teams, culture, leadership, and organisation**

- We have passionate employees who display great craftsmanship in all domains, develop skills in new ways of working, and strike up effective working relationships across the domains.
- We have an entrepreneurial culture that supports further professionalisation and fosters initiative, action and continuous improvement in a secure and inspiring environment.
- We have a modern leadership style that is aligned with the Group's cultural and growth ambitions, as well as with current developments in society.
- We are an international organisation that makes the most of both increasing scale and local proximity to the market and customers.

We aspire to be an attractive employer to a diverse group of current and future employees. We will continue to develop our approach to people management over the coming years, which will make learning and performance go hand in hand even more. To forge strong bonds with our talented employees, enable them to shine and make the most of their potential, we will further activate our talent management approach. Today's rapidly changing world with major demographic shifts and impactful digital developments calls for a focus on our employees' sustainable employability to be able to face the resulting challenges together.

We aim for relatively long-term employment relationships by stimulating employees' growth by allowing them to self-manage and offering them structured and challenging training options and career opportunities. We will better cater our HR policy to specific target groups for better alignment with specific needs in different segments of the labour market.

Culture

Our distinct culture, with the values and standards anchored in it, is an important mainstay for our way of doing business. Wherever you go across our organisation, there is a palpable passion for our products, services and customers.
Instead of pursuing status, we seek to create transparency and an atmosphere of trust and respect. Broadening our people's insights by forging bonds between colleagues with a long history at Sligro Food Group and newly recruited talents requires constructive dialogue. Our entrepreneurial spirit gives us the kind of nimbleness that allows us to respond quickly to any developments, while always keeping in mind the course we have charted. Pursuing continuous improvement and celebrating successes together. In the Netherlands, we refer to this as our 'Green Blood', while in Belgium it is known as 'Our Salt & Pepper'. Terms appropriate to the country with the same underlying values embedded.

We are firmly embedded in society and always happy to render account on our business practices to all stakeholders. As a listed family business, this goes without saying for us; it is not something we consider an obligation.

2019 service anniversaries in the Netherlands

1

50 years

20

40 years

44

25 years

126

12.5 years

Organisational structure and governance model

As a wholesaler with extensive logistics operations and a large number of stores, it is key that we keep growing and convert increased scale into greater efficiency. The process standardisation and complexity reduction drive that we have launched is going full steam ahead. Aside from that, we have adopted an international organisational structure this year, which brings centralised governance and support in combination with local market and customer responsibility.

We believe in an organisational model where strategic decisions are made at Group level and where centralised functions solve complexity to facilitate the operations of our delivery service sites and cash-and-carry stores. Our extensive knowledge of the operation enables us at management and board level to make the right strategic and tactical decisions. Building horizontal connections across the organisation, and certainly also vertical ones, is therefore crucial and traditionally one of Sligro Food Group's strengths. In our logistics operation and at our stores, we manage our people based on easy-to-understand KPIs that they can influence directly. The frameworks within which our stores can operate on a local scale have been defined at Group level and help create scope for an entrepreneurial mindset. This is how we ensure flexibility and a local focus in both our day-to-day operations and our colleagues' interaction with our customers.

Health and safety

It is key that employees feel comfortable and experience their workplace as a safe and healthy environment. To achieve this, we have to keep investing in tangible measures and tools to increase workplace safety, as well as in training and programmes to raise employees' awareness of safety and make it a constant priority. Much of our work involves physical strain, which is a challenge as our workforce is ageing due to employees retiring later following the raising of the state pension age. Besides a focus on physical work and making plans for older employees, it also requires that we carefully consider the organisation of the work and the use of adequate tools.

Workforce

Sligro Food Group is a relatively large employer in the Netherlands (4,795 employees), while our workforce in Belgium (572 employees) is also showing steady growth. Our employee population is characterised by a high level of skill, which is utilised with great passion. Digitalisation calls for different skills that we are both developing and recruiting. We have a large number of employees on permanent contracts and aim to keep the number of agency workers down. In 2019, we had an average of around 650 agency workers (roughly 20% of our total logistics workforce) working in our logistics operation. Due to the relatively low availability of permanent staff and relatively high staff turnover in logistics, we are increasingly using flexible and agency workers in our logistics operation, who generally hail from eastern European countries. Given that these workers generally stay with us for a limited period, we are also working to accelerate the onboarding process, improve operational management, create a good day-to-day work atmosphere, and reduce training to ultra-short e-learning programmes. We also offer colleagues from eastern Europe specifically opportunities for permanent employment and further growth to make it more attractive for them to stay with Sligro Food Group for longer and seize the opportunities that normally come with permanent employment.

In the Netherlands, we have subcontracted most of our transport to professional hauliers. In Belgium and a relatively small part of the Netherlands, we have our own drivers. Whether drivers work for Sligro Food Group directly or through an external company does not make any difference to us in how we treat them. Our drivers are our face to the customer, our ambassadors, as they are generally the ones who are most in contact with customers. We train and support our drivers in this respect and get them all involved in Sligro Food Group. In 2019, we employed approximately 140 drivers, alongside an average of nearly 700 drivers a week at our transport partners.

The entry into force of the Balanced Labour Market Act last year has stepped up the focus on long-term employment, which is perfectly aligned with our existing policy of pursuing long-term employment relationships and has therefore barely had any impact on us.

Learning and development at Sligro

4,414 e-learning **1,693** classroom

69% online
20% classroom
11% individual

296 MBO (vocational education)
78 HBO (higher vocational education)/ WO (university education)

Diversity

The Dutch parliament's adoption of a binding gender quota has fired up the diversity debate in society. At our company, diversity is a subject that is discussed openly, and not a forced process that revolves only around quotas and targets. That said, we have a clear commitment to gender balance in senior management in case of equal qualifications. We wholeheartedly endorse the general opinion on gender balance, and are committed to achieving it step by step. We do believe, however, that intrinsic motivation is more likely to help us achieve gender balance than quotas.

The value of diversity also clearly comes to the fore in our multidisciplinary teams. Taking a broad approach to issues and possible solutions helps ensure high-quality decision-making.

Our Supervisory Board consists of 4 men and 1 woman, while our Executive Board is made up of 2 men. Aside from that, our management teams are made up of 12 men and 2 women.

Learning and development

Continuous learning and development is key for all Sligro Food Group employees. Changes within and outside the organisation mean that activities and jobs are subject to constant change. Anyone who does not keep up with changes and does not keep challenging themselves will be left behind in the long run. The Sligro Academy therefore offers a range of learning programmes for employees from all levels of our organisation, which are focused both on skills for specific jobs and general competency levels. Besides the courses we have developed in-house, we use external training options through training institutions for specific domains or competency-based training.

We are committed to training and developing new talent, such as by offering internships and professional placements for students from various educational programmes. This works both ways, as having students work at our organisation brings in new and fresh insights.

To emphasise how important learning and development is to us, we regularly organise events to show our appreciation for the people who have put a lot of time and energy into taking training. Last year, for example, we organised another 'Learning Heroes Day', putting the limelight on a large group of employees who completed a training course. We also give out the 'Jan Hoenselaar Grant' every year, which is awarded to the employee or the family member of one of our employees who submitted the best professional placement report or final-year research (intermediate and higher vocational education and university level).

The Sligro Academy offers 197 online training courses, which anyone working at Sligro Food Group can take. While most of these courses are provided by GoodHabitz (165). We have developed 20 online courses in-house and there are a few other online courses available that were developed by external parties. In total, our employees successfully took 4,414 e-learning courses in 2019, while the classroom-based training courses attracted a total of 1,693 participants.

Works council

We set great store by good relationships and consultations with our employees, both with employees directly and through the works councils. Open and transparent consultations and early involvement of works councils has proven to be a clear value-adding practice for us. We do not limit this to the bear minimum stipulated by law. The input we get on these points from the works councils, as well as feedback from workers, is extremely valuable to us, and we therefore treasure the good working relationship we have built up. Although this is a universal vision that applies across our entire company, there are specific differences in how it is implemented in the Netherlands and Belgium due to legal or cultural differences.

Our solutions

Rob van der Hoeven

Fish specialist

SmitVis

'Allow me to show you an ocean of possibilities, with SmitVis' pearls, passion and quality.'

Key changes in 2019

Both in the Netherlands and Belgium, several important issues were high on the agenda over the past year, which we have dealt with together or following the works council's advice or approval. These important issues included the following:

In the Netherlands, the parent company of De Kweker was acquired this year, setting in motion a process that was handled with great respect for De Kweker employees. As part of this process, we dismantled the operations of this company specialising in fruit and vegetables, which saw a large part of the employees finding a new job at Sligro Food Group or one of the parties that took over parts of the company. In total, this acquisition led to approximately 320 employees joining Sligro Food Group.

Given that our company is becoming increasingly international and we are set to switch to new systems, consistency in data management and the accuracy and completeness of data, reports and analyses are becoming more and more essential factors. To make this transition, Sligro Food Group will have to further develop its data-driven working practices, which has already led to a need to cluster all data disciplines. Data production, data management, and data & analytics are being merged to empower us to maximise control and efficiency.

Furthermore, we have started restructuring our internal sales organisation to increase customer satisfaction with our ordering and delivery processes. This will also help improve alignment and collaboration with Sales support and the head office, partly as a result of which support in the area of customer master data provided to account managers in the various regions will be stepped up, which will also ensure better collaboration as we work towards the roll-out of our new ERP system.

We have been offering our employees in the Netherlands access to a pension plan that used to be administered by our own company pension fund, Ondernemingspensioenfonds Sligro Food Group. As of 1 October 2019, we have transferred our pension plan to insurance company Centraal Beheer's Algemeen Pensioenfonds, which has set up a specific Sligro Food Group section.

In Belgium, we finalised the legal integration of Sligro-ISPC Belgium in 2019, which proved to be a sizeable job that, besides the merger of legal entities, also encompassed the further harmonisation of employment terms and conditions. Although it was an intensive process, it ultimately went off smoothly, partly thanks to constructive consultations with employee representatives.

In light of the upcoming works council elections in 2020, agreements have been made on the definition of the technical business units for the future functioning of the social consultation bodies.

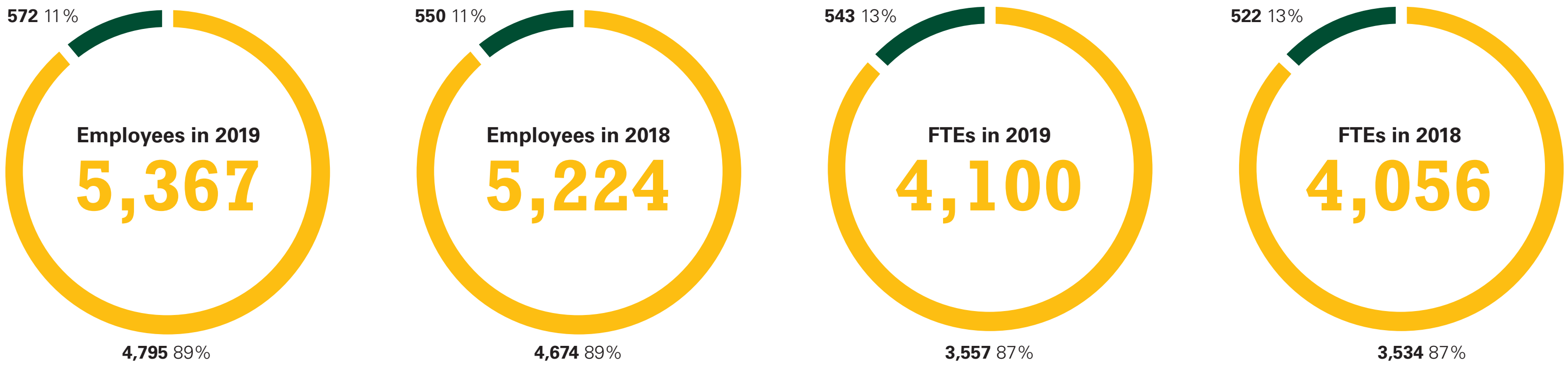
And finally, agreements were made on the creation of a fixed late shift for order-picking in Ghent and Liege.

Employment terms and conditions

When it comes to general employment terms and conditions, we align with pay structures from the relevant industries. In the Netherlands, we adhere to the collective labour agreement for the food wholesale industry, while in Belgium we have adopted the terms and conditions agreed on by joint committees 119 and 200. Our aim is furthermore to make the employment terms and conditions that we can establish ourselves the same for all employees. Depending on what is possible and customary in either country, these terms and conditions may differ per country. For the majority of our employees, our pay policy is dictated by the collective labour agreement for the industry in question. Given that we are not bound by a specific collective labour agreement, we offer average market level pay, as well as benefits that are appropriate at Sligro Food Group, whereby there is a difference in structure between Belgium and the Netherlands. For a number of jobs, mostly commercial ones, we operate a bonus system. By ensuring that the amount of the bonus is nice to have and not a need-to-have, we avoid unwanted stimuli.

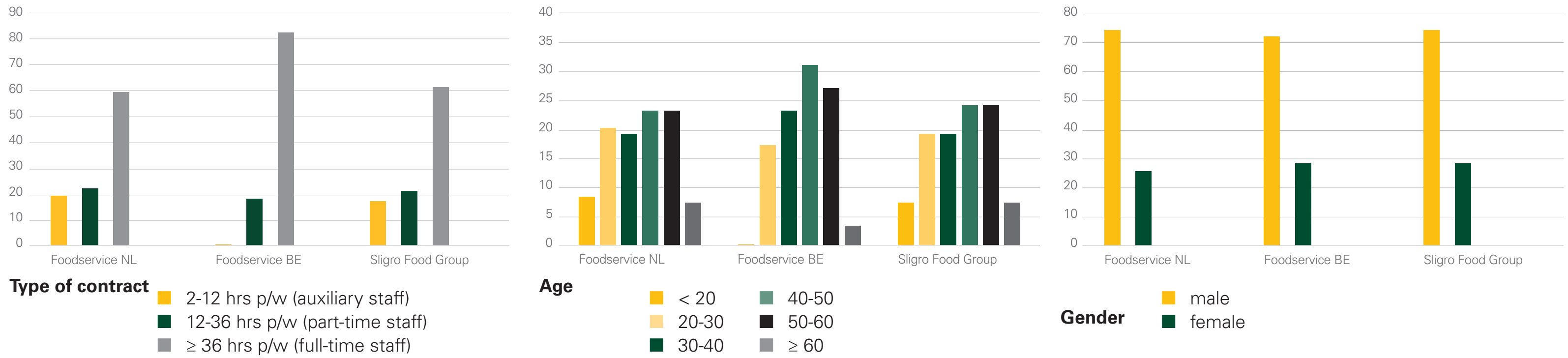
Workforce

Food service NL
Food service BE



Diversity

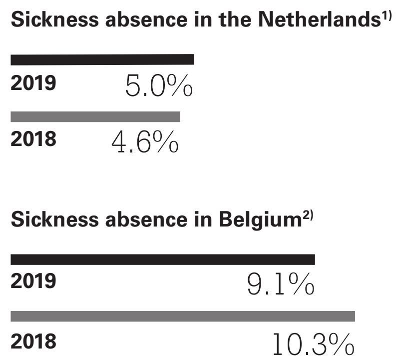
as % of the total

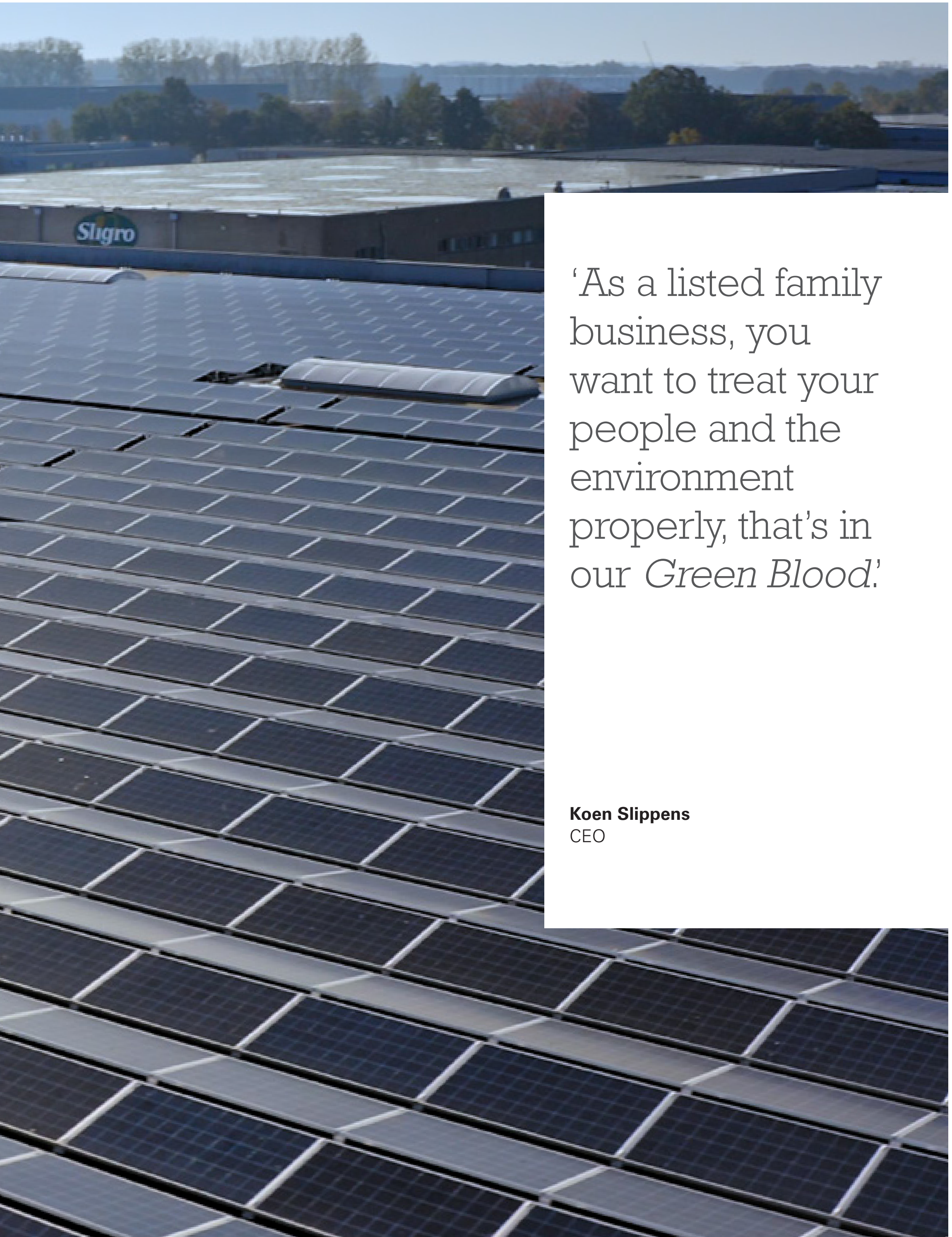


Turnover and sickness absence

1) Sickness absence in NL Sickness absence relative to availability. Availability in terms of contract hours, which for auxiliary staff is the actual number of hours worked (excluding agency workers). Based on 12 months, moving average.

2) Sickness absence in BE Number of hours of absence due to sickness relative to number of workable hours in theory/under the contract. Based on 12 months on average.





‘As a listed family business, you want to treat your people and the environment properly, that’s in our *Green Blood*.’

Koen Slippens
CEO

CSR

Carbon reduction since 2010

-27.7%

Share of sustainable product range in sales

11.6%

Solar energy

Number of solar panels

36,500
(+12,500)

Output

6.7m kWh
(+40%)

Gas-free buildings

320,000m²
(+20%)

Development of satisfaction

StakeholderWatch 0-100

Customers

73
(-2)

Employees

56
(-1)

Suppliers

67
(+4)

Corporate Social Responsibility

At Sligro Food Group, corporate social responsibility, sustainability and business performance go hand in hand. This goes without saying at our listed family-run business. After all, as a family business you just want to treat your people and environment decently and respectfully, both today and with an eye to the future.

CSR vision: how we work

Sligro Food Group not only creates value in the form of purely financial performance, we also try to make a difference on food (safety, health, availability), energy, environmental and societal issues. Corporate social responsibility is consistent with our overall business philosophy of value creation on an economic (Profit), environmental (Planet) and social (People) level. In this same light, we consider the OECD guidelines a natural frame of reference for our corporate social responsibility policy.

One company, one policy

As a company with a centralised management structure, we pursue a single sustainability policy for the whole Group, meaning that our core values, ambitions and goals are the same for all our operations, both in Belgium and in the Netherlands. How we work to achieve them, however, may differ per country. When it comes to the measuring methods we use, we are gradually working towards greater equality, but seeing as this often also concerns external parties, certain methods are currently not yet available in both countries. Wherever this is the case, we choose the Dutch reporting method, on account of the size of our Dutch operation. We share our sustainability policy with the companies in which we hold a stake, and also put it on the agenda there. They subsequently pursue the policy based on values that are relevant both to them and to us.

Our scope is not limited to the Netherlands and Belgium. We procure internationally and cross-border trade is an essential vehicle for human prosperity and socioeconomic growth. We have been a member of BSCI for many years, and we require our suppliers to adhere to the BSCI Code of Conduct.

This code is based on international conventions and is intended to improve employment conditions across the supply chain, containing a specific focus on the following:

- The rights of freedom of association and collective bargaining
- No discrimination
- Fair remuneration
- Decent working hours
- Occupational health and safety
- No child labour
- Special protection for young workers
- No precarious employment
- No bonded labour
- Protection of the environment
- Ethical business behaviour
- Bribery and corruption

Our place in the supply chain

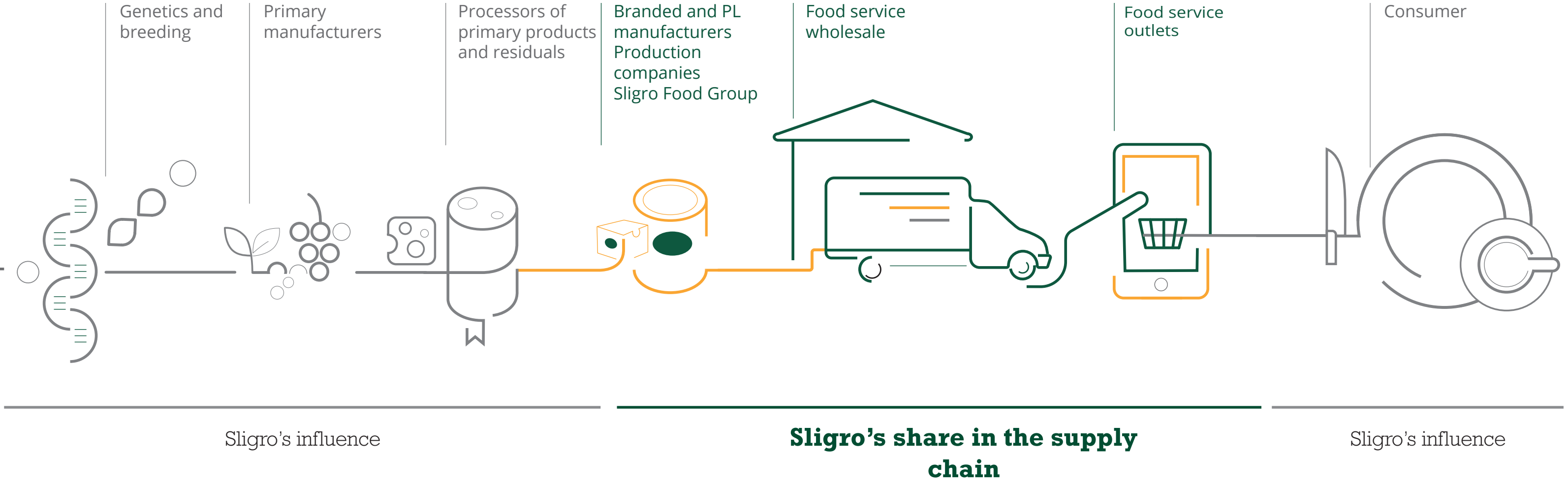
We are part of a relatively large number of links in the food service supply chain, as a result of which our sustainability efforts are broadly scoped. Our SmitVis and Océan Marée production companies process primary (fish) products, while Culivers produces for the Group. Sligro, De Kweker, Van Hoeckel, JAVA, ISPC and Sligro-ISPC are all wholesale operations. Each specific business unit creates value and sets itself apart from the competition.

About this report

We have adopted a joined-up approach in our financial and sustainability reporting. This best matches our CSR vision, prevents duplication and keeps this report readable. This chapter will go into the results and most important developments from 2019 in relation to our key focus areas and the associated goals and indicators as at year-end 2019.

This report has been compiled based on the Core level of the Global Reporting Initiative's (GRI) G4 guidelines. For the GRI table, please consult our website at sligrofoodgroup.nl/mvo.

Our supply chain



If you have any questions, comments, or suggestions about CSR and GRI, please email them to mvo@sligro.nl.

Approach and organisational embedding

The Group has a CSR Steering Committee. The committee as a whole makes policy decisions, while individual members embed the operational implementation thereof in their respective domains. In 2019, the CSR Steering Committee met on six occasions. The progress of our sustainability development was presented to the Executive Board, the works council and the Supervisory Board in 2019.

Core focus areas and goals for 2030

Our CSR policy is based on three core focus areas that have particular relevance for Sligro Food Group and contain important opportunities and challenges for us, and where our responsibility in the supply chain is the greatest and the most self-evident: people, planet, and product range.

Within each of these key focus areas, we have defined five sub-areas that have major societal importance in relation to Sligro Food Group and therefore determine our scope:

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

Together, the above core focus areas and sub-areas make up our CSR matrix, which specifies a large number of specific activities that each contribute to the achievement of our goals for 2030. Our CSR matrix also establishes a link between SDGs and our activities. For the latest version, visit www.sligrofoodgroup.nl/mvo.



CSR performance
our targets

Key focus areas	People			Planet	Product range
Sub-areas	Customers	Employees	Suppliers	Energy	Sustainable product range
Goals	Improve customer satisfaction	Improve employee engagement	Improve supplier satisfaction	Reduce carbon emissions as percentage of net sales	Sustainable product range's share in sales
2019 status	-2	-1	+4	-27.7% compared to 2010	11.6%
Target year				2030	2030
Target value	Improve satisfaction			-50%	15%

These SDGs are linked to specific actions points that contribute towards achieving our goals for 2030, and they are as such embedded in our sustainability approach.

SUSTAINABLE DEVELOPMENT GOALS

Sustainable Development Goals (SDGs)

Our SDGs:

2 ZERO HUNGER

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

8 DECENT WORK AND ECONOMIC GROWTH

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

12 RESPONSIBLE CONSUMPTION AND PRODUCTION

Ensure sustainable consumption and production patterns. Take urgent action to combat climate change and its impacts.

14 LIFE BELOW WATER

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

15 LIFE ON LAND

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

17 PARTNERSHIPS FOR THE GOALS

Strengthen the means of implementation and revitalize the global partnership for sustainable development.

Materiality analysis

On our website, www.sligrofoodgroup.nl/mvo, you will find the full materiality analysis, which covers ambitions, goals and our management approach. This report presents results and developments with respect to our goals for 2030, as at year-end 2019.

Results (in key focus areas)

People

Satisfaction levels (StakeholderWatch 0-100)

Customers	Employees	Suppliers
73	56	67
(-2)	(-1)	(+4)

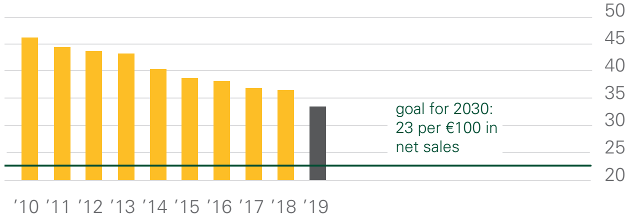
The level of employee, customer and supplier satisfaction is an important indicator. To gauge satisfaction levels in a way that is consistent, we started using StakeholderWatch in the Netherlands in 2019. StakeholderWatch is a market research system that surveys customers, employees and suppliers every day, producing results that we can access at any time. It basically works like a continuous thermometer that enables us to identify trends sooner and, therefore, respond to them sooner as well. This is a major improvement on the NPS index we used up to 2018, which provides more of a snapshot and less insight into trends.

StakeholderWatch captures stakeholder satisfaction on a scale of 0 to 100. In 2019, both employee and customer satisfaction were under pressure. Even though absolute satisfaction among customers remained high at 75, it did drop several points over 2019. Employee satisfaction fluctuated during the year and dropped after the summer to a level that is simply too low. We have meanwhile launched several improvement programmes that are already bearing fruit: average employee satisfaction is recovering after the low in October. It is our ambition to continue this upward trend, and we expect this to also have a positive effect on customer satisfaction.

The environment

Carbon emissions

(per €100 in net sales)



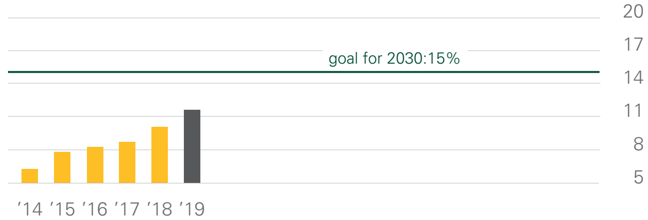
Our mission obliges us to continuously show both boldness and common sense in our innovation drive, while also always seeking to strike a balance between environmental and economic returns. For maximum transparency of our efforts, we calculate the carbon emissions from our operations. To be able to relate the resulting figure to the development of our company and to be able to extrapolate a realistic multi-year trend, we show our carbon emissions in relation to our net sales.

In 2019, we were able to persist in our continuous improvement drive. We are generating more and more power ourselves through our newly installed solar panels and an increasing number of our buildings no longer use gas, as they are now heated using heat recovery from the cooling system and heat pumps. Aside from that, the number of kilometres travelled by vehicles in our logistics operations has dropped considerably, which has led to a 27.7% reduction compared to 2010. Of this improvement, 5% came on the back of the purchase of GOs (Guarantee of Origin) for several of our Belgian sites and for De Kweker.

The product range

Share of sustainable product range in sales

(in %)



We have an immense range of over 75,000 products. For this entire product range, we have adopted a clear sustainability focus: we encourage customers to choose sustainable options by making products produced with respect for people, the planet and health simple, accessible and instantly recognisable. In 2010, we captured this in our 'eerlijk & heerlijk' concept. All products in the 'eerlijk & heerlijk' range are sustainably sourced and produced, which we guarantee through independent quality marks. This also allows us to track the development of our sustainable product range with great precision. https://www.sligro.nl/inspiratie/themas/eerlijk-heerlijk

Latest in 2019:
In 2019, the 'eerlijk & heerlijk' range generated 11.6% of Food Service Netherlands' net sales, a solid 1.6% point increase on 2018 thanks to our focus on moving our product range towards sustainability. This growth rate does not yet include Belgium, as we still have extra work to do there to select the right quality marks. We know from experience that many quality marks lack international recognition and are relevant only on a national level.

‘We have made significant investments in our delivery network in order to integrate the former Heineken wholesale sites.’

Rob van der Sluijs
CFO

x € million

Net sales
2,395

EBITDA
127

EBIT
44

Net profit
34

Shareholders’ equity
500

Free cash flow
36

Net investments
85

Dividend per share (x €1)
1.40

Financial results

Sligro Food Group is a group of companies with a high level of (back-office) integration. We believe in the strength of the Group as a whole, and in knowledge-sharing and synergies across the Group, and we do not focus primarily on the results of the underlying business units.

Governance model and policy

We stimulate a Group-based approach and try not to undermine it with complicated internal charging, accrual and approval procedures.

The Executive Board is actively involved in policy-making at all business units, as well as in policy implementation. We govern our organisation based on a medium-term strategic plan with a three-year horizon. To convey strategic plans to the rest of the organisation, we capture them in specific goals and result areas that are clear and easy to understand for everyone. We challenge our people to come up with (creative) plans themselves to achieve the goals and results, whereby the outcome is the most important thing, not the plan itself.

An annual plan is put together, based on a strategic multi-year plan. On a quarterly basis, we review progress and make a forecast based on evolving insights whether the targeted results will or will not be achieved if we continue along the course we have charted. If the forecast is that we will not reach the targeted goal, we will proceed to adjust our business operations.

In governing our business operations, we draw on detailed reports on actual developments viewed from multiple perspectives, whereby the focus is not on financial indicators but rather on clearly defined process-related key performance indicators (KPIs) that relate to operations that are within the user's control. Given that we have similar operations at many different sites, we make widespread use of internal benchmarking to create focus and foment the pursued sense of continuous improvement and healthy competition. On several occasions every year, we establish the correlation between the performance indicators and our financial results.

As we grow, we develop unequivocal international standards, which we communicate openly. Our Corporate Control and Internal Audit departments supervise compliance with the standards, helping us keep up the quality of insights and reporting speed. The implementation of a new IT and data landscape also provides a positive impulse in this respect.

Although pressure to return good results in the short term is something that energises us and we enjoy, it will not keep us from making decisions that will primarily create value in the medium to long term.

To keep improving the service we provide to our customers, we permanently invest in improvements to our online environment, data quality, logistics and store networks, and our formats. In the long term, the Group's net investment scope totals approximately 2.5% of net sales.

We finance investments through long-term and short-term credit facilities, whereby we aim for a comfortable margin with respect to the financing covenants we negotiate. By reducing capital lock-up in working capital, we are able to free up funds for our investments. Only if, as a result of (major) acquisitions, the margin on the financing covenants is deemed to be inadequate, we may decide to use the option of issuing shares to raise funds for investments.

Development of net sales

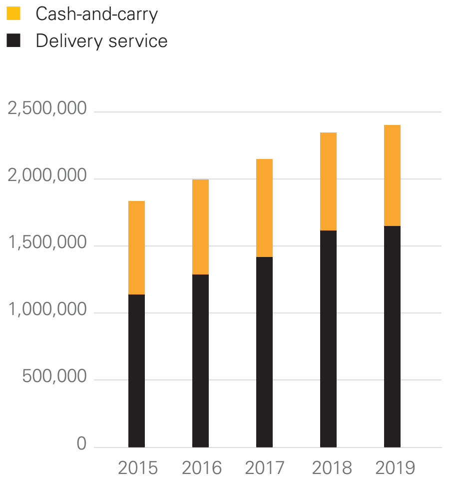
In 2019, we generated €2,395 million in net sales, a 2.1% increase on last year. In the second half of 2019, the acquisition of De Kweker added a further €70 million to our net sales. De Kweker still works with a thirteen-period accounting cycle, seven of which were after the takeover. Without the net sales from this acquisition, our net sales would have shown an organic decrease of 0.9%. In the Netherlands, net sales showed an organic decrease of 1.4%. In Belgium, net sales showed a 3.8% organic net sales increase.

Results

The abridged statement of profit or loss can be presented as follows:

			As % of net sales	
x € million	**2019**	**2018**	**2019**	**2018**
Net sales	2,395	2,346	100	100
Cost of net sales	(1,811)	(1,780)	(75.6)	(75.9)
Gross margin	**584**	**566**	**24.4**	**24.1**
Other operating income	13	12	0.5	0.5
Total operating costs excluding depreciation, amortisation and impairments	(470)	(464)	(19.6)	(19.7)
Gross operating result (EBITDA)	**127**	**114**	**5.3**	**4.9**
Depreciation and impairments	(61)	(41)	(2.5)	(1.8)
Operating result before amortisation (EBITA)	**66**	**73**	**2.8**	**3.1**
Amortisation of intangible fixed assets	(22)	(20)	(1.0)	(0.9)
Operating profit (EBIT)	**44**	**53**	**1.8**	**2.3**
Financial income and expenses	(2)	3	(0.0)	0.1
Pre-tax profit	**42**	**56**	**1.8**	**2.4**
Income taxes	(8)	(10)	(0.4)	(0.4)
Profit from continuing operations	**34**	**46**	**1.4**	**2.0**

Food service sales spread



Gross margin

As a percentage of net sales, the gross margin was up 0.3% to 24.4%.

On balance, this increase largely came on the back of the consolidation of De Kweker, where the gross margin as a percentage of net sales after integration of the purchase was higher than that of existing Sligro Food Group operations. De Kweker sells less tobacco than Sligro and manages most of its own fresh produce departments. Broken down by country, the gross margin in Belgium was down primarily due to the resulting from losses in Antwerp, while it improved slightly in the Netherlands thanks to better promo margins and data valorisation. In 2019, we managed to largely absorb the loss of procurement synergies following the sale of food retail in 2018. The question how much we would have been able to improve if we had still had the same procurement volumes as when we still had the retail operation is no longer relevant going forward.

Costs, depreciation and amortisation

Costs, including depreciation and amortisation, were up 0.6% on the previous year, coming in at 23.0% of net sales.

Due to the sale of our retail operation, we have lost coverage for our central costs, which results in loss of synergies in the short term. The part of this loss of coverage that is not compensated through cost reductions constitutes an extra expense for food service, which in 2019 totalled approximately €14 million (second half of 2018: €8 million). These costs were compensated to an amount of €5 million in 2019 (second half of 2018: €8 million) by the service fees we received from the consortium. This meant that extra costs of €9 million exerted downward pressure on profits in food service in 2019. At the end of last year, we launched a programme to bring the organisation into line with the new situation and therefore reduce the loss of synergies.

This programme has meanwhile largely been completed, and the provision created for it in 2018 turned out to be sufficient to cover it. In fact, we had some money left over. In 2019, alongside this programme, we completed several further reorganisations and replacements, which ultimately resulted in our restructuring costs on balance coming at nil in 2019 (2018: €17 million).

Transport prices over the year increased by over 7% on the previous year. We were able to cover approximately half of these price increases through efficiency measures in 2019, but on balance they still pushed our profits down by €4 million compared to the previous year.

We are currently making preparations for the implementation of a new IT landscape in Belgium and the Netherlands. Non-recurring implementation costs for the entire programme amount to approximately €60 million, which are largely capitalised that we will be amortising once the system has been put into operation, while it will partly also be classified as operating costs that are recognised directly in the profit. Of this amount, operating costs amounting to €2 million were charged to the result in 2019. Besides these non-recurring implementation costs, we are building a new support organisation that will be managing the new IT landscape, while simultaneously phasing out the old management organisation where possible. On balance, this has led to additional IT costs of €5 million on top of the non-recurring implementation costs.

In 2019, we acquired the parent company of De Kweker and started the integration thereof into our business. Aside from the associated consulting fees, the restructuring costs involved were also recognised in their entirety in 2019, resulting in one-off costs that on balance came in at €3 million. This figure does not include costs incurred by Vroegop AGF, as these are recognised under 'Profit from discontinued operations.'

We have switched to the new IFRS 16 standard in 2019, meaning that the lease expenditure we used to recognise is now split up into a depreciation component and an interest component. This shift to interest has led to costs (including depreciation and amortisation) falling by €3 million on the previous year.

The investments we have made in our physical networks and existing IT landscape in the Netherlands and Belgium over the past few years have led to rising depreciation and amortisation charges. In 2019, there was furthermore a €3 million increase compared to the previous year that was unrelated to the impact of IFRS 16.

Other operating income

Other operating income as a percentage of net sales remained stable at 0.5%. Following the sale of EMTÉ, we continued to provide services to the consortium over a period of 12 months to ensure a smooth transition. Over the first half of 2019, the consortium paid us €5 million in fees for that, while no further fees were paid in the second half of 2019 (second half of 2018: €8 million). We sold a relatively large number of properties in 2019, which were all properties that we no longer use ourselves or intend to stop using ourselves in the near future. On balance, we earned a one-off amount of €5 million from the letting and sale of these properties in 2019 (2018: €2 million).

Financial income and expenses

Financial income and expenses reduced by 0.1% and were therefore on balance nil. As noted earlier, interest expenses incurred as a result of application of IFRS 16 this year rose by €3 million on the previous year. The result from participations was €2 million lower than in the previous year. Our fresh partners in particular saw their profits decline as a result of the sale of EMTÉ and the launch of their operations in Belgium, which also came with start-up losses for them.

Operating profit

Due to changes in reporting rules and the choices we have made in applying these rules, the picture of the development of our operating profit is not always clear. We believe that investments in customer conditions, software and our physical infrastructure are part of our operating performance, as they will lead to replacement investments in the future. In our view, the decision to enter a large part of what we paid for acquisitions as assets and amortise the amounts involved from our profit is not part of our operating performance, as it will not lead to replacement investments in the future.

The table on the right shows this impact, while also factoring in the one-off impact on profits. For the sake of completeness, the table also shows amortisation on acquisition-related other intangible fixed assets.

Operating profit analysis

x € million	2019	2018
EBITDA	**127**	**114**
Depreciation of tangible fixed assets and impairments	(44)	(41)
Depreciation of right-of-use assets	(17)	
Amortisation of software	(10)	(9)
Amortisation of other intangible fixed assets (excluding acquisition-related assets)	0	0
EBIT before amortisation of other intangible fixed assets	**56**	**64**
One-off demerger expenses and loss of synergies	9	12
Restructuring costs incurred for organisational changes	0	17
'Underlying operating profit'[1)]	**65**	**93**
Amortisation of acquisition-related other intangible fixed assets	(12)	(11)
EBIT adjusted for non-recurring income and expenses	**53**	**82**

1) On balance, incidental income under other operating income and expenses related to acquisitions was the same in both years.

Taxation

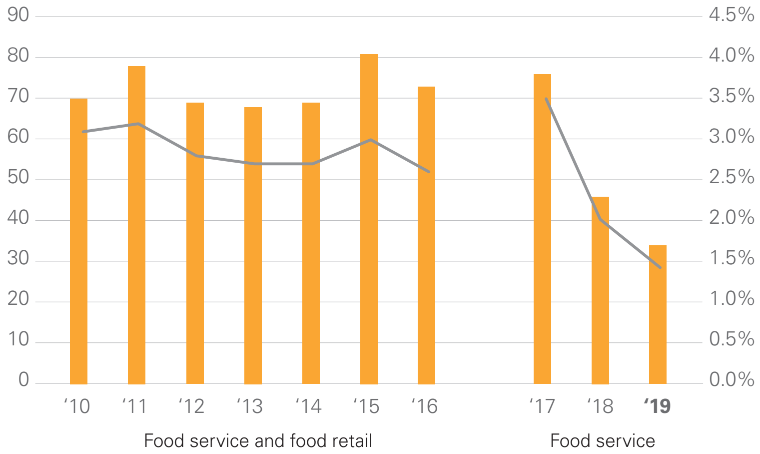
The reported effective tax rate is comparable to the rate from the previous year. The government's decision to revise the gradual lowering of the corporation tax rate in the Netherlands led to a one-off expense in 2019, reversing part of the release from last year. We compensated for this one-off expense by recognising a tax asset from 2018 in 2019. Sligro Food Group uses tax subsidies and facilities that lower the effective tax rate. These were not specifically greater than in previous years, but they do have a greater impact in terms of lowering the effective tax rate when pre-tax profits are relatively low.

Net profit

As a result of the above, net profit from 'continuing operations' came in at €34 million in 2019, a €12 million drop on 2018. Earnings per share are calculated on the average number of shares in issue (externally) and amount to €0.78, compared to €1.04 in 2018.

Food service and food retail 2010-2016
Food service 2017-2019

- Net profit
- As % of net sales



Investments

We invested a gross amount of €129 million in both intangible and tangible fixed assets in 2019. Of this figure, the major part was invested in our delivery network, which we are preparing for the integration of former Heineken wholesale sites. We also sold a relatively large number of properties this year, which together represented a total carrying amount of €44 million, including the delivery service site in Deventer, which we are now leasing back on a long-term lease, but also a large number of properties that we had stopped using. As a result, net investment amounted to €85 million, which translates as 3.5% of net sales.

The most important gross investments this year were the following:

- €63 million in the delivery network in the Netherlands
- €16 million in the network of cash-and-carry stores in the Netherlands
- €16 million in the central distribution centre and head office in Veghel
- €7 million in Belgium
- €14 million in the new IT landscape
- €5 million in the existing IT landscape and online environment

The table below provides a breakdown of our net investments, depreciation (excluding depreciation of right-of-use assets) and amortisation.

x € million	2019	2018
Intangible fixed assets	22	23
Tangible fixed assets	107	72
Divestments	(44)	(21)
Net investments	**85**	**74**
Depreciation of tangible fixed assets	(43)	(39)
Impairments	(1)	(2)
Amortisation of software	(10)	(9)
Depreciation and amortisation	**(54)**	**(50)**
Net change in fixed assets	**31**	**24**

In 2020, we will complete the building of our delivery service network and sell and lease back two more delivery service sites on long-term deals. We are building two cash-and-carry stores in the Netherlands with the new 3.0 formula generation, while the replacement of our fresh produce distribution centre in Veghel will also start in 2019. In Belgium, we are set to complete the refurbishment of the Rotselaar site, with no further refurbishment projects scheduled for 2020. Investments in our new IT landscape will continue, while investment in our legacy environment has been reduced to a relatively low level by now. On balance, the Group's net investment level will come in at approximately 2.5% of net sales in 2020.

Development of working capital

x € million	2019	2018	2017	2016	2015
Current assets, excluding cash and cash equivalents	498	502	405	453	377
Current liabilities, excluding interest-bearing items	(475)	(448)	(338)	(381)	(298)
	23	**54**	**67**	**72**	**79**
As days of net sales	4	8	11	9	11

Abridged statement of cash flows

x € million	2019	2018	2017	2016	2015
Net cash flow from operating activities[1]	132	119	172	153	140
Lease liabilities paid	(18)				
Net cash flow from investing activities, excluding the net effect of acquisitions	(78)	(17)	(74)	(81)	(62)
Free cash flow	**36**	**102**	**98**	**72**	**78**
Compare: net profit from continuing operations	34	46	76	73	81
Cash conversion as %	103	61	129	97	96
Free cash flow has been used as follows:					
Net acquisitions	(48)	0	(116)	(49)	(11)
Dividend payment and share repurchase[2]	(62)	(59)	(57)	(54)	(47)
Balance of change in debt and liquidity	74	(43)	75	31	(20)
	(36)	**(102)**	**(98)**	**(72)**	**(78)**

[1] In 2018, this included €74 million in working capital compensation from the EMTÉ transaction.

[2] In 2018 this excluded one-off special dividend.

Financing

For our financing, we use both the capital market (for long-term financing) and the bank market (for long-term and short-term financing). Note 24 to the financial statements gives an overview of the loans and short-term borrowings from credit institutions and our bank facilities. Over the coming year, we will repay the USD-denominated loan of USD 75 million, and €10 million of the €70 million loan with Rabobank. We will also look at the options for refinancing.

Working capital and cash flow

The total working capital position in 2019 received a boost of approximately €20 million due to changes in when payments of VAT & excise duties and income tax and social security contributions were due as a result of the payment calendar and the cut off of our financial year. In 2019, we effectively paid 11 months, meaning that we are going to have to pay 13 months in 2020. Aside from that, we maintain a constant focus on reducing the working capital position through our Supply Chain Finance programme and on reducing inventory.

Application of IFRS 16 as of 2019 has also led to a change in the definition of free cash flow. As a result, lease liabilities paid are now recognised under cash flow from financing activities in the statement of cash flows, and these are part of the free cash flow.

We consider 2019 to have been a transitional year, during which we invested heavily for the coming years, resulting in low free cash flow. We believe that these investments will substantially push up the Group's net sales, returns and free cash flow over the coming years.

We propose setting dividend for the year at €1.40 per share, i.e. on a par with dividend paid for 2018. Of this total dividend, €0.55 was already paid out on 30 September 2019 as interim dividend, leaving a final dividend of €0.85 per share.

The result and the free cash flow was and is the basis for a sustainable dividend level. After this transitional year, these will again be the basis for Sligro Food Group as well in setting the dividend.

Our people

Max van Rossem
Fish specialist
Sligro Breda

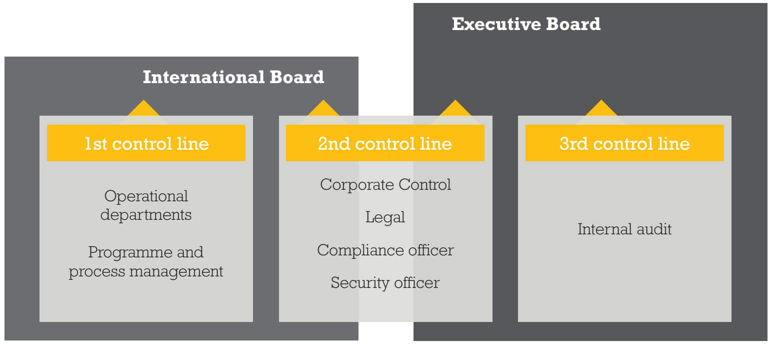
‘I’m always happy to give advice and clean and portion your fish for you.’

Risk management

Risk management responsibility

Identifying and controlling potential events and risks that may affect the Group's strategy, continuity or controlling is something that we focus on continuously. It is our conviction that risk management needs to be part of all our employees' day-to-day thinking and working, not because the law requires it to be, but because it feels natural and is the right thing to do.

The Executive Board has ultimate responsibility for being in control of the Group, and therefore also for risk management. In this respect, the Executive Board is supported by the International Board, the Corporate Control department, the Legal department, the Compliance and Security Officers, and the Internal Audit function.



Corporate Control facilitates risk awareness and operationalisation of associated control measures within our organisation, which they also monitor. The Legal department and the Compliance Officer support and monitor timely and complete implementation of new legislation and regulations. The Security Officer supports the Executive Board in defining and monitoring the (information) security policy. Internal audit is an independent and objective function that supports the Executive Board and the Supervisory Board in gaining insight into the level of control of risks that threaten the Group's objectives.

Risk management and control systems

In a growing, international organisation such as ours, we are very aware of the need for further formalisation to be able to stay in control. Such formalisation must, however, be balanced with the (informal) hands-on entrepreneurial spirit that exists across our company. After all, we want our people to keep thinking for themselves and identify both risks and opportunities, instead of blindly going by lists. Thankfully, this is embedded in our culture, and we therefore consider our culture the main soft control that protects us from the inside against many risks and forms of fraud. In these times of relatively high staff turnover across the market and as Sligro Food Group grows and becomes more international, we therefore continue to focus heavily on preserving the strength of our culture.

We approach risk management from a strategic perspective, and subsequently translate risk management efforts to processes, people and systems on an operational level. In 2019, the Corporate Control department made further steps in supporting the Executive Board in its risk management efforts, in particular by setting up and rolling out an Internal Control Framework (ICF). The ICF maps out the risks and associated control measures required for each business process, and is ready for the Group's main primary processes. In the last quarter of 2019, the ICF was subjected to its first review, which involved the responsible Directors and operational teams. Over the coming year, the ICF will be expanded further and embedded into the organisation to increase risk awareness and further formalise the monitoring of control measures. The basic principle in all of this will always be for people to think for themselves and understand why certain control measures are important and what responsibility they have.

'To measure is to know' is a key principle of risk management.
Using a central data warehouse where virtually all operational and financial data is stored, as well as state-of-the-art analytical tools, the Corporate Control department monitors special developments or (series of) numbers. In 2019, the first step was made in reporting the findings from these analyses to the Directors and monitoring the follow-up given to these findings.

Given that the Group has similar operations at many different sites, internal benchmarking is a much-used resource, whereby management information supports the internal audit function and vice versa.

The internal audit function assesses the completeness and effectiveness of internal control measures, management and financial information, and control measures in the area of compliance with legislation and regulations. In 2019, this function was shaped further and the first operational audits were performed, with findings reported to the Executive Board and the Supervisory Board.

Thanks to the centralised approach and the Executive Board’s and central departments’ highly direct governance and monitoring of business operations, the Group has all but eliminated the possibility of coming up against ‘surprises’ in the administrative process.

In 2019, we took further steps in the integration of our distribution activities for Heineken. Aside from that, the systems and processes of De Kweker operations that we have acquired have meanwhile partly been taken over by our central departments. The expectation is for this integration to be completed by the end of 2020, which will simplify our staying in control of these activities.

Our main risks

In the autumn of 2019, we reviewed the main risks with a potential impact on the achievement of our strategic goals, identifying and assessing approximately 30 possible risks, and subsequently classifying them in one of four categories: strategic, operational, financial and compliance. Bearing in mind the developments in the market and internal changes, we ultimately identified ten risks that we consider the most consequential. The risk appetite with respect to these risks has been assessed, as has the likelihood of them materialising and the potential impact. Aside from that, an assessment has been made of the extent to which we, as a Group, can influence these risks. The resulting picture is shown in the table below.

We are in charge of setting up control measures and performing internal audits to reduce overall risk (which includes the ten risks specified here) to a level that we consider acceptable. These risks are detailed on page 43 up to and 46, including specification of how we control them.

Compared to the previous year, the risk with respect to ‘Change to the governance model’ is no longer included on the list, as the organisation’s governance model is considered more of a driver of the Sligro Food Group culture, and therefore shown under that header. Aside from that, the ‘IT dependency and performance’ risk has been broadened to ‘Business continuity interruption’, which also includes IT dependency. As regards these key risks, no major incidents occurred in 2019.

Sligro Food Group risk areas

- Strategic
- Operational
- Financial/Compliance

• Low ••••• High

	Likelihood	Influence	Risk acceptance	Impact
Loss of the Sligro Food Group culture	•••••	•••••	•••	••••
New business models and diversification	•••••	•••	••	••••
Competition accelerating international consolidation in food service	••	•••	•••	••••
Transformation programmes	•••••	•••••	••	•••••
Labour shortage and sustainable employability	•••••	•••	•••	•••
Information and data security	•••	•••	•••	••••
Interruption of business continuity	•••••	•••••	•	•••••
Acquisitions and integration processes	•••	•••••	•••	••••
Unpredictable developments in society	•••	•	••••	••••
Food safety	••	•••	•	•••••

Strategic risks

Risk	Control measures	Possibilities
Loss of the Sligro Food Group culture The organisation is driven by our culture, our 'Green Blood', which consistently revolves around our customers and our passion for delicious, good-quality and responsibly sourced food. In an informal organisation like ours, being able to rely on employees' integrity is a valuable asset. In a growing and increasingly international organisation, preserving this culture is something we focus on heavily. Our culture resides in our people and we lose a bit of it every time an employee leaves our company or we fail to adequately pass it on to new employees.	Besides being the driving force behind our company, our culture is also an important control measure in our risk management efforts. Also in an international context, this is something we articulate and convey. In 2019, we have further shaped the organisational changes at the head office and in both countries by better defining the international roles and responsibilities versus those on a national level. In 2020, the preservation of our culture will remain a key focus point, as we will be capturing our culture in a new code of conduct and a new onboarding process for new hires.	Our growing, international organisation and the associated organisational change calls for new skills and changes to responsibilities. We are working towards a new mix of experienced figureheads of our culture and new employees, so as to be able to transform into an organisation that is ready to fulfil our international food service ambition, while preserving our culture.
New business models and diversification In the markets in which we operate, competition continues to be fierce and the market landscape is becoming increasingly complex and challenging. We are seeing that the boundaries between food service and food retail are blurring, as more and more new (online) players enter the market and existing ones broaden their horizons by moving into adjacent (niche) markets.	We closely monitor the various initiatives, assessing to what extent they impact on the course we have charted as a Group. We have opted to primarily follow our own path and develop initiatives that suit us, such as looking for strategic partnerships.	Whenever market developments are going faster than expected, we have the kind of flexibility and scope needed to increase the pace in our strategy accordingly.
Competition accelerates international consolidation of food service In Europe, only a limited number of parties are successful in the food service market. Some of these have, like us, international growth ambitions. We expect international consolidation in food service to increase, and believe there is a chance of some international players upping the pace of this process.	We are preparing ourselves for further international growth by further fleshing out our new organisational structure by creating policy frameworks and setting up systems, processes and control mechanisms aligned with these frameworks, such as ICF and new-style management reports with KPIs. The implementation of our new IT landscape is another important condition for further growth. On the other hand, we are continuously tracking developments in the market and always alert to possible acquisition opportunities. In 2019, we added an international business function for acquisitions and integration.	By opting to focus fully on food service in an international context, we have broadened the approach to our competitive position. In Europe, the landscape is still fragmented, with only a few parties operating (successfully) in multiple countries.

Risk	Control measures	Possibilities
Transformation programmes The pace of developments in the market is becoming more and more frenetic. Digitalisation, fully automated distribution centres and developments in the area of sustainability are just some examples of things that are going on in the market. At our company, too, we are seeing major changes, including the sale of our food retail operation, international expansion, replacement of our IT landscape, a strategic partnership with Heineken, and customer demand changing towards delivery and a new assortment.	Several years ago, we invested in setting up a programme and process management team to support the operation in transformation and change projects. We are now reaping the rewards of that investment. The team is supporting process owners and process managers in implementing the changes. In 2019, we furthermore strengthened the teams at the head offices in both countries by recruiting new competencies, expanding knowledge and experience in various areas. In 2019, we have taken further steps in implementing a new IT landscape and the associated changes to our organisation and processes. The impact of the organisational change is consequently perhaps an even greater programme than the technical part of the implementation. The objective is to roll out an initial version of the new landscape at one site at a time in Belgium over the second half of 2020, and to also start using it in the Netherlands as soon as the additional required features have been added.	Adding new staff with new competencies and training a large group of current employees increases our ability to ensure the transformation programmes progress in a controlled manner.

Operational risks

Risk	Control measures	Possibilities
Labour shortage and sustainable employability We are increasingly experiencing shortage in the labour market. Both in the distribution domain and in the transport industry, there are clear shortages. As a result of our partnership with Heineken and the logistics operation we have taken over as part of the deal, we actually need more workers in these industries. The average age of our workforce is increasing and the age at which our employees ultimately retire is going up. Combined with the physical strain involved in the work at many parts of our organisation, this makes the ageing of our workforce a matter that requires our attention to an increasing extent.	Over the coming years, we will be preparing for a future where availability of staff will only become a more and more challenging issue. Possibilities for further automation at our distribution centre, other forms of transport, and maximum efficiency and utilisation of the current fleet are all things we are currently specifically looking into. On the other hand, we are working on a vitality policy to control the consequences of workforce ageing and looking into additional ways to contain staff turnover as much as possible.	In this context, we are also focusing on developing solutions that allow us to serve our customers using other means of transport. By using smaller (electric) vehicles, employees will no longer need a (lorry) driving licence, allowing us to recruit from a much larger population of people who can play a role in the distribution of our streams.

Risk	Control measures	Possibilities
Information and data security The quality and integrity of data on our customers, products, sites, suppliers and interdependencies between the data are very valuable. Our customers and suppliers, too, find it increasingly important how we protect their data. The many forms of cybercrime there are today and rapid developments in this area pose a serious threat.	We are highly meticulous in ensuring timely implementation of new technology and software for the protection of our systems and data. And we have our security measures audited on a regular basis, while quality is also tested. Furthermore, in 2019, we focused specifically on raising awareness of the risks and signs of cybercrime among our employees, as well as of measures to take.	The volume and quality of the data on our customers, products, sites and suppliers require constant attention, but also offer us a clear competitive advantage. The implementation of a new IT landscape significantly increases our capabilities for the use of this data.
Interruption of business continuity Malfunctioning systems and inadequate logistics potentially threaten the continuity of our entire business within a relatively short time span. Both the continuity of our data processing and the delivery of goods have a great impact on customer satisfaction. Ever busier roads and increasing congestion are also adding to the challenge of ensuring on-time delivery.	For years, we have been focusing heavily on the continuity of our IT environments. In the coming year, this will be translated to a total approach for IT and distribution, whereby preventive and reactive plans with respect to power supply continuity will be worked out further.	

Financial and compliance risks

Risk	Control measures	Possibilities
Acquisitions and integration processes We consider acquisitions an essential part of our (growth) strategy. Despite all the precautions and due diligence, acquisitions generally involve more risk than organic growth.	Whenever we enter an acquisition process, we always set the same high requirements. This process is centred on identifying risks and opportunities at an early stage. To reduce the chance of setbacks afterwards, our pre-acquisition process always includes a due diligence check supported by external consultants. If due diligence requirements cannot be met during this phase, we do not proceed with the acquisition. This process was also completed meticulously for last year's takeover of De Kweker. Immediately after a takeover, we put together a multidisciplinary integration team with members from our organisation and the company we have acquired. Conveying the Group's cultural values is a key part of the integration process. The basic idea is that we try to transfer the acquired company's back office to the central organisation and the Group's back-office systems to the maximum degree possible. Integration of De Kweker's back office was carefully planned and is set to be completed by the end of 2020.	Every acquisition involves, besides risk, also opportunities to gain knowledge and take over processes, systems and customers.

Risk	Control measures	Possibilities
Unpredictable developments in society The government sometimes takes drastic measures that potentially have a great impact on business operations or results. Part of the business operations can be jeopardised in a relative short time span as a result. Environmental measures in particular, as well as opportunistic spending cuts, potentially have a major impact on our business. Industry regulators, too, can intervene in business processes.	Although our control over developments in society and government measures is limited, we try to track these developments as closely as possible and identify the consequences of (announced) legislation at the earliest stage possible. We do this by joining trade associations and in some cases by getting external advice. Aside from that, we aim to maintain open dialogue with legislators and regulatory authorities to be able to manage any developments proactively. In 2019, we further incorporated the requirements from new personal data protection legislation (GDPR) into our organisation, and also implemented the European TDP2 directive (track-and-trace system for tobacco). When it comes to tax legislation, we are in talks with the Dutch tax authorities on switching from Horizontal Monitoring (pre-screening of tax returns by the tax office) to the new covenant.	
Food safety Given that the Group primarily sells and processes food, food safety plays a key role at our organisation. Food safety issues can seriously damage our company's reputation and therefore have a great impact on business continuity.	The measures we take in the area of food safety are primarily focused on avoiding risks for our customers and staff. We have, therefore, defined food safety from both a process perspective and a product perspective within the various parts of the organisation. Through our well-equipped quality assurance department, we make sure we work professionally in the area of quality control. Our purchasing department furthermore places high demands on quality and quality assurance at our suppliers, whereby compliance with these requirements is audited directly by us or by specialist bodies. On top of that, our training programmes for employees focus heavily on food safety and responsible food handling.	Knowledge of food safety and quality is also very important for our customers. Sharing this knowledge and inspiring customer trust by delivering goods with a guaranteed high level of quality are among our specific strengths.

Specific financial risks and contingent liabilities

Note 27 Risk management and Note 30 Contingent liabilities to the financial statements highlight a number of specific financial risks and contingent liabilities that the Group faces. The note gives further insight into the Group's credit, liquidity and market risk, while also providing a sensitivity analysis of these factors. Incidentally, we do not consider these risks to our company to be special, neither in terms of their nature, nor in terms of their scope. Where appropriate, the Group takes out insurance to cover a number of usual risks, so as to ensure, among other things, that the financial consequences of disasters can be absorbed as much as possible.

In-Control Statement

With reference to best practice provision 1.4.3. of the 2016 Corporate Governance Code, the Executive Board states that:

a. the report provides sufficient insight into the shortcomings in the functioning of the internal risk management and control systems;
b. the aforementioned systems provide reasonable assurance that the financial statements are free from material misstatement;
c. it is justified based on the current state of affairs that the financial statements were prepared on a going concern basis; and
d. the report specifies the material risks and uncertainties that are relevant to the expectation of continuity of the company for a period of twelve months after preparation of the report.

Outlook

Consumer confidence seemed to level out in 2019 at levels to which it had dropped in the fourth quarter of 2018. The ongoing fall in unemployment seems to have come to an end in 2019, as the unemployment rate is levelling out.

We do not currently see any clear trends in these key predicting indicators for our markets, and so we assume the market will show the same picture in 2020 as last year, with limited market growth and a slight drop in volumes.

Cost inflation is expected to still be substantial in 2020, especially with respect to energy and wage costs. In the logistics sector, cost inflation seems to return to the kind of historically recognisable values that we can compensate for through efficiency measures and limited price increases,

In the Netherlands, our focus for 2020 will, after a period with a strong internal focus on major programmes, be fully on our customers again. Both in the cash-and-carry and the delivery segment, we have identified opportunities and a need to win over our customers (again). In the delivery business, we will be doing this together with our partner Heineken in a key segment of the market. The integration of Sligro and Heineken is close to being completed, which takes us into the phase of the actual collaboration where we will be able to valorise our investments, both for our customers and for our company. We furthermore expect to largely complete the integration of De Kweker.

In 2020, we will be moving on from a turbulent period at our central organisation, where besides changes to our organisational and governance model, there were also many staff changes, with colleagues changing jobs or leaving as a result of the sale of EMTÉ. We do not expect any major changes to our workforce in 2020. This calls for an overhaul of the specifics of the tasks and responsibilities for our people and teams, effective leadership and clear organisational principles with our strong culture as a solid foundation. Needless to say, this will not happen automatically, and so 2020 will see us put into practice our plans to this effect, most of which we developed over the past year.

In Belgium, 2020 will primarily be about generating growth from the existing network and further improving and optimising the organisation and infrastructure, partly by making increasing use of the Dutch supply chain network and centralised services run from the Netherlands, such as IT and data management. Aside from that, we expect to implement our new online environment and the first version of our new ERP landscape in Belgium (and partly in the Netherlands as well).

For the coming year, we expect our plans to help us improve results and the free cash flow in a relatively stable market. We are cautious in our overall expectations on financial results, and we will not make any specific predictions for the year.

In terms of quality, we have identified the following key components that will be shaping the development of our financial results in comparison to 2019:

- After completion of the integration phase, we will be able to start delivering on our promise to the joint customers of Sligro and Heineken. From the second half of 2020 onwards, we will gradually be capitalising on the logistic advantages and upsell potential that comes with that.
- De Kweker will still add an approximate €55 million in further inorganic net sales growth in the first six months of the coming year and is expected to make a positive contribution to profit per share.
- In Belgium, we will be looking to make the step to posting a gross operating profit next year, based on the existing infrastructure.
- Further result improvement will come from efficiency improvements, which will be easier to attain in a growing market than in a shrinking market.

In the long term (approx. 5 years), we will gradually move towards clear recovery of our earnings (EBITDA). Assuming growth in our markets returns to long-term historic average levels, with due observance of the IFRS standards in force now, we will be targeting a rise in earnings to approximately 7.5% of net sales.

Netherlands

Sligro/De Kweker
Cash-and-carry stores

51

Sligro/Van Hoeckel/De Kweker
Delivery service sites

9

Distribution centres for Heineken

9

Culivers/Smit Vis
Production sites

2

Other sites

Bouter
Institutional kitchen specialist

Tintelingen
Online gift concepts and Christmas gifts

ZiN
Inspiration lab

Stores in the Netherlands

- Head office
- Central distribution centre
- Production sites
- Cash-and-carry sites
- Delivery service sites
- Heineken distribution centres
- Bouter
- ZiN inspiration lab

Management team in the Netherlands[1)]

Country Director of Food Service Netherlands
Dries Bögels (47)

Delivery Director
Dirk van Iperen (45)

Cash-and-Carry Director
Kees Kiestra (51)

CSCO
Gerrit Buitenhuis (55)

HR Director
[vacancy]

CB&MO
Tico Schneider (45)

CIO
Maurice van Veghel (47)

Finance Director
Gerben Bos (45)

Marketing Director
[Vacancy]

Sligro Food Group CEO
Koen Slippens (52)

Sligro Food Group CFO
Rob van der Sluijs (43)

1) Situation as at 1 January 2020

Market and market size in the Netherlands

In tracking the development of the food service market in the Netherlands, we use data from FoodService Instituut Nederland (FSIN). This institute makes its market estimates based on consumer spending and also expresses the market in terms of wholesale prices, which is our benchmark.
The difference between consumer spending and wholesale prices lies in VAT and the value added (incl. general price trends) for parties purchasing from wholesalers, i.e. our customers. The development of consumer spending and wholesale value will, therefore, not necessarily be in sync, seeing as they involve different units. The value added included in consumer spending differs greatly from one food service market segment to the next (healthcare institutions, restaurants, corporate catering, canteens at sports clubs).

For 2019, FSIN estimates that the food service market in terms of consumer spending has grown by 4.4% on the previous year, measured based on a calendar year. Most of this growth came on the back of rising prices, partly due to the increase in VAT in 2019. Market size in terms of consumer spending therefore totals approximately €21.0 billion.

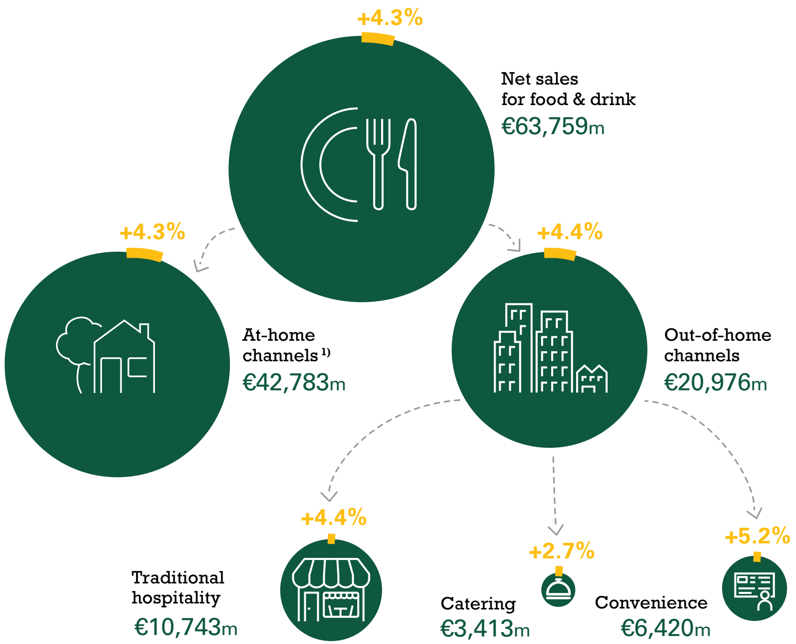
FSIN estimates the derived market in terms of wholesale value to be worth €6.8 billion, which would mean 2.4% growth on the previous year, based on the revised market definition. As of 2019, FSIN goes by a different definition of the market. The main changes to the definition are the exclusion of tobacco products and the addition of 'sales through retail' and 'sales through logistics service providers.' We welcome this revision of the definition, and see it as a first step towards a more complete picture of the market, as boundaries in the market between supermarkets and food service wholesalers are blurring.

One caveat that FSIN itself also adds is that the 'sales through retail' element of the new definition of the market currently only looks at what we consider to be a very rough estimate of the share of net sales from delivery services provided by retailers that is generated by business customers. Furthermore, it seems as if these retailers' growth solely goes at the expense of traditional wholesalers, who only grow by 1.4% under the new definition. This is, in our view, an incomplete picture, as business customers also purchased and purchase from traditional brick-and-mortar supermarkets, and part of the growth of retail delivery therefore also comes from these retailers' brick-and-mortar supermarkets. Given that insight into the extent of this flaw is lacking, it is disregarded for the updated food service market definition.

Market size in wholesale value in the Netherlands
€6.8 billion

Netherlands
17.4 million residents

Net sales in the Netherlands[2]
% growth 2018-2019



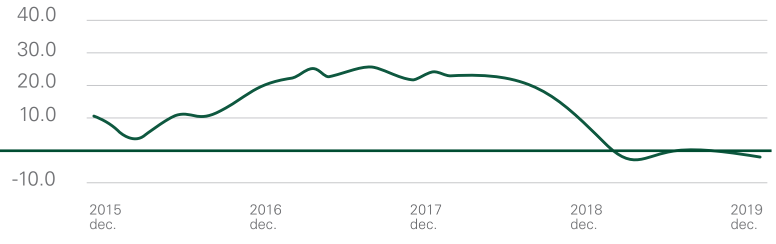
[1] Excluding non-food and supplies to hospitality
[2] Consumer spending incl. VAT

Source: FoodService Instituut Nederland (FSIN)

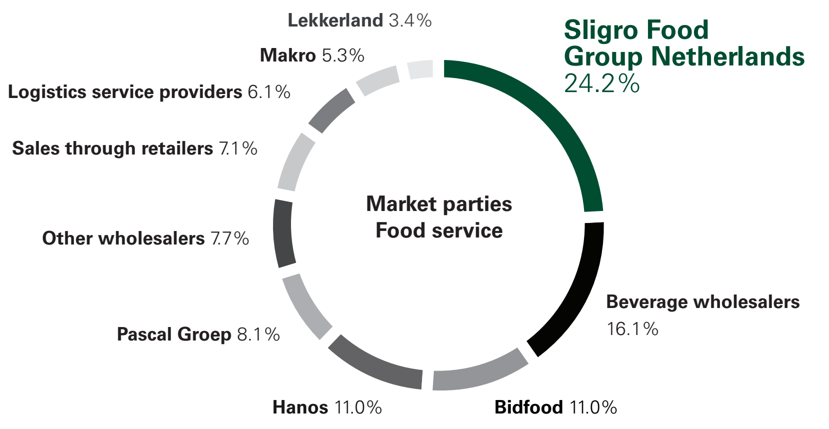
The revision of the definition has also been applied to comparison years, which gives us a representative picture of development through the years. Seeing as Sligro also operates in the petrol segment, a considerable share of our sales came from tobacco products. Under the revised definition, our share consequently drops slightly (approximately 1%) in an absolute sense, albeit that we continue to be the largest player in the market by miles. We were unable to keep up with the market on organic growth alone, while acquisition of De Kweker could not fully take us up to the market level of growth either. Growth in the Netherlands amounted to 1.9%, strengthening our position among traditional wholesalers, but we were unable to fully keep pace with the (new) market as a whole. As a result of FSIN's market definition excluding not only tobacco products, but also (consumer) non-food products and net sales from SME customers, roughly a quarter of our total sales in the Netherlands is not included in the calculation of our market share. We have no problems with that, provided it is applied consistently, but it is still relevant to note.

Consumer confidence

Source: CBS



Market share in the Netherlands



Food service market parties[1)]

as %	2019	2018	2017
Sligro Food Group Netherlands	24.2	24.3	22.7
Beverage wholesalers	16.1	16.7	19.1
Bidfood	11.0	11.3	11.6
Hanos	11.0	10.6	10.2
Pascal Groep	8.1	8.0	7.9
Other wholesalers	7.7	7.8	8.0
Makro	5.3	5.4	5.5
Lekkerland	3.4	3.5	3.6
Wholesalers sub-total	**86.8**	**87.6**	**88.6**
Logistics service providers	6.1	6.0	5.7
Sales through retailers	7.1	6.4	5.7
	100.0	**100.0**	**100.0**

1) Source: FSIN

Financial results in the Netherlands[1]

x € million

		2018
2,166	Net sales	2,126
24.6	Gross margin as % of net sales	24.2
130	Gross operating profit (EBITDA)	111
76	Operating profit before amortisation (EBITA)	73
57	Operating profit (EBIT)	56
56	Pre-tax profit	60
45	Net profit	49
756	Average net invested capital	
78	Net investments	52
6.0	EBITDA as % of net sales	5.2
3.5	EBITA as % of net sales	3.4
2.6	EBIT as % of net sales	2.6

1) Continuing operations

Developments

Sligro Food Group Netherlands 2019

In 2019, we faced a challenging market in the Netherlands, with slumping value growth and a slight drop in volumes on the one hand and substantial cost inflation on the other. Both in our cash-and-carry operation and our delivery service, we have a high level of operational leverage, meaning that the above developments pose us considerable short-term challenges. In the slightly longer term, our business model will enable us to better absorb these movements in efficiency and pricing.

At Sligro in the Netherlands, a lot of time and effort has, besides the usual focus on day-to-day operations, gone into the larger strategic programmes. Most of these programmes are still in a phase that is mainly about making investments and where still few tangible financial results can be presented. In combination with the market conditions of 2019, this led to additional pressure on our profit. Looking back, we can conclude that although the balance between our focus on day-to-day operations and our focus on strategic programmes was not always optimum, it will give us a solid starting position for the future.
In addition to our financial performance not being up to our expectations, we therefore also look at the good progress made on the various programmes and projects over the past year. After all, these will drive recovery of our results and further growth over the coming years.

Heineken partnership

Collaboration with Heineken went smoothly again in 2019. We are seeing that teams from both companies are developing ever closer working relationships and are able to accommodate the similarities and differences between the companies' respective cultures in a way that ensures that the teams reinforce each other. As a result, work on the integration started with great energy in 2019, with a particular highlight being the completion of the technical and physical infrastructure that enabled building integration.

In 2019, the first 3 former Heineken wholesale sites were closed (Rotterdam, Hulst and Deventer) and operations transferred to newly expanded or entirely new Sligro delivery service sites in the same area. Meticulous preparation and planning, combined with close collaboration between the teams, made this all possible without inconveniencing our customers. The phase after the building integration is also going smoothly, inspiring trust for the remainder of the integration that we expect to wrap up just after the summer of 2020.

Although we are proud of this achievement, we do realise that the efforts that were put in in 2019 have not yet created added value for the joint customers of Heineken and Sligro. Needless to say, our customers do see that we are working towards a unique service model that will bring great benefits for them, but they reaped few benefits in 2019. Although many of the customers are excited about the prospect of us offering unified ordering, delivery and billing for Sligro and Heineken, and have stated their commitment to us, they have still taken part of their business to other supply partners in the short term, purely out of pragmatism. Although this is understandable and was expected, we underestimated the extent of it at the start of this project. Besides leading to loss of net sales, this also impacts on the efficiency of our logistics, because while losing sales (especially of beverages), we did still continue to supply beer and cider on behalf of Heineken. This effect was amplified by the split, in March 2019, with the wine supplier that Heineken used to work with. This split was always going to happen in the long run, because Sligro procures its wines itself and does not work with intermediaries in the supply chain, because they only push up costs. Following the split, a large section of the wine customers (on current contracts) stayed with the wine supplier, and we have since then been working, successfully, to win back these customers. One third of these customers chose Sligro at the time of the termination of the partnership, but this has meanwhile increased to two thirds. Although this is a good trend, we did lose approximately 40% of the wine sales we had acquired from Heineken over the year.

In the short term, we have invested a lot and endured several setbacks, but that is part and parcel of the start-up phase of a long-term partnership. But beyond the start-up phase, it will be a partnership for at least 15 years, over which we believe that both parties will reap the benefits of the efforts we have had to put in over these initial years. The phase during which these benefits will also materialise in financial terms may now be upon us, heralding a new promising phase of the Sligro-Heineken partnership.

In 2019, we also devoted a lot of our attention to preparations for the implementation of our new IT and building of the first version. Both the online environment and the ERP landscape will be replaced over the coming years, and although the first end-to-end ERP implementation will be in Belgium, it is shaped largely by the Netherlands-based organisation. It is important for us to be able to rely on commitment from our teams to the development of the new environment, and we are very pleased with the way they have taken this on. The flipside, of course, is that devoting so much attention to such a programme goes at the expense of the attention we can devote to regular operations.
The programme itself is on schedule and going as planned in terms of the timetable, scope and costs. Preserving the old environment for the Netherlands on the one hand and the building of a support organisation for the new environment on the other comes with extra expenses that are pushing down our profits. This was expected and we are closely tracking this situation. Although we consider this a crucial strategic investment, it does impact on our financial results.

Over the past few years, we have seen a shift in the market from purchasing at cash-and-carry stores to getting goods delivered. Our customers like to be able to use both channels and we have seen first-hand that customers who primarily use the delivery channel, still frequently go to cash-and-carry stores as well for personal contact and inspiration. At Sligro, we have also seen a drop in net sales in the cash-and-carry segment, and we expect this market trend to continue over the coming years. In 2019, we launched a programme that includes a range of initiatives to ensure our cash-and-carry stores continue to be attractive propositions for our customers going forward, and therefore continue to generate earnings for the Group. We have called it the ‘Next-gen cash-and-carry store’ programme, which covers all elements of the branding, the format, the product range, advertising and promotion, omnichannel opportunities, the supply chain and operations at stores and the support organisation. For all these elements, we have made plans, some of which have already been put into action in the form of pilot projects.

Examples include:

- Infrastructure cost reduction by reducing the size of stores and other sites, and reduction of refurbishment costs.
- Pilots launched to allow customers to order both fresh produce and a wide range of non-food items online at the store, instead of these products being physically on display in the store.
- At our Den Bosch store, we have been trialling a service where relatively small deliveries are delivered to customers via the cash-and-carry store as a transfer location, Sligro Express.
- Approaching customers online and on their mobiles with personalised offers, advice and services based on data analysis.
- Scan of product ranges and module rearrangement.
- Amended promotion strategy.
- Insistent omnichannel approach between cash-and-carry and delivery.
- Actively approaching new (younger) target groups.

Besides these subjects, there are specific plans for many other domains that will be further fleshed out and implemented in 2020 and beyond.

Cash-and-carry sites

	Number of sites as at financial year-end		**x 1,000m² sfa[1)] as at financial year-end**	
x € million	**2019**	**2018**	**2019**	**2018**
2.0 style	25	29	159	181
3.0 style	25	21	189	169
De Kweker	1		12	
Cash-and-carry stores in the Netherlands	**51**	**50**	**360**	**350**

1) sales floor area

We acquired the parent company of De Kweker in 2019, adding approximately €130 million in net sales, with approximately €60 million coming from the cash-and-carry segment and the rest from delivery services. De Kweker has a unique position in Amsterdam and a fantastic site at the city's wholesale market (Food Center Amsterdam).
Many of De Kweker's customers work in the heart of Amsterdam, creating a distinct dynamism that differs significantly from that at many of the existing Sligro cash-and-carry stores. This is why De Kweker is to maintain its own distinct character on the front end, while we will be integrating operations on the back end as much as possible. Besides De Kweker, the deal also included the company Vroegop AGF, which was already in a bad way when we acquired its parent company. We therefore decided for Vroegop AGF to cease operating and proceeded to dismantle the company in the second half of 2019. We were able to transfer some of Vroegop AGF's operations, its property and the jobs at Vroegop AGF to other parties at the wholesale market in Amsterdam. And we were able to offer many of the other employees suitable jobs locally at our company. The property owned by De Kweker that we intend to stop using in the long term (after integration into our delivery service site in Amsterdam) has meanwhile been sold and we have leased it back on a short lease. Further integration of support functions in Veghel and harmonisation of procurement conditions is currently under way. We therefore expect the acquisition to already start contributing to our earnings per share in 2020.

Plan for next year in the Netherlands

Our annual theme for 2020 will be 'Give me Five', in reference to the most important and impactful multidisciplinary goals that we have set for the new year. These are:

- Excel in customer satisfaction in the delivery segment
- Excel in customer satisfaction in the cash-and-carry segment
- Increase returns in the delivery segment
- Successfully launch SAP
- A happy, committed and professionally strong team

We have been offering our customers an online ordering environment for deliveries for many years now, but our customers want more. The digital transformation that we have embarked on is, therefore, focused on much more than ordering alone. Our goal is to build the ultimate digital platform for food service. While ordering will indeed be a key component of that platform, it will also give customers access to a range of new services and solutions that are relevant to them. In creating this state-of-the-art platform, we are teaming up with several partners, including Heineken, whose current ordering platform we will be integrating into Sligro's new (SAP) environment. Aside from that, we are working closely together with a number of service providers that offer our customers relevant services such as Temper for agency workers in the hospitality industry, which was the first service to be rolled out in 2019. Our new customer solutions team will develop and launch new concepts over the coming years to facilitate our customers in areas that are crucial to them (such as staff shortages, improvement in returns, energy, waste, cleaning, streaming services and delivery solutions).

Our partnership with Heineken will be entering the next phase in 2020. With the integration set to be completed, we will be able to start offering our customers, from mid-2020 onwards, the kind of convenience we had in mind when we signed this deal.
Customers will get a unified online environment where they can do their ordering and get inspired, enjoying the convenience of having only one delivery and a reduced administrative burden because they will get a unified invoice for Heineken and Sligro products and services. Now this is what we call making life easier for customers, which makes ours an attractive proposition.

Over the past few years, there were times that we were unable to offer our customers our usual high level of service in the basic delivery service. Due to the many changes, caused in part by the integration efforts, deliveries were not always on time and in full. On top of that, there was considerable turnover in our driver force that led to our customers not always feeling that the driver knew and understood them. These are issues that exist across the market, but that is not reason for us not to do anything about it. In 2020, we will put things back in order by returning the basic delivery process to the usual high level that can be expected of us as the market leader.

With the cash-and-carry domain in a state of flux, we are going to have to change our cash-and-carry stores and our proposition to customers to keep pace. A true omnichannel proposition lets customers decide whether to go to a bricks-and-mortar store or order goods online and have them delivered, whereby it is up to us to facilitate both options with the highest possible level of service. The combination of delivery and cash-and-carry stores will remain, but there will be changes in each segment individually. In 2020, in continuation of the 'Next-gen cash-and-carry stores' programme launched in 2019, we will take the following digitalisation steps in the cash-and-carry domain to make our online environment more accessible to customers of our cash-and-carry stores. We will make the product ranges available online and will be facilitating our customers more at all touchpoints with Sligro, in the physical, online and mobile domain. This also calls for a better and more personalised offering, which we can offer based on our data intelligence.

The changing environment also requires us to take a critical look at our infrastructure. Following a review of the entire network, we have identified opportunities for a minor downsizing of the network in the long term. This will only to a limited degree be a downsizing in terms of reducing the number of sites, as it will largely consist in downsizing individual sites.
Over the past years, we have run several pilots with reduced-size cash-and-carry stores (type 3) of between approximately 5,000 and 6,000 square metres in combination with in-store ordering solutions for access to new products and products that are no longer physically on display in the store. Reducing the size of stores mean less investment in stores, which benefits our returns.

To also address the trend towards delivery in the cash-and-carry domain, we have trialled a number of delivery and pick-up options from our cash-and-carry stores. In 2020, work on this hybrid of cash-and-carry and delivery will continue and it will be rolled out to make the delivery option available to ‘low-volume’ customers through Sligro Express. While deliveries for large and institutional customers will continue to be handled by our specialist delivery sites, our network of cash-and-carry stores can be used for deliveries to local smaller customers (possibly combined with a standing delivery order with our delivery service).
Integration of De Kweker’s cash-and-carry store into the Sligro infrastructure is set to be wrapped up in 2020. Needless to say, De Kweker will maintain its distinct profile in the market, with product ranges and services that match the location. The integration is more about back-end processes and systems.

In the delivery segment, we will be completing the Heineken integration in the coming year, while De Kweker’s delivery operation will be prepared for further integration around the turn of the year. The Heineken integration phase will be followed by an optimisation phase. As soon as our customers have access to the combined Sligro and Heineken product ranges on the new online platform and can place orders, we will see operational efficiency gains on the delivery side. Sligro and Heineken orders and transport will gradually be combined and optimised, always in close consultation with our customers, i.e. they set the pace. Service quality comes first.
Cost inflation has soared over the past years, and will also still have an impact in 2020. We are still seeing plenty of opportunities for efficiency gains, as well as ways to boost our returns through a range of minor (individual) optimisations. As explained, we have had to put a lot of extra effort into shaping the various integrations over the past years, but these efforts will no longer be required from mid-2020 onwards. Besides, we will stop using the physical infrastructure of the former Heineken wholesale sites and start using refurbished and expanded delivery service sites, which will also lead to cost savings. As pointed out earlier, we will be rolling out new low-volume delivery options to reduce the strain on our delivery service sites and reduce costs in the supply chain.

In 2020, we will continue with our ongoing analysis of further mechanisation options in logistics. We have identified mechanisation possibilities for both the central complex in Veghel and the various delivery service sites across the country. Although the business cases are still rather challenging, current demographic developments and increasing labour shortages are forcing us to prepare for a future with more mechanisation.

The first implementation of our new IT landscape will be to migrate our customers in the Netherlands and Belgium to the new online platform. This will be done in mid-2020, while the support organisation behind it, both for the technology and data, will primarily be built within the central organisation in the Netherlands. In the second half of 2020, the first end-to-end ERP implementation will follow in Belgium, which will also require ample support from the central organisation in the Netherlands. With these implementations, we are laying an important foundation for the full switch to SAP in the Netherlands around 2022, which will require considerable attention over the coming year.

All the changes we have implemented across our organisation have affected our employees, including their job satisfaction. Partly due to the organisational adjustments following the sale of EMTÉ, there have been numerous staff changes and changes to roles and responsibilities. We have also changed the organisation’s governance model. In 2020, we will continue in our efforts to reshape the way we work together with people and in teams, while preserving what has traditionally been good. We are going to further embed the organisational structure to regain clarity and efficacy in roles and responsibilities. The governance of the organisation has been changed and needs to be embedded further in 2020, including a matching leadership style. It is, finally, important to us that all of the above is done with due regard for our company's entrepreneurial culture and the pride and passion of our employees that goes with it. This is not a given and therefore something we will also be supporting by launching specific programmes.

Belgium

ISPC
Cash-and-carry and delivery service sites

2

Sligro-ISPC
Delivery service site with pick-up option

1

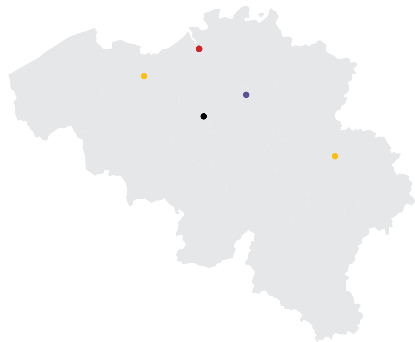
JAVA Foodservice
Delivery service site

1

Océan Marée
Production site

1

Stores in Belgium



- Cash-and-carry and delivery service site
- Delivery service site with pick-up option
- Delivery service site
- Production site

Management team in Belgium [1]

Country Director of Food Service in Belgium
Rudi Petit-Jean (53)

Finance Director
Chris Teugels (53)

HR Director
Bart Beerten (50)

Supply Chain Director
Bart Hallemeesch (50)

Chief Buying & Merchandising Officer
Bert Vanmoortel (38)

JAVA Foodservice Commercial Director
[Vacancy]

Sligro Food Group CEO
Koen Slippens (52)

Sligro Food Group CFO
Rob van der Sluijs (43)

[1] Situation as at 1 January 2020

Market and market size in Belgium

Market size in wholesale value in Belgium €7.5 billion

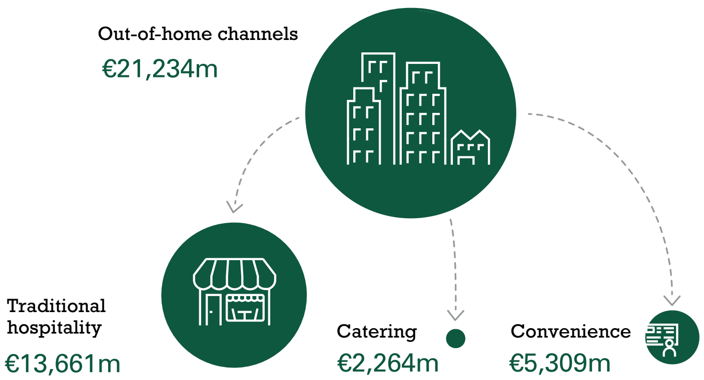
Belgium
11.4 million residents

Net sales in Belgium
Source: FoodService Alliance

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 food service market using information available on the market and its own interpretations. The definition used to determine the scope of the food service market in Belgium is different to that in the Netherlands and so scope is not directly comparable.

Foodservice Alliance presented a rather unusual picture of the market for 2019. Where, over the first three quarters, they consistently suggested that the market had shrunk by more than 3%, using a different definition, assumptions and measurement period, the alliance presented growth figures of around 3% for the market over the entire year.
With our 3.8% growth in Belgium, we outperformed the market and strengthened our position. Given a market worth around €21.2 billion in consumer spending, derived from this, we arrive at a market value at wholesale prices of some €7.5 billion.

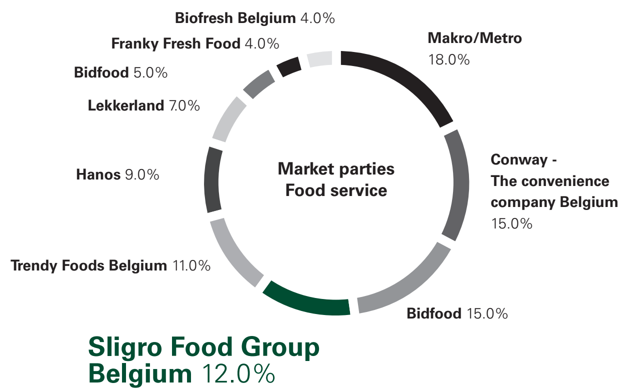
The market shares and players have not been measured consistently in recent years, meaning that, as in the Netherlands, there is no clear picture of market gainers and losers. The picture becomes even less clear if you consider, as Foodservice Alliance suggests, that almost two thirds of the market is still supplied via traditional supermarkets and fresh produce and other specialists.



This leaves one third of the market to the wholesalers and, within this segment, based on the figures for 2017, Foodservice Alliance sees the following market division. Although these figures are not up to date, they still give an idea of the players on the market and their relative size. Based on the combination of available figures, we deduce, with the requisite measure of caution, that our share of the market as a whole is around 3.5%.

Consumer confidence

Food service market parties[1) 2)]



1) Excluding out-of-sector net sales (tobacco, telephone cards, etc.)

2) According to FoodService Alliance, 2/3 of the professional market in Belgium shops at supermarkets and (fresh produce) specialists, while 1/3 shops at wholesalers

Financial results in Belgium

x € million

Figure	Measure	2018
229	Net sales	220
22.2	Gross margin as % of net sales	23.9
(3)	Gross operating profit (EBITDA)	3
(10)	Operating profit before amortisation (EBITA)	0
(13)	Operating profit (EBIT)	(3)
(14)	Pre-tax profit	(4)
(11)	Net profit	(3)
117	Average net invested capital	
7	Net investments	22
(1.3)	EBITDA as % of net sales	1.2
(4.4)	EBIT as % of net sales	(0.2)
(5.7)	EBIT as % of net sales	(1.5)

Developments

Sligro Food Group Belgium 2019

In Belgium, we have worked hard on building on our market position in 2019, albeit mainly through the individual formats. In Antwerp, Sligro-ISPC is showing sound growth and gaining ground in the region. The pace of the growth is steady, but the composition is different to what we had anticipated, with the delivery-service segment claiming a larger share than we initially expected. Operations in Antwerp were still tentative, partly due to the lack of experience with this model that has been long familiar in the Netherlands. In the fourth quarter, together with a team of colleagues from the Netherlands, an extensive inventory was made of all aspects of the operation, and numerous improvement initiatives were launched to increase the quality of services, boost efficiency and lower costs, even at the current level of net sales. The investments and start-up losses in Antwerp put significant pressure on the result in Belgium.

We recently updated and expanded the infrastructure in Rotselaar to prepare the location as a delivery service outlet for the Group. Following the opening of a new frozen food distribution centre last year, we went on to overhaul refrigeration and shipping & receiving, and we expanded the office space to accommodate the central back office for Belgium. These investments were made primarily with a view to gaining more ground in Belgium, in line with the 'you have to spend money to make money' thinking. All these investments have, after all, resulted in a significant increase in depreciation charges, placing pressure on the short-term results.

At the two ISPC outlets in Ghent and Liège we noticed that the market contraction is having an adverse effect at these locations too. We have developed the additional initiatives needed to keep our customers loyal and we will continue to focus on this over the coming period.

On balance, despite the challenging market conditions, we have grown and, so doing, strengthened our market position. Throughout the year, we were still working under inefficient conditions due to our diverse IT landscape, the various formats, and limited possibilities to push on with integration and improve staffing efficiency in the support departments. This will also remain the case until SAP implementation has been completed.

Looking back on our original plans for Belgium, we had anticipated faster expansion of the outlet network. We could compensate for this with acquisitions in 2016 and 2017; however, after the difficult planning permission process in Antwerp, we experienced a lot of resistance in 2019 too. This year we are continuing our search for sites in Belgium (where we can get planning permission) to accelerate our growth, so far without result however. Although the long-term vision has not changed in this regard, we have already started with an alternative plan to achieve better results based on the current infrastructure. This concerns both operational management in the existing locations and a partial revision of the way the organisation is set up, with an arrangement that makes more use of the services and network in the Netherlands instead of equipping everything separately centrally in Belgium. For the rest, we remain fully committed to growth, both organic and through acquisitions. The latter will also be an interesting route to growth after the SAP implementation, when we have the central platform in place for connecting the acquired companies.

Note 12 Goodwill and other immaterial fixed assets to the financial statements covers the impact of the developments on the measurement of the Belgium segment.

Cash-and-carry sites with pick-up option

	Number of sites as at financial year-end		x 1,000m² sfa[1] as at financial year-end	
x € million	**2019**	**2018**	**2019**	**2018**
Cash-and-carry	2	2	16	16
Delivery site with pick-up option	1	1	17	17
Total	**3**	**3**	**33**	**33**

[1] sales floor area

Steadily simplifying the organisational structure and harmonising processes has helped to optimise the structure of the organisation, standardise the processes and present customers with a consistent, unified profile. With this in mind, in 2019 we took the next step in the simplification process through the legal integration of virtually all the entities we still had in Belgium. That proved to be a complex operation, certainly at a stage where the IT still needs to be aligned, but it was essential in the run-up to SAP implementation. Moreover, this integration resulted in better alignment of the conditions of employment for staff in Belgium, where there were differences – arising from the backgrounds/acquisitions – that were undesirable in the long term.

In 2019, we also spent a lot of time preparing, together with the Belgian staff, for SAP, scheduled to be implemented in 2020. The basis of the new IT landscape was primarily developed in the Netherlands (with the full involvement of the Belgium management team), but must of course meet the legal requirements that apply in Belgium. In addition, Belgium will be the first to use the new systems and, in preparation, the project organisation in the country has been developed further. Although this process will impact on our staff considerably in the coming year, the benefits our customers will experience and the efficiency it will offer our colleagues are clear.

Plan for next year in Belgium

The annual theme for 2020 'Give me Five' has been fleshed out in Belgium too, resulting in the following priorities for the year:

- Excel in customer satisfaction in the delivery and cash-and-carry segments
- Increase returns in the delivery and cash-and-carry segments
- Get operational processes in order
- Successfully launch SAP
- A happy, committed and professionally strong team

Our success and further growth depends on having happy customers, and ensuring this has our ongoing attention. As already explained above, in 2020 we will focus on the quality of service and improving the customer-facing processes. In addition, we are investing in improved registration of complaints and suggestions and their follow-up so that we can improve our response time and service when issues arise.
Naturally, our main focus will be on keeping issues from arising at all.

To improve the return in Belgium, our main focus is on net sales growth. The market will continue to be challenging in 2020; however, we have a lot to gain in the market and, with the cash-and-carry and delivery concept of Sligro Food Group Belgium, we really have something to offer our customers. We also see opportunities for improving the gross margin both through the control of shrinkage via better assortment management and through the use of the group's exclusive brands. We see opportunities to increase productivity in the various business units by making smarter choices in regards to staff deployment and bringing this more in line with the growth taking place in delivery in particular.

Now that we are gaining brand recognition in Belgium, we also need to further harmonise the business processes. Not only is this, to a certain extent, a prerequisite for the implementation of SAP, it also contributes to ensuring consistent service and a consistent customer experience in all our business units in Belgium. This will entail implementing changes in areas such as field service, quality assurance, the organisation with fresh partners, and the way we set the conditions for our suppliers.

From this new business unit, we will review and optimise the organisational structure and third-party services, partly with a view to reducing costs. Finally, we will also make the integrated supply chain, along with the production sites and the central distribution centre in the Netherlands, more structured and efficient.

In Belgium, by merging the acquired companies and opening our first outlet under our own brand name, we have forged a new organisation in the country. This involved a certain measure of shifting and quality enhancement in staffing during a period in which the organisation itself was undergoing the necessary changes. We will use 2020 to further refine the structure and sharpen the division of roles between the Netherlands and Belgium in order to create clarity for our people and teams, which in turn should bring about more calm and stability.

The implementation of SAP in Belgium in 2020 is a very important step, especially given the current fragmented landscape which is inefficient and keeps us from providing our customers in Belgium with a consistent customer experience. The staff are being guided and trained in the use of the new systems and processes so that in the second half of the year we can implement our first end-to-end ERP system in Antwerp. Once this implementation has been evaluated, the other sites will migrate to the new system one by one. In the first half of the year, we will also launch the new online environment in Belgium so that the Belgian customer can already start seeing us more as a single organisation. Our outlets in Ghent and Liège that are still operating under the ISPC format will be converted 'pragmatically' to the Sligro-ISPC format in the first half of 2020, after which Antwerp, Liège and Ghent will all operate under one brand. After the summer, once SAP has been implemented, the outlets will also operate uniformly in terms of the systems used, and this will, in turn, strengthen the format policy. After 2020, both outlets will undergo far-reaching renovations to bring them into line with the 3.0 style.

Governance

Executive Board member details

Executive Board

Koen Slippens (52), CEO
Employment start date: 29 July 1998
Current position since: 21 September 2008
Education: Business economics

Rob van der Sluijs (43), CFO
Employment start date: 01 October 2007
Current position since: 18 March 2015
Education: Business economics, Registered controller

Company Secretary

Gerrie van der Veeken (58)
Secretary
Employment start date: 01 March 2005
Current position since: 01 March 2005
Education: Dutch law and tax law

International Board

Dries Bögels (47)
Country Director of Food Service Netherlands
Employment start date: 1 October 2014
Current position since: 1 January 2019
Education: Economics, Management & Organisation

Jacqueline Touw-Conradi (53)
Chief HR Officer (CHRO)
Employment start date: 11 March 2019
Current position since: 11 March 2019
Education: Human Resources Management

Gerrit Buitenhuis (55)
Chief Supply Chain Officer (CSCO)
Employment start date: 1 May 2016
Current position since: 1 January 2019
Education: Business Studies/Economics

Maurice van Veghel (47)
Chief Information Officer (CIO)
Employment start date: 1 January 2008
Current position since: 1 January 2019
Education: Civil Engineering, Construction IT

Tico Schneider (45)
Chief Buying & Merchandising Officer (CB&MO)
Employment start date: 1 September 2019
Current position since: 1 September 2019
Education: Business administration

Supervisory Board member details

Freek Rijna, (64) Chairman
Supervisory Board member, Dutch nationality (m). Appointed to a 4-year term in 2016, subsequently eligible for reappointment. Chairman of the Holland Opera Supervisory Board, member of the CRV Holding B.V. Supervisory Board and member of the Royal Cosun Executive Board.

Hans Kamps (60)
Supervisory Board member, Dutch nationality (m). Appointed in 2015 and then reappointed to a second and final 4-year term in 2019. Member of Heisterkamp Transport Supervisory Board.

Bart Karis (61)
Supervisory Board member, Dutch nationality (m). Appointed in 2012 and then reappointed to a second and final 4-year term in 2016. Chairman of Beter Bed Holding B.V. Supervisory Board.

Audit Committee

Hans Kamps, Chairman
Marianne van Leeuwen

Remuneration and Appointments Committee

Bart Karis, Chairman until 18 March 2020
Gert van de Weerdhof, Chairman from 18 March 2020
Freek Rijna

Marianne van Leeuwen (58)
Supervisory Board member, Dutch nationality (f). Appointed to a 4-year term in 2016, subsequently eligible for reappointment. Member of Sonepar Nederland Supervisory Board and President of AVV Zeeburgia football club.

Gert van de Weerdhof (53)
Supervisory Board member, Dutch nationality (m). Appointed to a 4-year term in 2017, subsequently eligible for reappointment. Member of Wereldhave N.V. Supervisory Board, Chairman of Ctac NV Supervisory Board, Member of Accel Group Supervisory Board, Member of Mercy Ship Holland B.V. Executive Board.
Member of World Wildlife Fund (Dutch branch) Supervisory Board.

Report of the Supervisory Board

In our supervisory role, we devoted attention during the past year to a number of recurring topics. To ensure that no important matter is overlooked in the discussions, we work with an annual calendar. In addition to items from the annual calendar, the meeting agenda includes matters arising from the figures for the period, market developments and opportunities, and key programmes and subjects like CSR and employee engagement.

More so than anticipated at the end of 2018, a number of large programmes aimed at achieving the strategic goals still dominated in 2019. Most of these programmes are still in a phase that is mainly about making investments and where still few tangible financial results can be presented. In this phase, we assess, in particular, whether the programmes are progressing according to plan and whether the costs and benefits as presented in the business cases remain overall realistic and feasible, meaning value will be added in the long term.

Heineken

The partnership with Heineken and progress in the far-reaching integration programme is a recurring topic during meetings of the Supervisory Board. The collaboration between Sligro Food Group and Heineken is going very well, with the mixed teams pursuing and completing the integrations very energetically and successfully. The integration activities in the area of IT and physical infrastructure have been under way for two years now and will be completed within the originally estimated three to four years.

We have seen, however, that the phasing of these integrations has been delayed somewhat compared to the original schedule. Although the impact of this delay will not be substantial over the entire partnership period of at least 15 years, in the short term this means that, for the first few years, the Sligro Food Group must operate under less than ideal conditions and our customers will not yet be able to enjoy the benefits (one order, one truck, one invoice) during this time. Additionally, this means there was a negative impact on sales resulting from the end of the deal with Heineken's former wine supplier. For the customer, three to four years is a long time to have to wait. Accordingly, in recent years the focus has mainly been turned inward, carefully fashioning the collaboration such that shared customers can be offered an even more attractive proposition. This will also increasingly be the case from 2020, so that a start can be made on bringing about the benefits for the customer and for both partners.

We spoke to the Executive Board about the planning process, the originally estimated lead times, and the delays that have occurred. We found that the degree of complexity is high and that, despite careful preparation, not all problems occurring during the integration process were, or could have been anticipated in the original plan. The Executive Board regularly updates its plan using the current knowledge and insights and keeps the Supervisory Board updated on the status. This way, progress is monitored while ensuring that the business case is still valid in terms of the feasibility of achieving the ultimate benefits.

The new IT landscape

After an extensive and carefully executed preparation process in 2018, Sligro Food Group completed the design of the new IT landscape in 2019 and started the build of a first version of the system that will be implemented in Belgium in 2020. The guiding principle has been to stick as much as possible to the standard solutions offered by the various software suppliers, and this 'stick-to-standard' approach has been successful too. As a result, the scope, lead time and costs can be planned with more accuracy, and no major deviations from the original schedule have been observed so far. In addition to keeping an eye on the technical progress of this programme, the Supervisory Board also pays a lot of attention to the consequences for the organisation and the employees. After all, this involves a significant change for the employees and they will need a lot of guidance and training. The Executive Board has already taken this into account in the preparations and, concurrent with the building of the system, is also working on an extensive change programme to prepare the organisation for the new process and system environment.

Almost all members on the Supervisory Board have experience with similar implementations and are sharing their knowledge and experience with the Executive Board, as well as directly with some of the team members closely involved in the programme. In addition to the regular meetings, Supervisory Board members also have frequent contact with the CIO to discuss progress.
With the implementation of the new online environment for the Netherlands and Belgium in the first half of 2020 and the first end-to-end implementation in an outlet in Belgium in the second half of 2020, this programme is heading into an important year. Given the preparation and progress to date, we can look forward to that with full confidence.

EMTÉ
Although the sale of EMTÉ was completed by mid-2018, the demerger from Sligro Food Group and the resulting adjustments to the central organisation still required a great deal of attention in 2019.
In the finely intertwined pre-sale organisation, economies of scale in purchasing and central costs were shared. The loss of retail also entailed the loss of some of this purchasing power and a disappearance of a significant share of cost recovery resources. In 2019, the Sligro Food Group purchasing team worked hard to limit the negative consequences for purchasing, and they succeeded in this regard.

This is a different story in the area of costs: the loss of cost recovery resources moved at a faster pace than the reduction in costs. This was often a matter for consideration when the Supervisory Board was studying the figures for the period. The reduction in the number of employees at head office at first moved a bit slower than planned, but was largely completed by the end of 2019. We discussed with the Executive Board how the later-than-planned phasing out of support activities for the Group, as well as the effect of all the changes the organisation is facing, were important factors in the delayed cost reductions. Although the ambitious timeline set by the Executive Board for this process, with a reduction of more than 20% of the central overheads within 12 months of the sale, has not been achieved, in our view achievement of this within 18 months of sale is satisfactory.

The Supervisory Board also found that a reduction in the number of employees alone is insufficient to reduce costs to such an extent that this fully compensates for the pressure the loss of the retail activities has placed on Foodservice results. The costs of IT and infrastructure are, after all, more of a fixed nature, and the recovery of these costs through retail has now disappeared. However, by deploying the IT and infrastructure for Belgium and for the further growth of the company, the lower extent to which costs are now covered will be offset in the long term. In the short term, however, this still places pressure on the Group results.

Operations in the Netherlands and Belgium
In addition to the large-scale programmes, in 2019 considerable attention was paid to the operational performance in the Netherlands and Belgium. It soon became clear in 2019 that the assumptions underlying the budget were no longer realistic and that adjustments to plans and expectations were required. Consumer confidence in the Netherlands and Belgium fell sharply at the start of the year, resulting in a strong decline in growth in both markets. This, in combination with a significant increase in the sector-wide costs of transport and wages, made doing business more difficult, which was reflected in the results.

Given the limited scope for adjusting costs in the short term when net sales decrease, this has an immediate negative effect on results. The Supervisory Board has had numerous discussions with the Executive Board about the latter’s plans and measures to reduce costs and, ultimately, increase flexibility. Both in the supply chain for delivery and in the infrastructure for cash-and-carry, the Executive Board sees sufficient opportunities to make further cost reductions over time and to make costs more flexible. These plans were already initiated in part in 2019.
The Supervisory Board also regularly and extensively discussed with the Executive Board the newly introduced organisational model and the performance of individual direct reports to the Executive Board.

The Supervisory Board regularly discussed developments in Belgium as well. The Belgian food service market is attractive when it comes to the structure, the customers and the potential net sales model. However, it has now also become clear that the original roll-out strategy is no longer workable, mainly given the persistent delays in the planning permission process. For this reason, the Executive Board has decided to adjust its plans to bring these in line with today’s reality. The current infrastructure was designed to handle rapid growth in the number of outlets, which will now take a little longer. This means that, despite the expected growth through the addition of outlets and net sales growth at existing outlets, the organisational structure will be redesigned in the short term, focusing on achieving cost savings at the current size. Concrete examples of this are making more use of combined activities with the Netherlands in the area of supply chain and IT and data. Moreover, after the SAP implementation has been completed in Belgium, further growth through acquisitions will also become more interesting, whereas this would introduce too much complexity at this time.

In the Netherlands, we see in particular that the organisation has devoted a great deal of time to the large-scale programmes, occasionally at the expense of focusing on operations. When the opportunity to acquire De Kweker arose, the Supervisory Board and the Executive Board also extensively discussed the extent to which the proposed acquisition was feasible at that time. In order to reduce the pressure on the Group somewhat, the Executive Board has opted for a more phased integration process, one that takes into account projects already under way, like the Heineken integration for example. The Supervisory Board concluded that this choice, in combination with a convincing business case, provided sufficient grounds for agreeing to the acquisition. The fact that the type of acquisition was one that Sligro Food Group had done many times in the past also played an important role in the considerations. The acquisition has been completed and the integration process is running smoothly. The way the dismantling of the fruit and vegetable business, which is not being continued, has been carried out and the speed with which this was done shows that this type of acquisition is very suitable for Sligro Food Group. The acquisition will already contribute to the results in the first year after the acquisition.

Supervision

In 2019, the Supervisory Board convened on its own for five sessions and together with the Executive Board for two additional sessions. The Response Plan was the item on the agenda for the first joint meeting. The purpose of this meeting was to increase the members' (of the respective boards) understanding of the technical, practical, procedural and strategic aspects that must be taken into account in the event of a takeover bid for the company. The second joint meeting was an 'in-depth' meeting, which has now become a tradition. This time, the in-depth meeting mainly concerned the Sligro 'Zelfbedieningsgroothandel van de toekomst' (Cash-and-Carry of the Future).

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

In 2019, a member of the Supervisory Board was present as an observer at two meetings of the Dutch Works Council. We are pleased to report once again that, as always in the Sligro Food Group, the Executive Board and the Works Council held their consultations in a frank and constructive manner.

The Supervisory Board has set up two committees, i.e. the Audit Committee (AC) and the Remuneration and Appointments Committee (R&AC), selecting the members for each from among its own members. The plenary Supervisory Board remains responsible for all decisions, even where these have been prepared by one of the Supervisory Board committees. The committees are never chaired by the Chair of the Supervisory Board.

The Audit Committee advises the Supervisory Board and prepares its decision-making regarding the integrity and quality of the company's financial reporting and the effectiveness of the internal risk management and control systems.

The AC held five meetings in 2019, during which the financial reporting and the internal risk management and control systems were discussed at length.

The Remuneration and Appointments Committee advises the Supervisory Board and prepares its decision-making regarding the remuneration policy and the selection and appointment of members to the Executive Board and Supervisory Board.

The R&AC met twice in 2019. The first meeting mainly concerned assessing the extent to which the Executive Board members had achieved their bonus targets for 2018, setting the 2019 bonus targets for the Executive Board, and the Remuneration Report.
The second meeting was called to discuss the successor to Mr Karis.

On no occasion in 2019 was a Supervisory Director unable to attend a meeting of the Supervisory Board or the committee on which the member serves.

The table below shows the members' attendance rates at the meetings. The Supervisory Board carried out a self-evaluation, examining and assessing its own performance and that of the committees and individual Supervisory Directors. The Supervisory Board also evaluated the performance of the Executive Board and individual Executive Board Directors. Input was requested from the Executive Board for this purpose. The results of the evaluations and assessments were discussed by the full Supervisory Board.

Attendance at meetings

	Supervisory Board meetings	AC meetings	R&BC meetings
Mr Rijna	100% (7/7)		100% (2/2)
Ms van Leeuwen	100% (7/7)	100% (5/5)	
Mr Kamps	100% (7/7)	100% (5/5)	
Mr Karis	100% (7/7)		100% (1/1)[1]
Mr van de Weerdhof	100% (7/7)		100% (1/1)[1]

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 achieve a balance of age, gender, work experience and educational background, while observing its general diversity policy and/or the statutory target for gender balance. With equally qualified candidates, if the statutory target has not yet been met, preference will be given to the candidate whose addition would allow the company to achieve or approach this target. Nationality is not a selection criterion.

The Sligro Food Group's Executive Board comprises two men, and the Supervisory Board has one woman and four men.
This means that neither the Executive Board nor the Supervisory Board met the statutory target in 2019. The composition of the Executive Board has arisen through a combination of long-term employment which leads to relatively few vacancies, a preference for recruiting from within the company, and the result of recruitment and selection based on the recruitment and selection policy applied in the past, which was largely in line with the policy described above. The latter point also explains the membership of the Supervisory Board. It is not yet known when the statutory target for gender balance on 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 Board as important matters and so, in addition to its own network, engages specialist consultants. The attention the Executive Board, the Supervisory Board and the Remuneration and Appointments Committee devote to the recruitment and selection procedures, and the professional external guidance they receive are the main drivers in ensuring that the best candidate is selected and that the distribution of seats on the boards between men and women is brought more closely into line with the statutory target.

Relationship with the external auditors

The Supervisory Board is responsible for engaging the auditors and supervising their performance. The Supervisory Board's Audit Committee, along with the company's Executive Board, assessed the performance of the auditors during 2019. The Audit Committee discussed the 2019 audit plan, which includes the materiality and scope of the audit and the principal risks in the annual reporting, with the external auditors. It also discussed the findings and results of the audit and the content of the auditor's management letter. In the management letter for 2019, the auditor included its observations and recommendations with regard to activities at Group level, the two countries in which Sligro Food Group operates, and the IT environment.

With regard to the Group, the observations and recommendations concern the further formalisation and roll-out of the Internal Control Framework, the risk analysis process (for fraud, etc.), and the consolidation process. These recommendations are endorsed by the Executive Board and are appropriate to the phase the company is currently in. In the entrepreneurial culture of Sligro Food Group, a good balance is always sought between entrepreneurship and formalisation of processes and procedures. The initiatives launched by the Executive Board relating to these matters will

[1] As the subject of this meeting was the succession of Mr Karis, Mr van de Weerdhof took over his role as the new Chair of the R&AC.

help to further strengthen the company's internal control in the coming years.
For the Netherlands and Belgium, the auditor has included a number of observations and recommendations to improve the processes surrounding master data (financial and otherwise) and authorisations regarding 'non-standard' manual and automated financial processes. Here too, the Executive Board endorses these improvement recommendations and will follow up on these in 2020.

The auditor also paid considerable attention to the company's IT landscape and the management of rights within this in particular. This has been a recurring item in the audit management letter for some time already. We agree with the observations and recommendations, but are also aware of the limitations in the current IT landscape to offer a technical solution for this issue. Work is under way to further strengthen the (manual) mitigation measures, and the specialists from the auditor and those from Sligro Food Group regularly coordinate their efforts to monitor progress. During the roll-out of the new IT landscape, many of the current observations and recommendations will be addressed and/or implemented during the set-up.

The Supervisory Board notes that the consultation between the auditor and the Executive Board concerning the auditor's management letter and the follow-up to this is constructive and that appropriate progress in improvement initiatives has resulted from this.

The Supervisory Board also notes, once again, that the auditor had not reported any material audit issues relating to the 2019 financial year requiring follow-up on the part of the Executive Board and/or the Supervisory Board. The Supervisory Board endorses the Executive Board's conclusions as regards risk management and control systems as set out on page 41.

Executive Board conditions of employment

The policy and report on Executive Board remuneration are published on the company website. There were no changes to this policy in 2019. As a result of the passing of the Dutch law on 1 December 2019 implementing the EU Directive as regards the encouragement of long-term shareholder engagement, a proposal to amend the remuneration policy to bring this into line with the new legislation will be made during the General Meeting of Shareholders scheduled for 18 March 2020. In view of the remuneration policy currently in effect and which is being applied, the change in the law will not result in any material changes to the remuneration policy.
The details of the Executive Board's remuneration are given each year in the financial statements.

Once every three years, the remuneration package is benchmarked against a reference group of around twenty companies. The most recent benchmark was carried out in 2018, following the one in 2015.
Based on the benchmark results, it was decided to increase the fixed and variable remuneration for both Executive Board members by 10% as per 1 January 2019.
The short-term and long-term bonus scheme both result in a payment of 30% of the fixed salary upon achievement of the targets in the 'at target' level. Achieving the forecast profit accounted for half the target for 2019, with the other half comprising meeting the following sub-targets:
1. SAP implementation on schedule as planned;
2. Heineken integration on schedule as planned and 2019 budget delivered;
3. set-up of the new organisational model and management complete, including new financial and KPI reporting structure, with due attention to our culture;
4. 'ZB van de Toekomst' (Cash-and-Carry of the Future) plan worked out in detail and initial pilots performed in 2019.

The ratio of total bonus to fixed salary reflects an appropriate, enterprising level of incentive. The remuneration policy is based on the principle that the variable part of an individual's remuneration should not be disproportionate to the fixed component or form an excessive amount of the total remuneration. As bonuses under the long-term bonus plan and the share option plan have to be taken in locked-up shares, the variable elements of the remuneration package are also aimed at creating long-term value.

In 2019, the variable remuneration was 25% (2018: 39%) of the at-target level. The main reason for the at-target level not being reached was that profit fell short of the target set for this. SAP implementation is on schedule. In the view of the Supervisory Board, the Heineken integration is also well on track; the target set in the budget has not, however, been achieved due to pressure on sales. The new organisational structure has been set up and implemented, although making it an embedded part of the entrepreneurial culture will require attention in the coming period as well. The 'ZB van de Toekomst' (Cash-and-Carry of the Future) plan has been set up – with some aspects worked out in detail and others outlined – and various pilots have been set in motion.

Staffing changes

Having reached the end of his maximum tenure under the articles of association, Mr Karis will step down from the company's Supervisory Board at the upcoming General Meeting of Shareholders on 18 March 2020. We owe him a very great debt of gratitude for everything he has done in propelling Sligro Food Group's further development over the past eight years.

As Mr Karis steps down, Mr Pieter C. Boone is nominated for appointment to our Supervisory Board. Mr Boone (52) has held various management positions in the Netherlands and abroad at Makro (SHV Holdings N.V.) between 1992 and 2010 and was Metro AG's CEO in Russia until 2015. Between 2015 and 2018, Mr Boone was Metro AG's COO and a member of the company's Management Board. At the end of 2018, Mr Boone was appointed to the Supervisory Board of Beter Bed Holding N.V. Mr Boone has shown to be a good candidate for the soon-to-be-vacated seat on our Supervisory Board. The extensive experience he gained in the Netherlands and internationally while working at Makro and Metro make him a very valuable addition to our Supervisory Board.

A more detailed CV will be attached to the agenda for the General Meeting of Shareholders of 18 March 2020.

At this same meeting, Ms Van Leeuwen and Mr Rijna will both be up for reappointment to the Supervisory Board for a second and final term.

Financial statements

The 2019 financial statements have been prepared by the Executive Board. These were discussed at a meeting attended by the external auditor, who provided further information on these. The financial statements have been audited by Deloitte, whose unqualified report can be found in 'Other Information' on page 130.

The Supervisory Board agrees with the financial statements as prepared by the Executive Board for the financial year 2019. For 2019, it is proposed to pay a dividend of €1.40 (2018: €1.40) per share.
We propose that the shareholders:
- adopt the 2019 financial statements;
- approve the proposed dividend;
- grant full discharge from liability to the members of the Executive Board in respect of their management over 2019;
- grant full discharge from liability to the members of the Supervisory Board in respect of their supervision over 2019.

The Executive Board had intended to devote 2019 more to the business of the day. Looking back over the year, the Supervisory Board concludes that this was only successful to a certain extent. The integration of Heineken, preparations for the SAP implementation, and the consequences of the EMTÉ demerger all still required a great deal of attention while, at the same time, the deteriorating market conditions in the Netherlands and Belgium also needed to be addressed. It is admirable that the Executive Board stood firm and stayed its chosen course; unfortunately, however, in 2019 that also resulted in pressure on sales and the company's performance. This is all the more reason to aim for the completion of a number of programmes in 2020 and to fully focus on operational recovery and the start of a period in which the company can profit from the programmes initiated in recent years.

Veghel, 31 January 2020

Freek Rijna, Chairman
Hans Kamps
Bart Karis
Marianne van Leeuwen
Gert van de Weerdhof

Corporate governance

Main points on the corporate governance structure

Sligro Food Group is a company incorporated under Dutch law with a two-tier management structure comprising an Executive Board and an independent Supervisory Board.
Sligro Food Group N.V.'s management under the articles of association is referred to as the Executive Board in this annual report. Balancing the interests of all stakeholders involved in the Group, as required under Dutch law and the corporate governance code, has long been a key cornerstone of corporate policy. 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 the deployment of its people and resources. The Executive Board keeps the Supervisory Board up to date on progress and developments, consults the Supervisory Board on all substantial matters, and submits important decisions to the Supervisory Board and/or the General Meeting of Shareholders for approval. The Supervisory Board notifies the General Meeting of Shareholders 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 of Shareholders. Decisions on material matters are always made jointly, and all members have shared responsibility.

Supervisory Board

The Supervisory Board reviews the policy of the Executive Board and supervises general affairs of the company. In addition, the Supervisory Board supports the Board of Directors in an advisory capacity. In fulfilling their duties, the members of the Supervisory Board are always guided by the company's interests. The Executive Board promptly provides the Supervisory Board with the information it needs to perform its duties.

Supervisory Board members are appointed by the General Meeting of Shareholders following nomination by the Supervisory Board. Supervisory Board members step down at the latest at the close of the first General Meeting of Shareholders following the day marking the fourth anniversary of their most recent appointment, and may be reappointed once. The remuneration for each member of the Supervisory Board is approved by the General Meeting of Shareholders.
The Supervisory Board appoints a Chair and a deputy Chair from among 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, comprising two Supervisory Board members.
The Supervisory Board has appointed a Remuneration and Appointments Committee, also comprising two Supervisory Board members.

General Meeting of Shareholders

The General Meeting of Shareholders 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 General Meeting of Shareholders 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 of Shareholders comprise the right to:

- appoint Supervisory Directors and approve the remuneration policy;
- adopt the financial statements and grant the Executive Board discharge from liability in respect of its management and 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 the authority to issue shares as yet unissued until 20 September 2020, subject to the approval of the Supervisory Board);
- repurchase and cancel shares (the Executive Board has been granted authority, until 20 September 2020, to purchase paid-up 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 of 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 measures

Sligro Food Group respects the one share/one vote principle and does not have any anti-takeover defences or other protection measures.

Conflicts of interest

In 2019, there were no material transactions involving possible conflicts of interest with any member or members of the Executive Board or Supervisory Board, nor were there any transactions with shareholders owning more than 10% of the shares.

Compliance with the Code

The revised Dutch Corporate Governance Code ('the Code') was published on 8 December 2016. Except for best practice provisions 2.2.1 ('Terms of appointment and reappointment for Executive Board members') and 3.2.3 ('Severance payments'), Sligro Food Group subscribes to the principles and best practice provisions of the Code. Neither deviation is new or of a temporary nature: Sligro Food Group also deviated from these parts of the equivalent provisions in the Corporate Governance Codes of 2004 and 2008. Both deviations are appropriate to the culture of Sligro Food Group as a listed family company.

Best practice provision 2.2.1 (Terms of appointment and reappointment for Executive Board members')
Members of Sligro Food Group's Executive Board are appointed for an indefinite period, meaning 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, including with its directors. Sligro Food Group prefers to appoint members of the Executive Board from within the company.

Best practice provision 3.2.3 ('Severance payments')
Sligro Food Group has not entered into agreements on the level of severance pay with any members of the Executive Board. This should be seen in the light of the fact that directors are appointed for an indefinite period and that such appointments may follow employment with Sligro Food Group in a position other than director.

Statement of directors' responsibilities

The Directors declare that, to the best of their knowledge:

1. the financial statements, as shown on pages 75 to 129 of this report, give a true and fair view of the assets, liabilities, financial position, and profit or loss of Sligro Food Group N.V. and the undertakings included in the consolidation taken as a whole; and
2. the Directors' Report, as shown on pages 11 to 48 of this report, includes a fair view of the development and performance of the business and the position of Sligro Food Group N.V. and the undertakings included in the consolidation taken as a whole (details of which are included in the financial statements) on the reporting date, together with a description of the principal risks and uncertainties faced by Sligro Food Group.

Veghel, 31 January 2020

Koen Slippens, CEO
Rob van der Sluijs, CFO

Corporate governance statement

This statement is included pursuant to Section 2(a) 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 must be included in this statement pursuant to Sections 3, 3(a), and 3(b) of said decree can be found in the following sections of the 2019 directors' report. The sections referred to below should be regarded as included and repeated here:

- information on compliance with the principles and best-practice provisions of the 2016 Corporate Governance Code (page 72 'Corporate Governance'). The Code is available in the Corporate Governance section of the company's website at sigrofoodgroup.nl;
- information on the principal features of the management and control system in connection with the Group's financial reporting process (page 41 'Risk management and control systems');
- information on the functioning of the General Meeting of Shareholders and its principal powers, and on the rights of shareholders and how these can be exercised (page 71 'General Meeting of Shareholders');
- information on the composition and performance of the Executive Board (page 63 'Executive and International Board member details', page 71 'Executive Board', and page 64 'Executive Board conditions of employment');
- the policy on diversity in the composition of the Executive and Supervisory Boards (page 23);
- information on the composition and performance of the Supervisory Board and its committees (page 64 'Supervisory Board member details' and page 65 'Supervisory Board report');
- information on the rules for appointing and replacing members of the Executive Board and Supervisory Board (page 71 'Executive Board' and page 71 'Supervisory Board');
- information on the rules for amending the company's articles of association (page 71 'General Meeting of Shareholders');
- information on the powers of the Executive Board to issue and repurchase shares (page 71 '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 118;
- information on transactions with related parties (page 71 'Corporate Governance' and page 123 'Related parties').

To the extent appropriate, information is also given below pursuant to the Decree implementing Article 10 of the Takeover Directive [*Besluit artikel 10 Overname richtlijn*].

- the company's capital structure, the existence of different types of shares and the associated rights and obligations and the percentage of issued share capital represented for each type (Note 21 Shareholders' equity, page 116 of the financial statements);
- every limitation imposed by the company on the transfer of shares or depositary receipts issued with the company's cooperation (page 72 Corporate governance);
- the mechanism for auditing a scheme that assigns rights to employees to take or acquire shares in the capital of the company or a subsidiary when the audit is not performed by the employees directly (Note H.5 Employee benefits, page 90 of the financial statements);
- every limitation on voting rights, deadlines for exercising voting rights and the issue of depositary receipts with the company's cooperation (page 71 Corporate governance);
- the regulations regarding appointment and dismissal of Executive Board members and Supervisory Board members and changes to the articles of association (page 71 Corporate governance);
- the Executive Board's powers, in particular to issue shares in the company and repurchase company shares (page 71 Corporate governance);
- the main agreements to which the company is party and that are made, changed or dissolved on the condition that control over the company is changed following a public offer as defined in the Dutch Financial Supervision Act, as well as the consequences of those agreements unless the agreements or consequences are of such a nature that the company is seriously damaged by notification (page 118 Financial statements).

Financial statements

Consolidated statement of profit or loss

x € million

	Notes	2019	2018	2017
Continuing operations				
Net sales	2, 3	**2,395**	**2,346**	**2,142**
Cost of net sales		(1,811)	(1,780)	(1,648)
Gross margin		**584**	**566**	**494**
Other operating income	4	**13**	**12**	**9**
Employee expenses	5	(275)	(275)	(215)
Accommodation costs		(30)	(38)	(34)
Costs to sell		(20)	(17)	(14)
Logistics costs		(112)	(108)	(76)
General costs		(33)	(26)	(20)
Impairments	12,13	(1)	(2)	(0)
Depreciation of tangible fixed assets and right-of-use assets	13,14	(60)	(39)	(34)
Amortisation of intangible fixed assets	12	(22)	(20)	(19)
Total operating costs		**(553)**	**(525)**	**(412)**
Operating profit	2	**44**	**53**	**91**
Financing income and expenses	8	(7)	(4)	(5)
Share in the result of associates	15	5	7	9
Pre-tax profit		**42**	**56**	**95**
Income taxes	9	(8)	(10)	(19)
Profit from continuing operations		**34**	**46**	**76**
Discontinued operations				
Profit/loss from discontinued operations, after tax	10	(1)	230	5
Profit for the financial year		**33**	**276**	**81**
To be attributable to shareholders of the company		**33**	**276**	**81**

x €1

	Notes	2019	2018	2017
Details per share				
Basic earnings per share	22	0.75	6.25	1.83
Diluted earnings per share	22	0.75	6.25	1.83
Basic earnings per share from continuing operations	22	0.78	1.04	1.73
Diluted earnings per share from continuing operations	22	0.78	1.04	1.73
Dividend proposed	21	1.40	1.40	1.40
Special dividend			7.57	

Consolidated statement of comprehensive income

x € million

	2019	2018	2017
Profit for the financial year	33	276	81
Items that have been or may be transferred to the statement of profit or loss:			
Effective part of changes in the fair value of cash flow hedge of long-term borrowings, after tax	1	1	1
Total unrealised profit/loss	1	1	1
Other comprehensive income for the financial year	**34**	**277**	**82**
Attributable to shareholders of the company	**34**	**277**	**82**
Comprehensive income to be allocated to:			
Continuing operations	35	47	77
Discontinued operations	(1)	230	5
Comprehensive income for the financial year	**34**	**277**	**82**

Consolidated statement of cash flows

x € million

	Notes	2019[1]	2018[1]	2017[1]
Net sales from customers		2,749	3,023	3,275
Net sales from other operating income		7	11	3
		2,756	**3,034**	**3,278**
Payments to suppliers		(2,324)	(2,610)	(2,702)
Payments to employees		(131)	(165)	(182)
Payments to the government		(166)	(184)	(199)
		(2,621)	**(2,959)**	**(3,083)**
Net cash flow from business operations	33	135	75	195
Interest received and paid		(7)	(3)	(5)
Dividends received from participations	15	5	7	7
Income tax paid		(1)	(34)	(25)
Net cash flow from operating activities		**132**	**45**	**172**
Acquisitions/participations	1	(52)		(127)
Divested operations	1	1	348	11
Expenditure for investments in tangible fixed assets	13	(105)	(76)	(74)
Proceeds from disposal of tangible fixed assets/assets held for sale		46	83	14
Expenditure for investments in intangible fixed assets	12	(20)	(24)	(13)
Investment in/loans to associates	15			(1)
Repayments by/net divestment receipts from associates	15	3	0	0
Net cash flow from investing activities		**(127)**	**331**	**(190)**
Long-term borrowings drawn	24	50		110
Repayments on long-term borrowings	24	(14)	(11)	(67)
Change in own shares		(1)	5	2
Lease liabilities paid		(18)		
Dividend paid		(62)	(397)	(59)
Net cash flow from financing activities		**(45)**	**(403)**	**(14)**
Change in cash, cash equivalents and short-term borrowings from credit institutions		**(40)**	**(27)**	**(32)**
Opening balance		33	60	92
Closing balance		**(7)**	**33**	**60**

[1] Contains the cash flows from both continuing and discontinued operations.
Note 11 includes a summary of cash flows from discontinued operations.

Consolidated statement of financial position

x € million

	Notes	28 December 2019	29 December 2018	30 December 2017
Assets				
Goodwill	12	168	155	155
Other intangible fixed assets	12	163	137	143
Tangible fixed assets	13	362	313	303
Right-of-use assets	14	176		
Investments in associates	15	50	53	53
Other financial fixed assets	15	10	12	9
Total fixed assets		**929**	**670**	**663**
Inventories	16	230	217	207
Trade and other receivables	17	228	236	173
Other current assets	18	46	33	24
Income tax	9	3	16	1
Cash and cash equivalents	19	19	33	58
		526	**535**	**463**
Assets held for sale	20		9	221
Total current assets		**526**	**544**	**684**
Total assets		**1,455**	**1,214**	**1,347**

	Notes	28 December 2019	29 December 2018	30 December 2017
Liabilities				
Paid-up and called-up capital		3	3	3
Reserves		497	534	648
Shareholders' equity	21	**500**	**537**	**651**
Deferred tax liabilities	9	26	27	25
Employee benefits provision	5	2	2	3
Other provisions	23	0	0	0
Long-term borrowings from credit institutions	24	160	186	193
Lease liabilities	14	174		
Total non-current liabilities		**362**	**215**	**221**
Provisions	23	8	16	
Repayment obligations	24	77	14	14
Short-term borrowings from credit institutions	24	26		
Lease liabilities	14	15		
Accounts payable	33, 34	350	339	252
Income tax	9	0	0	1
Other taxes and social security contributions	25	33	19	19
Other liabilities and accruals and deferred income	26	84	74	66
		593	**462**	**352**
Liabilities directly linked to assets held for sale	20		0	123
Total current liabilities		**593**	**462**	**475**
Total liabilities		**1,455**	**1,214**	**1,347**

Consolidated statement of changes in shareholders' equity

x € million

	Paid-up and called-up capital	Share premium	Other reserves	Revaluation reserve	Hedging reserve	Share repurchase reserve	Total
Balance as at 30 December 2017	**3**	**31**	**628**	**4**	**(3)**	**(12)**	**651**
Share-based payments			0				0
Dividend paid			(397)				(397)
Change in own shares						6	6
Transactions with owners	0	0	(397)	0	0	6	(391)
Profit for the financial year			276				276
Investment property			4	(4)			
Cash flow hedge					1		1
Total realised and unrealised profit/loss	0	0	280	(4)	1	0	277
Balance as at 29 December 2018	**3**	**31**	**511**	**0**	**(2)**	**(6)**	**537**
IFRS 16 accounting policy change			(10)				(10)
Opening balance as at 30 December 2018	**3**	**31**	**501**	**0**	**(2)**	**(6)**	**527**
Share-based payments			1				1
Dividend paid			(62)				(62)
Change in own shares						0	0
Transactions with owners	0	0	(61)	0	0	0	(61)
Profit for the financial year			33				33
Cash flow hedge					1		1
Total realised and unrealised profit/loss	0	0	33	0	1	0	34
Balance as at 28 December 2019	**3**	**31**	**473**	**0**	**(1)**	**(6)**	**500**

Notes to the consolidated financial statements

Summary of accounting principles

List of notes

Notes to the consolidated financial statements

A. General

Reporting entity

Sligro Food Group N.V. is based in Veghel, the Netherlands. The consolidated financial statements cover the Company and its subsidiaries (hereinafter referred to as the Group).

Financial year

The financial year is closed based on the international week numbering system, i.e. on 28 December 2019, the last Saturday of the year. The 2019 financial year comprises 52 weeks. The comparatives for the 2018 and 2017 financial years also cover 52 weeks.
Next year, the Group will switch to a financial year ending on 31 December, meaning that the 2020 financial year will run from 29 December 2019 to 31 December 2020, both inclusive.

B. Changes in presentation

With the exception of the changes detailed under E. New standards and interpretations, the Group has applied the accounting policies consistently for all periods covered by these consolidated financial statements.

Profit from discontinued operations

With reference to Note 10, the Group has presented the food retail operations separately as 'Assets held for sale and directly related liabilities' on the balance sheet as at year-end 2017. In 2018, this remained unchanged until the sale date. This also goes for the statement of profit or loss, which presents food retail operations in 2017 and 2018 on one single line as 'Profit/loss from discontinued operations, after tax'. In the current financial year, the Vroegop AGF company, which was acquired in 2019 as part of the acquisition of Wheere, is presented as 'Profit/loss from discontinued operations'.
In the notes to the statement of profit or loss, only figures relating to operations that are to be continued are recognised for all periods presented.

No changes have been made to the statement of cash flows, which like in previous periods covers cash flows from all operations. Note 11 includes a summary of cash flows from discontinued operations.

Segment reporting

As of 1 January 2019, a redesign of our organisational structure has brought it into line with our international ambition, and our Dutch and Belgian segments are governed separately and also presented as separate segments in Note 2.

C. Statement of compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union (EU-IFRS). On 31 January 2020, the financial statements were approved for publication by the Executive Board.

D. Accounting policies applied in the preparation of the consolidated financial statements

The financial statements are presented in euros, which is Sligro Food Group's functional currency, rounded to the nearest million, unless stated otherwise. Percentages are calculated on the basis of the underlying figures in thousands. The financial statements have been prepared based on historical cost, except for derivatives, which are measured at fair value. Assets held for sale are measured at either the carrying amount or fair value, depending on which is the lowest, less costs to sell.

Judgements, estimates and assumptions

IFRS-compliant reporting requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported value of assets, liabilities, income and expenditure. The estimates and underlying assumptions are based on past experience, as well as on forecasts and various other factors that are considered fair under the circumstances. The results constitute the basis for judgements on the carrying amount of assets and liabilities that cannot be simply derived from other sources. The actual results may differ from these estimates. The estimates and underlying assumptions are under constant review. Revisions to estimates are recognised in the period in which the estimate is revised if the revision only has consequences for that period, or in the revision period and future periods if the revision has consequences for both the reporting period and future periods.

For an explanation of the specific items in the financial statements to which judgements, estimates and assumptions apply, please see Note 31.

Impairments

Regular checks are performed for indications of the carrying amount of qualifying assets being subject to impairment. If such indications exist, an estimation is made of the realisable value of the asset based on the present value of projected future cash flows or the direct realisable value. If the carrying amount exceeds the realisable value, an impairment will be charged to profit or loss.

E. New standards and interpretations

E.1 Accounting policy changes

With the exception of the changes detailed below, the Group has applied the accounting policies consistently for all periods covered by these consolidated financial statements.

Accounting policy changes as of the 2018 financial year

As of the 2018 financial year, the Group has applied the IFRS standards IFRS 15 Revenue from contracts with customers and IFRS 9 Financial instruments. Owing to the transition approach adopted by the Group in applying these standards, the 2017 reporting period has not been amended in these financial statements.

Accounting policy changes as of the 2019 financial year

The following European Commission-approved IFRS standards are relevant to the Group and are therefore applied as of the 2019 financial year:

IFRS 16 Leases

The Group implemented IFRS 16 from the 2019 financial year and meets the reporting requirements with respect to the measurement of leases and the way in which leases are to be presented in the financial reporting. This standard provides a lease accounting model that requires the lessee to recognise the assets and liabilities of all leases on the balance sheet, unless the lease term is under 12 months or the leases are low-value leases. This standard replaces the existing stipulations for the recognition of lease liabilities (including IAS 17 Leases).

Leases under which the Group is the lessee

The lease portfolio contains real estate and other leases. The ‘other leases’ category covers company-leased vehicles, IT equipment, forklift trucks and machinery. Every contract that meets the definition of a lease has been recognised on the balance sheet as of 1 January, except for leases with a term of up to 12 months and low-value leases, for which the practical exceptions offered by IFRS 16 have been applied. Aside from that, the Group has, as part of the first application of IFRS 16, also applied the practical exception that allows for the assessment of whether or not a contract can be considered to be a lease or to contain a lease, as defined under IAS 17 and IFRIC 4, to be maintained. For contracts entered into after 1 January 2019 or that were amended, the assessment of whether or not it can be considered to be a lease or to contain a lease is made based on an assessment of the economic benefits ensuing from the use of the assets and the control over the use of the asset. On top of that, a choice has been made to not factor non-lease components into the calculation of the lease liability.

The Group has opted to apply IFRS 16 using the modified retrospective approach, meaning that the Group has not applied the requirements of IFRS 16 to comparative figures recognised in the 2019 consolidated financial statements, but instead recognised the cumulative effect in the opening balance of the ‘Other reserves’.

Leases under which the Group is the lessor

Subleases under which the Group is the lessor have been reclassified. If a contract was classified as a financial lease under IAS 17, such a sublease would in the past be recognised under tangible fixed assets. As part of the first application of IFRS 16, it has been transferred from tangible fixed assets to financial fixed assets. The related liabilities under the master lease agreement have been transferred from liabilities to lease liabilities. The leases have been transferred at the carrying amount of the original lease liability under IAS 17.

Financial impact
On the back of the first application of IFRS 16 from the 2019 financial year, right-of-use assets with a total value of €167 million, tangible fixed assets in the form of subleases with a value of €2 million, and lease liabilities totalling €181 million have been recognised on the balance sheet as of the start of the 2019 financial year, resulting in a €10 million drop in shareholders' equity and a €2 million deferred tax asset. The discount rate applied upon first application from the start of the 2019 financial year is incremental borrowing rate, ranging from 0.24% to 2.27% depending on the term and the country.

Although implementation of IFRS 16 does not have a material impact on net profit, IFRS 16 does require that depreciation charges for the right-of-use assets and financing expenses of lease liabilities be classified as such, while IAS 17 recognised operating lease expenses. In the 2019 financial year, the switch from operating lease expenses to depreciation charges and financing expenses has pushed EBITDA up by €19 million and EBIT by €2 million, compared to recognition based on IAS 17. Total lease expenses over the full term of the lease show a degressive cost pattern under IFRS 16, compared to a linear pattern under IAS 17.

Application of IFRS 16 has not affected the Group's ability to comply with bank covenants, as these include clauses stipulating that changes to accounting policies will not impact on current contractual arrangements with respect to covenants with which the Group must comply.

The tables below show the impact of IFRS 16 on the financial position, statement of profit or loss, and statement of cash flows.

Abridged consolidated statement of financial position as at 30 December 2018

x € million	Not including IFRS 16 accounting policy change	Amendments	Including IFRS 16 accounting policy change
Assets			
Right-of-use assets	0	167	167
Other financial fixed assets	12	2	14
Other fixed assets	658	0	658
Total fixed assets	**670**	**169**	**839**
Total current assets	**544**	**0**	**544**
Total assets	**1,214**	**169**	**1,383**

x € million	Not including IFRS 16 accounting policy change	Amendments	Including IFRS 16 accounting policy change
Liabilities			
Paid-up and called-up capital	3	0	3
Reserves	534	(10)	524
Shareholders' equity	**537**	**(10)**	**527**
Deferred tax liabilities	27	(2)	25
Lease liabilities	0	166	166
Other non-current liabilities	188	0	188
Total non-current liabilities	**215**	**164**	**379**
Lease liabilities	0	15	15
Other current liabilities	462	0	462
Total current liabilities	**462**	**15**	**477**
Total liabilities	**1,214**	**169**	**1,383**

The link between operating lease liabilities reported on 29 December 2018 and lease liabilities recognised on the opening balance sheet for 2019 is as follows:

x € million	**29 December 2018**
Operating lease liabilities reported	**211**
Short-term leases	(0)
Low-value leases	(7)
Future lease liabilities	**204**
Discounting upon first application	(24)
Contracts not included in the reporting	1
Recognised lease liabilities	**181**

Abridged consolidated statement of profit or loss for 2019

x € million	Not including IFRS 16 accounting policy change	Amend-ments	Including IFRS 16 accounting policy change
Net sales	2,395		2,395
Cost of net sales	(1,811)		(1,811)
Gross margin	**584**	**0**	**584**
Other operating income	13		13
Total operating costs excluding depreciation, amortisation and impairments	(489)	19	(470)
Gross operating result (EBITDA)	**108**	**19**	**127**
Depreciation and impairments	(44)	(17)	(61)
Operating result before amortisation (EBITA)	**64**	**2**	**66**
Amortisation of intangible fixed assets	(22)		(22)
Operating profit	**42**	**2**	**44**
Financing income and expenses	1	(3)	(2)
Pre-tax profit	**43**	**(1)**	**42**
Income taxes	(8)	0	(8)
Profit from continuing operations	**35**	**(1)**	**34**

Abridged consolidated statement of cash flows for 2019

x € million	Not including IFRS 16 accounting policy change	Amend-ments	Including IFRS 16 accounting policy change
Net cash flow from business operations	114	21	135
Interest received and paid	(4)	(3)	(7)
Other cash flows from operating activities	4		4
Net cash flow from operating activities	**114**	**18**	**132**
Net cash flow from investing activities	**(127)**	**0**	**(127)**
Lease liabilities paid		(18)	(18)
Other cash flows from financing activities	(27)		(27)
Net cash flow from financing activities	**(27)**	**(18)**	**(45)**
Change in cash, cash equivalents and short-term borrowings from credit institutions	**(40)**	**0**	**(40)**
Opening balance	33		33
Closing balance	**(7)**	**0**	**(7)**

IFRIC 23 Uncertainty over income tax treatments

The Group implemented IFRIC 23 from the 2019 financial year. IFRIC interpretation 23 specifies how to measure the tax position in the financial statements in the event of uncertainty on the treatment for corporation tax regulation purposes. The interpretation requires an entity to:

- determine whether uncertain tax positions are assessed separately or as a group; and
- assess whether it is probable that a tax authority will accept an uncertain tax treatment used, or proposed to be used, by an entity in its income tax filings and subsequently providing guidelines for the recognition and notes thereto in the financial statements.

This interpretation has no material impact on the Group's consolidated financial statements.

Other changes

Besides the application of IFRS 16 and IFRIC 23, the following changes have also come into effect in 2019:

- Amendments to IFRS 9 Prepayment features with negative compensation
- Amendments to IAS 28 Long-term interests in associates and joint ventures
- Annual improvements to IFRS Standards 2015-2017:
  - IAS 12 Income taxes
  - IAS 23 Borrowing costs
  - IFRS 3 Business combinations
  - IFRS 11 Joint arrangements
- Amendments to IAS 19 Plan amendment, curtailment or settlement

These amendments are not relevant and/or have no material impact on the Group and are therefore not explained further.

E.2 New standards not yet effective

Given that the new IFRS 17 'Insurance contracts' standard and announced amendments to existing standards that will become effective in the future are not relevant to the Group and/or have no material impact on the Group, they are not explained further in these financial statements.

F. IFRS accounting policy choices

Statement of cash flows

IFRS offers two options for the preparation of the statement of cash flows, the direct method and the indirect method. IFRS prefers the direct method and the Group does too, as the direct method provides the most accurate insight into actual cash flows. A reconciliation to the indirect method has been included in Note 32. A statement of cash flows contains cash flows from both continuing and discontinued operations. Note 11 includes a summary of cash flows from discontinued operations.

G. Critical accounting policies

G.1 Net sales

Performance obligation fulfilment

The Group recognises net sales when the buyer takes actual possession of the goods or the service has been provided, which is established at the moment goods or services are delivered.

Nature of the goods and services

Most of the Group's net sales are generated by its food service operations. On top of that, the Group generates limited net sales from commissions and services. The following will detail the nature of the goods from which the Group generates its net sales, specifying significant payment terms and when the relevant performance obligation will be considered to have been fulfilled:

Food service

Sligro's food service companies in the Netherlands and Belgium offer a comprehensive range of food and food-related non-food products. Net sales from the sale of these goods are recognised at the agreed transaction price, net of sales tax, factoring in volume bonuses, the value of loyalty programme benefits, and any other agreed variable elements. Agreed variable elements are recognised to the extent that a significant reversal in cumulatively recognised income is highly unlikely to occur in the future.
At the cash-and-carry stores, net sales are achieved when customers pay for their purchases at the checkout, because this is when the buyer takes actual possession of the goods. If goods are delivered to the customer, the transfer of title takes places when the goods are physically handed over to the customer. Net sales also include net sales generated through collaboration with Fresh Partners. Net sales are measured based on the amount agreed with the buyer in a contract, excluding any amounts charged and collected for third parties.
Payment terms differ per customer group. Customers generally have a right to return goods. This right has been included in the terms and conditions governing purchase agreements. Returns can be settled through a refund or replacement with another good, and result in a reversal of the net sales.

As part of commercial arrangements, we may use signing fees, whereby the Group will be entitled to compensation for performance obligations not yet fulfilled. These are recognised as contract assets, which relate to net sales generated during the contract term and are debited from the net sales in evenly spread instalments over the full contract term.

Services

Services provided are primarily kitchen maintenance services, logistics services, commissions and other services. Net sales from the provision of services are recognised at the agreed transaction price, exclusive of sales tax, factoring in any other agreed variable elements. Agreed variable elements are recognised to the extent that a significant reversal in cumulatively recognised income is unlikely to occur in the future. Net sales are recognised when actual possession is transferred to the buyer, which is normally when the service is provided and has, if required, been accepted. When the Group is involved in a transaction in the capacity of agent instead of principal, net sales recognised concern commissions received by the Group. Commissions received by the Group on behalf of third parties are not recognised as net sales.

G.2 Cost of net sales

This concerns the purchase value of goods supplied. Any bonuses received from suppliers, promotional benefits and discounts will be deducted from the purchase value. Suppliers grant various kinds of benefits, whereby two main categories can be distinguished:

- Temporarily lower purchase prices, which are generally related to special offers to buyers, with the aim of increasing direct sales volumes. In most cases, suppliers will then simply charge the lower purchase prices over a pre-agreed period. Sometimes, however, a supplier charges the normal price and the Group bills the supplier for the discount based on the volume sold. The benefit obtained through lower purchase prices is immediately deducted from the purchase value and, therefore, constitutes (partial) compensation for the lower selling price charged to customers.
- Bonuses are generally based on agreements for the whole year, and mainly come in the form of a fixed percentage or graduated percentages of the purchase value of (the growth of) total purchases. In most cases, these are settled through interim advance payments. Except bonuses, promotional benefits are also negotiated in annual conversations with suppliers. These kinds of arrangements with suppliers also involve all kinds of commercial partnerships. Promotional benefits are provided either as absolute figures or as staggered or fixed percentages of the purchase value. Bonuses can in all reasonableness be expected to be factored into inventory measurement, while promotional benefits cannot, because they are intended to cover sales efforts.

G.3 Goodwill and other intangible fixed assets

Goodwill

All acquisitions are recognised as per the acquisition method. Goodwill is the difference between the fair value of the purchase consideration payable, less the amount recognised (which is generally the fair value) for identifiable acquired assets and commitments assumed. Goodwill relating to acquisitions before 28 December 2003 equals the value allocated to it based on past reporting rules. Goodwill is measured at cost, less, if applicable, cumulative impairments. Goodwill is allocated to cash-generating units. Goodwill is not amortised, but instead there is an annual impairment test, or an impairment test at any other time of the year when there are indications of impairment. For associates, the carrying amount of the goodwill is recognised in the value of the participation. When a cash-generating unit is sold, the carrying amount of the goodwill allocated to the cash-generating unit will be taken into account in determining the book profit or loss. Expenditure for internally generated goodwill is recognised directly in profit or loss.

Other intangible fixed assets

All other intangible fixed assets are measured at cost less straight-line amortisation over the estimated life time. For customer relationships, trademarks and site locations, the economic life is estimated. If there are indications of impairment, an impairment test is performed. Expenditure for internally generated trademarks is recognised directly in profit or loss.

Software developed by third parties is capitalised at cost. Both external and internal expenditure incurred for the design, building and testing of internally developed and configured software are capitalised, provided a number of criteria, including technical feasibility, are met. Costs relating to licence agreements and maintenance contracts incurred before the software that is to be configured is taken into use are capitalised. If there are indications of impairment, an impairment test is performed. Capitalised software is amortised straight-line over the estimated life time.

The Group's current investments in SAP are estimated to have an economic life of 7 years. The amortisation percentages for software have therefore been adjusted.

The following amortisation percentages are applied:

Customer relationships	5 - 20
Brand names	5 - 7
Site locations	5 - 20
Software	14 – 33$^1/_3$

G.4 Tangible fixed assets

Tangible fixed assets are measured at cost, less straight-line depreciation, based on an estimation of service life, taking any residual value into account. Attributable financing costs have been factored into the cost, provided that the effect can be considered material in terms of scope or term. If tangible fixed assets consist of components with different economic lives, these will be recognised as separate items (component approach). The depreciation term of refurbishments in rented property is capped at the term of the leases. If necessary, impairments are applied. Costs involved in construction and production work performed by our construction departments are allocated to the individual construction projects. These costs are capitalised and depreciated under tangible fixed assets as part of the 'Land and buildings' category.

The following depreciation percentages are used:

Land	Nil
Buildings	3 – 12½
Shop premises	3
Machinery and equipment	12½ - 33$^1/_3$
Other	12½ – 33$^1/_3$

H. Other accounting policies

H.1 Foreign currency

Commercial transactions in foreign currencies are converted at the exchange rate on the transaction date. Receivables and liabilities are converted at the exchange rate on the balance sheet date. Any resulting exchange differences are recognised in profit or loss. Since the Group only has participations in the Netherlands and Belgium, it is not exposed on that account to a currency risk. The recognition of derivatives is described below.

H.2 Financial instruments

Non-derivative financial instruments

Non-derivative financial instruments comprise other financial fixed assets, trade and other receivables, other current assets, cash and cash equivalents, borrowings from credit institutions, accounts payable and other liabilities and accruals and deferred income.

Derivatives

The Group uses derivatives to hedge currency and interest risks ensuing from operating and financing activities. In accordance with the treasury policy, the Group does not hold derivatives for trading purposes and the Group does not issue them either. However, derivatives that are not eligible for hedge accounting are recognised as trade instruments. Derivatives are recognised at fair value. Gains or losses resulting from revaluation to fair value are immediately recognised in profit or loss, unless they are used for a cash flow hedge. The Group uses the transition option offered by IFRS 9 to continue to apply the hedge accounting requirements from IAS 39. When it comes to derivatives eligible for hedge accounting, recognition of any resulting profits or losses will, depending on the nature of the item hedged, be as follows.

The fair value of forward rate and forward exchange contracts is the estimated amount that the Group will be liable to pay or would receive to terminate these instruments as of the balance sheet date. For this purpose, quotations are requested from reputable financial institutions, who will act as the counterparty.
Derivatives with a positive fair value are recognised as other financial fixed assets, while derivatives with a negative fair value are is recognised as non-current liabilities, in case the derivatives are of a non-current nature.

Impairment of financial assets

The Group applies the impairment model to financial assets measured at amortised cost and contract assets. To calculate the provision, the Group uses the simplified approach provided by IFRS 9 for trade receivables and contract assets. For the other financial fixed assets, other current assets and supplier bonuses asset items, the Group uses the general approach from IFRS 9.

Hedge accounting

Cash flow hedge

When a derivative is used to hedge variability in cash flows (interest and currency) of a liability recognised, the effective part of a gain or loss on the derivative will be recognised directly in other comprehensive income. This item is recognised in profit or loss in the same period or periods in which the underlying liability affects profit or loss. The hedge ineffectiveness (if applicable) is recognised immediately in profit or loss.

Hedging monetary assets and liabilities

When a derivative is used as an economic hedge for the currency risk involved in a monetary liability, hedge accounting will in principle not be applied, meaning that the currency difference will be recognised in profit or loss.

H.3 Other operating income

This includes rental income from property and gain or loss on the sale of tangible fixed assets, as well as similar income. Owing to the sale of the food retail operations, we have agreed on a temporary service period with the buyers. The consideration for this service is also recognised under other operating income.

H.4 Costs in general

The presentation of expenses is based on classification by nature. The same classification is also used for internal purposes. Costs are allocated to the year to which they relate.

H.5 Employee benefits

Defined contribution plans

Liabilities relating to defined contribution pension plans are recognised in profit or loss as expenses as and when they are payable. This goes for virtually all of the Group's top-up and other plans, including plans for specific occupational groups, such as for fruit and vegetable specialists and butchers, who are enrolled in industry-wide pension funds. These plans qualify as defined contribution plans, because the Group only has to pay the premiums agreed and is, other than that, not exposed to actuarial and other risks over the past period of service.

Defined benefit plans

The Group does currently not have any defined benefit plans.

Long-term employee benefits

The Group’s net liability on account of service anniversary benefits is the amount of the future benefits that are to be allocated to the professional performance of the employees over the reporting period and prior periods. This liability is calculated using the projected unit credit method and is discounted to the present value.

Share option rights

The current share option plan dates back to 2015. Share options ("Groen Bloed" Certificates) are awarded on the condition of continuation of service. The fair value of share options is recognised in profit or loss over the term of the share option rights using the straight-line method. Profits on share options are paid out entirely in shares. These shares are subsequently locked up for a period of 1 year for employees and 4 years for Executive Board members. Share options are recognised entirely as equity settled. The locked-up shares are administered by Stichting Werknemersaandelen Sligro Food Group.

H.6 Financing income and expenses

This concerns interest payable to third parties and comparable costs, less interest receivable from customers for loans granted and/or deferred payments. Interest expenses on leases are also recognised under this item. Financing income and expenses are recognised in profit or loss, unless these can be allocated directly to the acquisition, construction or production of an eligible asset. Calculation is based on the effective interest method.

H.7 Results of associates

This concerns the Group’s share in the net results of associates.

H.8 Income taxes

Taxes recognised in the statement of profit or loss include income tax payable for the financial year, as well as movements in deferred taxes, unless these taxes relate to items that are included in shareholders’ equity directly. Taxes payable for the financial year are the projected taxes payable on the taxable profit and also include corrections for taxes payable for prior years. The effective tax rate is affected by tax incentives and items that are not or only partly tax deductible.
The provision for deferred tax liabilities ensues from temporary differences between fiscal and financial accounting policies.

No provisions have been recognised either for goodwill that is not tax deductible, or for participations that qualify for the participation exemption. The provision is calculated at the tax rate as on the balance sheet date or at the rate that has already been decided on the balance sheet date.

H.9 Right-of-use assets and lease liabilities

Leases under which the Group is the lessee

The lease portfolio contains real estate and other leases. The ‘other leases’ category covers company-leased vehicles, IT equipment, forklift trucks and machinery. When entering into a new contract, the Group assesses whether or not it can be considered to be a lease based on the economic benefits ensuing from the use of the assets and the control over the use of the asset. Contracts that are defined as a lease are recognised on the balance sheet under right-of-use assets and lease liabilities, except for leases with a lease term of up to 12 months and low-value leases, for which practical exceptions have been applied.
Leases with an intrinsic term of less than 15 years and an option for renewal have been included for up to a maximum of 15 years in order to align with the Group’s strategic medium-term schedule.

The right-of-use assets are measured at cost, less cumulative depreciation and impairments, whereby the depreciation term is based on the term of the lease, unless the projected service life of the asset is shorter.

The lease liability is initially measured based on the present value of the future cash flows, whereby the incremental borrowing rate is applied, less expired lease instalments. Non-lease components are not factored into the calculation of the lease liability.
Lease liabilities are presented separately on the balance sheet. The lease liability is revalued upon indexation or modification of the lease contract, upon termination of the lease or upon renewal of the lease.
Cash flows from lease instalment payments for right-of-use assets are part of cash flows from financing activities, while cash flows relating to leases with a term of up to 12 months, low-value leases and non-lease components are recognised under cash flows from operating activities.

Leases under which the Group is the lessor

For subleases where the Group is the lessor, the master lease agreement and sublease are recognised separately, and an assessment is made based on risk and allocation of the consideration in case of sale whether the sublease is classified as a financial or an operating lease. For financial leases, the related right-of-use asset under the master lease agreement is removed from the balance sheet and replaced by the net investment in the sublease, which is recognised under financial fixed assets. The master lease agreement will in both cases continue to be recognised under lease liabilities.

H.10 Financial fixed assets

Associates are measured based on the equity method and are, upon initial recognition, measured at cost, including the goodwill established upon acquisition, but excluding acquisition expenses. The measurement will not be below nil, unless the Group is under an obligation to fully or partially make up losses, and/or has raised realistic expectations that it will do so. Unrealised intra-group profits or losses will be eliminated. Other financial fixed assets concern, among others, subleases for real estate let by the Group. These leases are measured at the present value of the future cash flows. Aside from that, mainly interest-bearing loans to customers and loans to associates are recognised under other financial fixed assets. These are measured at amortised cost, less impairments.

H.11 Inventories

Inventories are measured at cost, calculated on a FIFO basis, or lower market value. The market value is the estimated sales value under normal circumstances, less costs to sell. The measurement includes internal distribution and storage costs, while bonuses are deducted.

H.12 Trade receivables and other current assets

Upon initial recognition, trade receivables are recognised at the transaction price and subsequently at amortised cost, less impairments. Impairments are determined based on the expected credit loss (ECL) model, as per IFRS 9. Debtors in major financial difficulty and accounts receivable where the due date of outstanding invoices has been exceeded significantly are classified as doubtful debts. For trade receivables from doubtful debts, a separate provision is created, without applying the ECL model. If there is no reasonable expectation that doubtful debts will be paid, they are written off.

H.13 Assets held for sale and directly related liabilities

Assets are classified as 'held for sale' if it is highly likely that their carrying amount will be realised primarily through their sale and not through the continued use of these assets.
Such assets are generally measured at the carrying amount or lower fair value less costs to sell. Impairment losses on a group of assets and liabilities that are to be disposed will initially be allocated to goodwill and subsequently to the remaining assets and liabilities on a pro rata basis, providing that impairment losses will not be allocated to inventories, financial assets, deferred tax assets, assets under employee benefits or investment property, which will continue to be measured in accordance with the Group's other accounting policies. Impairments ensuing from the initial classification as 'held for sale' and gains or losses produced by revaluation after initial recognition are recognised in the profit or loss.
Once they have been classified as held for sale, intangible and tangible fixed assets are no longer amortised or depreciated.

H.14 Cash and cash equivalents

Cash and cash equivalents consist of cash and bank balances, as well as deposits, and are measured at their nominal value. Bank overdrafts that are due on call and that are not an integral part of the Group's cash management, are part of the cash, cash equivalents, and short-term borrowings from credit institutions in the statement of cash flows.

H.15 Provisions

The provision for deferred tax liabilities is recognised at nominal value based on the rate at which the liability is expected to be settled and is detailed in the note Taxes. The provision for employee benefits is detailed in the note Employee-related items.
The other provisions concern existing liabilities for guarantee provisions estimated at the amounts that will probably be payable for them in the future, as well as the restructuring provision. A restructuring provision is recognised when the Group has approved a detailed and formalised restructuring plan and the restructuring has either already commenced or been announced publicly. If the effect is material, these provisions are calculated at net present value. Future operating losses are not expected.

H.16 Interest-bearing debts

Upon initial recognition, interest-bearing debts are measured at fair value, less attributable transaction costs. After that, they are measured at amortised cost based on the effective interest method.

H.17 Other liabilities and accruals and deferred income

Upon initial recognition, these are recognised at the transaction price and subsequently at amortised cost.

I. Consolidation principles

Subsidiaries are entities over which Sligro Food Group N.V. has control. Subsidiaries are included in the consolidation in their entirety. Sligro Food Group N.V. is the holding company of the following wholly-owned subsidiaries:

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
- Exploitatiemaatschappij Wheere B.V., Amsterdam
  - Vroegop Ruhe & Co B.V., Amsterdam
    - L.A.J. Duncker B.V., Amsterdam
    - B.V. Levensmiddelengroothandel "De Kweker", Amsterdam
    - Vroegop A.G.F. B.V., Amsterdam

Sligro Food Group International B.V., Veghel
- Sligro-ISPC Belgium N.V., Rotselaar
  - Océan Marée N.V., Anderlecht

During the 2019 financial year, the following subsidiaries, which used to be included in the Group's scope of consolidation, merged with Sligro-ISPC Belgium N.V., Rotselaar.
- Sligro Food Group Belgium N.V., Rotselaar
- JAVA B.V.B.A., Rotselaar
- Freshtrans B.V.B.A., Rotselaar

The effectiveness of the Group's legal structure is assessed on an annual basis, whereby simplicity is the primary guideline.

Associates are entities where the Group has significant influence over the financial and operating policy decisions, but over which the Group does not have control. The consolidated financial statements include the share in the comprehensive income of the associates based on the equity method. Subsidiaries and associates are included in the consolidated financial statements from the start date of control or significant influence and until the date on which such control or influence ends.

Intra-group items and any unrealised profits or losses on these transactions are eliminated upon preparation of the consolidated financial statements.

J. Segment reporting

Until year-end 2018, Sligro Food Group distinguished between the primary segments of Food Service and Food Retail in its financial results. As of 1 January 2019, the Group's organisational structure has been brought into line with its international ambition and the distinction made in its financial results is now between the Netherlands and Belgium as the main segments. Segments are reported in line with internal reporting to the Chief Operating Decision Maker (CODM). The Executive Board has been identified as the CODM and is responsible for the allocation of resources and the assessment of the segments' performance. The internal reports and KPIs perfectly match the accounting policies applied in the consolidated financial statements.

K. Earnings per share

The Group presents both basic and diluted earnings per share (EPS). Net earnings per basic share are calculated based on profit for the financial year attributable to the shareholders of the Company divided by the weighted average number of ordinary shares in issue during the reporting period. For the calculation of diluted earnings per share, the profit for the financial year attributable to shareholders and the weighted average number of ordinary shares in issue during the reporting period are corrected for the diluting effect that share options awarded to employees have on the ordinary shares.

L. Discontinued operations

Discontinued operations are a component of the Group's operations that involve activities and cash flows that are clearly distinguishable from the rest of the Group, and that:

- represent a separate significant operation or geographic business territory;
- are part of one coordinated plan to dispose of a separate significant operation or geographic territory; or
- are a subsidiary that was acquired exclusively for the purpose of being sold on.

Operations are classified as discontinued operations on the date of disposal or, if this is before that date, when the operations meet the criteria for classification as held for sale.

1. Acquisition, participation and disposal of operations

De Kweker
On 17 June 2019, we sealed the transaction for the acquisition of 100% of the shares in Exploitatiemaatschappij Wheere B.V. in Amsterdam, which was announced on 7 May 2019. This acquisition comprised the activities of Vroegop Ruhe & Co B.V., consisting of Levensmiddelengroothandel De Kweker, Vroegop AGF and logistics company L.A.J. Duncker.

Since then, the figures of all entities acquired have been included in the Group's consolidation, except for Vroegop AGF. The latter entity was partly disposed of and dismantled in the last six months of 2019 and is therefore classified as 'discontinued operations' in the statement of profit or loss.

De Kweker is a food wholesaler with a cash-and-carry store at Food Center Amsterdam, and it focuses primarily on restaurants in the Amsterdam city region. Deliveries are made to customers from Food Center Amsterdam and also from two specially set-up wholesale delivery service outlets in Amsterdam. A considerable portion of deliveries are done by the company itself.

This acquisition fits in very well with our strategy of growing through acquisitions in addition to organic growth, to strengthen our market position. By integrating the central functions in Veghel, harmonising procurement conditions and largely incorporating operations into our existing infrastructure, synergies can be achieved, which is partly reflected in the goodwill.

In its combination of cash-and-carry and delivery, De Kweker achieved net sales of €131 million in 2018 and had around 370 employees.
In the last six months of 2019, De Kweker contributed €70 million to the Group's net sales. This relates to the last seven periods in De Kweker's financial year, which consists of thirteen 4-week periods. The acquisition made a positive contribution to the Group's result in 2019.
Following the acquisition, the continuing stand-alone operation closed the year with a modest profit. Part of the synergies have already been created, but these are offset against one-off costs for the acquisition and reorganisation.

The assets and liabilities acquired break down as follows:

x € million	**Wheere**
Goodwill	13
Intangible fixed assets	26
Tangible fixed assets	21
Financial fixed assets	1
Inventories	10
Trade and other receivables	12
Cash and cash equivalents	7
Current liabilities	(5)
Non-current liabilities	(0)
Deferred tax liabilities	(7)
Employee benefits	(2)
Trade payables	(13)
Other payables	(9)
Total identifiable net assets	**54**
Less: net debt / (cash)	(2)
Debt-free purchase consideration	**52**

Maison Niels de Veye
On 11 January 2019, we sold our pastries/catering production facility Maison Niels de Veye in Diemen through an asset/liability transaction. These operations were transferred on 1 February 2019. A multi-year purchase and delivery agreement has been entered into with the buyer. Maison Niels de Veye's annual net sales amount to approximately €6 million and 60 employees were involved in the operations. A one-off gain on the sale of €3 million was made on this transaction and recognised under other operating income.

2. Segment reporting

As of 1 January 2019, we have redesigned our organisational structure to bring it into line with our international ambition. We now have a management team and local operations and sites in the two segments, the Netherlands and Belgium. These segments are defined based on the geographical location, given the importance of maintaining relationships with the customers and understanding local market conditions.

The Netherlands segment includes the cash-and-carry and delivery service operations under the brand names Sligro, De Kweker and Van Hoeckel, as well as the specialist production companies for convenience Smit Vis and Culivers, Bouter grootkeukens, and Tintelingen Christmas gifts.

The Belgium segment includes the cash-and-carry and delivery service operations under the brand names Sligro-ISPC and JAVA, and the specialist production company Océan Marée.

The information used by the Executive Board to assess progress and make operational decisions is based on these segments.

The Group submits a monthly financial report to the Executive Board and Supervisory Board. The Executive Board assesses the financial performance based on this report, which contains primarily the consolidated and segment information with respect to the statement of profit or loss and related KPIs, the statement of cash flows and working capital. The main performance indicator that the Group uses is EBIT. The local management teams compile similar reports for their respective segments. These reports are compiled based on the same accounting policies as applied in the financial statements.

Segmentation

x € million	Netherlands 2019	Netherlands 2018	Belgium 2019	Belgium 2018	Group 2019	Group 2018
Net sales[1]	**2,166**	**2,126**	**229**	**220**	**2,395**	**2,346**
Other operating income	13	12	0	0	13	12
Total income	**2,179**	**2,138**	**229**	**220**	**2,408**	**2,358**
Gross operating result (EBITDA)	**130**	**111**	**(3)**	**3**	**127**	**114**
Depreciation[2] and amortisation	(73)	(55)	(10)	(6)	(83)	(61)
Operating profit (EBIT)	**57**	**56**	**(13)**	**(3)**	**44**	**53**
Financing income and expenses	(6)	(3)	(1)	(1)	(7)	(4)
Share in the result of associates	5	7		0	5	7
Income taxes	(11)	(11)	3	1	(8)	(10)
Profit from continuing operations	**45**	**49**	**(11)**	**(3)**	**34**	**46**
Fixed assets of the segment	800	558	129	112	929	670
Total assets	**1,246**	**1,059**	**209**	**155**	**1,455**	**1,214**
Segment liabilities	631	411	87	67	718	477
Non-allocated liabilities					737	737
Total liabilities					**1,455**	**1,214**
Net invested capital[4]	775	563	127	112	902	675
Net interest-bearing debts, provisions and associates					(402)	(138)
Group capital					**500**	**537**
Employee expenses	237	241	38	34	275	275
Employees[5] (FTEs)	3,557	3,534	543	522	4,100	4,056
Investments	122	73	7	22	129	95
Divestments	(44)	(21)	(0)		(44)	(21)

1) Transfers between segments amounted to €11 million (2018: €5 million) from the Netherlands to Belgium and these have been eliminated in the Netherlands.

2) Including impairments.

3) Excluding associates, including right-of-use assets.

4) Including lease liabilities, less free cash and fair value of derivatives.

5) A limited number of head office positions that perform activities Group-wide are included in the Netherlands.

3. Net sales

Net sales are largely made up of deliveries of food and food-related non-food goods and services to institutional customers, the hospitality industry, company restaurants and other large-volume users in the Netherlands and Belgium. The breakdown of net sales by activity is as follows:

	Netherlands		Belgium		Group	
x € million	**2019**	**2018**	**2019**	**2018**	**2019**	**2018[1]**
Deliveries of goods	2,130	2,093	229	220	2,359	2,313
Deliveries of services	36	33	0	0	36	33
	2,166	**2,126**	**229**	**220**	**2,395**	**2,346**

The Group does not have any customers that represent over 10% of net sales.

4. Other operating income

x € million	**2019**	**2018**
Rental income	2	1
Gain on the sale of tangible fixed assets	3	2
Other non-recurring results	8	9
	13	**12**

Following the sale of EMTÉ, we agreed on a temporary service period with the buyers that ran through to mid-2019, for a consideration of €5 million (2018: €8 million), which is recognised under other non-recurring results. The €3 million gain on the sale of Niels de Veye is also recognised under non-recurring results. Gain on the sale of tangible fixed assets relates to buildings sold that were no longer in use by the Group (or would no longer be within a short period).

5. Employee-related items

5.A Employee expenses

Employee expenses break down as follows:

x € million	Notes	**2019**	**2018**
Salaries		172	161
Social security costs		32	28
Premiums for defined contribution plans	5.c.	14	12
Share-based payments	5.e.	0	0
Insourced staff and temporary agency workers		43	34
Other employee expenses		14	40
		275	**275**

In 2018, the Group committed to a restructuring plan that came on the back of the streamlining of the Group and the sale of food retail operations, whereby restructuring costs were recognised for an amount of €17 million. Made up of charges for contract cancellations, consultancy fees and severance pay for employees, restructuring costs are recognised under other employee expenses. Of these costs, an amount of €4 million will remain at year-end 2019 as a provision for costs to be incurred in 2020. During the financial year, new plans were made and announced, and provided for. On balance, a provision of €4 million remained at year-end 2019 for benefits that will be paid in 2020.

[1] A reclassification has been made with respect to the 2018 financial statements. An amount of €1 million has been transferred from goods to services, based on the nature of the transactions.

Movements in the restructuring provision can be shown as follows:

x € million	2019	2018
Opening balance	16	0
Additions	4	17
Withdrawals	(8)	(1)
Release	(4)	0
Closing balance	**8**	**16**

5.B Employee benefits provision

This provision can be broken down as follows:

x € million	Notes	2019	2018
Pension scheme	5.c.	0	0
Service anniversary schemes	5.d.	2	2
Closing balance		**2**	**2**

5.C Pensions and pension provision

Collective labour agreement for the food wholesale industry

The vast majority of the Group's employees are subject to the collective labour agreement for the food wholesale industry ('Groothandel in Levensmiddelen'). On 1 October 2019, the pension plan for these employees ceased to be administered by Stichting Pensioenfonds Sligro Food Group and was transferred to a private pot with an external general pension fund. This pension plan qualifies as a defined contribution plan. The Group has no pension liabilities other than to pay the premiums agreed.

Other collective labour agreements/industry-wide pension funds

A small number of employees of the Group are enrolled in various other industry-wide pension funds. These are conditionally indexed average-salary schemes and the funds in question also have reserve shortfalls. These plans, too, qualify as defined contribution plans, because the Group only has to pay the premiums agreed and is, other than that, not exposed to actuarial and other risks over the past period of service.

The vast majority of staff involved in the activities of De Kweker, acquired in 2019, are subject to the collective labour agreement for the food wholesale industry ('Groothandel in Levensmiddelen'), while a small group is subject to the collective labour agreement for professional goods transport ('Beroepsgoederenvervoer'). Both groups' pension plans are classified as defined contribution plans.

5.D Service anniversary schemes

x € million	2019	2018
Opening balance	2	3
Benefits	(0)	(0)
Actuarial result (also result for financial year)	0	(1)
Closing balance	**2**	**2**

5.E Share-based payments (share option scheme)

The Group runs two schemes under which share options are awarded to employees.

The target group for the first scheme is made up of roughly 50 people who are awarded four-year share options that are conditional on continuation of employment and cannot be exercised before the end of the 4-year term. Share options are allocated to Sligro Food Group N.V. Executive Board members based on a calculation where the board members' average salary is divided by the exercise price and the result is multiplied by a factor that depends on the development of the total shareholder return compared to a peer group and can be anywhere between 0% and 150%. The peer group composition is part of the scheme adopted by the General Meeting of Shareholders and has been published on the website. For 2019, the peer group test results in a factor of 150% (2018: 0%). The other members of the target group receive, depending on the category, 50% or 25% of the share options awarded to Executive Board members. Any (post-tax) profits from the share option schemes must be used in full to purchase Sligro Food Group shares. Such shares will (once again) be locked up for 4 years for Executive Board members. For other participants, a lock-up term of one year applies to the shares purchased.

The target group for the second scheme is broader. For many years now, Sligro Food Group has had an equity participation plan for its employees in the Netherlands. Depending on the profits as a percentage of total Group net sales, employees receive a percentage of their gross pay, up to a maximum gross pay of €50,000, as their share in the company's profits. This will be paid out in the form of Sligro Food Group shares (50% of the profit share) and four-year share options that are conditional on continuation of employment and cannot be exercised before the end of the four-year term (50% of the profit share). Any profits on options (after taxation) will be paid out entirely in Sligro Food Group shares, which are subsequently (again) locked up for 1 year.
The scheme will be revised from 2020 and profit-sharing will exclusively consist of the allocation of shares.

The exercise price is the first ex-dividend price after allocation. The fair value of share options is charged to profit or loss over the term of the share option rights using the straight-line method. These share options are recognised entirely as equity settled. To hedge this liability, shares are repurchased to cover a section of the share options in issue, based on a forecast using the Black-Scholes formula outlined below.

Movements in the number of share options outstanding were as follows:

x 1	2019	2018
Opening balance	1,026,390	1,530,760
Exercised	0	(163,800)
Surrendered	(41,372)	(434,097)
Expired	(231,168)	
Expired on account of termination of employment	(112,952)	(187,749)
Granted	790,688	281,276
Closing balance	**1,431,586**	**1,026,390**

The share options allocated in 2015 have not been exercised and have therefore been voided, because the actual price on the exercise date was lower than the exercise price. On the date of allocation, the fair value of share options awarded in 2019 amounted to €2.78.

This is based on the following assumptions:
- Risk-free interest rate: -0.052% (2018: 0.23%).
- Volatility: 20.19%, based on a 4-year historical average (2018: 17.95%).
- Dividend yield: 3.5% (2018: 2.5%).
- Term: 4 years (2018: 4 years).

Share options issued as per year-end 2019 break down as follows:

	Term	Exercise price	Number
29 March 2016	01 April 2020	34.35	272,312
24 March 2017	01 April 2021	34.65	243,161
23 March 2018	01 April 2022	44.10	151,607
22 March 2019	01 April 2023	31.50	764,506

For details of the number of share options allocated to individual Executive Board members, please see Note 6.
Gross expenses ensuing from this scheme have been calculated by external specialists using the Black-Scholes pricing model and amount to €1.9 million for the allocation in March 2019 (2018: €0.7) over the full 4-year term. Costs recognised in 2019 relating to the current option series total €0.8 million (2018: €0.8).

6. Executive Board and Supervisory Board remuneration

The following provides an outline of how the remuneration policy has been put into practice over the past financial year. Members of the Executive Board and Supervisory Board are considered key management personnel. Remuneration of Executive Board members in office in 2019 that was charged to profit or loss amounted to €1,517 thousand (2018: €1,956). This remuneration can be broken down as follows:

	K. M. Slippens		R. W. A. J. van der Sluijs		W. J. P. Strijbosch	Total	
x €1,000	2019	2018	2019	2018	2018	2019	2018
Fixed salary	533	485	464	421	421	997	1,327
Short-term bonus	40	56	35	49	49	75	154
Long-term bonus	40	56	35	49	49	75	154
Pension premium and compensation	149	127	82	74	90	231	291
Value of options	59	0	58	0	0	117	0
Statutory social security costs	11	10	11	10	10	22	30
Total	**832**	**734**	**685**	**603**	**619**	**1,517**	**1,956**

The short-term bonus and the long-term bonus relate to performance in the year in question. Both bonus plans result in a payment of 30% of the fixed salary upon achievement of the targets in the 'at target' level. The payment is made in the following year.

50% (2018: 50%) of the bonus depends on the extent to which the budgetary profit target has been achieved. If under 90% of the profit target is achieved, no bonus will be paid, while achievement of the target will lead to a short-term bonus of 15% (2018: 15%) of the board member's fixed salary. If the profit target is exceeded, the bonus will increase based on the percentage by which the target is exceeded.

For the 2019 financial year, the other 50% of the bonus was awarded based on achievement of the following;

1. SAP implementation on schedule as planned;
2. Heineken integration on schedule as planned and 2019 budget delivered;
3. Set-up of the new organisational model and management complete, including new financial and KPI reporting structure, with due attention to our culture;
4. 'ZB van de Toekomst' (Cash-and-Carry of the Future) plan worked out in detail and initial pilots performed in 2019.

The long-term bonus equals the short-term bonus, albeit that the net amount of the long-term bonus must be used to purchase Sligro Food Group shares that must be held for a minimum period of four years. By using lock-up periods of at least 4 years for the long-term bonus, the remuneration structure is also geared towards forging a long-term mindset and long-term value creation. The budgetary profit target and other targets were set based partly on remuneration scenario analyses. In the 2019 financial year, bonuses were based on 25% of at-target level (2019: 39%).

The value of the share options is determined by taking the number of share options allocated during the financial year and multiplying it by the value of each share option, as calculated using the formula specified in 5.E. Share and share option transactions are subject to rules to prevent insider trading, and share transactions are permitted only over a period of two weeks after publication of the annual figures, interim figures, and the shareholders' meeting, and only if there is no prior knowledge during that period.

Executive Board members also receive an expense allowance to cover business travel using their private cars. Executive Board and Supervisory Board remuneration is not charged to subsidiaries.

x € 1.000	K.M. Slippens		R.W.A.J. van der Sluijs		W.J.P. Strijbosch
	2019	2018	2019	2018	2018
Expense allowance	8	8	8	8	8
Kilometre allowance	30	25	25	22	33

Movements in Executive Board members' share and share option holdings break down as follows:

Shares

x 1	K. M. Slippens	R. W. A. J. van der Sluijs
Opening balance	106,296	8,958
Purchase	1,106	962
Sale	0	0
Closing balance	**107,402**	**9,920**

Options

x 1	K. M. Slippens	R. W. A. J. van der Sluijs
Opening balance	21,300	21,300
Expired	(7,700)	(7,700)
Granted	21,100	21,100
Closing balance	**34,700**	**34,700**

The number of share options issued as at the end of the financial year breaks down as follows:

Options

x 1	Exercise price	K. M. Slippens	R. W. A. J. van der Sluijs
valid through to 1 April 2020	34.35	7,800	7,800
valid through to spring 2021[1]	34.65	5,800	5,800
valid through to spring 2023[1]	31.50	21,100	21,100
Closing balance		**34,700**	**34,700**

[1] Valid until the date of the 1st ex-dividend listing following the General Meeting of Shareholders in which the financial statements for the past year are approved.

Supervisory Board remuneration

The annual remuneration for the chairman of the Supervisory Board amounted to €58 thousand (2018: €56), while the other Supervisory Board members were paid €40 thousand (2018: €39). Supervisory Board members also received compensation for attending Supervisory Board meetings amounting to €35 thousand (2018: €35). Supervisory Board chairman and member remuneration does not depend on the company's results. Total remuneration amounted to €253 thousand (2018: €246). Supervisory Board members are not awarded shares and/or share options. No loans, advances and/or guarantees have been granted to Executive Board and Supervisory Board members.

7. Audit fees

Recognised in the general costs, fees paid for the audit of the financial statements amounted to €730 thousand in 2019 (2018: €571).
This increase is partly due to one-off costs incurred for the integration of acquisitions (De Kweker), implementation of new accounting standards and the lower materiality. The fees for 2019 include an amount of €nil in additional costs relating to the audit from the previous financial year (2018: €18 thousand). Other assurance-related services consist primarily of other activities, including audits for customer-related arrangements. The auditor charged €40 thousand for this in 2019 (2018: €21). The auditing firm is not engaged for consulting services.

Audit fees break down as follows:

x € million	2019 Deloitte Accountants B.V.	2019 Deloitte network	2018 Deloitte Accountants B.V.	2018 Deloitte network
Audit of the parent company's financial statements	645		476	
Audit of subsidiaries		85		95
Subtotal of consolidated financial statements	**645**	**85**	**476**	**95**
Other assurance-related services	16	24	21	0
	661	**109**	**497**	**95**

8. Financing income and expenses

x € million	2019	2018
Financing expenses on leases	(3)	0
Financing expenses on other financial liabilities	(4)	(4)
Other financing income and expenses	0	0
	(7)	**(4)**

Other financing income and expenses concern financing income from loans granted to customers and late-payment charges paid by customers, as well as interest on prepaid tax.

9. Taxation

9.A Taxation (income tax)

Contributing towards society by paying taxes in line with the (legal) rules that we have all agreed on as a society is something we take extremely seriously and consider part of decency in business. Although we do use tax breaks and incentives, we neither take these practices to the limit, nor use tax avoidance routes through ‘tax havens’ to optimise our tax position. As we are now also operating in Belgium, we are looking into how to spread our taxable profit over the two countries in which we operate. The basic idea is to align the allocation of operating profit (and the related tax payable) with the responsibilities and relevant operations in each of the two countries.

Our aim is to have all our stakeholders see us as a company that adheres to the rules of decency in business, and we are more than happy to render account on our corporate social responsibility as and when asked, such as through meetings with investors or in presenting and explaining our figures to the works council. The subject of taxes is also high on the agenda of our Audit Committee, which regularly verifies whether tax advice and returns are in line with Sligro Food Group’s policy. Aside from that, the taxation item is not part of the KPIs that our company uses to monitor performance.

Where appropriate, we proactively engage with the relevant tax authorities. We have, in fact, formalised such liaising with the tax authorities in the Netherlands in a covenant for Horizontal Monitoring with the Dutch Tax authorities and Customs Administration. As of 2020, the Dutch Tax authorities are going to implement the concept of Horizontal Monitoring differently. The Group does not expect this to involve material changes to the cooperation between the Group and the Dutch Tax authorities, which includes mutual agreements on how to ensure a transparent relationship. This agreement furthermore includes specific arrangements on the efforts the company will go to in making tax controlling part of its overall control measures, which is something we are continuously working on. Progress in this respect is monitored through regular meetings with the tax authorities, which includes a continued focus on making sure we pay our fair share of taxes and do not push the limits of tax legislation.

Although the concept of Horizontal Monitoring does not exist in Belgium, we are proactively engaging with the relevant bodies there as well, as we aim to avoid potential tax risks relating to our recently launched and acquired Belgian operations, while also building the kind of relationship with Belgian tax authorities that we already have with Dutch tax authorities. In 2019, we obtained a ruling regarding the legal merger of our Belgian subsidiaries, which took place this year.

The justification and definition of the transfer pricing method used is an integral part of our tax control practices. We therefore comply with current additional documentation obligations as part of Country-by-Country reporting and in submitting the group file and local file.

The Dutch and Belgian tax systems differ in how they treat profit in the financial statements and taxable profit. These differences arise partly as a result of the difference in the measurement of intangible fixed assets, real estate, inventories, provisions, investment-related tax credits, as well as amounts that are not or are only partly tax deductible.

The taxation item in the statement of profit or loss can be explained as follows:

x € million	**2019**	**2018**
Payable for financial year	8	11
Prior-year adjustments	(2)	0
Liability for financial year	**6**	**11**
Tax recognised directly in comprehensive income: change in long-term loan cash flow hedge	0	(0)
Change in and release from deferred tax liabilities	2	(1)
Tax expense from continuing operations	**8**	**10**

The tax expense from continuing operations does not include the tax expense from discontinued operations, which amounts to €0 million (2018: €5); this amount is recognised under the 'Profit from discontinued operations, after tax' item (see Note 10).

The tax expense per share breaks down as follows:

x € million	2019	2018
Tax expense per share from continuing operations	0.18	0.23
Tax expense per share from discontinued operations	(0.01)	0.12

9.B Effective tax rate

The effective tax rate can be explained as follows:

x € million	2019	2018
Pre-tax profit	42	56
Nominal tax rate (Netherlands 25.0%, Belgium 29.58%)	11	14
Prior-year adjustments	(2)	0
Energy-saving investment and similar tax credits	(2)	0
Change in deferred tax liabilities	1	(4)
Other, including tax breaks and non-deductible amounts, untaxed results of associates	0	(0)
Effective tax rate 18.5% (2018: 18.3%)	**8**	**10**

At the end of the financial year, we make an estimate for a number of tax-related items. When filing our tax returns, the actual outcomes may deviate from these estimates, causing (minor) inconsistencies. The subsequent adjustments from prior years are recognised in the current financial year. The €2 million adjustments from prior years made in 2019 fully relates to 2018.

As part of our CSR agenda, we are investing in sustainable cooling and heating systems at our sites, for which we use the available tax credits.

At year-end 2018, the Dutch parliament passed a change in legislation that will see the nominal corporation tax rate lowered gradually from 25% to 20.5% over the coming years. In 2018, this led to a non-recurring release from deferred tax liabilities totalling €4 million. In 2019, an amount of approximately €2 million of this release was reversed, based on amendments to the gradual reduction made by the government. The applicable rate is 25% for 2020 and 21.7% from 2021 onwards. The other measures from the 2020 tax plan do not have a material impact on the Group.

The untaxed profits of associates relate to our share in our associates' post-tax profits, which qualify for the participation exemption. The other corrections concern mainly non-deductible expenditure for employee benefits, including our share participation plan, and non-deductible consulting fees incurred in relation to acquisitions.

9.C Income tax receivable and payable

As at the financial year-end, the following items are recognised:

x € million	2019	2018
Receivables	3	16
Payables	0	0
Net closing balance	**3**	**16**

As at year-end 2019, all Dutch wholly-owned subsidiaries (including Wheere and its subsidiaries) are included in the fiscal unity for corporation tax purposes, meaning that taxes are levied as if it concerned one single company. This also means that all companies in the fiscal unity are liable for the fiscal unity's tax liability. The balance as at the end of the financial year relates to the financial year in question.

9.D Deferred tax liabilities

The deferred tax liabilities can be broken down as follows:

	2019		2018	
x € million	Receivable	Liability	Receivable	Liability
Intangible fixed assets		15		10
Tangible fixed assets		16		17
Right-of-use assets		39		
Lease liabilities	41			
Inventories		1		0
Other	4		0	
Closing balance	45	71	0	27
Net liability as at the end of the financial year		**26**		**27**

The deferred tax liabilities relate primarily to the recognition of intangible fixed assets from acquisitions, right-of-use assets and liabilities, and deviating measurement of real estate, for which fiscally specific rules are used. Furthermore, the Other item includes a deferred tax asset of €3 million relating to loss compensation. Given that participations of over 5% in the equity of other companies qualify for the participation exemption, profits and/or dividends are not taxed and/or are non-deductible. The difference in measurement of participations has, therefore, not been factored into the calculation of deferred tax liabilities.

Movements over the financial year were as follows:

x € million	2019	2018
Opening balance	25	25
Acquisitions	7	
Rate adjustment	2	(4)
Change during financial year recognised in profit or loss	(8)	3
Change during previous years recognised in profit or loss	0	
Transfer from/to liabilities relating directly to assets held for sale	0	3
Closing balance	**26**	**27**
IFRS 16 accounting policy change		(2)
Opening balance as at 30 December 2018		**25**

There are no off-balance sheet deferred tax liabilities or assets.

10. Profit/loss from discontinued operations, after tax

In 2019, the comparatives in the statement of profit or loss show discontinued operations separate from continuing operations. In 2018, discontinued operations concerned mainly food retail operations that were classified as discontinued operations at year-end 2017. This includes the consulting fees and one-off demerger expenses relating to this transaction, which totalled approx. €8 million, part of which relates to the period after the sale. There were only limited transfers between the Food Service and Food Retail segments, which have been eliminated. The sale of the Food Retail operations was wrapped up on 1 July 2018, resulting, including the sale of the real estate, in a net book profit of €226 million in 2018. By using the participation exemption for the profit from this transaction, the effective tax rate applicable to the profit from discontinued operations comes in at 2.2% for 2018.

The figures for 2019 present the Vroegop AGF company, which was acquired as part of the acquisition of Wheere, as 'Profit from discontinued operations', given that this company was in dire straits at the time of the acquisition and was dismantled during the last six months of 2019.

A summary of the statement of profit or loss from discontinued operations can be shown as follows:

x € million	2019	2018
Net sales	13	396
Other operating income	0	1
Costs	(14)	(391)
Net result on sale of discontinued operations	0	229
Pre-tax profit/loss	**(1)**	**235**
Income taxes	0	(5)
Profit/loss from discontinued operations, after tax	**(1)**	**230**

x €1	2019	2018
Basic earnings per share from discontinued operations	(0.03)	5.21
Diluted earnings per share from discontinued operations	(0.03)	5.21

11. Cash flows from discontinued operations

x € million	2019	2018
Net cash flow from operating activities	(1)	4
Net cash flow from investing activities	0	407
Net cash flow from financing activities	0	
Net cash flow	**(1)**	**411**

12. Goodwill and other intangible fixed assets

Movements in this item can be broken down as follows:

x € million	Goodwill	Other intangible fixed assets			
		Site locations, customer relation-ships, brand names and other	Software	Assets under develop-ment[1)]	Total
At cost	155	182	50		232
Cumulative amortisation	0	(49)	(40)		(89)
Balance as at 30 December 2017	**155**	**133**	**10**		**143**
Investments			10	13	23
Divestments					
Amortisation		(11)	(9)		(20)
Impairments			(0)		(0)
Transfers to other receivables		(9)			(9)
Total changes	0	(20)	1	13	(6)
At cost	155	153	45	13	211
Cumulative amortisation	0	(40)	(34)		(74)
Balance as at 29 December 2018	**155**	**113**	**11**	**13**	**137**
Investments		1	7	14	22
Divestments			(0)		(0)
Acquisitions	13	26	0		26
Amortisation		(12)	(10)		(22)
Impairments			(0)		(0)
Total changes	13	15	(3)	14	26
At cost	168	180	52	27	259
Cumulative amortisation		(52)	(44)		(96)
Balance as at 28 December 2019	**168**	**128**	**8**	**27**	**163**

1) The investments are the net amount of investments made and transfers from tangible fixed assets over the financial year.

Breakdown of intangible fixed assets by cash-generating units

The site locations, customer relationships and other can be broken down as follows:

x € million	2019	2018
Intangible fixed assets relating to acquisitions		
Customer relationships	90	105
Site locations	15	1
Brand names	23	7
	128	**113**
Intangible fixed assets not relating to acquisitions		
Software	8	11
Assets under development	27	13
	35	**24**
Closing balance	**163**	**137**

As of 1 January 2019, the Group makes a distinction between two cash-generating units, i.e. the Netherlands and Belgium. Note 2 gives a further explanation of the new organisational structure and segments that these units are based on.

The goodwill is distributed across the segments as follows:

Cash-generating unit

	2019
Netherlands	125
Belgium	43
Closing balance	**168**

The realisable value of the cash-generating units, i.e. the Netherlands and Belgium, is based on an enterprise value calculation and determined by calculating the net present value of estimated future cash flows generated through the continued use of these cash-generating units.
This calculation is based on the realised operating profit (EBIT) of the past year, the plan for the coming financial year, and projections for the 2021-2024 period, which are based partly on empirical figures. The key assumptions underlying the calculation of the realisable value concern the discount rate and the terminal growth rate. Other key assumptions are the average net sales growth, average improvement of the gross margin percentage compared to the net sales and average improvement of the EBITDA percentage compared to the net sales for the years 2020 to 2024 inclusive.

These assumptions are the following:

Assumptions used

As %	Netherlands	Belgium
Pre-tax discount rate	7.1	7.8
Terminal growth rate	0.0	0.0
Net sales growth	3.4	5.1
Gross margin percentage improvement	0.8	2.0
EBITDA percentage improvement	6.8	38.8
WACC after tax	5.6	5.8

The conclusion drawn based on this calculation is that the realisable value of both cash-generating units exceeds the net invested capital and an impairment loss has, therefore, not been recognised. However, for the cash-generating unit in Belgium, this constitutes limited headroom of €21 million compared with the net invested capital of €127 million.

The Group has been operating in Belgium for a few years and is currently still busy developing its market position there. At the present stage, significant investments are being made and start-up losses are being incurred. In its expectations for the coming years, the Group assumes that net sales in Belgium will grow faster than the market, because the set-up is still in full swing, and also because part of the net sales from the Netherlands will be transferred to Belgium. A significant improvement in the results is expected to be noted already in 2020.

Expectations for the more distant future, as used in determining the realisable value, are positive, but we will closely monitor the key assumptions over the coming years, as well as the relationship between the net invested capital and the valuation of future cash flows.

A sensitivity analysis for the Belgian cash-generating unit was performed on the assumptions applied to estimate the present value of the cash flows. This involved considering which application of the key assumptions used is required to get down to the point where the remaining headroom is nil.

Assumptions in 2020-2024

in %	**Applied**	**Nil headroom scenario**
Net sales growth	5.1	3.8
Gross margin percentage improvement	2.0	1.4
EBITDA percentage improvement	38.8	33.2
WACC after tax	5.8	6.6

The assumptions used are based on recent figures and plans for the coming year. Based on the expertise and experience from recent years, the Group deems these assumptions realistic.

13. Tangible fixed assets

Movements in this item can be broken down as follows:

x € million	Land and buildings	Machinery and equipment	Other fixed assets	Assets under construction[1]	Total
At cost	382	60	184	7	633
Cumulative depreciation	(144)	(42)	(144)	0	(330)
Balance as at 30 December 2017	**238**	**18**	**40**	**7**	**303**
Investments	35	7	22	8	72
Divestments	(20)	(0)	(1)	0	(21)
Depreciation	(14)	(6)	(19)	0	(39)
Impairments[1]	(2)	0	0	0	(2)
Total changes	(1)	1	2	8	10
At cost	389	63	182	15	649
Cumulative depreciation	(152)	(44)	(140)	0	(336)
Balance as at 29 December 2018	**237**	**19**	**42**	**15**	**313**
Investments	58	7	25	17	107
Divestments	(37)	(0)	(1)		(38)
Acquisitions	19	0	2	0	21
Transfers	4	0	0	(4)	0
Depreciation	(16)	(6)	(21)	0	(43)
Impairments			(0)		(0)
Transfers from assets held for sale	2				2
Total changes	30	1	5	13	49
At cost	431	68	201	28	728
Cumulative depreciation	(164)	(48)	(154)		(366)
Balance as at 28 December 2019	**267**	**20**	**47**	**28**	**362**

Several material divestments were made in 2019, including the sale and lease back of the delivery service site in Deventer.

[1] This concerns impairment of refurbishments at the old head office and impairment of old IT hardware.

Assets under construction

The Group is constantly in the process of acquiring, expanding or upgrading cash-and-carry and delivery service sites. After completion of a project, assets under construction are transferred to the relevant tangible fixed asset categories.

Wholesale premises and distribution centres

The land and buildings item breaks down as follows:

x € million	2019	2018
Land	70	66
Buildings	130	115
Freehold land and buildings	**200**	**181**
Land occupied by leased premises	3	3
Leasehold improvements	64	53
Rented property and premises	**67**	**56**
Closing balance	**267**	**237**

The land covers a total surface of 849,000m² (2018: 794,000m²), of which 288,000m² is covered by the central complex (2018: 288,000m²).

Breakdown of buildings

	Number		Gfa[1]		Carrying amount (x € million)	
	2019	2018	2019	2018	2019	2018
Cash-and-carry sites	28	27	190	177	102	98
Delivery service sites	3	4	44	50	31	29
Production sites	2	2	10	10	5	6
Central complex	1	1	140	140	56	43
Decommissioned assets	2	2	6	3	3	2
Other	2	2	5	5	3	3
Financial year-end	**38**	**38**	**395**	**385**	**200**	**181**

1) Gross floor area x 1.000m².

14. Right-of-use assets and lease liabilities

The impact of the first application of IFRS 16 is detailed in accounting policy E.1.

Movements in right-of-use assets can be shown as follows:

x € million	Company buildings	Other operating assets	Total
At cost	253	3	256
Cumulative depreciation	(89)	0	(89)
Opening balance as at 30 December 2018	**164**	**3**	**167**
Additions	13	2	15
Renewals	11	0	11
Terminations	0	0	0
Depreciation	(16)	(1)	(17)
Total changes	**8**	**1**	**9**
At cost	272	5	277
Cumulative depreciation	(100)	(1)	(101)
Balance as at 28 December 2019	**172**	**4**	**176**

The lease liabilities have the following term:

x € million	2019
Non-current lease liabilities	174
Current lease liabilities	15
Closing balance	**189**

The total outflow of cash in 2019 was:

x € million	2019
Lease liabilities paid	18
Financing costs	3
	21

The term of the contractual future lease liabilities that have been converted into cash is as follows:

x € million	2019
Under one year	15
One to five years	65
Over five years	109
Contractual future lease liabilities	**189**

The statement of profit or loss contains the following items:

x € million	2019
Financing expenses under leases	(3)
Variable lease expenses not recognised in lease liabilities	(1)
Income from subleases	0
Costs of short-term leases	(4)
Costs of low-value leases	(1)

The term of the contractual future income from subleases that has not been converted into cash is as follows:

x € million	2019
Under one year	1
One to five years	1
Over five years	0
Contractual future income from subleases	**2**

Leases with an intrinsic term of less than 15 years and an option for renewal have been included for up to a maximum of 15 years. If the renewal option were to be extended by 5 years, this would result in an increase of both the right-to-use asset and the lease liability of approximately €20 million. The impact on the EBIT and EBITDA would not be material.

15. Investments in associates and other financial fixed assets

x € million	2019	2018
Associates	**50**	**53**
Other financial fixed assets		
Receivables from associates	1	1
Loans to customers	7	6
Financial subleases	2	
Derivatives		5
Closing balance	**10**	**12**

Associates

The associates can be broken down as follows:

	2019	2018
Ownership percentage as at financial year-end		
O. Smeding & Zn. B.V., Sint Annaparochie	49%	49%
M. Ruig & Zn. 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%
Coöperatie Inkoopvereniging Superunie B.A.[1], Beesd		
BLOC Groepering voor Samenaankoop en Invoer CVBA[1], Strombeek		

Valuation is based on associates' last-known figures. All participations held are of a strategic nature. Voting rights equal the percentage of the stake held.

Movements in associates are as follows:

x € million	2019	2018
Opening balance	53	53
Investments/divestments	(3)	(0)
Result	5	7
Dividend	(5)	(7)
Closing balance	**50**	**53**

The summarised financial details of the associates, based on a 100% ownership, as presented in their most recent financial statements (i.e. 2018 and 2017 respectively):

	Spar Holding B.V.		Other associates	
x € million	2019	2018	2019	2018
Assets	91	83	97	85
Liabilities	54	47	79	67
Shareholders' equity as at financial year-end	37	36	18	18
	2019	**2018**	**2019**	**2018**
Net sales	503	459	1,045	1,019
Profit	12	12	4	6

Other financial fixed assets

Loans to customers have an average term of several years and are generally granted at market rate, while some loans are granted interest-free.

[1] Concerns memberships of procurement organisations

16. Inventories

The inventories item breaks down as follows:

x € million	2019	2018
Central Distribution Centre Veghel	74	72
Sites	145	139
Packaging	9	4
Inventories in transit	2	2
Closing balance	**230**	**217**

The measurement of inventories includes a provision for obsolescence of €6 million (2018: €5).

17. Trade and other receivables

x € million	2019	2018
Accounts receivable	173	175
Suppliers	55	61
Closing balance	**228**	**236**

Receivables from suppliers concern bonuses, promotional benefits and outstanding credit notes. Details of the Group's exposure to credit and market risks and the maturity analysis for trade receivables are provided in Note 27.

The accounts receivable item includes a doubtful debt allowance of €5 million (2018: €4). This allowance was made under IFRS 9 based on the model for calculation of the provision for expected credit losses. Given that the Group recognises supplier bonuses separately, these were not deducted in setting the provision for expected credit losses.

Movements in this item were as follows:

x € million	2019	2018
Opening balance	4	4
Acquisitions	0	
Write-offs	(0)	(0)
Additions to profit or loss	1	0
Closing balance	**5**	**4**

18. Other current assets

x € million	2019	2018
Contract assets	6	7
Derivatives	9	
Other receivables and prepayments	31	26
Closing balance	**46**	**33**

Specific signing fees with customers are recognised under contract assets. Other receivables and prepayments concern, among other things, loans to employees and purchasing discounts for promotion periods that have already expired. The contract assets item does not include a downward revaluation (2018: €0).

19. Cash and cash equivalents

x € million	2019	2018
Cash balances and cash in transit	8	6
Free bank balances	11	27
Closing balance	**19**	**33**

20. Assets held for sale

Three properties in the Netherlands, which had been recognised as assets held for sale, were sold during the course of the financial year and one was reversed to tangible fixed assets.

Movements in this item were as follows:

x € million	2019	2018
Opening balance	9	0
Transfers from operations that will not be continued for the long term	0	9
Transfers to tangible fixed assets	(2)	
Impairments	0	(0)
Divestments	(7)	(0)
Closing balance	**0**	**9**

21. Shareholders' equity

Paid-up and called-up capital

The authorised share capital of €12,000,000 consists of 200,000,000 shares with a nominal value of €0.06 each.
As at 28 December 2019, the number of shares in issue and paid up was 44,255,015 (2018: 44,255,015), representing capital of €2,655,300.90 (as at 29 December 2018: €2,655,300.90).

Movements in the number of share options outstanding were as follows:

x 1	2019	2018
Opening balance	44,143,615	43,965,415
Changes	(35,200)	178,200
Closing balance	**44,108,415**	**44,143,615**
Average shares number of outstanding	44,117,215	44,099,065

All shareholders are entitled to dividend as announced from time to time, and they also have the right to cast one vote per share at the shareholders' meeting. Total movement in shareholders' equity is specified in more detail on Page 80.

Share premium

The following specifies amounts paid on shares above the nominal value.

Other reserves

An amount of €13 million (2018: €13) of this reserve is not distributable. This relates to the difference between the retained profits calculated based on the parent company's accounting policies and the direct changes in equity as a result of revaluations of the participation on the one hand and the part thereof that the parent company could have distributed on the other.

Revaluation reserve

To the extent that measurement of investment property at fair value leads to an upward adjustment of the measurement, a revaluation reserve is created for this with due observance of the deferred tax liabilities. This reserve is not distributable. In 2018, investment property was sold as part of the EMTÉ transaction, as a result of which the revaluation reserve was nil as at year-end 2018.

Hedging reserve

This is made up of the effective part of the cumulative net change in the fair value of the cash flow hedge on long-term borrowings. This reserve is not distributable.

Share repurchase reserve

This concerns the purchase value of 146,600 (2018: 111,400) shares repurchased as part of the share option scheme.

Undistributed profit/dividend

After the balance sheet date, the Executive Board submitted, with the Supervisory Board's approval, the following profit appropriation proposal:

x € million	2019	2018
Withdrawal from the other reserves	(29)	(119)
Special dividend paid (2019: €0.00 per share; 2018: €7.57)	0	333
Interim dividend paid (2019: €0.55 per share; 2018: €0.55)	24	24
Available for final dividend (2019: €0.85 per share; 2018: €0.85)	38	38
Profit for the financial year	**33**	**276**

Except for the interim dividend, this proposal has not been recognised on the balance sheet and does not impact on income tax.

22. Earnings per share

x €1	2019	2018
Basic earnings per share	0.75	6.25
Diluted earnings per share	0.75	6.25
Basic earnings per share from continuing operations	0.78	1.04
Diluted earnings per share from continuing operations	0.78	1.04

Share options allocated to employees with a exercise price below the average price over the year are factored into the calculation of diluted earnings per share.

23. Other provisions

x € million	2019	2018
Long-term	0	0
Short-term	8	16
Closing balance	**8**	**16**

The long-term other provisions relate to warranty obligations. The short-term part relates to a provision for restructuring costs set by the Group in 2018. Further details on this provision and how it has developed are provided in Note 5.a.

24. Borrowings from credit institutions

	Interest	Remaining term (years)	2019	2018
USD 75 million loan (Bullet)	4.15%	1	67	66
€30 million loan (Bullet)	1.33%	4	30	30
€40 million loan (Bullet)	1.67%	6	40	40
€70 million loan	Euribor + variable markup	4	50	60
€50 million loan	Euribor + variable markup	4	50	
Lease liabilities and other				4
Loans			**237**	**200**
Short-term borrowings from credit institutions			26	
Closing balance			**263**	**200**
Repayment obligations				
Within 1 year			77	14
Between 1 and 5 years			120	146
After 5 years			40	40
Closing balance			**237**	**200**

The Group uses a cross-currency interest rate swap to control the interest and currency risk involved in the USD-denominated loan in line with the treasury policy. Consequently, the exchange results on the USD-denominated loans were negative, coming in at minus €1 million (2018: minus €3), while those on the swaps were positive, totalling €1 million (2018: €3), which fully neutralise each other on balance. The term of the swap equals that of the loan and is presented under the other receivables. The USD-denominated loan is recognised under repayment obligations. The hedge of the outstanding USD-denominated loan has been treated as a cash-flow hedge. The fair value of the swap on the USD-denominated loan amounts to €9 million (2018: €5).

The 4.15% USD-denominated loan has effectively been converted into a 3.96% EUR-denominated loan through a cross-currency interest rate swap. The amortised cost of this loan was converted at the USD exchange rate as it was on the balance sheet date.

In 2016, the Group signed a shelf facility, in the form of a US Private Placement. This facility expired in 2019. In April 2016, the Group drew down an initial €30 million loan under this facility, with a term of 7 years and a fixed annual rate of interest of 1.33%. In September 2017, the Group drew down a second loan, amounting to €40 million, with a term of 8 years and a fixed annual rate of interest of 1.67%.

In 2019, the bank facility with Rabobank was revised and expanded. The revised facility has a ceiling of €80 million. The Group has already drawn down a €70 million loan under this facility in 2017. This loan has a revised remaining term of 4 years and interest on it is paid at a variable Euribor-linked rate of interest. In 2019 and 2018, a repayment of €10 million per year was made on this loan, putting the remaining debt at €50 million. Over the coming year, another €10 million will be paid off on this loan.

Furthermore, an acquisition loan of €50 million was taken out with Rabobank in 2019, with a 4-year term. Interest is paid on this loan at a variable Euribor-linked rate of interest.

An acquisition bank facility was also negotiated in 2019. This is a non-committed facility with a ceiling of €200 million, which will be available to the Group for a period of 4 years. The interest rate is determined on the date of the drawdown. The Group did not use this facility in 2019.

Short-term borrowings from credit institutions

As at year-end 2019, the Group has short-term credit facilities available totalling €127 million, of which an amount of €26 million was in use at the end of the financial year. An amount of €61 million of these facilities has been committed. Collateral totalling €5 million and guarantees totalling €4 million have been provided for long-term and short-term borrowings from credit institutions.

By year-end 2019, the Group must determine the following ratios for both the long-term liabilities and the short-term credit facilities:

1. Based on the figures reported in the financial statements:

	Convenant	Actual
Net interest-bearing debt/EBITDA	< 3.0	3.4

2. Based on the adjusted figures, not including application of IFRS 16. The facilities' documentation states that, in the event of changes to the accounting rules that exceed the boundaries of the covenants, the report may be based on rules that were applicable before the change.

	Convenant	Actual
Net interest-bearing debt/EBITDA	< 3.0	2.2

The method 2 ratios agreed are met. Failure to meet the ratio agreed entitles the credit providers to set further requirements.

25. Other taxes and social security contributions

x € million	2019	2018
VAT, excise duties and waste management charge	21	12
Income tax and social security contributions	12	7
Pension premiums	0	0
Closing balance	**33**	**19**

26. Other liabilities and accruals and deferred income

x € million	2019	2018
Employees	21	23
Customer bonuses	25	20
Packaging	9	9
Loyalty programme obligations	0	1
Other	29	21
Closing balance	**84**	**74**

Payables to employees includes liabilities for profit sharing, holiday pay and holiday leave.

27. Risk management

As part of its normal operations, the Group is exposed to a credit, liquidity and market risk (interest, currency and other market risk). The Group's policy and controls with respect to these risks have not changed compared to the previous year.

Credit risk

Part of the deliveries to customers as part of the food service operations are provided without guaranteed prepayment. The ensuing receivables are largely settled through Business Euro Direct Debet. In a small number of cases, payment is initiated by the customer. The above direct debit method is not a payment tool that guarantees payment, as it is conditional on the customer having sufficient funds in the account. Given the great spread of customers and short payment terms, the credit risk on deliveries on credit is relatively small in the food service operations. At year-end 2019, receivables from food service customers, as recognised under financial assets, amounted to approx. €7 million (2018: €6), with accounts receivable totalling approx. €173 million (2018: €175).

The age of these debts can be broken down as follows:

x € million	2019	2018
< 1 month	136	144
1 - 3 months	33	29
3 - 12 months	4	1
> 12 months	0	1
Closing balance	**173**	**175**

At year-end 2019, the Group's receivables from suppliers amounted to €55 million (2018: €61). These receivables relate mainly to purchasing-related annual arrangements that are paid out after the end of the year. By and large, the Group is able to offset these items against outstanding liabilities in case of non-payment by the supplier.

Expected credit loss calculation

The Group's portfolio of accounts receivable is made up of a large number of relatively small amounts. The Group uses a matrix to measure the ECLs of individual customers. Loss rates are calculated using a roll rate method based on the likelihood of a receivable progressing through the consecutive stages of delinquency having to be written off. Roll rates are calculated separately for exposures in Sligro's various operations, based on the following shared credit risk features - geographical area, length of the customer relationship and type of product purchased.
For customers where it is clear that they are in major financial difficulty or where payment arrangements have been breached significantly, a specific provision is created to cover the potential loss. If there is no reasonable expectation that trade receivables will be paid, they will be written off.

The table below shows the age and ECLs for accounts receivable as at the end of the financial year:

x € million			2019
	Average weighted loss percentage	**Gross carrying amount**	**Projected credit loss**
< 1 month	0.08%	136	0
1 - 3 months	0.42%	33	0
3 - 12 months	5.13%	4	0
> 12 months	13.43%	0	0
Doubtful debts	98.63%	5	5
Closing balance		**178**	**5**

x € million			2018
	Average weighted loss percentage	**Gross carrying amount**	**Projected 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 debts	82.49%	4	4
Closing balance		**179**	**4**

Expected credit losses on contract assets, receivables from food service customers and suppliers are measured based on the general approach, factoring in the creditworthiness of the customers and suppliers in question, but are negligible as at the end of the year.

Liquidity risk

The Group aims to maintain sufficient liquidity (partly in the form of commitments from financial institutions) to be able to meet its financial obligations at all times. The Group does so by, among other things, making relatively extensive use of medium to long-term credit facilities with spread repayment schedules to finance its business operations. Besides that, the availability of €61 million in short-term facilities is legally enforceable.

The following breaks down the financial liabilities, including estimated interest payments.

x € million	Non-current liabilities[1]	Short-term liabilities
< 1 year	71	593
1 - 5 years	126	
> 5 years	41	
Contractual cash flows	**237**	**593**
Carrying amount as at 28 December 2019	237	593

Market risk (interest and currency risk)
Part of the risk of fluctuations in foreign currency exchange rates and interest rates is hedged using derivatives.

Interest rate risk
Note 24 goes into the long-term financing and associated interest rate conditions.

Currency risk
The Group is primarily exposed to a currency risk on loans and procurement, and then mainly with respect to the US dollar exchange rate. As detailed in the section on accounting policy H2, the currency risk on loans has been hedged in its entirety. The Group furthermore hedges part of the USD-denominated procurement commitments using forward exchange contracts. The aim is to only hedge transactions with a term of longer than two months, meaning that transactions with a shorter term are not hedged. The annual USD-denominated procurement volume amounts to approx. USD 16 million, with an average term of approximately two months. Hedge accounting is not applied to forward exchange contracts for procurement commitments. The currency impact is recognised in the cost of net sales.

Capital management
The Group aims to make maximum use of its credit facilities for its financing, provided the associated covenants can be met comfortably. The Group does not have an explicit return objective with respect to the capital used.
Instead, the Group targets average net profit growth that is at least on a par with the targeted average net sales growth.

Fair value
The carrying amount of financial instruments is virtually equal to the fair value. In terms of the measurement method, financial instruments recognised at fair value fall into 'level 2', meaning that measurement is based on inputs from a financial institution that are partly based on observable market data. Assets held for sale are also measured at fair value and fall into 'level 3' (own measurement method based on knowledge available at the Group, as explained under F in the accounting policies).

Sensitivity analyses
The following shows for a number of external factors how changes to these factors impact on the Group's pre-tax profit. The following table provides a simplified rundown of the results:

x € million	Percentage increase	Effect on pre-tax profit in millions of €
Interest	1% point	(3)
Currency (USD)	1%	0
Wages	1%	(2)
Oil/energy	5%	(1)
Rents	5%	(1)

28. Operating lease and rental liabilities

As of 1 January 2019, the Group has been applying IFRS 16 Leases, meaning that assets and liabilities of all leases are recognised on the balance sheet, unless the lease term is under 12 months or the leases are low-value leases.

[1] Contractual cash flows are recognised at the swap price on the due date of the liabilities.

29. Investment liabilities

At year-end 2019, investment liabilities totalled approx. €41 million (2018: €55), relating primarily to investments in our delivery network, machinery and equipment, lorries and hardware and software.

30. Contingent liabilities

Claims

The Group has been informed of a claim that may possibly be made against the Group by the Jumbo & Coop consortium, in relation to the transaction regarding the sale of EMTÉ to this consortium in 2018. The buyers state that EMTÉ's gross margin failed to develop in line with their expectations in the period following the transaction. The Group does not feel that the consortium's accusations against the Group in relation to this topic are justified and has distanced itself from the accusations. The scope of a possible claim is not yet known at this stage. The Group is preparing for the next steps in this process and is confident with regards to any legal proceedings that may be necessary. The Group has not created a provision to cover potential future financial losses, partly because no reasonable estimate of the possible claim amount can be made on the basis of the current information. Furthermore, on the basis of the current information, we estimate the chances of a potential claim succeeding to be nil.

31. Estimates and judgements by the Executive Board

For a number of items in the financial statements, the Executive Board has made estimates. Although these are supported by analysis and calculations to the greatest degree possible, they always include some level of uncertainty. Historically, these estimates have not led to material misstatements.

Acquisitions and goodwill

Note 1 provides details on the measurement of the fair value of acquired assets and liabilities, while Note 12 goes into the measurement of goodwill and associated impairment testing.

Credit, liquidity and other market risk

Note 27 contains information about these risks, including a sensitivity analysis.

Procurement and sales bonuses

Estimation of purchasing bonuses is based on a bottom-up calculation of purchasing volume and conditions on the one hand and based on inputs from our procurement association, Superunie, on the other.
Customer bonuses are estimated based on sales combined with contractual arrangements with our customers.

Provision for obsolete inventories

When it comes to the inventory, an estimate is made of potentially obsolete inventory included in the inventory at year-end. For food, we base this estimate on historical impairments. For non-food, we base this estimate on judgements made by our procurement and retail assortment managers in combination with an analysis of the turnover ratio of the available inventory.

Restructuring provision

The restructuring provision is based on the employees that will be affected in combination with the social plan agreed on with the works council. An estimate has been made of the extent to which employees will make use of the scheme or leave the company without using the scheme.

Tangible fixed assets and assets held for sale

The Group owns a relatively large number of properties that it uses for its operations, as well as assets held for sale. At year-end 2019, these items, excluding investments in rented property, amounted to approx. €200 million (2018: €190).

This is based on the assumption that these properties will be continued to be used for the same purposes, unless these assets have been designated to be sold. Any changes to this assumption, such as in case of relocations, may prompt a downward revision of the measurement to a lower direct net realisable value. The net realisable value may also turn out to be higher than the carrying amount.

32. Statement of cash flows

The statement of cash flows has been prepared using what is known as the direct method. The statement of cash flows shows cash receipts and disbursements instead of income and expenditure. Acquisitions are recognised in the statement of cash flows at the purchase price, less cash and cash equivalents. The contribution value and the purchase price of acquisitions and participations are specified in Note 1. Receipts from customers concern net sales inclusive of VAT and the change in receivables from customers. Payments to the government include both VAT and excise duty payments and payments of income tax, social security contributions and pension premiums. Income tax paid is recognised separately.

The following statement shows the reconciliation of cash flow from business operations to the operating result:

x € million	2019	2018
Operating profit	42	288
Depreciation and amortisation	82	61
Impairments	1	2
EBITDA	**125**	**351**
Other operating income included in cash flow from investing activities	(6)	(239)
	119	112
Movements in working capital and previous changes		
Inventories	(3)	(5)
Trade receivables and other current assets	17	(41)
Current liabilities	1	10
Provisions	0	(1)
Shareholders' equity	1	(0)
	16	**(37)**
Net cash flow from business operations	**135**	**75**

The cash, cash equivalents and current liabilities item is reconciled to the balance sheet as follows:

x € million	2019	2018
Cash and cash equivalents	19	33
Borrowings from credit institutions	(26)	0
Closing balance	**(7)**	**33**

33. Related parties

In the fresh produce segment, the Group has struck up partnerships with and acquired participations in the fresh produce companies listed in Note 15. In 2019, these partnerships and participations represented a total procurement value of €208 million (2018: €248) at prices that were in line with market conditions. At year-end 2019, net trade payables to these companies amounted to €30 million (2018: €39). Given the nature of these payables, they are recognised under accounts payable.

The Group has a 40% stake in Vemaro B.V. for tobacco products. Vemaro B.V. has also been granted a loan of €1 million (2018: €1). This item is recognised under other financial fixed assets. The Group furthermore guarantees Vemaro's receivables from certain customers without limits. At year-end 2019, net trade payables to Vemaro amounted to €10 million (2018: €13). Given the nature of these payables, this item is recognised under accounts payable.

The Group is a member of the Superunie procurement cooperative, which covers a significant part of the Group's procurement needs. In 2019, the procurement value amounted to €587 million (2018: €871). At year-end 2019, net trade payables amounted to €48 million (2018: €48). Given the nature of these payables, they are recognised under accounts payable.

Some companies in the Group are members of the BLOC procurement cooperative. In 2019, the procurement value amounted to €5 million (2018: €11). At year-end 2019, net trade payables amounted to €0 million (2018: €0), which are recognised under accounts payable.

See Notes 5 and 6 for details of the relationship with the related parties Stichting Pensioenfonds Sligro Food Group and the Executive Board members and Supervisory Board members.

In 2019, on balance 35,200 Sligro Food Group shares were purchased from Stichting Werknemersaandelen Sligro Food Group at the market price in 2019 (2018: 178,200 sold).

34. Supply Chain Finance

The Group has a Supply Chain Finance programme that offers participating suppliers the option to get credit to the amount of their invoices at participating banks at an interest rate of the 1-month Euribor rate plus 0.9% on an annual basis. At year-end 2019, the accounts payable item included an amount of €91 million (2018: €99) relating to participating suppliers. Sligro Food Group receives a (small) consideration under this programme, which has been recognised under Other operating income.

Company statement of profit or loss

x € million

	2019	2018	2017
Financing income and expenses	0	0	0
Result from participations	33	276	81
Pre-tax profit	**33**	**276**	**81**
Income taxes	0	(0)	(0)
Profit for the financial year	**33**	**276**	**81**

Company statement of financial position before profit appropriation

x € million	28 December 2019	29 December 2018	30 December 2017
Assets			
Intangible fixed assets			8
Financial fixed assets	500	537	648
Total fixed assets	**500**	**537**	**656**
Total assets	**500**	**537**	**656**

x € million	28 December 2019	29 December 2018	30 December 2017
Liabilities			
Paid-up and called-up capital	3	3	3
Share premium	31	31	31
Other reserves	420	214	519
Statutory reserves	13	13	17
Undistributed profit	33	276	81
Shareholders' equity	**500**	**537**	**651**
Payables to group companies	0	0	5
Total current liabilities	**0**	**0**	**5**
Total liabilities	**500**	**537**	**656**

Notes to the company financial statements

General

Sligro Food Group N.V. is based in Veghel and registered with the Chamber of Commerce under number 160.45.002. The company financial statements were prepared in compliance with Title 9, Book 2 of the Dutch Civil Code based on the accounting policies specified in Section D of the summary of accounting policies, whereby participations over which dominant control is exercised were measured based on net asset value, while applying the accounting policies of the consolidated financial statements.

Intangible fixed assets

Goodwill

x € million	2019	2018
Acquisition value	0	10
Cumulative amortisation	0	(2)
Opening balance	**0**	**8**
Divestments		(8)
Closing balance	**0**	**0**

Financial fixed assets

x € million	2019	2018
Participations	471	508
Receivables from group companies	29	29
Closing balance	**500**	**537**

Participations

This relates to the 100% subsidiaries Sligro Food Group Nederland B.V. and Sligro Food Group International B.V. Movements in this item can be shown as follows:

x € million	2019	2018
Opening balance	498	619
Result	33	276
Share-based payments	1	0
Net profit recognised directly in shareholders' equity	1	1
Change in own shares	0	6
Dividend	(62)	(394)
Closing balance	**471**	**508**
IFRS 16 accounting policy change		(10)
Opening balance as at 30 December 2018		**498**

Receivables from group companies

This item includes two loans granted with a total principal of €29 million (2018: €29). This concerns a €25 million loan (2018: €25) with a term through to 1 January 2023 and a €4 million loan (2018: €4) with a term through to 1 January 2021. Both these loans will be repaid in full on the maturity date, and they both bear interest at an annual rate of 1%.

Shareholders' equity

Changes in shareholders' equity are detailed on Page 80. For further details on shareholders' equity, please see Note 21 to the consolidated financial statements.

The reserves in the company financial statements reconcile to the consolidated financial statements as follows:

x € million	2019	2018
Consolidated		
Other reserves	473	511
Hedging reserve	(1)	(2)
Share repurchase reserve	(6)	(6)
	466	**503**
Company		
Other reserves	420	214
Statutory reserves	13	13
Undistributed profit	33	276
	466	**503**

Other reserves

Movements in other reserves were as follows:

x € million	2019	2018
Opening balance	204	519
Result on previous reporting period	277	81
Dividend paid	(62)	(397)
Change in statutory reserves	0	4
Change in cash flow hedge	1	1
Change in own shares	0	6
Closing balance	**420**	**214**
IFRS 16 accounting policy change		(10)
Opening balance as at 30 December 2018		**204**

Statutory reserves

The statutory reserves totalling €13 million (2018: €13) relate to the difference between the retained profits calculated based on the parent company's accounting policies and the direct changes in equity as a result of revaluations of the participation on the one hand and the part thereof that the parent company could have distributed on the other. The statutory reserves are determined on an individual basis.

Profit appropriation proposal

As detailed in Note 21, the Executive Board has, with the Supervisory Board's approval, submitted the following profit appropriation proposal after the balance sheet date:

x € million	2019
Withdrawal from the other reserves	(29)
Interim dividend paid (€0.55 per share)	24
Available for final dividend (€0.85 per share)	38
Profit for the financial year	**33**

Other notes

Contingent liabilities

Being the head of the Sligro Food Group N.V. tax entity, the company is liable for the tax debt of the tax entity as a whole.

The company has assumed joint and several liability for debts ensuing from the legal acts of its direct and indirect subsidiaries (Section 403, Book 2, Dutch Civil Code), as specified on Page 93.

As approved for publication, Veghel,

31 January 2020

The Supervisory Board	**The Executive Board**
Freek Rijna, Chairman	Koen Slippens, Chairman
Hans Kamps	Rob van der Sluijs
Bart Karis	
Marianne van Leeuwen	
Gert 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 2019 INCLUDED IN THE ANNUAL ACCOUNTS

Our opinion

We have audited the accompanying financial statements 2019 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 28, 2019 (before profit appropriation), and of its result and its cash flows for 2019 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 28, 2019 (before profit appropriation), and of its result for 2019 in accordance with Part 9 of Book 2 of the Dutch Civil Code.

The consolidated financial statements comprise:

1. The consolidated statement of financial position as at December 28, 2019.
2. The following statements for 2019: the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in shareholders' equity (before profit appropriation) and the consolidated statement of cash flows.
3. The notes to the consolidated financial statements comprising a summary of the significant accounting policies and other explanatory information.

The company financial statements comprise:

1. The company statement of financial position as at December 28, 2019 (before profit appropriation).
2. The company statement of profit or loss for 2019.
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.

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 a whole at € 4 million. The materiality is based on 10% of the profit before tax from continuing operations by taking into account non-recurring gains and losses. The applied percentage of 10% is higher than the applied percentage of 7,5% in 2018. We are of the opinion that the increase in the percentage and the determined materiality level is acceptable, given the size of the activities of Sligro Food Group N.V. For some elements in the financial statements, we have applied a lower materiality (e.g. Executive Board Remuneration), as in our opinion these

elements 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 and 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 Belgian activities. For both components we performed an audit of the financial information using the component materiality. We divided the group materiality over the Dutch and Belgian components based on the relative share in profit before tax taken into consideration qualitative factors.
We provided the Belgian component auditor 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 auditor.
By performing the procedures mentioned above at group and component 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.

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 realized by the own purchases of Sligro Food Group N.V. (Sligro) and additionally 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 t ax 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 charges 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"). Reasonably 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 agreed bonus conditions. The subsequent settlement of the bonuses in 2019 exceeded management's estimate as at 2018 by 0.8%.

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 bonus accounting, direct and indirect involvement of managers of Sligro, internal reviews, contract management and authorizations).

Additionally, closely involving our forensic experts, 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 2018 in 2019 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 he year and receivables at the end of the year.
- Assessment of realized condition- 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 the materiality level and our procedures performed, consisting of testing the design and implementation of internal controls as well as of substantive audit procedures, we concur with the estimates of the Executive Board. Please note, that in our opinion there is a degree of uncertainty with regard to the estimates as mentioned above. However, based on our work performed we did not note material deviations.

2. Impairment analysis of cash generating unit Belgium

Description

The goodwill per December 28, 2019 amounts to approximately € 168 million, of which approximately € 43 million for Belgium and € 125 million for the Netherlands.

The financial results in Belgium lag behind expectations. The headroom (difference between the expected value of the future cash flows and the carrying amount) is limited. Reason for us to mark the valuation of the goodwill in Belgium as a key audit matter in our audit. In the Netherlands, significant headroom exists. The assumptions in relation to the expected future cash flows are predominantly based on the approved budget for 2020. For the period thereafter (2021-2024) a growth percentage that is higher than the long-term growth rate is included, as Sligro is of the opinion that this is a better reflection of the expected developments. The results of the impairment analysis are most sensitive to:

- Revenue growth;
- Gross margin development;
- Development of the EBITDA as percentage of the revenue; and
- WACC.

How the key audit matter was addressed in the audit

Based on our materiality level, the requirements in IFRS and the applicable auditing standards, we have audited the impairment analysis in relation to the valuation of the goodwill of the Belgian segment. We have mainly adopted a substantive audit approach and did not rely on internal controls.

Our audit procedures have mainly focused on:

- Obtaining and evaluating the reports from the external experts used by Sligro;
- Obtaining and evaluating the budget of 2020 that is approved by the Supervisory Board;
- Assessment of the key assumptions in the impairment model and discuss the results thereof with the Executive Board and the Supervisory Board;
- Assessment of the management estimate in relation to the budget of prior years based on the actual financial results until 2019 (back-testing);
- Assessment of the impairment model, the calculated WACC and the long-term growth percentage, using internal valuation experts;
- Inspection of historical and forward-looking market reports for Belgium;
- Assessment of the growth assumptions of the location in Antwerpen in relation to the locations in large cities in the Netherlands;
- Assessment of the anticipated improvement in gross margins in comparison to the realized gross margin in 2019, the expected improvement in the operations and purchase bonus conditions;
- Assessment and comparison of the current KPI's (amongst others the revenue per FTE and results of the logistical services) and expected developments between Belgian locations and comparable locations in The Netherlands; and
- The accuracy and completeness of the related disclosures in the annual report.

Observation

No impairment has been recognized in the annual report. Based on our procedures performed, we are of the opinion that the anticipated revenue growth in combination with an improvement in the gross margin is ambitious, but in alignment with the strategic goals of Sligro in Belgium. We expect the Executive Board to be continuously alert on the actual realization of the assumptions included in the budget and projections. The sensitivity for the non-realization of financial improvements is significant as further analyzed and disclosed by Sligro as part of disclosure note [12] in the annual report.

Based on the procedures performed, we are of the opinion that the assumptions used by Sligro in the calculations are acceptable at this point in time and deem the related disclosures in the annual report sufficiently insightful to point the users of the annual report to the existing sensitivity and risks.

3. IFRS 16 – First time adoption of new lease accounting standard

Description

IFRS 16 replaces IAS 17-Leases and specifies the recognition, measurement, disclosure and presentation of leases. IFRS 16 is effective for annual reporting periods beginning on or after 1 January 2019.

The impact of the first-time adoption of IFRS 16 is disclosed in note (E1.) in the consolidated financial statements and consists of:
- Recognition right-of-use assets, amounting to € 167 million.
- Recognition of lease liabilities, amounting to € 181 million, of which € 15 million classified as current liabilities.
- Impact on operating profit (EBIT) of € 2 million and on EBITDA of € 19 million.

The determination of the lease term of the lease contracts and the applied incremental borrowing rate have a significant impact on the measurement of the right-of-use assets and lease liabilities.
Given the first-time adoption of IFRS 16, in combination with the size of the assets and liabilities recognized, management's estimates (mainly the applied lease term and incremental borrowing rate) and the disclosure requirements, we deem this to be a key audit matter.

How the key audit matter was addressed in the audit

Our audit focused on obtaining an understanding of the transition project and process that Sligro implemented to account for IFRS 16. Furthermore, we performed substantive audit procedures to test the accuracy and completeness of the recognized amounts:
- Evaluation of the accuracy and completeness of the lease contracts and the (possible) specific agreements.
- Evaluation of the applied transition options, verifying that these are in accordance with IFRS 16 and consistently and accurately applied.
- Evaluation of the incremental borrowing rate applied, involving our valuation experts.
- Evaluation of the accuracy and completeness of the disclosures in the notes to consolidated financial statements.
- Evaluation of the potential impact of IFRS 16 on the fiscal position and the ratios, as agreed in the loan agreements.

Observation

Based on our materiality level and our procedures performed, consisting of mainly substantive procedures, we agree with the recognized right-of-use assets and lease liabilities.

In comparison with prior year, we no longer included the key audit matters related to sales contracts foodservice activities and foodretail as discontinued operations. During the financial year, the process around sales prices was further optimized by the company, which contributed to more efficient audit procedures. The sale of foodretail activities and the recognition hereof in the financial information occurred in 2018 and was therefore no longer a key audit matter in the audit of the financial year 2019.

Emphasis of matter

We would like to draw your attention to page 122 in the notes of the financial statements, where management discloses a potential claim against Sligro Food Group N.V. in relation to the transaction regarding the sale of the retail activities in the summer of 2018. The outcome is uncertain and Sligro Food Group N.V. has not recognized a provision based on the requirements in IAS 37. If a financial claim would be made against the company and the Court would agree with this claim, it could potentially result in a (material) cash outflow. Our opinion is not modified in respect of this matter.

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.

The Executive Board 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, 2020

Deloitte Accountants B.V. Initial for identification purposes:

Drs. J. Hendriks RA

Profit appropriation policy in the articles of association

Article 46 of the articles of association stipulates as follows on dividends and reserves:

1) The company can only pay dividend to shareholders and other entitled parties from profits eligible for distribution to the extent that its shareholders' equity exceeds the amount of the paid-up and called-up part of the equity plus reserves that have to be maintained by law or under the articles of association.
2) The Executive Board is authorised to allocate all or part of the profits to the reserves, albeit only with the Supervisory Board's consent. The general meeting of shareholders can reverse such an allocation to the reserves by a two-thirds majority vote at a meeting where over half of the issued share capital is represented.
3) Any profits remaining after the aforementioned allocation to the reserves will be available to the general meeting of shareholders to distribute.
4) If the general meeting of shareholders does not decide to pay out the remaining profits for any financial year, these profits will be added to the reserves.
5) The Executive Board can, albeit only with the Supervisory Board's consent, decide to pay interim dividend, provided the requirement specified in paragraph 1 of this article is met and it is justified by an interim statement of assets and liabilities as specified in Section 2:105, subsection 4, of the Dutch Civil Code. The company shall make such a statement of assets and liabilities available at its offices for inspection within eight days of the announcement of the decision to pay interim dividend.
   The payment of interim dividend is also subject to paragraph 9 of this article.
6) The general meeting of shareholders can, following a proposal submitted by the Executive Board, opt for profit distribution from a distributable reserve, albeit only with the Supervisory Board's consent.
7) The general meeting of shareholders can, following a proposal submitted by the Executive Board, decide to distribute profits in the form of shares in the company, albeit only with the Supervisory Board's consent. Such distribution shall be without prejudice to share issue stipulations in these articles of association.
8) Dividends will be paid at the time and place defined by the general meeting of shareholders, albeit no later than one month after the relevant decision adopted by the general meeting of shareholders.
9) Dividends that have not been claimed within five years of the date on which they became payable will expire and revert to the company.
10) A deficit may be offset against the statutory reserves only to the extent permitted by law.

Other information

Five-year outlook

x € million[1]	2019	2018	2017	2016	2015
Result					
Net sales	2,395	2,346	2,142	2,813	2,670
EBITDA	127	114	144	156	160
EBITA	66	73	110	112	122
EBIT	44	53	91	87	103
Profit from continuing operations	34	46	76	73	81
Net cash flow from operating activities	132	45	172	153	140
Free cash flow[3]	36	102	98	72	78
Dividend proposed	62	62	62	57	52
Capital					
Shareholders' equity	500	537	651	627	606
Net invested capital[3][4]	902	675	779	668	613
Net interest-bearing debt[4]	424	162	146	60	26
Total capital	1,455	1,214	1,347	1,215	1,071
Employees					
Annual average (full-time)	4,100	4,056	3,995	6,571	6,068
Workforce male/female ratio	74/26	74/26	58/42	57/43	57/43
Directors male/female ratio[5]	83/17	88/12	92/8	100/0	100/0
Supervisory Board male/female ratio	80/20	80/20	80/20	80/20	80/20
Employee expenses[6]	218	209	177	272	253

1) If changes to the accounting system have been implemented, only the figures from the previous year that are shown in the main table have been recalculated. The IFRS 16 accounting policy change is applicable from 2019 onwards. The figures from 2017 are exclusive of food retail.

2) The 2019 free cash flow has been adjusted for the impact of IFRS 16 Leases to enable comparison of figures.

3) Excluding associates.

4) Inclusive of IFRS 16 Leases from 2019

5) Concerns the International Board, Dutch Management Team and Belgian Management Team.

6) Salaries, social security costs, and pension costs.

7) Data from StakeholderWatch, only for the Netherlands. The comparison figure relates to the first 120 measurements in January 2019 (for employees in February 2019).

8) In tangible fixed assets, assets held for sale, and software (on a transaction basis).

9) Excluding depreciation of right-of-use assets.

10) Calculated based on profit/loss after taxation.

11) 2018: special dividend following sale of food retail.

	2019	2018	2017	2016	2015
Corporate Social Responsibility					
Carbon reduction since 2010 as %	(27.7)	(20.9)	(20.1)	(17.4)	(16.3)
Sustainable product range as % of net sales	11.6	10.0	8.7	8.2	7.8
Customer satisfaction[7]	73	75			
Employee satisfaction[7]	56	57			
Supplier satisfaction[7]	67	63			
Investments					
Net investments[8]	85	74	59	80	60
Depreciation and amortisation[9]	(54)	(50)	(45)	(52)	(43)
Ratios					
Net sales growth as %	2.1	9.5	7.9	5.4	3.8
Profit growth as %	(25.3)	(39.6)	9.2	(9.1)	17.4
Gross margin as % of net sales	24.4	24.1	23.1	22.9	23.2
EBITDA as % of net sales	5.3	4.9	6.7	5.6	6.0
EBITA as % of net sales	2.8	3.1	5.1	4.0	4.6
EBIT as % of net sales	1.8	2.2	4.3	3.1	3.8
Profit as % of net sales	1.4	2.0	3.5	2.6	3.0
Returns on average shareholders' equity[10]	6.4	7.7	12.1	11.9	13.7
EBIT as % of average net invested capital	5.0	7.2	12.6	13.5	16.9
Net interest-bearing debt/EBITDA as %	2.2	1.4	1.0	0.4	0.2
Shareholders' equity as % of total capital	34.3	44.2	48.3	51.6	56.6
Net sales per employee (x €1,000)	584	578	536	428	440
Employee expenses per employee (x €1,000)	53	51	44	41	42

Details per share with nominal value of €0.06

x €1	2019	2018	2017	2016	2015
Number of shares in issue (x million)	44.1	44.1	44.0	43.9	43.8
Shareholders' equity	11.33	12.16	14.80	14.29	13.84
Profit	0.78	1.04	1.73	1.67	1.84
Dividend proposed	1.40	1.40	1.40	1.30	1.20
Special dividend[11]		7.57			

Profile

Sligro Food Group comprises food service companies in the Netherlands and Belgium, offering a comprehensive range of food and food-related non-food products and services in the wholesale market.

Netherlands
In the Netherlands, we are the market leader and operate a nationwide network of Sligro cash-and-carry and delivery service wholesale outlets serving large and small-scale companies in the hospitality industry, leisure facilities, caterers, large-volume users, company restaurants, petrol stations, small and medium-sized enterprises, small retail businesses, and the institutional market. We also do this in the City Region of Amsterdam under the wholesale formula brand De Kweker. In a long-term strategic partnership with Heineken, Sligro is responsible for the exclusive distribution of Heineken keg beer in the Netherlands. Sligro and Van Hoeckel each have a dedicated commercial organisation focusing on their specific markets, while they make use of joint delivery and other shared services.

Belgium
In Belgium, JAVA Foodservice focuses primarily on the institutional, corporate catering and hotel chain market segments. ISPC specialises in the hospitality industry and supplies high-quality, innovative food and non-food products to culinary professionals. ISPC operates combined cash-and-carry and wholesale delivery service outlets in Ghent and Liege. The first Sligro-ISPC wholesale formula outlet opened in Antwerp and the outlets in Ghent and Liège, as well as all new outlets that open over time, will also operate under the Sligro-ISPC brand.
These outlets are mainly aimed at serving large-volume users and the hospitality market.
The structure of the business in Belgium will gradually transform into one similar to that in the Netherlands, i.e. operating two formulas, Sligro-ISPC and JAVA Foodservice, each with their own commercial organisation while making use of joint delivery and other shared services.

Sligro Food Group has its own production facilities for specialist convenience products and fresh fish. The company also sources meat, game and poultry, fruit and vegetables, and bread and pastries through its participations in fresh-produce partners, which serve both the Dutch and Belgian market.

We offer our customers a selection of around 75,000 food and food-related non-food items, as well as a range of related services. Most of the purchasing for specific food service products is handled directly through the Sligro Food Group, although a portion is arranged through CIV Superunie B.A.

Sligro Food Group companies actively seek to share knowledge and make good use of the extensive scope for synergy and economies of scale. Activities that are primarily customer-related are carried out in the separate countries and business units. By combining our central purchasing with direct, meticulous category and margin management, we aim to continuously improve our gross margins and offer our customers a unique and innovative range. Operating expenses are managed by having an integrated supply chain and through constant focus on cost control. Centralised management of our IT landscape, centralised design and control of master data management, and centralised talent and management development all work to further enhance group synergy.

Sligro Food Group strives to be a high-quality business for all its stakeholders that constantly grows in a controlled manner. Sligro Food Group shares are listed on Euronext Amsterdam. The Group's head office is located in Veghel, Netherlands.

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Key dates

Agenda

Scheduled press releases will be published at 7.30am

2 January 2020	2019 annual net sales
23 January 2020	2019 annual figures
23 January 2020	Press conference, 11.00am
23 January 2020	Analysts' meeting, 1.30pm
31 January 2020	Publication of the annual report
19 February 2020	General Meeting of Shareholders registration date
18 March 2020	General Meeting of Shareholders for 2019 at the company's offices, 10.30am
20 March 2020	Ex-dividend date for 2019 final dividend
23 March 2020	Record date for 2019 final dividend
2 April 2020	Payment date for 2019 final dividend
23 April 2020	First quarter trading update
16 July 2020	2020 interim figures
16 July 2020	Analysts' meeting, 1.30pm
22 October 2020	Third quarter trading update

06 January 2021	2020 annual net sales
28 January 2021	2020 annual figures
28 January 2021	Press conference, 11.00am
28 January 2021	Analysts' meeting, 1.30pm
05 February 2021	Publication of the annual report
24 March 2021	General Meeting of Shareholders for 2020 at the company's offices, 10.30am

The company is based in Veghel and registered in the trade register of the Chamber of Commerce and Industry for East Brabant in Eindhoven under number 160.45.002.

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Shares and dividend policy

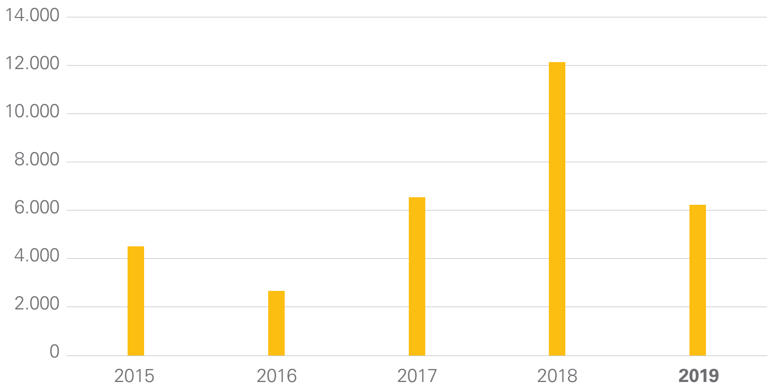
Sligro Food Group N.V.'s shares are traded on the Euronext Amsterdam N.V. stock exchange and are included in the AScX index.

The share

There were 44,108,415 shares in issue at the end of 2019, a decrease of 35,200 compared with year-end 2018. This decrease can be attributed to the shares repurchased for the share option plan.

The volume of traded shares in the reporting year amounted to 6,256 thousand (2018: 12,165) and the total value of shares traded was €178 million (2018: €492).

Number of shares traded
(x 1,000)



The majority of these shares are held by Dutch investors. Market information has been used to estimate the geographical distribution of share capital. This information covers 89% of the capital in 2019 (2018: 89%).

Breakdown of share capital

as %	Private individuals 2019	Private individuals 2018	Institutions 2019	Institutions 2018	Total 2019	Total 2018
Netherlands	53	53	21	23	74	76
UK			8	7	8	7
USA			4	5	4	5
Other countries			3	1	3	1
Total	**53**	**53**	**36**	**36**	**89**	**89**

Given that shareholders are required by law to report any substantial holding or short position reaching, exceeding, or falling below a certain threshold, this can result in shares being counted more than once, meaning that these notifications do not always provide an accurate view of the number of freely tradable shares. In the table below, where possible this 'double-counting' has been taken into account and corrected.

Substantial participations

as %	2019
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 Investment B.V.	5.03
J O Hambro Capital Management Ltd.	3.47

We seek to have regular contact with our investors and analysts. Twice a year, with the publication of the interim figures and the annual figures, we organise an analysts' meeting at our cash-and-carry outlet in Amsterdam. Additionally, we actively seek contact with analysts and investors during roadshows and conferences.

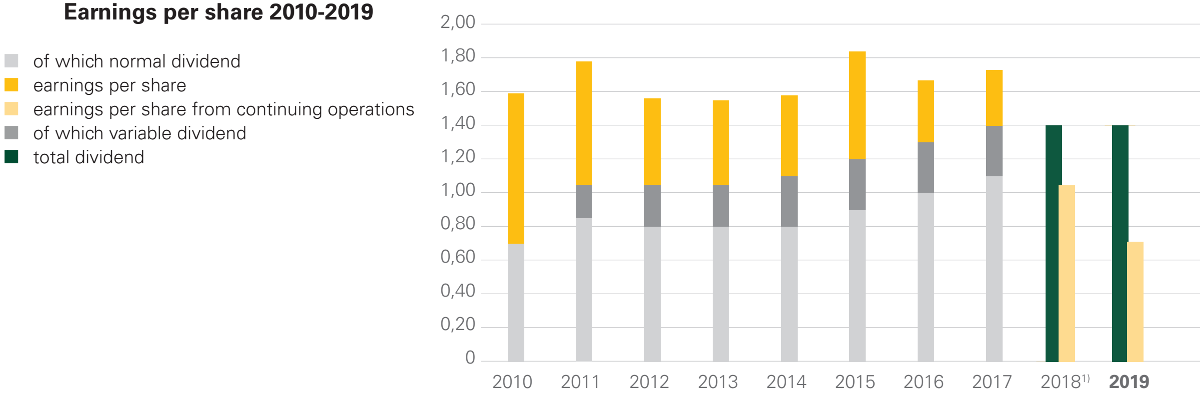
On 18 March 2020, we will hold our General Meeting of Shareholders at our Group head office in Veghel in the Netherlands.

Dividend policy

Sligro Food Group aims to pay a regular dividend of approximately 60% of the post-tax profit (excluding extraordinary items). A proposal may be made to pay a variable dividend, depending on the solvency and liquidity position. The dividend is paid in two instalments, i.e. an interim dividend in the second half of the year and a final dividend after the General Meeting of Shareholders.

We regard 2019 as a transition year in which a great deal was invested in programmes that have put pressure on profit levels in 2019 and which will contribute to the Group's result in the coming years. Based on our belief in these programmes and the current financial standing of the Group, we propose to pay a variable dividend of €1.40 per share. This equates to a payout ratio of 187%. An interim dividend of €0.55 per share was paid on 30 September 2019, leaving a final dividend of €0.85.

Earnings per share 2010-2019



1) In addition to this, as a result of the EMTÉ transaction, in 2018 we paid a one-off special dividend of €7.57 per share.

A cash dividend of €1.40 per share was paid in 2019, comprising the final dividend of €0.85 for 2018 and the interim dividend of €0.55 for 2019.

Information for investors on the share of sales

Sustainable ('eerlijk & heerlijk')	11.6%	Organic, sustainable, fair trade, and locally sourced products
Tobacco	10.7%	All tobacco-containing products
Alcohol	6.9%	All alcohol-containing products fit for human consumption
Pork	2.0%	Fresh pork from butcher, meat, and charcuterie sections

More information about Sligro Food Group

Sligro Food Group's website (www.sligrofoodgroup.nl) provides information about the Group, its 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.

Design: C&F Report

Project management: C&F Report
Sligro Food Group

Text: Sligro Food Group

Photography: Sander van der Veen Photography
TradeMark Fotografie
Stick to the Brand
New Brand Activators
iMediate
Twinning Media
Koen Luyten

Printing: Bek 1 op 1 publiceren

Paper: This report was printed on FSC®-certified paper
FSC® C019106

Disclaimer:
The 2019 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 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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